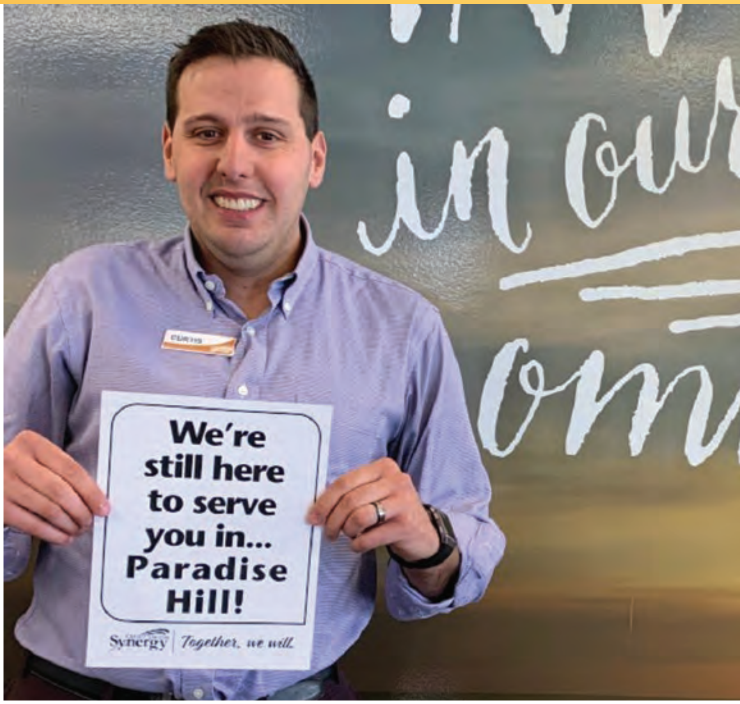
2020 ANNUAL REPORT

CREDIT UNION
Synergy



Mission Statement

THE SYNERGY EXPERIENCE, BUILDING RELATIONSHIPS BEYOND BANKING

Corporate Values and Commitment:

- We are committed to providing members with relevant financial products that fit with our demonstrated areas of expertise, chosen markets and within the channel the member prefers.
- We are committed to developing a leading service culture that provides members with a best-in-class experience. We encourage our employees to promote financial solutions that are responsive, resourceful and realistic to fulfilling our members' full-service needs and help contribute to Synergy's growth plans in the areas of banking, insurance* and wealth management*.
- We are committed to building a constructive learning corporate culture that offers employees progressive career opportunities that are engaging, educational and rewarding. We are committed to creating a great place to work that is healthy and diverse. We will do this in a manner that respects employees' responsibilities to their family, friends and communities.
- We are committed to providing meaningful contributions to the communities where we operate and live. We are also committed to enlisting community partners to stabilize and improve the regional economic condition.
- We are committed to leading by example and using our resources and expertise to effect positive change in our communities and create solutions to social, environmental and economic issues in our communities. We are committed to providing members with relevant financial products that fit with our chosen markets and demonstrated areas of expertise.

*Mutual funds, other securities and securities related financial planning services are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Financial Strategies Inc. is a member company under Aviso Wealth Inc., offering financial planning, life insurance and investments to members of credit unions and their communities. Credential Securities is a registered mark owned by Aviso Wealth Inc.

CEO Message

As credit union members, we are aware of the benefits of being part of the credit union. This year, perhaps more than any other, brought that to the forefront.

In our annual report and at our annual general meeting, we always look back at our credit union's successes and challenges to give our members some insight on our performance. Each year is unique, and it is important to evaluate what has happened and learn lessons that can be applied to improve in the future.

We will again take a look back at the previous year, but I can say with absolute certainty – there has been nothing like 2020 in my 39 years in the financial industry.

As the year began, it was business as usual, we were building towards another successful year. In early March, reports started to surface of confirmed cases of COVID-19 in Canada. We were monitoring and began to plan in case measures were needed. Things changed quickly. In mid-March, we were implementing increased cleaning and screening methods in our branches. By the end of the month, we encouraged staff members who weren't front-facing to work from home. In early April, we took the extraordinary measure of closing the doors to our branches and only saw members by appointment.

Throughout the summer, into the fall and still today, we are constantly monitoring the best approach to keep our members and staff safe – that will always be our priority. That has meant adjusted hours, encouraging members to use online tools to do basic transactions, and to participate in virtual meetings. Through all of this, we were still able to conduct our day-to-day business with our members; something we are extremely proud of.

Because of this, we asked for unprecedented patience from our members and staff in compliance with health official protocols. I cannot thank you enough for your adaptability as we navigated a situation that forced us to change direction seemingly every couple of weeks, and on some occasions within days.

Fortunately, because of the investments we had previously made, we were ready for the adjustments in many instances. Video conference calls became a regular occurrence. Front-line staff members were able to move quickly to step in and answer calls in our Member Contact Centre, who were receiving an unprecedented number of calls to assist members. It became "all hands-on deck", as our teams worked together to process loans and administer other programs to assist our members who were faced with challenges presented by the pandemic.

Just to give you an idea of how busy things became, in April, the Member Contact Centre handled 11,790 calls, 109 online chats and 457 emails. This team handled 89 per cent of the incoming phone calls in under 45 seconds – the national average wait time is 22 minutes. Incredible! I have heard success stories across our organization like that, with our team assisting members in less-than-ideal situations with immense pressure for tight turnarounds.

We knew our communities were also dealing with the fallout of the pandemic. We often say that we are here through the good times and the not-so-good times. And for many, this year was particularly challenging. We recognized gaps in our communities and shifted focus with the direction of the Synergy Shares program, which generally assists capital projects. We donated nearly $30,000 for front-line workers' Personal Protective Equipment (PPE) to the Lloydminster Region Health Foundation (LRHF) and Kindersley & District Health & Wellness Foundation. In May, we partnered with the Lloydminster & District Co-op to contribute more than $29,000 to food banks in the communities we serve. On International Credit Union Day, we were able to contribute $100,000 to 30 schools to help fund initiatives to improve students' physical and mental wellbeing. I was also thrilled with the response to our Member Rewards challenge as our members stepped up and put their $20.21 back into the community, supporting our small businesses and non-profit organizations.

As we look ahead to 2021, we know there is a lot of uncertainty, whether from the pandemic or the instability in our local economy. Like we have for nearly eight decades, I can promise you that Synergy Credit Union will be here, helping our members in their journey to financial success and supporting our communities wherever the need arises.

Thank you.

Glenn Stang
CEO

Board Chair Message

The year of COVID-19. I wanted to get that out of the way right off the start. 2020 was much more for Synergy Credit Union, but the pandemic definitely preoccupied the minds of our members, staff, management, and board. Managing these risks and service challenges continue into the new year as well. When this document is published for our AGM in April, I hope we can be talking about reaching a point of majority vaccinations and a return to some of the 'normal' life we have been missing.

Two things people dislike: change and rules. 2020 had an abundance of both! The past year also showed what we are capable of when faced with adversity. That is what I would like to focus on in my message. Members embraced (or endured) new technology to conduct their financial transactions with the assistance of Synergy staff and our always amazing but even more outstanding contact centre team. Management constantly balanced member needs with ensuring the safety and well-being of front line staff, while continuing to advance the business plan. A major event this year was welcoming Macklin Credit Union members to Synergy in a strategic partnership through a mid-year merger.

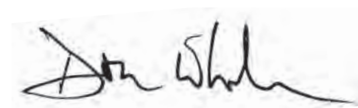
I would like to recognize the teams who contributed time, expertise, and innovative solutions to carrying out a merger during these unusual times. I would especially like to recognize the resiliency of our members who dealt with personal health issues, financial and employment loss, reduced in-person access to businesses, (including ours), limited family contact, and other unique stresses over the past year. Synergy and all credit unions relied on our staff to be empathetic and to find creative ways to connect and safely serve members while dealing with these same challenges.

Our board of directors embraced new technology and ways of governing this year as well. Strategic planning, business meetings, and training all became virtual. Who knew that Zooming would become a common term for everything from an Audit Committee meeting to a grandson's birthday party? Thank you to the board and management for your flexibility and cooperation in overcoming the technical challenges to continue to provide leadership.

During 2020, Synergy was again recognized as one of the Top Employers in Saskatchewan and continued to contribute hundreds of hours of volunteer service in our communities. Synergy's Emerging Leaders provided financial literacy workshops and offered numerous workshops in spite of the pandemic. Synergy also made significant progress on our digital journey and will be unveiling a new and improved digital banking platform this year. Members benefited again in 2020 with $1.9 million in cash payouts through our ProfitShares program.

Collaboration and cooperation became even more critical this year. Synergy continues to form strategic partnerships and seek alliances to ensure a sustainable, innovative and relevant future. We have set ambitious goals and are excited about the possibilities ahead in spite of the challenging time. Our members' feedback and suggestions are an important part of creating this future. We encourage you to be involved in your cooperative financial institution as we work to invest in the communities we serve.

Thank you for choosing Synergy.



Don Wheler
Board of Directors Chair

2020 Highlights

201
ACTIVE EMPLOYEES

3,791
TOTAL VOLUNTEER HOURS

IN-BRANCH TRANSACTIONS

2020	451,567
2019	744,553

1,809
LOANS PROCESSED THROUGH OUR MEMBER RELIEF PROGRAM
(PERSONAL AND BUSINESS)

28,000
VOTING AND NON-VOTING
MEMBERS

633
NEW MEMBERS

INTERAC e-Transfer® TRANSACTIONS

2020	570,207
2019	423,509

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WE ASSISTED
710
MEMBERS WITH A CANADIAN EMERGENCY BUSINESS ACCOUNT TOTALLING MORE THAN
$30 MILLION

2020 Highlights

Financial Literacy Program

Our Synergy Emerging Leaders (SEL) continue to build on the success of our Financial Literacy Program. We provided a total of 45 presentations from September 2019 to August 2020. Of those, 6 were delivered digitally. We continue to grow, increasing by 38% over last year.

This doesn't happen without the help of 22 staff volunteers. The group wishes to thank some of its key partners and is looking forward to working together in the future:

- Lloydminster Public School Division
- Lloydminster Catholic School Division
- North West School Division
- Sunwest School Division
- Slim Thorpe Recovery Centre
- Various seniors centres

Top Employer

Creating a workplace culture that inspires employees to help its members has helped Synergy Credit Union once again be recognized as one of Saskatchewan's Top Employers in 2020. It was the fourth consecutive year Synergy received the honour.

The accolade is a special designation that recognizes Saskatchewan employers that lead their industries in offering exceptional places to work. Employers throughout Saskatchewan were evaluated by the editors at Canada's Top 100 Employers using the same criteria as the national competition, including physical workspace, training and skills development and community involvement.

Macklin Legacy Donation

Macklin Credit Union contributed up to a maximum of $1.5 million towards the completion of the paving project at the Communiplex. The project consists of paving the entire parking lot as well as areas around and between the buildings.

These funds were made available as a result of the merger with Synergy Credit Union and represents a portion of the equity accumulated by Macklin Credit Union over the past 80 years of operation.

#MemberWellnessMondays

SEL also introduced Member Wellness Mondays, which provided members and non-members to tips and resources from mental wellness experts in hopes they can find something useful to improve their own physical, mental, emotional and financial wellbeing.

Welcome to Macklin Members

Synergy would like to welcome all of our new members and staff from Macklin, who joined Synergy following a membership vote in favour of amalgamation in March. We are excited to have you in the Synergy family and look forward to building on our relationship in the years ahead!

True to our Roots

In the early 1900s when credit unions were established in Canada, 7 Cooperative Principles formed a guiding light in building the Canadian credit union movement. At Synergy, we continue to live up to these principles; they play a leading role in the way we work with our members and in our communities every day.

1

VOLUNTARY AND OPEN MEMBERSHIP

We welcome anyone to join our credit union without discrimination on gender, social, racial, political or religious factors.

2

DEMOCRATIC MEMBER CONTROL

When an individual purchases a $5 member share, they have a say in how Synergy Credit Union operates through an opportunity to be a Director, to vote in our Board of Directors elections and by participating in the voting in bylaw changes at our Annual General Meeting. Macklin Credit Union exhibited this principle when their members shared their voice and voted in favour of merging with Synergy Credit Union in March 2020.

3

MEMBERS' ECONOMIC PARTICIPATION

When Synergy Credit Union has financial success, so do our members. In 2020, more than $2.7 million was paid to members in allocations to their ProfitShares accounts, and of that, members who had reached their ProfitShare account limits enjoyed a cash payout of $566,339. To date, more than $48 million has been paid back to members through our ProfitShares program, which started in 1983. Our members also benefited from $453,000 in their spending accounts through Member Rewards in 2020.

4

AUTONOMY & INDEPENDENCE

As a financial co-operative, Synergy Credit Union is controlled by real members like you, instead of outside shareholders. Decisions and partnerships with the credit union are made with the members' interests first.

5

EDUCATION, TRAINING AND INFORMATION

We provide members with access to resources and tools as a means to personal growth. Our goal is to empower our members through educational opportunities, including appointments with our experts who can assist in making key decisions for your financial future. Our financial literacy program, driven by the Synergy Emerging Leaders, provides educational opportunities for members and non-members through in-person and digital presentations on a wide range of topics. Additionally, we offer free financial wellness resources through our website.

6

COOPERATION AMONG COOPERATIVES

Your credit union strengthens the co-operative movement by partnering with organizations that share the same important values. This can happen operationally, through our partnerships with credit unions to deliver improved digital banking technology platforms. This also happens locally, like partnering with our local co-operatives to deliver funds to local food banks in our areas during a time when the shelves were starting to empty.

7

CONCERN FOR COMMUNITY

When you're a member of Synergy, you can be assured your day-to-day business translates into benefits for charities, local businesses and the entire community. Last year, we returned more than $400,000 to our communities through the Synergy Shares program, helping our region's non-profit and community sector with funds at a time when donations were down. In addition to financial support, we encourage and promote volunteerism with all of team Synergy. You'll often see a Synergy employee volunteer at both virtual and physical community events.

Business & Ag Financial Centre: *There For Our Members*

"Since partnering with Synergy Credit Union in 2017, Kaley and Jenna have been nothing short of amazing. My first email inquiry to Kaley about a partnership with Synergy was sent at 8:56 pm. By 9:57 pm of the same day, I had a reply with an outline of how we could proceed. Fast forward to today and add a global pandemic, Jenna was the first to reach out and say they would be there to support us through the uncertainties that lie ahead. This dedication and commitment is deeply rooted within Synergy's organization and it clearly shows through their community involvement, donations and all around presence within the community. This partnership has allowed our business to expand through a recession. By being a local business itself, Synergy Credit Union understands first-hand the industries they support."

Jeremy Paulgaard
Owner, J-Gaard Contracting Ltd.

"Synergy Credit Union was there to help us thru the Covid-19. From loan payment relief to helping out with financial assistance Jenna and the Synergy team was always there for us! Been a member for over 40 years and could not be happier! Like a good friend trying to make Cliff Rose for Clothes better. Thank you Synergy!"

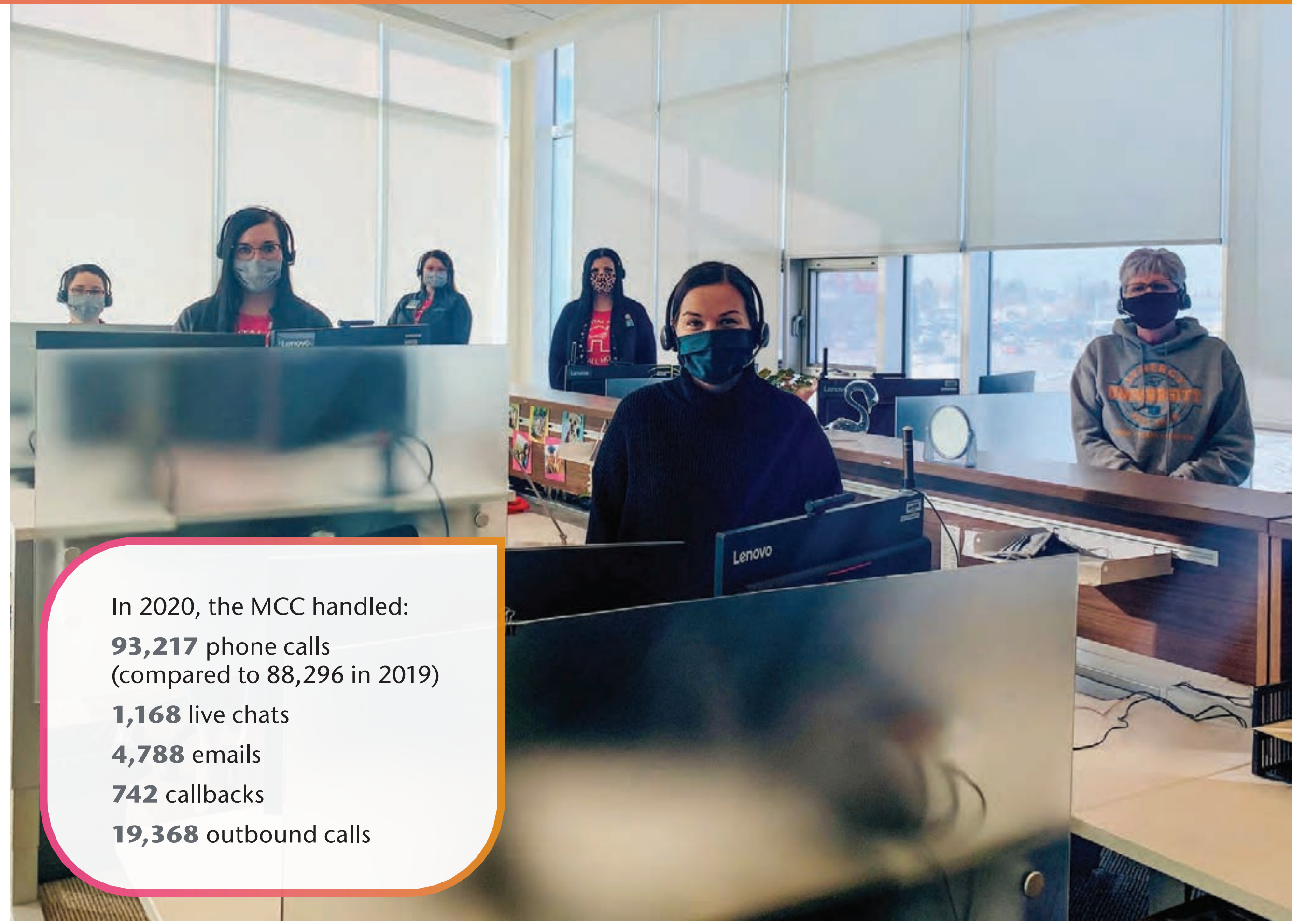
Dave Schneider
Owner, Cliff Rose for Clothes

"I would like to take a minute to thank Kaley and Synergy Credit Union for the many years of service that has been provided to our business. The customer service is second to none. With the many changes in today's society, it is nice to actually speak to a representative in person, whether it be doing our daily deposits, a phone call or speaking to Kaley, our business and financial representative. The staff is always friendly and courteous, and willing to go above and beyond to help and make sure everything is taken care of.

On the financial and business side of things, I would like to commend Kaley and Synergy Credit Union. They have always been there to give positive advice and direction during all of the uncertain times, which in turn has been a huge factor in the success of our business."

Harry Martens
President, S.O.R.E Oilfield Services

Supporting Members Through COVID-19



In 2020, the MCC handled:

93,217 phone calls
(compared to 88,296 in 2019)

1,168 live chats

4,788 emails

742 callbacks

19,368 outbound calls

Flexibility to Meet Member Needs

As one of the main points of contact for our members, Synergy's Member Contact Centre (MCC) has always been a busy place. But as the traditional business methods that members used became more difficult as the pandemic started, the MCC became an even more integral part of Synergy's business.

With all of Synergy's branches reducing their hours and closing their doors to walk-in traffic, it became all-hands on deck in the MCC. Employees from across the organization were asked to help take calls as the demand grew.

At its peak, the MCC received more than 800 calls in one day, this doubles the normal call volume in a normal day in the MCC. For the year, 89% of the incoming calls or chats were answered in **45 seconds or less**. Some financial institutions were reporting call waits of more than 20 minutes.

The MCC expanded its hours to 8 a.m. to 8 p.m. on Mondays to Fridays, added an hour on Saturdays (now 9 a.m. to 5 p.m.) and are now available on Sundays from 9 a.m. to 5 p.m.

The MCC collaborated with branches to ensure that when there were closures, reduced hours or reduced capacity, the MCC was well-staffed to maintain the level of service members are accustomed to. Normally, the MCC is staffed by 15 Representatives, 2 Supervisors and 1 Manager. Throughout the pandemic, 53 employees stepped up to assist. When the branches closed, we onboarded over 20 Member Service Representatives to support members via the MCC in two business days. This is a tremendous accomplishment.

As with most aspects of the business, the tasks weren't 'business as usual.' In particular, the MCC provided key support for the Member Relief Program and CRA direct deposit changes. We also handled outgoing calls for our Mortgage Switch Campaign and helped to update members' contact information for the upcoming digital banking launch. Because of these changes, the Representatives were no longer mainly focused on transactional phone calls but rather took on an important role in our credit union's technical support and became tour guides for many members who were faced with new tasks to meet their banking needs.

Supporting Members Through COVID-19

COVID-19 Committee

In March 2020, Synergy identified a need to have a dedicated group of individuals with a wide range of expertise across the organization involved in steering us through COVID-19.

This group worked extensively on providing a plan of action for Synergy's staff as well as direction for members as we learned about the extent of the coronavirus pandemic.

Recommendations and consultation amongst this group, senior leadership and provincial health authorities helped Synergy increase the safety and wellbeing of our team and members through:

- Introducing safety protocols, including social distancing.
- Creating safety measures like plexiglass at teller stations.
- Establishing guidelines for staff.
- Increasing cleaning in our branches.
- Increasing resources for staff to work from home.

Our COVID-19 Committee met regularly and provided guidance to the organization as the pandemic evolved throughout the year. This included temporary branch closures, reduced branch capacities and ensuring a safe reopening when government agencies gave the go ahead.

This group continues to meet and help Synergy's leadership make decisions as we work through COVID-19.

Missing from photo: Heidi Miller, Michael Davison, Erin Close

Synergy Shares

Synergy Shares Identifies Needs in the Community

Synergy recognized the need to step up as the pandemic made it difficult for community groups to raise funds. Last year, the Synergy Shares program contributed more than **$400,000** back into our communities, highlighted by some large-scale donations aimed at areas caused by COVID-19.

Some highlights:

- $30,000 to Lloydminster Region Health Foundation and Kindersley & District Health & Wellness Foundation for front-line workers' Personal Protective Equipment (PPE).
- $29,000 to food banks in the communities we serve, which was increased by a partnership with local grocery stores, including the Lloydminster & District Co-op.
- $100,000 to 30 schools to help fund initiatives to improve students' physical and mental wellbeing.

More contributions:

- STARS: $10,000
- Bea Fisher Inc. in Macklin: $10,000
- Lloydminster Native Friendship Centre: $10,000
- Lloydminster Rescue Squad: $10,000

Member Rewards

Synergy Credit Union @Synergycu · Dec 17, 2020
Karen and Cory Napper sure know how to party in #Neilburg! They started out dining with some amazing Chinese food at the Neilburg Family Restaurant and ended the night with some sweet coconut buns at Sammi's Bakery! Thanks for spending your $20.21 #MemberReward #locally.

In December, more than 22,000 members received $20.21 into their accounts. While $20.21 may not seem like a lot, it provided the opportunity for more than **$450,000** to be spent in our local economy. At Synergy, we encouraged our members to spend it locally. We even included prizes for individuals who shared their proceeds locally and entered local businesses and non-profits into a chance to win a consultation with Red Bicycle Communications to assist in their marketing efforts.

The response was amazing and we thank our members for contributing to our local economy!

Synergy Credit Union @Synergycu · Dec 21, 2020
How it started vs. where we're at today! Two years ago this beauty Axel was adopted from Furbabies Furever Homes! Thanks Trina Lecomte for donating your $20.21 #MemberReward to a cause so close to your heart! Note: the #SupportLocal Challenge is closed #SynergyShares #Loyal2Local

Synergy Credit Union @Synergycu · Dec 18, 2020
Big thanks to Dave and Kathy Berg who gave their $20.21 #MemberRewards to the #Lashburn Centennial Museum. In return, the Lashburn Centennial Museum gave their #MemberReward to the Lashburn Senior Citizens' Club Inc. 'Tis the season to #give! #SupportLocal #SynergyShares

Synergy Credit Union @Synergycu · Dec 18, 2020
What is better than love from a cat? We're not sure either. Thanks Carry Bast for donating your $20.21 #MemberReward to KC Rescue in #Unity! It's a is volunteer run and strongly believes in the quality of care their cats receive!

#SupportLocal #SynergyShares #Loyal2Local

Synergy Credit Union @Synergycu · Dec 12, 2020
Marvin DeSchryver is all stocked up with his automotive needs from Pork's Garage Ltd. in #Denzil with his $20.21 #MemberReward! Way to #supportlocalbusiness!

#SupportLocal #SynergyShares #Loyal2Local #LocalLove #CommunityLove #CuDifference #creditunion #profitshares

Synergy Credit Union @Synergycu · Dec 18, 2020
Kim Kutz #donated her $20.21 #MemberReward to Big Brothers Big Sisters #Lloydminster! BBBS creates individual and group mentoring relationships amongst adults and youth, helping developing youth into healthy young people better able to deal with and overcome life's adversities.

Synergy Credit Union @Synergycu · Dec 12, 2020
Prudence Hritzuk isn't backing down from the challenge of completing this 1000+ puzzle from @throughthegrapevine.flowers in #StWalburg. Good luck and thanks for keeping your $20.21 in your #community!

#SupportLocal #SynergyShares #Loyal2Local #LocalLove #CuDifference

Credit Union Trends

Increasing Share of Assets

Credit union mergers have also created a substantial increase in the share of total sector assets managed by the largest credit unions. The largest 10 credit unions (outside of Quebec) currently hold 49.1% of sector assets, compared with 43.5% in 2010 and 29.6% in 2000. The largest 100 credit unions represent 94.3% of the assets in the sector, compared with 83.7% in 2010 and 68.4% in 2000.

Remaining Accessible for Members

While the number of credit unions has been significantly reduced over time, merging credit union branches have generally been maintained.

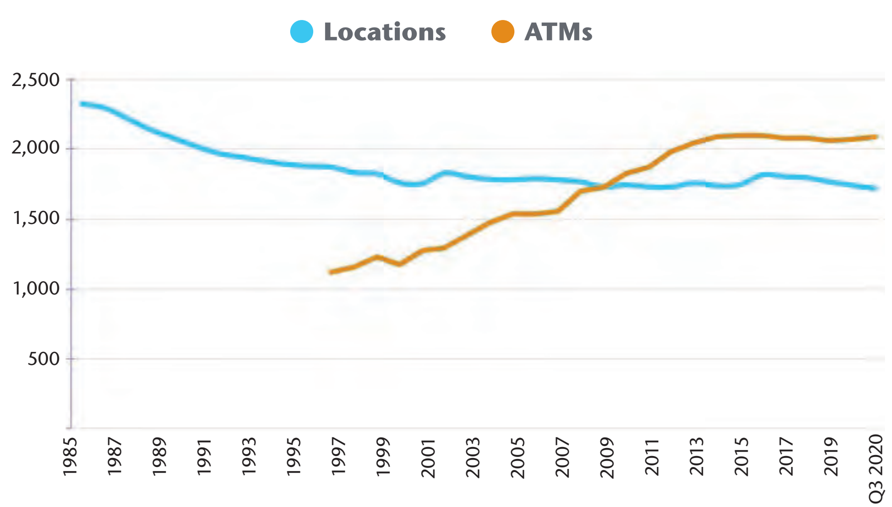
This has reinforced that the sector is committed to servicing communities across Canada.

Additionally, there are currently 2,086 ATMs in the sector, close to double the number reported in 1996.

Key Credit Union Statistics Over Time *	2000	2010	Q3 2020
Number of Credit Unions	721	386	233
Number of Locations	1,756	1,734	1,721
Membership	4,541,175	5,056,373	5,922,150
Assets ($ mm)	$56,859	$127,398	$264,986
Average assets/ Credit Union ($mm)	$78.86	$330.05	$1,137.28
Average members/ Credit Union	6,298	13,099	25,417
Top 100 as % of Total Assets (2020 = Q2)	68.4%	83.7%	94.3%
Top 10 as % of Total Assets (2020 = Q2)	29.6%	43.5%	49.1%

Source: Canadian Credit Union Association

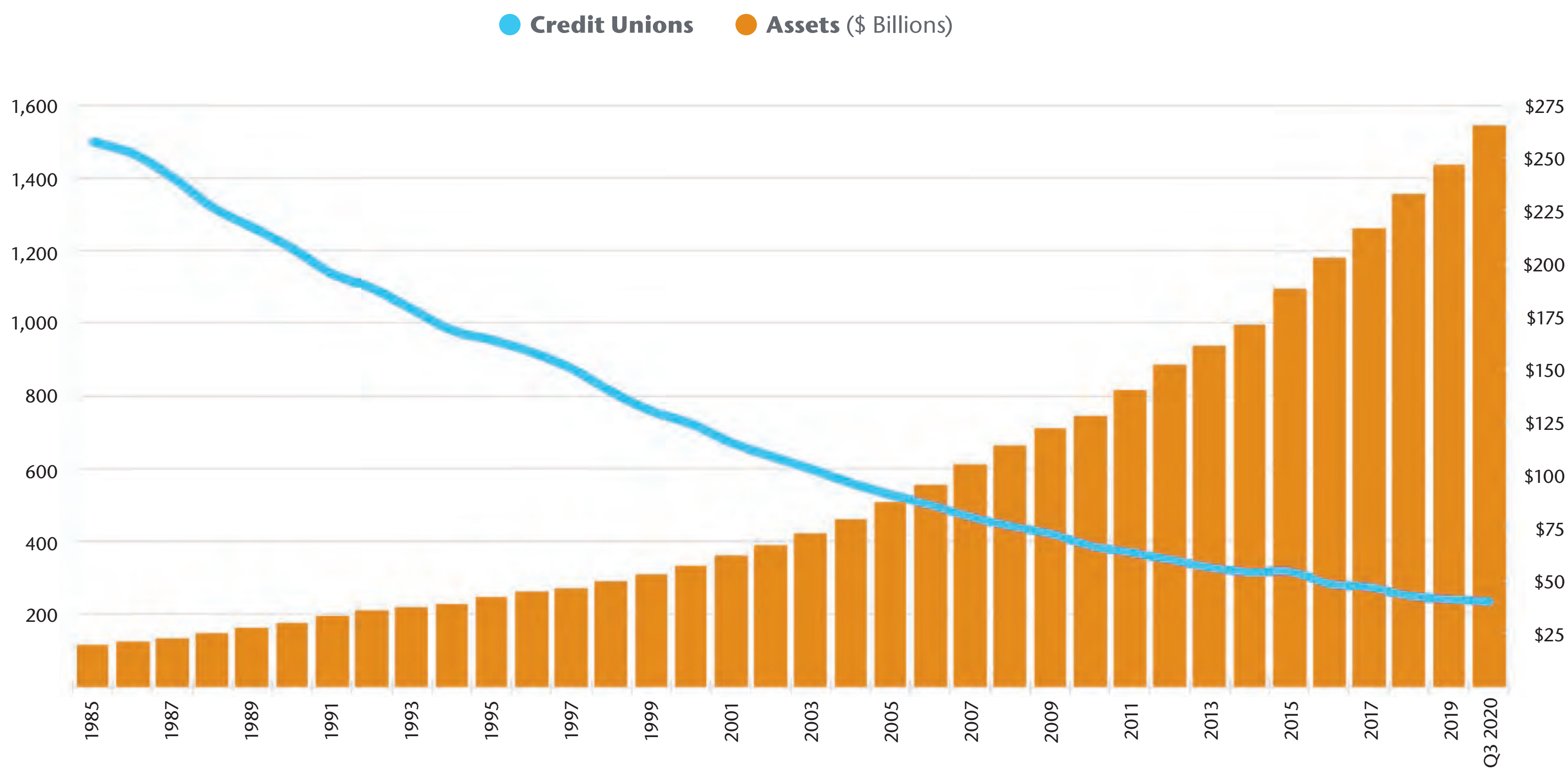
* Statistics are based on credit unions and caisses populaires affiliated with Canadian Credit Union Association, with the exception of the Top 100 as a % of Total Assets and Top 10 as % of Total Assets. These calculations include data from all credit unions and caisses populaires in Canada, excluding Quebec.



Credit Unions Adjust to Changing Financial Environment

Like all financial institutions, credit unions are adjusting to the evolving landscape.

In the 20-year period from 2000 to third quarter 2020, the number of credit unions fell by 488, or at an average annual rate of about 24 credit unions. Sector assets, on the other hand, have more than quadrupled during this period, with an average increase of approximately $10.4 billion per year.

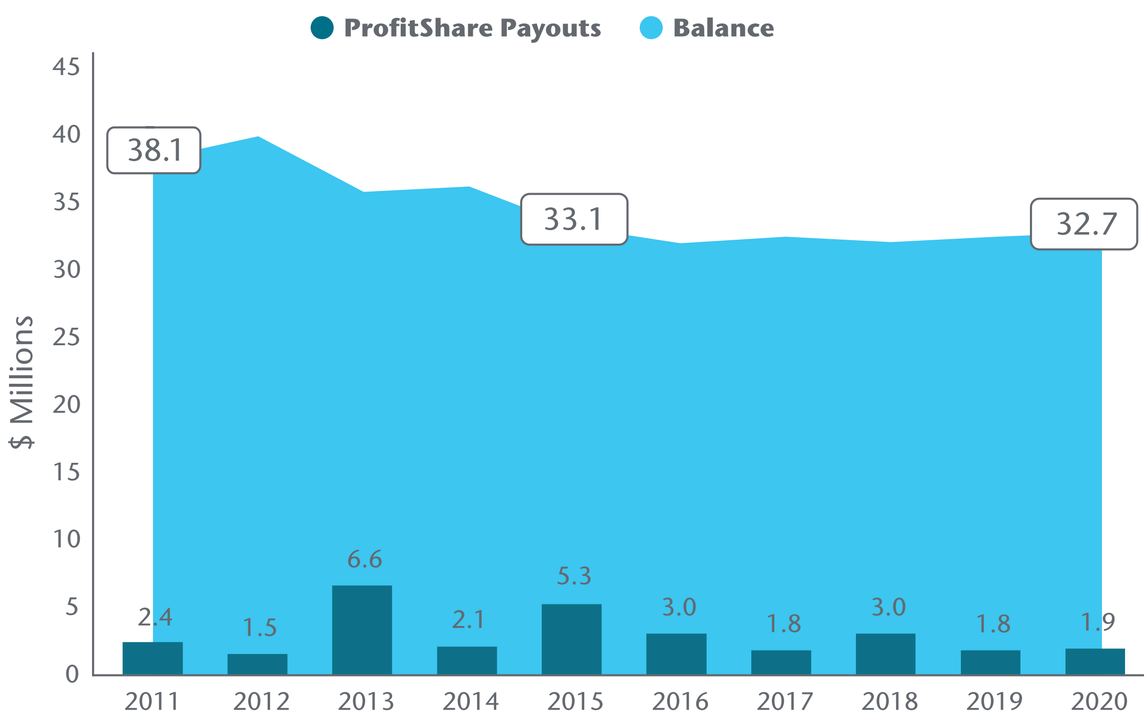


ProfitShares

Through our ProfitShares program, members can share in our profits through rate bonuses on deposits, rate rebates on loans (on most products) and dividends on their ProfitShares account. What's even better is that the more business they do with Synergy, the bigger their share.

In 2020, **$2.7 million** went back to our members through their ProfitShares accounts - based on deposits, loans and dividends - and Member Rewards. More than $566,000 was paid to members in ProfitShares paydowns.

Synergy has paid out more than **$48 million** in cash payouts to members through ProfitShares since 1983.



Order of Merit

Synergy Credit Union would like to recognize **Linda Gramlich** for her dedication to the credit union system.

Linda was appointed to the Board of Directors in July 2020 when Macklin Credit Union amalgamated with Synergy. Linda has extensive financial industry experience both as an employee and board member, working for Border Credit Union (now Servus Credit Union) as a teller and in their accounting department, and as a lender for Scotiabank. Linda embraces the credit union culture and strives to protect and nurture its cooperative values at the boardroom level.

Continually since 1992, Linda has served on Macklin Credit Union's Board, as Vice-President as well as Chair of the Audit and Risk Committee for several years. Like other members of Synergy's board, she is a lifelong learner. Linda is a graduate of the Credit Union Director's Achievement Program and is working towards becoming an Accredited Canadian Credit Union Director.

Linda is a strong community supporter, including being one of the founding members of, and serving on, the World Bunnock Championship Committee for 10 years. She is also Past President of the Macklin Kinette Club, and past Secretary Treasurer of Macklin Minor Sports and the Arena Board.

While raising her family, Linda also managed the accounting for their small oilfield business in Macklin. In 2005, she took on a new role and moved onto a farm north of Macklin, where she and her husband Patrick own and operate a large cattle ranch.

Thank you to **Dean Walde** for 34 years of service as a Board Member with Synergy Credit Union.

Dean joined the board in 1987, and has served on all committees, including seven years as President. Dean also served as the President of the Board of Directors of SaskCentral. Being a SaskCentral Board Member afforded him the opportunity to serve as a Board Member of CUDGC (Credit Union Deposit Guarantee Corp.) and Concentra Bank.

In 2013, Dean received the SaskCentral Order of Merit Award and in October 2017 was honored to receive the very prestigious Lifetime Co-operative Achievement Award from the Saskatchewan Co-operative Association.

Long Service Awards

Rick Graff	25 years
Melanie Mari	5 years
Carolyn Young	5 years

#snapshots









Thank you to everyone who submitted their local photos for #synergysnapshots!
The photos will be used to decorate our new digital branch!

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*Credential Financial Strategies Inc. is a member company under Aviso Wealth Inc., offering financial planning, life insurance and investments to members of credit unions and their communities. Mutual funds and other securities are offered through Credential Securities, a division of Credential Qtrade Securities Inc. Credential Securities is a registered mark owned by Aviso Wealth Inc. Mutual funds are offered through Credential Asset Management Inc.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The corporation is also the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or "PRFIs". The Corporation is mandated through provincial legislation, The Credit Union Act, 1998 and The Credit Union Central of Saskatchewan Act, 2016 in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation's responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at www.cudgc.sk.ca.

CREDIT UNION MARKET CODE

The credit union and its employees have always been committed to delivering high quality service to members and customers. Synergy Credit Union voluntarily adheres to a Credit Union Market Code, jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee Corporation. Market Code identifies the standards we adhere to as an organization, the way we conduct ourselves and how we treat members. We work to maintain your trust while continuing to embrace our co-operative values. The code sets out our commitments and standards in the following areas:

Professional Standards

We will conduct business consistent with our corporate values. Our employees are trained and qualified to provide members with a best-in-class experience.

Disclosure and Transparency

We provide members with clear information about our products and services to help you make informed financial decisions.

Privacy of Personal Information

We treat all personal information as private and confidential and operate secure and reliable information systems.

Fair Sales Practices

We act fairly and reasonably in all our dealings with you. We will not knowingly take advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts, unethical activity or the use of any other unfair sales practice. We recognize the importance of access to basic banking services and we ensure access to a low-fee chequing account.

Complaint Handling

We welcome and listen carefully to your feedback and work fairly to resolve any problems or complaints you may have. It is generally easier to resolve a problem where it originated. This may mean a quick phone call or visiting your local service centre. If your problem is not able to be resolved, you can escalate your complaint or concern by:

- Using our *Speak to the CEO* feature available on the front page of our website at synergycu.ca
- Submitting a formal complaint by email to problem.resolution@synergycu.ca or through our website under About Us ▶ Contact Us ▶ Problem Resolution

BUSINESS PROFILE

Synergy is a member-owned financial institution serving more than 28,000 voting and non-voting members from 11 communities within northwestern Saskatchewan. Synergy is the fourth largest credit union in the province of Saskatchewan and is one of the leading credit unions in Canada with $2.07 billion in on- and off-balance sheet assets. Synergy provides core banking services through our traditional branch network, the Canada-wide 'ding free' AccuLink ATM network, MemberDirect® online banking, Live Chat, mobile web and app banking, as well as through calling our Member Contact Centre. We are proud to be a cooperative and embrace the cooperative principles:

- Open and Voluntary Membership
- Democratic Member Control
- Members' Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation Among Cooperatives
- Concern for Community

CORPORATE VALUES AND COMMITMENTS

- We are committed to providing members with relevant financial products that fit with our demonstrated areas of expertise, chosen markets and within the channel the member prefers.

- We are committed to developing a leading service culture that provides members with a best-in-class experience. We encourage our employees to promote financial solutions that are responsive, resourceful and realistic to fulfilling our members' full-service needs and help contribute to Synergy's growth plans in the areas of banking, insurance* and wealth management*.

- We are committed to building a constructive learning corporate culture that offers employees progressive career opportunities that are engaging, educational and rewarding.

- We are committed to creating a great place to work that is healthy and diverse. We will do this in a manner that respects employees' responsibilities to their family, friends and communities.

- We are committed to providing meaningful contributions to the communities where we operate and live. We are also committed to enlisting community partners to stabilize and improve the regional economic condition.

- We are committed to leading by example and using our resources and expertise to effect positive change in our communities and create solutions to social, environmental and economic issues in our communities.

- We are committed to providing members with relevant financial products that fit with our chosen markets and demonstrated areas of expertise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides detailed information, including commentary on the results of operations and financial condition of Synergy Credit Union (Synergy) for the year ending December 31, 2020. The MD&A is an integral part of the annual report and should be read in conjunction with the financial statements.

Like the financial statements, the MD&A gives Synergy the opportunity to demonstrate our accountability to members. The financial statements reflect what happened and the actual financial numbers, where the MD&A explains why these changes occurred, our plans for the future and outlines how we actively manage our risks. The MD&A provides members with a look at Synergy through the eyes of management by providing a balanced discussion on our operational results, financial conditions and future prospects.

The following discussion and analysis is the responsibility of management and is current as of March 15, 2021.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements concerning Synergy's future strategies. These statements involve uncertainties in relation to the prevailing economic, legislative and regulatory conditions at the time of writing. Therefore, actual results may differ from the future looking statements contained in this discussion.

OUR CORE BUSINESS ACTIVITIES AND HOW THEY IMPACT OUR EARNINGS, MEMBERS AND COMMUNITIES

The following table helps to present our core activities as a financial institution, aligned with our statement of income in our 2020 financial statements. In addition to the impact these activities have on our earnings, it shows how our activities create long-term value for our members and the communities we serve.

$ thousands

			HOW WE PERFORMED		
Core Activity	**Impact on Earnings**	**Impact on Members and Community**	**2020**	**2019**	**Change**
Receiving deposits and raising funds	Interest expense	We offer deposit products to help members save and meet their financial goals. We use those deposits to fund loans to members.	(16,157)	(19,454)	(16.9%)
Making loans and investments	Interest income	We lend and invest responsibly and increasingly in a way that improves lives and builds healthy communities. We offer financial advice and education that's in our members' best interests.	50,853	55,256	(8.0%)
Taking calculated risks	Provision for credit losses and losses on foreclosed property	We take prudent risks to support our business model.	(1,702)	(73)	2,231.5%
Selling investments and other services	Non-interest revenue other	We offer transactional services and financial solutions in banking, trust, insurance* and wealth management*.	8,646	9,008	(4.0%)
Managing interest rate risk	Non-interest revenue (expense)	We purchase and hold derivative financial instruments to manage interest rate risk exposures. These instruments are measured at fair value, which produce unrealized gains or losses for the year. Unrealized gains or losses for these instruments and investments are recorded in non-interest revenue.	36	(893)	104.0%
We earn revenue	**= Total operating income**		**41,676**	**43,844**	**(4.9%)**
Investing in employees	Personnel expenses	We invest in key areas, such as talent management and leadership development to create a diverse, confident, engaged and values-aligned workforce. We're committed to paying all employees market competitive compensation.	(18,214)	(17,247)	5.6%
Managing and purchasing services, systems, buildings and equipment	Occupancy, member security, organizational and general business expenses	We seek ways to minimize our own and our suppliers' use of credit union resources. We seek business relationships that demonstrate alignment to our cooperative and community values. We have a preference to support local suppliers and vendors whenever possible.	(13,601)	(13,084)	4.0%
We add up our expenses	**= Total non-interest expense**		**(31,815)**	**(30,331)**	**5.0%**
We deduct expenses from revenue	**= Income before allocations and income tax**		**9,861**	**13,513**	**(27.0%)**
Giving back to members	ProfitShare allocations	We share our profits. Each year we allocate up to 20% of our income before allocations and tax for distribution back to our members in the form of ProfitShares.	(1,784)	(2,703)	(34.0%)
Rewarding our employees	Employee profit sharing	As part of our commitment to paying all employees market competitive compensation, we allocate 10% of our income before allocations and tax to fund our annual employee profit-sharing program.	(969)	(1,352)	(28.3%)
Paying taxes	Income tax expense	We pay our fair share of taxes.	(1,758)	(2,218)	(20.7%)
We save what's remaining to invest in our future business opportunities	**Net "retained" income**	**Our comprehensive income gets added to our retained earnings, which supports the responsible and sustainable growth of our business for the long-term benefit of our members and local communities.**	**5,350**	**7,240**	**(26.1%)**

BUSINESS ENVIRONMENT AND STRATEGY

At the beginning of 2020, the communities that we serve continued to experience economic challenges. Agriculture and energy sectors, the two major economic pillars of our trade area, were facing a multitude of headwinds. Some of these headwinds are likely to become the new normal for the foreseeable future. Then in March 2020, the global COVID-19 pandemic forced many regions, including Synergy's trade area, to go into a lockdown. The mandated shutdown drastically reduced economic activities and resulted in increased unemployment and income gaps. But crises can bring people closer to one another. Through difficult times, Synergy has remained committed to protecting our members and staff, maintaining essential services, fulfilling relief and subsidy programs, and continuing financial support for important community projects.

History has taught us that recoveries always follow crises. Although it is still uncertain when "full reopening" will be possible after COVID-19, that day will come. Various projections are pointing to a "rebound" in 2021. Saskatchewan is forecasted to see economic growth of 4.7% in 2021. Also following the pandemic will be an unfaltering trend for "going digital" in almost all aspects of life and work. The pandemic propelled rapid transformation in how consumers shop, communicate, entertain and bank.

It is under these circumstances Synergy formulated a strategic plan focusing on 3-year goals and aspirations for beyond. Synergy aspires to be forward-looking and make strategic and tactical plans to be prepared to take full advantage of the economic recovery. Synergy will not take our foot off the pedal. We stay focused on growing and thriving. By the end of the decade, Synergy will strive to be a dynamic $5-billion provincial credit union using optimal technology with proficient experts for the convenience and financial wellbeing of our members and communities.

Synergy's digital transformation had been underway before the pandemic and we will continue to focus on investing heavily in the best solutions that bring our members convenience, possibilities and security. 2021 will be a crucial year: not only will we be gathering important feedback from members about their use of the new digital platform but we will also embark on continued data analytics, to understand our members better and to serve them better.

Digital and mobile technologies are rapidly changing how our members live their daily lives. Digital solutions have brought more convenience and more possibilities to almost every aspect of our lives, from how we shop, how we order food, to how we socialize with others. Synergy believes that the right digital banking solutions will also greatly increase convenience and possibilities for how our members' financial needs are met and how their financial futures are secured. We are committed to investing heavily in technology and innovations to bring the best digital banking experience to our members.

Together, we will is deep within our organizational DNA and we remain committed to living out the Synergy experience where:

- People come first
- We actively support our communities
- We strengthen the local economy

KEY STRATEGIC ASSUMPTIONS

Assumptions about the business environment, the performance of the Canadian economy and how these business drivers will affect Synergy's financial performance are material factors for the Board of Directors when setting corporate strategic priorities and performance targets. Key assumptions include:

Global and National Business Environment

- The global and national business environment in 2020 has largely been defined by the pandemic. The summer months saw some improvement in the spreading of the virus, but the second wave has arrived and has the potential to pose even bigger threats than the first wave. Many businesses were forced to go through prolonged shutdown periods, and many workers were furloughed or laid off. Canada saw one of the worst recessions in history, with a projected annualized GDP contraction of 8.2%.

- Canada was also impacted by the continued oil slump. Correlated with the drastically lower travel volume, demand for oil has been low, which does not help with the oil-rich regions.

- It is worth noting that the pandemic is not universally depressing for all industries, but rather a catalyst for technological innovation. Technology companies, and industries that leverage new technology for cloud-based solution deliveries, have experienced tremendous growth. Canada is known for being an incubator for innovation, which will spur further economic growth.

- Economists have projected a 6.7% rebound in real GDP for Canada in 2021. Synergy will strive to join that ride to create more value for members.

Political Landscape

- In 2020, the federal government rightfully focused on managing various support initiatives for Canadians and Canadian businesses through the pandemic. Therefore, little progress was made in the federal government's "green energy" and "open banking" agendas, both of which could have an impact to Synergy. When the pandemic is contained, we anticipate that activities will be resumed in these initiatives.

- Throughout the year, there have been events that signaled the lack of stability in the federal political landscape.

- Perhaps the only political certainty in these chaotic times, is the sweeping win of the Saskatchewan Party in the October 2020 provincial election. With a majority government in its fourth term, we can reasonably expect more continuity than change in provincial economic policies.

- South of the border, the U.S. presidential election has recently taken place. Synergy's business environment could potentially be impacted by the next government's stance and policy on trade, oil and gas and alternative energy.

Financial Services Sector

- Following several rate cuts in 2020, Canada is expected to stay in the low-rate environment for the next few years. The low rates have created visible margin pressure for financial institutions.

- Synergy participates in ongoing "open banking" discussions and strives to find ways to empower members with free choice and optimized solutions in a competitive market.

- Synergy is joining other financial institutions in embracing Environmental, Social and Governance (ESG) investment principles. We acknowledge the growing importance of climate risks, sustainable investing, equity and inclusion in our people, and making other positive impacts to our environment and our communities. In 2020, we have begun our proactive Corporate Social Responsibility (CSR) initiative, and introduced Truth and Reconciliation training to our staff. In the coming years, we will continue to be a positive ESG player.

- Synergy continues to collaborate with partners in championing digital initiatives and payment initiatives, aimed at driving member convenience, security and efficiency.

Provincial & Regional

- Despite downturns in such areas as energy and potash mining, Saskatchewan has had relative success in controlling the spread of COVID-19. Alberta, having been hit by the double whammy of the pandemic and the continued struggles in oil and gas, is projected to have a bigger recovery next year. The Conference Board of Canada predicts that Saskatchewan and Alberta will see real GDP rebounds of 4.7% and 7.9% in 2021, respectively. How 2021 will turn out will also be influenced by the supply and demand dynamics of oil, depending on if and when travel can return to pre-pandemic levels.

- The Lloydminster housing market has had years of contraction and in 2020 average residential property price has decreased by 3.3% over the prior year. 2021 is projected to continue to see the trend of housing value decrease.

i. Conference Board of Canada Uneven Recovery Outlook, August 2020
ii. Conference Board of Canada Uneven Recovery Outlook, August 2020
iii. Century 21

2020 FINANCIAL PERFORMANCE HIGHLIGHTS

$ thousands	2020	2019	Change from 2019 Dollars	Change from 2019 Percent	Compound Annual Growth Rates 5-YEAR CAGR	Compound Annual Growth Rates 10-YEAR CAGR
Income Statement Highlights						
Total net interest income and total non-interest revenues	**43,282**	43,007	275	0.6%	(0.2%)	1.8%
Net interest income	**34,696**	35,802	(1,106)	(3.1%)	0.6%	1.9%
Provision for (recovery of) credit losses	**1,606**	(837)	2,443	291.9%	(10.4%)	15.9%
Net interest margin	**33,090**	36,639	(3,549)	(9.7%)	1.3%	1.5%
Unrealized gains (losses) on investments	**59**	(353)	412	116.7%	n/a	n/a
Losses on derivatives	**(23)**	(540)	517	(95.7%)	(60.9%)	(164.5%)
Losses on foreclosed property	**(96)**	(910)	814	(89.5%)	n/a	n/a
Other revenue	**8,646**	9,008	(362)	(4.0%)	0.0%	3.5%
Total non-interest income	**8,586**	7,205	1,381	19.2%	(2.8%)	1.4%
Personnel – excludes employee profit sharing	**18,214**	17,247	967	5.6%	0.0%	1.4%
Occupancy	**3,432**	3,400	32	0.9%	4.9%	6.8%
Member security	**1,152**	1,081	71	6.6%	0.7%	3.4%
General business	**8,627**	8,131	496	6.1%	3.5%	2.1%
Organization	**390**	472	(82)	(17.4%)	(16.4%)	(7.6%)
Total non-interest expense – excludes employee profit sharing	**31,815**	30,331	1,484	4.9%	1.1%	1.9%
Income before allocations and tax	**9,861**	13,513	(3,652)	(27.0%)	(1.7%)	0.4%
Allocation to members	**1,784**	2,703	(919)	(34.0%)	(2.1%)	(6.0%)
Allocation to employee profitsharing	**969**	1,352	(383)	(28.3%)	0.4%	n/a
Income tax expense	**1,758**	2,218	(460)	(20.7%)	(3.6%)	6.6%
Comprehensive income	**5,350**	7,240	(1,890)	(26.1%)	(1.4%)	(0.2%)
Balance Sheet Highlights						
Assets	**1,646,521**	1,421,615	224,906	15.8%	6.0%	5.2%
Loans net of allowances	**1,183,723**	1,139,903	43,820	3.8%	1.9%	4.8%
Deposits	**1,461,040**	1,232,038	229,002	18.6%	7.5%	5.4%
Member equity	**35,388**	35,139	249	0.7%	0.9%	(1.7%)
Equity	**118,801**	107,000	11,801	11.0%	7.7%	9.4%
Off-Balance Sheet Assets						
Wealth services assets	**412,392**	380,669	31,723	8.3%	7.4%	14.2%
Mortgages administered	**8,505**	7,916	589	7.4%	(25.8%)	(8.7%)
Total On-and-Off Balance Sheet Assets	**2,067,418**	1,810,200	257,218	14.2%	5.19%	6.4%

Other Financial Measures
As a percent of average assets

	2020	2019	Change
Net interest income	**2.26%**	2.55%	- 0.29
Provision for credit losses	**0.10%**	(0.06%)	+ 0.16
Net interest margin	**2.16%**	2.61%	- 0.45
Non-interest income	**0.56%**	0.51%	+ 0.05
Non-interest expenses	**2.14%**	2.26%	- 0.12
Return on average assets (after tax)	**0.35%**	0.52%	- 0.17
Efficiency ratio	**75.70%**	73.70%	+ 2.00

Regulatory Capital Adequacy Ratios	2020	2019	Change
Tier 1 capital to risk-weighted assets	**13.23%**	13.21%	+ 0.02
Eligible capital to risk-weighted assets	**17.87%**	18.21%	- 0.34
Leverage ratio	**9.59%**	10.29%	- 0.70

2020 PERFORMANCE TARGETS AND 2021 BUDGET

On March 11, 2020, the World Health Organization declared the novel coronavirus disease, COVID-19, a global pandemic. The government stepped in quickly to contribute large stimulus packages to the economy with the intention to provide a softer landing and provide liquidity to the financial system to ensure the financial sector remained well capitalized and resilient in the resulting uncertainty. In addition, Synergy re-launched our member relief program that provided many members deferral opportunities on their loan products. While we anticipated liquidity would tighten, as members drew on their reserves to weather the storm we instead experienced larger than our historical average deposit growth. We are extremely pleased with our ability to outperform our 2020 budget projections considering the unplanned effects of a once-in-a-decades economic event, the coronavirus pandemic.

In March 2020, Macklin Credit Union Limited's Board of Directors voted positively to merge with Synergy effective end of day June 30, 2020. The transaction welcomed approximately 1,800 members, over $100 million in assets and nine new team members to the Synergy family.

	2020 Targets	2020 Performance	2021 Budget
Asset growth	**2.61%**	15.84%	**3.73%**
Loan growth	**2.00%**	3.80%	**2.00%**
Deposit growth (on balance sheet)	**2.50%**	18.59%	**4.00%**
	As a percent of average assets		
Net interest margin	**2.25%**	2.16%	**1.88%**
Non-interest income	**0.61%**	0.56%	**0.55%**
Non-interest expenses	**2.35%**	2.14%	**2.10%**
Income before allocations and tax	**0.47%**	0.58%	**0.33%**

Outlook:

Synergy's performance targets for 2021, are based on expectations for modest economic growth rooted in expected recovery in GDP for Alberta and Saskatchewan. While we do not believe we will return to pre-pandemic GDP levels in our region in 2021, we do anticipate a small recovery from the negative growth of 2020. However, a resurgence of virus spread and associated containment of varying degrees in our region, along with certain elements of government fiscal support has raised further uncertainty with regards to the timing and extent of recovery. We do believe this growth will be muted due to the delay and until mass vaccinations occur. We expect regional headwinds along with broader Canadian and global uncertainties to persist in 2021 and into 2022. These factors, along with increasing regulatory burden in the near term, will create a drag on our income as forecasted in our 2021 budget.

We will put our capital to work by leveraging current and future investment in technology and initiatives to enhance our members' experience. Investing in our teams and encouraging continued professional development will contribute to providing extraordinary service and delight our members. Continuous improvement will enhance our member experience and ensure that our non-interest expenses grow slower as a percentage than our revenue. We will take advantage of our strong capital base to support our future growth opportunities.

Over the next three- to five-year time frame, management expects financial performance to reflect steady deposit growth and weaker loan demand.

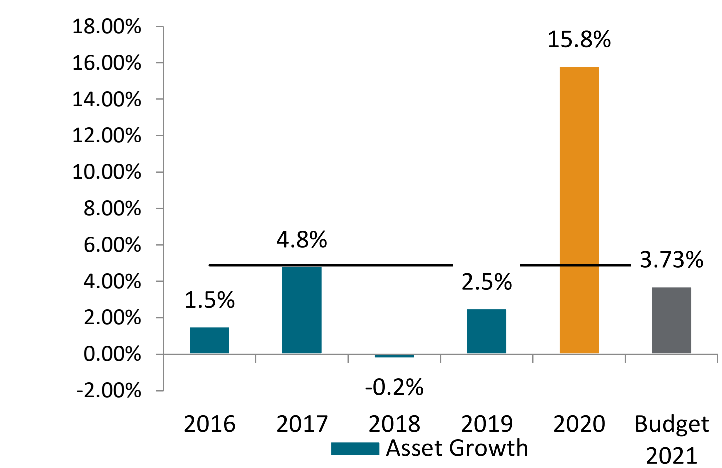
Synergy is deeply rooted in this region and we are committed to providing quality expert advice to our membership. We will continue to support high-quality borrowers within our region focusing on loans that offer a fair and appropriate return and risk profile. Synergy is also committed to building our wealth management assets, actively promoting and raising awareness of our wealth service offerings to our membership and community.

Asset Growth:

2020 Results

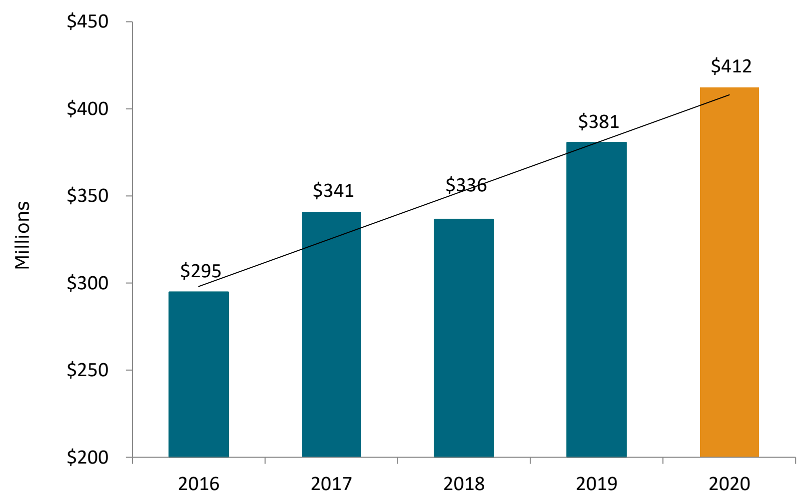
- Ended December 31, 2020, with on-balance sheet assets of $1.65 billion (2019 - $1.42) this equates to a 15.8% or $224.9 million increase ($105.3 is the addition of Macklin)
- Other assets under administration include off-balance sheet assets managed by our wealth services division totaling $412.4 million (2019 - $318.0) and $8.5 million (2019 - $7.9) in loans sold or syndicated to other credit union partners but serviced by Synergy.
- Wealth services assets increased by $31.7 million in 2020 as a result of the overall strength in the underlying financial markets and an increase of $589 thousand increase in off-balance sheet loans
- Organic asset growth on balance sheet was 8.6% (our highest growth rate since pre-2015) and contributed growth from Macklin 7.2%
- Assets Under Administration exceeded $2.07 billion a new milestone for Synergy and its members

Asset Growth (on-balance sheet) – *5-year historical plus 2021 Budget*



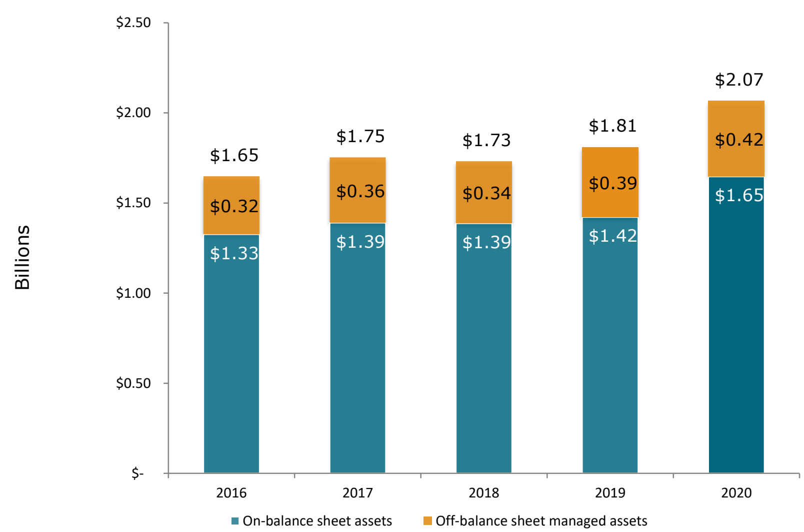
The following chart shows our 5-year historical growth in wealth assets under administration.

Wealth Services Assets – *5-year historical*



The following graph shows the on-balance sheet assets (blue) combined with off-balance sheet assets (orange) under administration.

Total On- and Off-Balance Sheet Assets – *5-year historical*



Outlook:

We are forecasting 3.73% growth for 2021, similar to what the GDP recovery in Alberta and Saskatchewan is projected to be. With our strong capital position, we are poised to take advantage of growth opportunities as our region recovers from the difficult economic environment we have been experiencing. We continue to mobilize our sales team to capitalize on opportunities that fit our overall risk tolerance as we support our members and community as they recover from GDP losses in 2020.

A key strategic focus for Synergy for the past several years has been to grow our wealth assets. Our 10-year historical average growth rate is 14.2% and we have increased these assets by $31.7 million. Our increased staff complement in this area to service in-person advisory, as well as a digital advisor platform to complement our digital online brokerage. This is a key area of our business where we are enhancing our 'human plus digital' member experience.

Loan Growth:

2020 Results

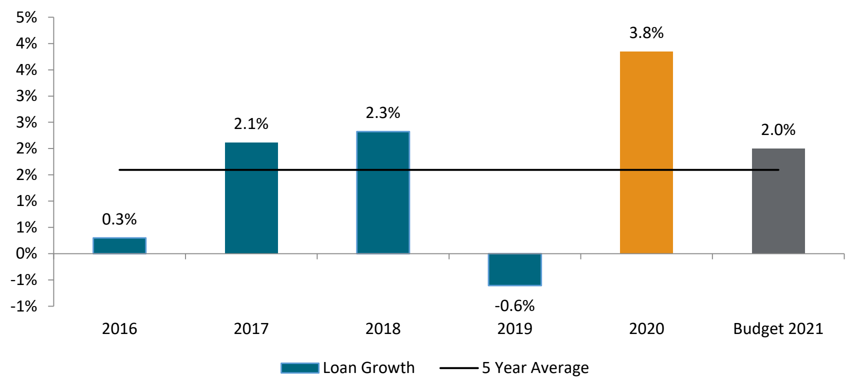
- We achieved loan growth of 3.8% (2019 – (0.66%)). In 2020 loan demand remained soft due to the economy and the pandemic. $65.4 million in Macklin loan assets provided positive growth otherwise loan assets would have contracted 5.47%
- Gross loans (on balance sheet) totaled $1.19 billion (2019 - $1.15) increase of $42.0 million
- Net loans totaled $1.18 billion (2019 - $1.14) an increase of $44.00 million over the prior year
- Loan allowances decreased by $679 thousand year-over-year. Specific allowance reduced by $1.63 million and collective increased by $946 thousand
- Actual write-offs were $3.12 million (2019 - $847 thousand). Approximately $1.50 million of this write-off had been allowed for in previous years. Loans reached 71.50% (2019 – 79.81%) of total assets; below our optimal range of 82%-84% which will help maximize our overall profitability. The decrease in this ratio is primarily a result of higher deposit growth and asset mix of Macklin amalgamation
- Consumer portfolio contracted slightly by 0.01% or $3.30 million
- Agricultural and commercial portfolio grew at 10.95% or $47.10 million over the year prior

Credit quality:

Credit losses are a normal part of our business and tend to increase during economically uncertain times. Our lending portfolio is focused in areas of demonstrated lending expertise using a set risk profile scoring. The risk profile of a loan is based on several key metrics and applied consistently throughout our portfolio.

Allowances for credit losses are maintained to absorb potential (collective) and probable (specific) losses and are determined by the overall quality and marketability of the security held against the impaired loan. Our practice is to set up specific allowances early on and work diligently to minimize actual write-offs.

Loan Growth – *5-year historical plus 2021 Budget*



Outlook:

The economic slowdown that started in our region in late 2014 continues to negatively weigh on our region's recovery. To add to the challenge the arrival of the global pandemic and the resulting restrictions is exacerbating the lower demand for loans.

We expect our businesses to be cautious and delay major capital purchases unless necessary and use any excess funds to pay down their debt. We will be looking to partner with other institutions to increase our loan portfolio in the short term to help minimize the negative impact on profitability based on lower than optimal leverage position.

Our agricultural industry, which had a good growing season and higher than average commodity prices, is borrowing to expand and/or upgrade equipment to make them more efficient. This will have a positive impact on our agricultural portfolio.

Consumers, many who are significantly indebted and do not have borrowing capacity coupled with loss or fear of loss of employment, has slowed loan demand. Sustained and continued deterioration of residential real estate prices and high inventory in our markets is having an impact on Synergy. The aforementioned conditions along with stricter qualification requirements for home owners remain a concern as our consumer portfolio represents two thirds of our loan book.

Our 5-year and 10-year historical loan growth average is 1.6% and 4.6% respectively. We believe that our growth rate will trend below our 10-year historical growth rate but slightly above our 5-year average for the foreseeable future.

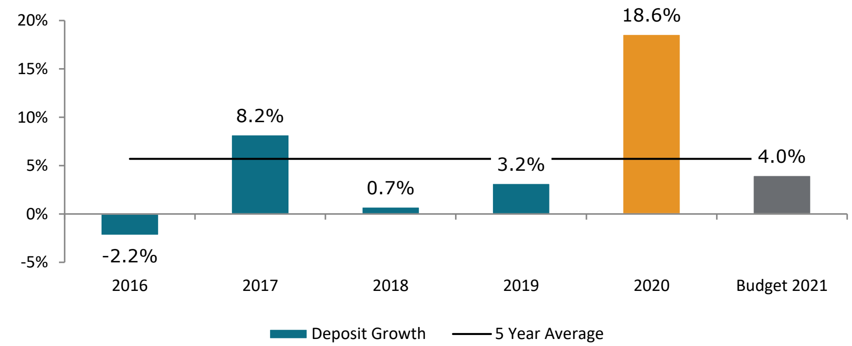
Provisions related to performing loans are expected to be volatile due to continued uncertainty. While we experienced a reduction in our specific allowance it was a result of write offs related to those files that were working through the legal process. In 2021, we are budgeting 25 basis points of average assets expense above our 5-year historical average of 13 basis points due to the significant uncertainty in our economic environment.

Deposit Growth:

2020 Results

- Ended 2020 at $1.46 billion (2019 - $1.23) resulting in growth of 18.6% (2019 – 3.2%) or $229.0 million (2019 - $38.0); Macklin contributed $97.0 million of this growth
- Demand deposits, which account for 58.0% (2019 - 55.0%) of our entire deposit base, increased $173.1 million or 20.4% year-over-year
- Term deposits, which make up the remaining 42.0% (2019 - 45.0%) of our deposit base, grew $55.9 million, achieving 9.1% growth year-over-year
- Growth on balance sheet is well above our 5-year historical average of 5.7% and our 10-year historical average of 5.9%. Organic growth was 12.0% double our historical average growth rate and contributed growth from Macklin, 6.6%

Deposit Growth – *5-year historical plus 2021 Budget*



Outlook:

We expect growth in deposits to slow in 2021 primarily a result of tapering off of government programs. We expect to experience growth closer to our historical averages and have budgeted 4%.

We expect our businesses and agricultural members to use any excess cash to fund day-to-day operations and fund capital purchases, choosing borrowing as a secondary measure.

Consumers, who have lost jobs and have exhausted government programs, are expected to rely on any savings they have accumulated. We saw in 2020 many who boosted their savings while accessing all the supports to ensure they would have a nest egg to draw on. We also expect that if consumers do have excess funds they will continue to reduce debt.

Net Interest Income and Margin:

2020 Results

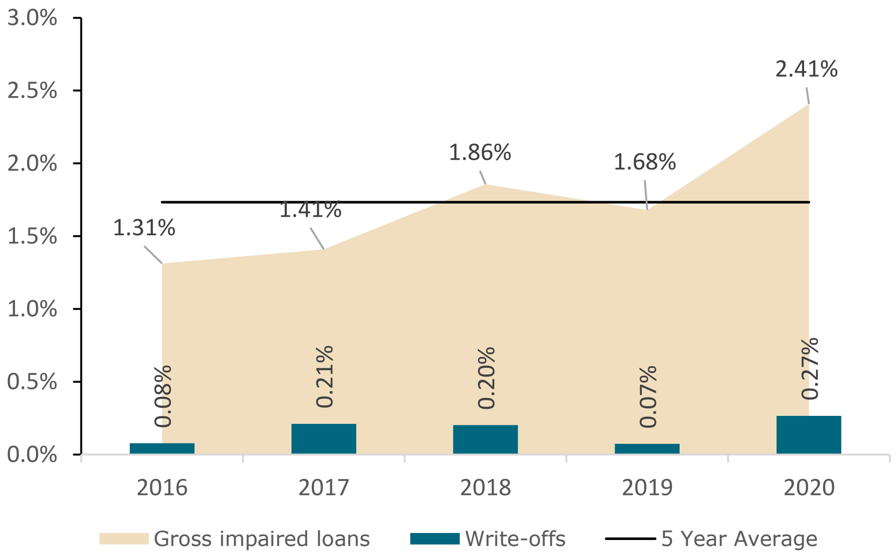
- Net interest income decreased $1.1 million, or 3.1%, to $34.7 million (2019 - $35.8), representing 2.26% (2019 - 2.55%) of average assets, resulting primarily from three 50 basis points decrease, in prime in early 2020
- Net interest margin (net of loan provisions) decreased by $3.5 million (2019 - increase of $2.2) or 9.7% to $33.1 million (2019 - $36.6), representing 2.16% (2019 – 2.61%) of average assets
- The decrease in interest margin was not as large as anticipated - a result of our loan provision being 10 basis points less than 2020 budget.

	2020				Change in Rates	2019			
$ thousands	**Average Balances**	**Mix**	**Interest**	**Rate**		**Average Balances**	**Mix**	**Interest**	**Rate**
ASSETS									
Cash and investments	331,348	22%	4,472	1.35%	- 1.07%	219,143	14%	5,294	2.42%
Loans	1,161,813	76%	46,357	3.99%	- 0.34%	1,143,390	83%	49,511	4.33%
Other assets	40,907	3%	24	0.06%	- 1.02%	41,660	3%	451	1.08%
LIABILITIES AND EQUITY									
Deposits	1,346,539	88%	15,296	1.14%	- 0.38%	1,213,016	86%	18,398	1.52%
Loans payable	33,681	2%	861	2.56%	+ 0.27%	46,180	3%	1,056	2.29%
Other liabilities	5,685	0%	0	0.00%	-	6,792	1%	-	-
Equity and membership shares	148,164	10%	0	0.00%	-	138,205	10%	-	-
NET INTEREST INCOME			**34,696**	**2.26%**	**- 0.29%**			35,802	2.55%
Provision (recovery) for credit losses			1,606	0.10	+ 0.16%			(837)	(0.06%)
NET INTEREST MARGIN			**33,090**	**2.16%**	**- 0.45%**			36,639	2.61%

Average yields earned on loans decreased 0.34%, resulting in a reduction of $3.2 million in loan income primarily as a result in 150 basis point prime rate reduction in 2020. Holding additional liquidity at lower rates than when the assets are lent out have contributed to margin squeeze.

The following chart outlines Synergy's 5-year gross impaired loans and write-off history for its loan portfolio. Gross impaired loans reached the highest in our 5-year history in 2020 at 2.41% and write-offs increased to 0.27% of average loans. Gross impaired loans have approximately $12.8 million in loans classed as impaired as a result of additional deferral accommodations but do not fit normal impaired criteria. Gross impaired loans would represent 1.31% of average assets, below our 5-year historical average, were these deferred loans categorized as performing. We believe this will happen by mid-year 2021.

As a percent of average loans



Outlook:

We are forecasting a reduction in our net interest margin in 2021 a result of: low interest rate environment, increased competition for loan opportunities, as well as an increase to our loan loss provisions. The Bank of Canada has been signaling a continued low-rate environment for at least the next 18 to 24 months and has even been hinting at the possibility of negative interest rates in the near term. Negative interest rates could be used by the government to incent spending to fuel growth as well as make their significant increase in debt more affordable.

History has shown us that in times of economic uncertainty individuals will curtail spending and with that seek less loan products, which we have experienced in 2020. As many financial institutions, including ourselves, have idle liquidity, the competition to attract new loans will drive down interest rates. Synergy is experiencing this in the region, with mortgage rates the lowest in our history.

Our strong deposit growth in 2020 has contributed to a leverage ratio of 70%, which is 10 to 14 percentage points below mix that is optimal to profitability. Lower levels of liquidity and a higher loan-to-asset ratio will generally enhance net interest income by placing assets into comparatively higher-yielding, interest- bearing assets. Because loan growth is expected to be subdued, the investment of our excess liquidity will be at lower rates than we would experience if deployed into loan products. Return on loan products is anticipated to further reduce as the competition heats up. In addition, our depositors still require return on the funds they have entrusted to us.

Due to deferrals and many government support programs, delinquency has remained moderate for Synergy, however, we do expect this to increase in 2021 as many of these support programs tail off. High consumer debt loads, depressed home prices and job losses in our region have the potential to increase bankruptcies, which directly correlates to increased loan losses, and remains a concern for the foreseeable future. Continued uncertainty in all markets and the prolonged economic downturn in our region specifically is expected to result in loan loss provision expense at 25 basis points of average assets. In order to minimize the impact as much as possible, we have increased the resources allocated to our loss and prevention team and files are moved into this team quicker than in the past.

We will continue to monitor our allowances and diligently work to ensure actual loan write-offs remain within industry standards as our region slowly works its way out of the economic downturn.

Non-Interest Income:

Non-interest income consists of gains/losses on derivatives, investments, foreclosed properties and other revenue.

In 2020, Synergy experienced a $59 thousand gain (2019 - $353 loss) on investments, a $23 thousand (2019 - $540) loss on derivatives and a $96 thousand (2019 - $910) loss on foreclosed properties. The remainder of our non-interest income is comprised of other revenue.

2020 Results – Other Revenue

- Ended the year at $8.6 million (2019 - $9.0), a decrease of $362 thousand
- We increased our revenue in wealth services, loan fees and lease revenue
- We experienced a decrease in our creditor insurance as a result of lower loan activity
- Deposit revenue decreased as more operating accounts moved to free and less cash usage. Both ATM and foreign currency activity decreased due to the pandemic
- Received $570 thousand in Emergency Canadian Wage Subsidy; this did not flow through to employee or member profit share allocations

			Change from 2019	
$ thousands	2020	2019	Dollars	Percent
Deposit fees and commissions	2,929	3,638	(709)	(24.2%)
Wealth services	2,914	2,784	130	4.5%
Creditor insurance	885	1,319	(434)	(49.0%)
Loan fees	780	695	85	10.9%
Credit card	177	190	(13)	(7.3%)
Lease	328	203	125	38.1%
Government grants	570	-	570	100.0%
Other	63	179	(116)	(184.1%)
Total other revenue	**8,646**	9,008	**(362)**	**(4.2%)**

As a percent of average assets	2020	2019	Change
Deposit fees and commissions	0.19%	0.26%	- 0.07
Wealth services	0.19%	0.20%	- 0.01
Creditor insurance	0.06%	0.09%	- 0.03
Loan fees	0.05%	0.05%	-
Credit card	0.01%	0.01%	-
Lease	0.02%	0.02%	-
Government grant	0.04%	0.00%	+ 0.04
Other	0.00%	0.01%	- 0.01
Total other revenue	**0.56%**	0.64%	**- 0.08**

Outlook:

Non-interest income is expected to hold relatively steady in 2021 as compared to 2020 and remains lower than our historical of 65 basis points. Lower loan volume, changing consumer behaviour and less cash services are having a negative impact on our non interest income. Growing other revenues, particularly revenues generated by our Wealth Services division, will be essential to maintaining sufficient profitability and sustaining Synergy's strategic direction, growth plans and capital ratios.

As we grow our new credit card portfolio through a win-back strategy, we expect to return to historical average revenues over the next two years. We anticipate continued negative pressure on both creditor insurance, due to slower loan demand, and deposit revenue as our account packages continue to evolve and decrease in cost to remain competitive in the marketplace. We expect our Canadian Emergency Wage Subsidy to be immaterial in 2021.

In addition, we have been able to secure an additional lease in Lloydminster that will contribute to other revenue and operating costs in Q2 2021.

Non-Interest Expense:

Total non-interest expenses, which encompasses allocations to Synergy's annual employee profit-sharing program.

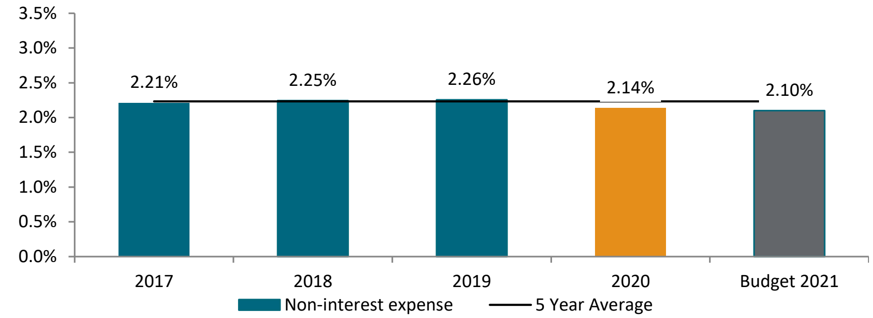
2020 Results

- Non-interest expense increased $1.01 million (2019 - $0.6), or 3.4% (2019 – 1.0%), to $32.8 million (2019 - $31.7)
- As a percentage of average assets, non-interest expense decreased from 2.26% in 2019 to 2.14% in 2020; we held off on some capital projects and did not fill human resources vacancies as quickly as normal

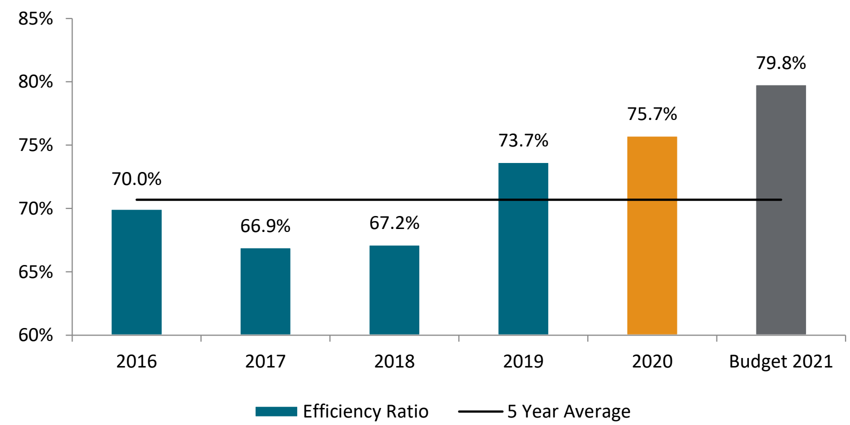
$ thousands	2020	2019	Change from 2019 Dollars	Change from 2019 Percent
Personnel	**19,183**	18,599	584	3.0%
Occupancy	**3,432**	3,400	32	0.9%
Member security	**1,152**	1,081	71	6.2%
General business	**8,627**	8,131	496	5.8%
Organization	**390**	472	(82)	(21.0%)
Total non-interest expense	**32,784**	31,683	**1,101**	**3.4%**

As a percent of average assets	2020	2019	Change
Personnel	**1.25%**	1.32%	- 0.07
Occupancy	**0.22%**	0.24%	- 0.02
Member security	**0.08%**	0.07%	+ 0.01
General business	**0.56%**	0.59%	- 0.03
Organization	**0.03%**	0.04%	- 0.01
Total non-interest expense	**2.14%**	2.26%	**- 0.12**

Non-interest expense as a percent of average assets – *5-year historical plus 2021 Budget*



Efficiency Ratio – *5-year historical plus 2021 Budget*



Outlook:

One of management's key priorities is to ensure non-interest expenses are properly aligned with net interest margins, ensuring Synergy is well positioned to deliver strong growth over the long term.

The effective execution of Synergy's strategic priorities will require increased investment in certain areas. Anticipated expenditures include continued upgrades to our technology platforms and technology-based service delivery channels. Investments in these areas are expected to provide material benefits in future periods but drag on efficiency in the near term.

Synergy continues to make substantial investments in its technology infrastructure to position itself for future growth. These investments are expected to provide considerable efficiencies in the future, as it will improve member service by automating standardized and manually intensive processes. We believe technology can improve turnaround times, reduce errors and add significant value to our member experience.

With the increasing levels of regulatory compliance for Saskatchewan credit unions and all Canadian financial institutions in general, we continue to see a significant investment in both time and resources required to meet regulatory expectations. This results in escalating compliance costs and is expected to grow in future years. In addition, it is important that we protect both our members' data as well as their privacy. This will put upward pressure on our efficiency ratio as we are not expecting to grow at a quick enough rate to absorb the costs.

Synergy's efficiency ratio, which is non-interest expenses divided by net interest income and total non-interest revenue, has seen a deterioration in 2020 to 75.7% (2019 – 73.7%). The increase in this ratio was compounded by the 150 basis point drop in prime, which significantly reduced our net interest income. In 2020, Synergy added human capital to our compliance and IT teams and will use those resources to create efficiencies to achieve lower expense ratios. Our goal is to grow into our size and reduce this ratio back below 70% in the next 5 years.

As our second lease comes online in our 50th Street location we will see a reduction in occupancy costs in 2021.

Income before Allocations and Tax:

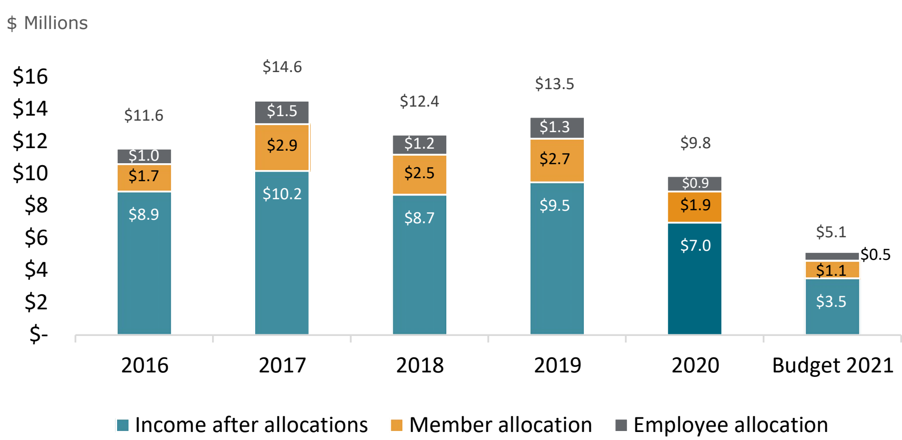
2020 Results

- Income before allocations, employee profit shares and tax was $9.8 million (2019 - $13.5), a decrease of $3.7 million or 37.8%
- Allocations to employees (employee profit sharing) was $969 thousand (2018 - $1.4 million), representing a decrease of $431 thousand or 44.5% year-over-year
- Allocations to members (ProfitShares) was $1.9 million (2019 - $2.7), representing a decrease of $765 thousand or 40.3% year-over-year. In June 2020 Macklin declared dividend and profit shares to their legacy members of $702 thousand which will be paid and allocated in 2021
- Income tax expense was $1.8 million (2019 - $2.2) a decrease of $400 thousand or 22.2%

In 2017, Synergy redesigned its employee variable pay program to equal a percentage of income before allocations and tax, similar to the methodology used to determine member allocations. Based on the new employee profit-sharing distribution methodology, employees will receive up to 10% of Synergy's income before allocations and tax, with members receiving up to 20%.

The chart below shows how the income has been distributed over the past 5 years.

Income before allocations and tax *– 5-year historical plus 2021 Budget*



Outlook:

Synergy expects 2021 profit to be about 50% of what was achieved in 2020, primarily as a result of an increase of our loan provision allowance adding an additional $2.4 million of expenses to 2021.

Comprehensive Income:

2020 Results

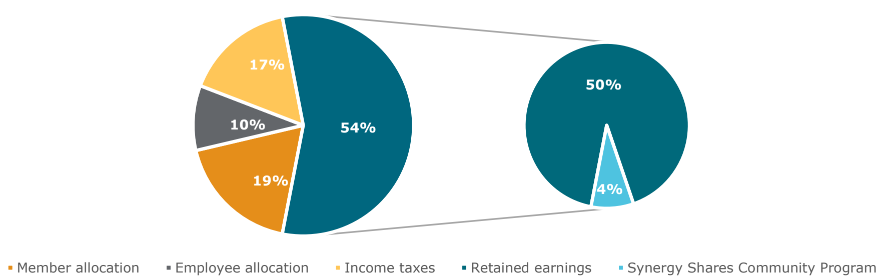
- Comprehensive income after taxes and allocations was $5.35 million (2019 - $7.24), down $1.89 million or 35.66% over 2019
- Member allocations of $1.9 million
- Income taxes paid at a rate of 24.73%

Outlook:

Synergy is proud to share its profits with our members, our employees and our Synergy Shares Community Fund, and we will continue to do so.

Synergy Credit Union applied for and received just under $570 thousand from Canadian Emergency Wage Subsidy program in 2020. We do anticipate we will qualify for a small amount under this program in 2021. This money was used to fund our day-to-day payroll costs and as a result did not flow into our member profit share, employee profit share or Synergy share programs.

Synergy's 2020 Profit Distributions Before Tax



SYNERGY SHARES PROGRAM

Each year up to 5% of Synergy's pre-tax profit will be set aside to fund this valuable initiative. Our goal is to build the fund up over time to ensure Synergy has the resources available to support our communities.

Synergy Shares Program Fund – 2020

$ thousands

	Commitments (#)	Commitments ($)	Balance ($)
2020 opening balance			1,207
Less:			
Donations funded	21	384	
Scholarships funded	22	17	
Committed - not funded	3	155	
Sub-total	46	556	(556)
		Carry forward balance to 2021	**651**

Our allocation for 2021 will be 5% of profits before distributions totaling $485 thousand.

Our funding priorities include:

- Community value - multi-purpose projects that have community-wide appeal that sustain, improve and grow communities that we serve
- Financial wellness – scholarship and financial literacy programs
- Healthcare - projects and programs that sustain and improve healthcare
- Local community engagement
- Environmental and social causes

Applications can be picked up at any of our branch locations or on our website at synergycu.ca.

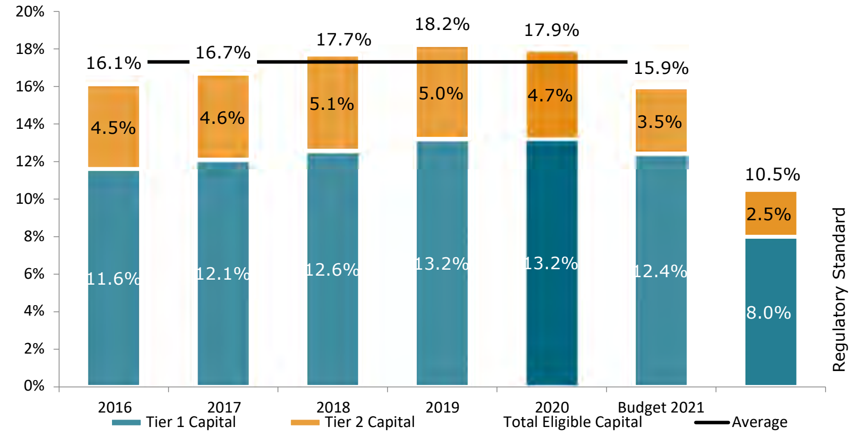
Capital Management:

2020 Results

- Equity grew by 10.9% to $118.8 million (2019 - $107.0); Macklin contributed $6.5 million
- Eligible capital grew by 8.2% to $160.1 million (2019 - $147.0)
- Tier I capital rose by 10.6% to $118.5 million (2019 - $106.6)
- Equity made up 74.0% (2019 - 73.0%) of Synergy's capital base

The chart below depicts Synergy's capital history over the past 5 years as we completed our full transition to Basel III capital standards, including the establishment of a 2.5% capital conservation buffer.

Capital – *5-year historical plus 2021 Budget and regulatory standard*



Outlook:

Synergy expects to maintain its strong capital ratios, which are well above CUDGC's minimum requirements. Management feels confident the credit union is appropriately positioned to adapt to business growth opportunities and unexpected stressed events.

Target capital ratios under Basel III, including any appropriate capital buffers over the prescribed CUDGC minimums, are reconfirmed through the credit union's comprehensive internal capital adequacy assessment program (ICAAP) and annual stress-testing results. Stress-testing simulations include three separate five-year forward scenarios where the credit union experiences escalating levels of delinquency and credit losses, a persistent low interest rate environment, higher deposit and funding costs, which when all combined results in a significant compression of net interest margin. Synergy's capital is able to withstand all of our scenarios.

Synergy Branch Deposit and Loans (,000's)

Branch	2020 ($)	2019 ($)
Lloydminster	1,103,343	1,077,664
Kindersley	358,218	333,807
Maidstone	211,064	198,520
St. Walburg	199,398	190,055
Lashburn	170,882	167,053
Macklin	143,096	n/a
Paradise Hill	125,912	122,572
Neilburg	107,603	90,768
Marshall	71,529	63,733
Marsden	70,974	72,156
Denzil	51,138	47,485
Synergy Total	**2,613,156**	**2,363,812**

* Does not include head office deposits and loans

CORPORATE GOVERNANCE STRUCTURE
BOARD OF DIRECTORS

As a member-owned, co-operative financial institution, Synergy Credit Union is governed by a Board of Directors democratically elected by the credit union's members.

The Board has a fiduciary responsibility for the credit union, protecting members' interests and financial assets. It shapes the organization's strategic direction and ensures appropriate processes and controls are in place to identify, manage and monitor applicable risks. The Board selects the CEO, establishes the CEO's accountabilities and evaluates the CEO's performance. The Board also communicates with members and other stakeholders by reporting its activities through this annual report, the annual general meeting and other channels.

Board of Governance Structure

The Board of Directors is comprised of positions which are allotted based on four geographic districts consistent with the constituency boundaries established for the Saskatchewan Provincial Elections under The Representation Act, 2013. The following chart outlines Synergy's electoral districts, service centre coverage and the directors currently serving.

	Allotted Director Positions	Service Centres	Current Directors
DISTRICT 1	**5**	Lloydminster	Brent Baier Richard Graff Melanie Mari Tom Schinold Carolyn Young
DISTRICT 2	**2**	Paradise Hill St. Walburg Marshall	Neil Carruthers Vacancy
DISTRICT 3	**3**	Lashburn Neilburg Maidstone Marsden	Dean Walde Don Wheler Faith Graham
DISTRICT 4	**2**	Denzil Kindersley	Lorne Janzen Dean Roberts
MACKLIN	**Will move to District 4 in 2022**	Macklin	Linda Gramlich

While they are elected regionally, directors are responsible for representing the best interests of the credit union as a whole, and for all members, regardless of region. Directors protect and uphold the credit union's values, exercising judgment with honesty and integrity. They offer a broad range of knowledge and depth of experience, as well as an understanding of the principles and values of the credit union and its communities.

Directors must be independent from the credit union and the financial services industry, in general, and must not have an interest or relationship with Synergy Credit Union that could be seen to interfere with their ability to act in the best interest of the credit union and its members. The Board's corporate governance committee annually reviews compliance with this requirement.

Member Involvement

By participating in the democratic process, members shape and direct Synergy Credit Union's future. The Board encourages members to attend the annual general meeting and vote in director elections and on special resolutions. Members in good standing may stand for election to the Board.

BOARD OF DIRECTORS

BRENT **BAIER**

| DISTRICT 1

Brent is the founder and Co-CEO of Iron Will Innovations and inventor of the Peregrine Glove, a wearable technology interface. In 2005 he graduated with Distinction from Lakeland College, with a Computer Systems Technology diploma.

He has extensive experience in business and entrepreneurship in the areas of prototyping, patenting, engineering, manufacturing, marketing, fundraising and management with business travel taking him to the US, China, Europe and the Middle East. He is now focusing on the virtual reality industry with the new Peregrine VR Glove.

Brent is a lifelong credit union member and in 2012 joined the board of Synergy. He strongly believes in the member-owned cooperative philosophy and the positive impact credit unions have on their communities.

Brent grew up on a farm near Macklin, Saskatchewan. In 2015 he achieved his goal of winning the World Bunnock Championship, a tournament he has competed in since his youth. He is happily married to his wife Cherene and has three children.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Human Resources Committee	2/2
Corporate Governance Committee	3/3
DIRECTOR COMPENSATION	
2020	12,650
2019	9,126

RICHARD **GRAFF**

| DISTRICT 1

Rick is a lifelong member of the Lloydminster/ Synergy Credit Union and has served as a director since 1996. During the past 25 years he has been involved in various committees and has chaired the Audit, Risk and Building committees.

He also spent 3 years as a delegate to the Saskatchewan Credit Union Central.

Rick has proudly served the Lloydminster and Hillmond communities, volunteering for numerous and varied functions and fundraiser events. He is also a First Responder for the RM of Britannia, and was involved in helping plan and build the new Hillmond arena and serving as a minor hockey volunteer.

Rick has a financial background and over 30 years of sales and management experience. Currently he is a REALTOR® licensed to trade in Commercial, Residential and Rural real estate along with Property Management in the provinces of Alberta and Saskatchewan and is registered with the Real Estate Centre brokerage in Lloydminster.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	2/2
Risk Committee	3/3
Corporate Governance Committee	3/3
DIRECTOR COMPENSATION	
2020	11,950
2019	8,100

BOARD OF DIRECTORS

MELANIE **MARI**

| DISTRICT 1

Melanie was elected to the Board of Directors in 2016 and is a former employee of Synergy Credit Union. Melanie continues her career in finance as a controller with Tryton Tool Services. She has a bachelor's degree in economics from the University of Calgary and earned a Credit Union Fellowship designation while employed at Synergy.

In 2019, Melanie obtained an Accredited Canadian Credit Union Director designation and is committed to broadening her finance and leadership education. Melanie is passionate about financial literacy and is proud to be a part of an organization that promotes financial well-being for its members.

Melanie believes her education and credit union involvement serve her well in the role of director and is committed to taking an active part in the future of the credit union and the community.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	2/2
Risk Committee (Chair)	4/4
Corporate Governance Committee	3/3
Executive Committee	1/1
DIRECTOR COMPENSATION	
2020	17,450
2019	14,979

TOM **SCHINOLD**

| DISTRICT 1

Tom was elected to the Board in 2015 and has served on the Audit and Building Committees and currently serves on the Audit and Risk Committees. Tom holds a Bachelor of Administration degree (majoring in accounting and finance) as well as a Diploma of Public Administration both from the University of Regina. In 2019, Tom obtained an Accredited Canadian Credit Union Director designation.

Tom retired from the Catholic School Division, Chief Financial Officer position in 2015, wherein he oversaw finance, facilities, transportation and project managed school capital building projects. Additionally, Tom has served on numerous community committees and organizations in leadership roles, such as chairman of the St. Anthony's Church finance committee and a founding member of Border City Optimist Club.

Tom has been a Lloydminster resident since 1991 and became a Synergy Credit Union member shortly thereafter. Tom strongly believes in the benefits the credit union provides the communities they serve.

Tom is married to Michelle, has a daughter and a son and one grandchild.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	5/5
Risk Committee	4/4
Executive Committee	1/1
DIRECTOR COMPENSATION	
2020	16,950
2019	18,246

CAROLYN **YOUNG**

| DISTRICT 1

Carolyn grew up in Raymore, Saskatchewan. In 2001 Carolyn, her husband and five children moved to Lloydminster. She holds a CPA, CMA designation and is employed with Husky Energy, Accounting Department. Previously, she worked 10 years at Servus Credit Union, in various positions including Accounting Department Management. One of her passions is coaching which she has demonstrated as part of a CPA Student mentor program.

Carolyn is community oriented and believes in promoting the great things Lloydminster has to offer, giving back to the community serving as a board member on the Lloydminster Tennis Association and hosting International Rotary students. Further Carolyn and her husband Richard, donate both their time and a portion of the proceeds to many worthwhile community organizations via their personal small businesses.

Carolyn is a longtime member and believes her personal and professional experiences are assets to the Board of Directors.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	5/5
Corporate Governance Committee	3/3
Executive Committee	1/1
DIRECTOR COMPENSATION	
2020	12,600
2019	11,877

NEIL **CARRUTHERS**

| DISTRICT 2

Elected to the Board in 2012, Neil obtained an Accredited Canadian Credit Union Director designation in 2015. Currently Neil serves as the Human Resources Committee, Chairperson as well as a member of the Audit Committee.

Neil is a strong supporter of Synergy's Profit Sharing Program where our members benefit from a well-run business. Neil also believes that members should have choices of how they bank, be it online or in branch or a combination of both.

Neil holds a Degree in Agriculture from the University of Saskatchewan and has spent the last 30 years in the Animal Health Industry. Currently Neil is the Regional Business Manager for Merck. Neil was a founding Director on Zoetis Canada Pension Board as well as a past Leader for the Paradise Hill 4-H club.

When the work week is done, Neil enjoys getting back to his roots and running their farm with wife Gail and two daughters in the Frenchman Butte and Biggar areas.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	3/3
Human Resources Committee (Chair)	2/2
Corporate Governance Committee	3/3
Executive Committee	2/2
DIRECTOR COMPENSATION	
2020	16,781
2019	14,481

BOARD OF DIRECTORS

DEAN **WALDE**

| DISTRICT 3 | BOARD VICE-CHAIR

Dean joined the Board in 1987 and has served on all committees, in addition to 7 years as President, currently serving as Corporate Governance Committee, Chairperson. Dean also served as the President of the Board of Directors of SaskCentral. Being a SaskCentral Board Member afforded him the opportunity to serve as a Board Member of CUDGC (Credit Union Deposit Guarantee Corporation) and Concentra Financial.

Dean's experience is not limited to the financial industry, having served on SCA (Special Committee on Agriculture) and the Saskatchewan Agricultural Council as well as a former delegate for Federated Co-op and Canadian Co-operative Association.

Dean believes in lifelong learning and is a Graduate of the Credit Union Director’s Achievement Program, continuing his education in governance, risk management and financial literacy.

In 2013 Dean received the SaskCentral Order of Merit Award and in October 2017 was honored to receive the very prestigious Lifetime Co-operative Achievement Award from the Saskatchewan Co-operative Association.

BOARD MEETING ATTENDANCE	15/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee	2/2
Risk Committee	1/1
Corporate Governance Committee (Chair)	3/3
Executive Committee	2/2
DIRECTOR COMPENSATION	
2020	13,304
2019	18,216

DON **WHELER**

| DISTRICT 3 | BOARD CHAIR

Don joined the Synergy Credit Union Board in 1998 and was elected and continues to serve as Board Chair since 2016. He previously worked as the coordinator for the Northwest School Division Leadership Academy as the culmination of his 34-year teaching career. Don also previously served as president of the Saskatchewan and the Canadian Student Leadership Associations.

Don is committed to life-long-learning having achieved a Bachelor of Education degree from the University of Saskatchewan, an ‘Accredited Canadian Credit Union Director’ designation as well as a ‘Certified Director’ designation from the University of Toronto Rotman School of Management. In 2020 Don received the Saskatchewan Credit Union Director Order of Merit Award.

Don believes in building strong communities within the Synergy family. He encourages collaboration, cooperation, and ethical leadership as foundations to serve members anywhere they live. He supports the Synergy team in facing the challenges of the ever-changing credit union landscape.

BOARD MEETING ATTENDANCE	17/17
EX-OFFICIO ON ALL OTHER BOARD COMMITTEES	19/19
DIRECTOR COMPENSATION	
2020	27,004
2019	25,497

BOARD OF DIRECTORS

FAITH **GRAHAM**

| DISTRICT 3

Faith joined the Synergy Credit Union Board of Directors in 2020 and currently serves on the Human Resources Committee. Faith has extensive business and board experience, with over 40 years of business experience as the prior co-owner and Secretary-Treasurer of Grubby's Trucking Ltd. as well as over 20 years of board experience as a Trustee for the Northwest School Division.

Faith believes in lifelong learning and is working towards obtaining an Accredited Canadian Credit Union Director designation to gain an understanding and exposure to the credit union's governing bodies and the impact they have on our communities as well as working with them for the benefit of all stakeholders.

Faith and her spouse are longtime residents of the Neilburg area, having raised their family in the community. They believe community service is a lifelong endeavor and looks forward to discovering innovative ways to serve in our ever-changing environment.

BOARD MEETING ATTENDANCE	13/13
COMMITTEE MEETING ATTENDANCE	
Human Resources Committee	2/2
DIRECTOR COMPENSATION	
2020	8,500
2019	n/a

DEAN **ROBERTS**

| DISTRICT 4

Dean grew up on a farm near Coleville, Saskatchewan. After graduating high school, he attended the University of Saskatchewan where he earned a Bachelor of Science in Mechanical Engineering. He then returned to Coleville to take over the family farm. His focus has been on building a sustainable and environmentally responsible business plan that ensures both the long- and short-term viability of the farm. Dean enjoys attending different conferences over the year to discuss and debate the issues and opportunities facing the farm industry.

Dean was elected as a councillor for the RM of Oakdale in 2019 and has been enjoying the new experiences that municipal government provides. He is currently working on completing the Municipal Leadership Development Program (MLDP) to better serve his community.

Dean has been a lifelong member of the Credit Union system, starting with the original "Fat Cat" account. Dean joined the Synergy Board of Directors in 2014.

BOARD MEETING ATTENDANCE	14/17
COMMITTEE MEETING ATTENDANCE	
Audit Committee (Chair)	5/5
Executive Committee	1/1
DIRECTOR COMPENSATION	
2020	13,506
2019	13,664

LORNE **JANZEN**

| DISTRICT 4

Lorne served on the Kindersley & District Credit Union Board of Directors from 1995 to 2007. From 2007 to 2016, Lorne served as a Kindersley Branch Advisory Council member before joining Synergy Credit Union's Board in April 2016. He currently serves on the Human Resources Committee. Lorne believes in lifelong learning and in November 2020 he obtained an Accredited Canadian Credit Union Director designation.

Lorne is retired after a 36 year career at Saskatchewan Government Insurance claims division, wherein he attained a Chartered Insurance Professional designation.

Lorne has experience in both community and public service, having served 10 years as a Kindersley town councilor. Lorne is a proud, lifetime Kinsmen Club member. He also served on a humanitarian mission to Kenya in 2013.

Lorne enjoys spending time with family, especially his 5 grandchildren as well as volunteering his time to various organizations to make his community a better place.

BOARD MEETING ATTENDANCE	17/17
COMMITTEE MEETING ATTENDANCE	
Human Resources Committee	2/2
DIRECTOR COMPENSATION	
2020	13,118
2019	14,337

LINDA **GRAMLICH**

| APPOINTED BY MACKLIN CREDIT UNION

July 2020 when Macklin Credit Union amalgamated with Synergy, Linda was appointed by their membership to the Board of Directors. Linda has extensive financial industry experience both as an employee and board member. Linda was a lender for Scotiabank as well as worked for Border Credit Union (now Servus Credit Union) as a teller and in their accounting department. Linda embraces the credit union culture and strives to protect and nurture its cooperative values at the boardroom level.

While raising her family, Linda managed the accounting of their small oilfield business in Macklin. Continually since 1992, she has served on Macklin Credit Union's Board, as Board Vice-President as well as Chairman of the Audit and Risk Committee for several years. Like other members of Synergy's board, she, too, is a lifelong learner. Linda is a graduate of the Credit Union Director's Achievement Program and is working towards becoming an Accredited Canadian Credit Union Director.

Linda is a strong community supporter, having been one of the founding members and serving on the World Bunnock Championship Committee for 10 years. Additionally, Linda is past President of the Macklin Kinette Club, and past Secretary Treasurer of Macklin Minor Sports and the Arena Board.

In 2005, Linda took on a new role, and moved onto a farm north of Macklin, where she and her spouse, own and operate a large cattle ranch.

BOARD MEETING ATTENDANCE	6/6
COMMITTEE MEETING ATTENDANCE	
Risk Committee	2/2
DIRECTOR COMPENSATION	
2020	5,700
2019	n/a

BOARD OF DIRECTORS

JOSEPH **KOCH**

| RETIRED

Joe joined they Synergy Board of directors in 1990 and served on a number of board committees as well as second vice-president. He retired from the board in 2020 and we thank him for all his contributions to Synergy.

BOARD MEETING ATTENDANCE	5/5
COMMITTEE MEETING ATTENDANCE	
Risk Committee	1/1
DIRECTOR COMPENSATION	
2020	3,683
2019	15,505

JOE **LARRE**

| RETIRED

Joe was elected to the Synergy Board of Directors in 2016 and served on various committees. Joe resigned from the board in 2020 and we thank him for his service to Synergy.

BOARD MEETING ATTENDANCE	4/5
DIRECTOR COMPENSATION	
2020	2,536
2019	8,032

BOARD EFFECTIVENESS AND RENEWAL

To ensure they continue to provide an appropriate level of oversight and stewardship, directors conduct regular board and performance evaluations. These evaluations assess the board's ability to work as a whole, as well as each director's skills, experience and contributions in a number of key areas, including finance, strategic planning, human resources, legal and regulatory matters and more. The evaluations help the board identify gaps it may address by recruiting new directors or through its ongoing director education program.

TOTAL DIRECTOR COMPENSATION

2020	175,732
2019	172,060

EXECUTIVE LEADERSHIP TEAM

Synergy Credit Union has an experienced executive leadership team whose role is to oversee the operations of the credit union as established by the strategies and policies approved by the Board of Directors. Executive leadership further develops processes that identify, measure, monitor and control risks.

Glenn Stang, Chief Executive Officer

Glenn's background within the credit union system spans more than 40 years, with 24 of those years spent with Synergy. He joined Synergy in August 1997 as Branch Manager of the 50th Street Lloydminster location and held this position until July 2003, when he was promoted to the Executive Manager of Retail Services (now Chief Operating Officer). Synergy's Board of Directors voted unanimously to appoint Glenn as its new CEO, effective January 2, 2013. Glenn believes in lifelong learning and in 2015 completed an extensive three-year program in order to obtain his Certified Chief Executive (CCE) designation. Glenn is a passionate advocate of the credit union system and leverages his expertise and leadership skills in many system wide initiatives. He just completed a three-year term on the Canadian Credit Union Association (CCUA) board and has renewed for a second three-year term on a tri-provincial technology board.

Jason Wang, Chief Risk Officer

Prior to joining Synergy Credit Union in 2019, Jason had spent almost 20 years in the financial industry, with experience spanning across retail lending, credit card, credit bureau and fintech areas. Jason received his Master of Business Administration degree from New York University, and holds a Chartered Financial Analyst (CFA) charter. Jason is a volunteer on the CFA Society Toronto’s Communications Committee.

Brent Bergen, Chief Operating Officer

Brent's background within the credit union system spans more than 30 years in seven different credit unions across Saskatchewan and Alberta. Brent joined Synergy Credit Union in September 2007 as a Regional Manager. He was promoted to the Manager of Retail and was most recently selected as the Chief Operating Officer in January 2013. Brent has completed all modules of the Leadership Foundations program with the Smith School of Business at Queen’s University and has received his certification from the Queen's Executive Development Centre. Brent is a member of the advisory council for the credit union national credit card program.

Trevor Beaton, Chief Innovation & People Officer

Trevor was promoted to the Chief Innovation & People Officer role in September 2016. Trevor started his career in the credit union system in 1999 and spent more than 14 years in wealth management. Trevor was promoted to Manager of Advisory Services in 2013, overseeing both Wealth Services and the Business Banking Centre. Trevor holds a Master of Business Administration from Royal Roads University and a Bachelor of Commerce degree from the University of Saskatchewan. Trevor was recognized as a National Young Leader in 2012 and served three years on the National Young Leader Committee. Outside of work, Trevor plays an important leadership role in his community of Lashburn. Trevor coaches minor sports, and has been an active board member of fundraising events and recreational facilities.

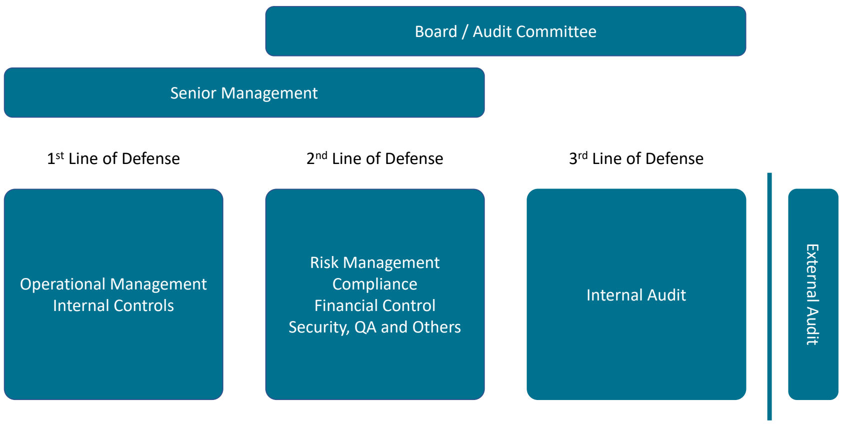
Christine Tucker, Chief Financial Officer

Christine’s background within the credit union system spans more than 20 years. She joined Synergy Credit Union in April 1999 as an Account Manager in Lashburn. Since then she has held many roles including Branch Manager, Regional Manager, Manager of Retail and in July 2018 was promoted to Chief Financial Officer. Christine is a CPA, CMA and with Synergy has continued her passion for continuous learning and achieved her ACUIC designation through Dalhousie University. In addition, Christine is a certified facilitator of our internal cultural training programs at Synergy. She serves on the Board of Midwest Family Connections and is the Finance chair here in Lloydminster.

Left to Right: Jason Wang, Brent Bergen, Glenn Stang, Trevor Beaton, Christine Tucker

RISK MANAGEMENT

Synergy incorporates the Three Lines of Defense model in its risk management practices. Management control is the first line of defense in risk management, the various risk control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third. Each of these three "lines" plays a distinct role within the organization's wider governance framework. Illustrated in diagram below.



Synergy's business activity exposes us to a wide variety of risks in virtually all aspects of our operations. Our ability to manage these risks is a key competency within the organization and is supported by a strong risk culture and an effective approach to risk management.

Taking measured risks is part of Synergy's business. As a provider of financial products and services, we consider risk management to be critical and integral to our business success. Our risk profile is determined by our own strategies, actions, and changes to the external business environment. We manage these risks within an enterprise-wide risk management (ERM) framework. We continually review our operations, assess and analyze the level of our risk exposures and compare our risk profile and risk performance measures against a group of selected peer credit unions in Saskatchewan, the Big 5 Canadian chartered banks and other key competitor financial institutions.

Risk Management Principles

These core risk management principles guide Synergy's risk management practices:

- Balancing risk and reward effectively through aligning business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through preventive and detective controls.
- Viewing risk as acceptable and necessary to build the business. We only accept those risks that can be understood, managed and are consistent with our cooperative values, code of conduct and board-approved policies.
- Believing every employee is essentially a risk manager and must be knowledgeable of the risks inherent in their day-to-day activities and responsibilities.
- Building stronger relationships with members reduces our risks by "knowing our members" and ensuring the services we provide are suitable for, and understood by, each member.
- Aiming risk controls at minimizing uncertainty and maximizing opportunity in a way that optimizes the credit union's capacity to protect, and sustainably grow value for our members.
- Using common sense and sound judgment in order to manage risk throughout the credit union.

Enterprise Risk Management Framework

The primary goal of ERM is to ensure the outcomes of risk taking are consistent with the credit union's business activities, strategies and risk appetite. Our ERM framework provides the foundation for achieving this goal and it is constantly evaluated to ensure it meets the challenges and requirements faced by Synergy. The evaluation includes a comparison to industry best practices, as well as compliance with evolving regulatory standards.

Risk Culture

A strong risk culture emphasizes transparency and accountability. Organizations with a strong risk culture have a consistent and repeatable approach to risk management when making key business decisions, including regular discussions of risk and ongoing reviews of risk scenarios that can help management and board members understand the interconnectedness and potential risk impacts. Synergy's strong risk culture is the cornerstone of its effective ERM framework. It starts with appropriate leadership that demonstrates and sends clear messages throughout the organization. This strong risk culture is communicated and emphasized by the actions of executive leadership and the Board of Directors.

RISK GOVERNANCE

The Board of Directors maintains overall accountability for risk management for the organization. The Board has developed a framework for delegating authority and risk accountability. With this framework, the Board seeks to:

- Understand the risk categories, types of risks the organization may be exposed to, and the practices used to identify, assess and monitor those risks from a high-level perspective.
- Periodically review and approve the risk policies for specific risks (credit, market, liquidity, etc.), and establish the risk appetite and high-level risk limits for the organization.
- Ensure management has established more granular risk limits that are in line with the board approved risk appetite and high-level risk limits.
- Require a process for identifying, assessing, monitoring and reporting risk exposures.
- Require management to have a process for determining optimal capitalization and for ensuring that appropriate capital management strategies are in place.

The Board of Directors has delegated specific risk oversight and risk accountability to the following committees of the Board. These committees are responsible for studying, discussing and developing risk policy and risk management recommendations for consideration to the Board of Directors.

Audit Committee

The Audit Committee is responsible for exercising oversight of the internal audit function and for reviewing the effectiveness of internal control and risk management practices. The committee is accountable to the Board for providing reasonable assurance that risks are being adequately managed, and our exposures are within regulatory constraints and the approved risk appetite. The committee further serves as the Conduct Review Committee as specified under The Credit Union Act, 1998. The Audit Committee held 5 meetings in 2020.

Audit Committee Core Responsibilities

- Monitoring financial performance
- Oversight of internal audit
- Monitoring of credit portfolio
- Compliance with anti-money laundering and privacy legislation
- Oversight of annual operating budget
- Compliance with Standards of Sound Business Practice and Synergy's code of conduct
- Monitoring of related party transactions and conflicts of interest

Corporate Governance Committee

The Corporate Governance Committee is responsible for facilitating effective governance of the credit union, ensuring governance practices evolve with the needs of Synergy. The committee ensures the credit union develops and pursues objectives that maximizes member engagement in the credit union, fosters self-reliant sustainable communities, and ensures appropriate processes are in place to effectively communicate with members and other stakeholders. The committee also serves as the Nominating Committee, whose responsibilities include facilitating the identification of qualified candidates for election to the Board of Directors. The committee's role is to provide for the proper conduct of director elections, including overseeing an orderly, open, transparent and democratic election process. The intent is to encourage participation in the election process, including achieving broad-based, informed, active and effective member engagement. The Corporate Governance Committee held 6 meetings in 2020.

Corporate Governance Committee Core Responsibilities

- Business conduct for directors
- Board committee structure
- Bylaw maintenance and recommended changes
- Board development and succession planning
- Director election process
- Director compensation
- Member engagement and satisfaction
- Community investment
- Stakeholder communications

Human Resources Committee

The Human Resource Committee is responsible for overseeing governing human resource policies, as implemented by management, to ensure Synergy's employees are provided with fair and meaningful employment in a safe and respectful workplace.

The committee has specific responsibilities with respect to the appointment, monitoring and compensation of executive management. The committee also oversees the development and monitoring of policies that provide for the desired ethical conduct by employees. The Human Resource Committee held 2 meetings in 2020.

Human Resources Committee Core Responsibilities

- CEO contract, compensation and evaluation
- CEO succession plan
- Executive management appointments and succession
- Employment principles and compensation
- Employee satisfaction
- Business conduct for employees

Risk Committee

The Risk Committee is responsible for exercising oversight activities related to Synergy's risk appetite and ERM framework, including its liquidity and capital stress testing practices. This includes ensuring the appropriate governing policies are developed that include the context for risks to be taken, the level of risks and the monitoring of adherence to those risk policy parameters. The Risk Committee held 4 meetings in 2020.

Risk Committee Core Responsibilities

- Oversight of enterprise risk management framework
- Monitoring of corporate risk profile
- Monitoring of internal capital adequacy assessment program (ICAAP) and stress testing results
- Oversight of liquidity, interest rate, and credit risks

Management's Role in Risk Governance

The **Chief Executive Officer** is accountable to the Board for managing all material risks across the organization. This includes development and execution of strategic and business plans, as well as developing, implementing and monitoring the risk management strategy.

The Chief Executive Officer is supported by the **executive leadership team**, which is comprised of department heads and direct reports.

Members of the executive leadership team are responsible for managing all risks generated in their respective business lines and supporting units, which includes ensuring they have adequate systems and tools for effective risk management.

The **Asset-Liability Committee (ALCO)** is a management committee that is accountable for overseeing asset-liability strategies, which includes actively managing the balance sheet, overseeing capital and profitability management, and ensuring there is adequate funding and liquidity to support operations and growth.

The **Credit Committee** is a management committee that is accountable for approving Synergy's larger credit risk exposures.

The **Information Technology (IT) Governance Committee** is a management committee that is accountable for establishing and overseeing the credit union's IT strategic plan. This includes setting IT-related strategic and funding priorities based on future member needs, the lifecycle of our IT infrastructure and supporting applications and providing maximum functionality and value to the business. The goal of the IT Governance Committee is to ensure Synergy's IT assets, and the IT assets of our service providers, are strategically aligned and integrated in such a way that our IT systems are secure, stable and reliable.

The **Cyber Security Governance Committee** is a management committee that is accountable for Synergy's cyber security operational risk.

The **Privacy Governance Committee** is a management committee whose primary purpose is to oversee the integrity of the Privacy Risk Management Framework. The framework will ensure: Synergy is compliant with applicable privacy regulations, internal and external member needs and expectations for privacy are met, privacy risks are identified and mitigated and best value is secured as measured by functionality, efficiency, timing, and cost to meet both business and privacy needs.

Individual business lines and support units have ownership and accountability for the risk management processes relating to their functions. This includes identifying, assessing, managing and monitoring the risks within their units (with assistance from executive leadership).

The **Chief Risk Officer** is responsible to manage the overall ERM framework to ensure risk items, identified as needing action or attention, are discussed and dealt with in strategic or tactical plans.

The **Chief Financial Officer** is responsible to manage the overall financial operations of the credit union.

Internal Audit is accountable for independently assessing the effectiveness of our risk management processes, practices and internal controls by providing objective assurance on management's approach to controlling and managing risk.

RISK APPETITE

Risk appetite is the formalization of basic principles and statements that guide discussions on risk-reward tradeoffs. It provides a context to discuss risk and risk-related opportunities to determine whether they may be "on strategy" or "off strategy." Additionally, it facilitates a shared understanding of the over-arching risk philosophy to make appropriate risk decisions. Setting the risk appetite is dynamic and requires flexible processes, as well as the continuous review and guidance from both executive leadership and the Board. The Board of Directors reviews Synergy's risk appetite statement annually as part of its planning cycle. Key attributes of our risk appetite include the following basic business principles and statements:

- We offer core banking and advisory services and engage in business activities that will not put our long-term value at risk. We review growth opportunities in the context of positive impact on members, employees and communities.
- We are committed to achieving high quality and sustainable financial results.
- We have a constructive and highly ethical culture led by an experienced management team committed to standards of sound business practice. Our reputation and brand are important and we will seek to avoid any situation or action that could jeopardize either.
- We seek alliances, collaboration and mergers to create future efficiencies and opportunities.
- We take prudent risks to build and execute our business strategies to better serve our current and future members.
- We display careful and diligent management where all employees and directors understand our appetite for risk and consider the risk appetite in all operational and strategic decisions.

CREDIT RISK

Credit risk is the risk of loss arising from a member or counterparty's failure to meet the terms of any contract with the credit union or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on a counterparty, debt issuer or borrower performance. For derivatives, credit risk is the contract's replacement cost as opposed to its notional value.

Credit Risk Overview

Synergy's main source of credit risk exposure is held within our loan portfolio. The culture of our credit risk management reflects the unique combination of policies, practices, experience and management attitudes that support loan growth within our geographic markets. Underwriting standards are designed to ensure an appropriate balance of risk and return and are supported by established loan exposure limits in areas of demonstrated lending expertise. Our concentration of credit is measured against specified tolerance levels by industry sector and product type. In order to minimize potential loss given default, the vast majority of loans are secured by tangible collateral. This approach to managing credit risk has proven to be very effective, as demonstrated by Synergy's consistently lower than industry – and relatively stable – provision for credit losses and write-offs.

Credit Risk Management

We are committed to a number of important principles to manage our credit risk exposures, which includes:

- The clear communication of delegated lending authorities to employees engaged in the credit granting process, which is complemented by a defined approval process for loans in excess of those limits and includes making recommendations to the Credit Department or Credit Committee for credit adjudication.
- The clear communication of credit policies, guidelines and directives to all account managers, retail service centre managers and region managers whose activities and responsibilities include credit granting and risk assessment.
- The appointment of qualified and experienced employees engaged in credit granting.
- The establishment of a standardized credit risk rating classification for all commercial and agricultural credits.
- The quarterly review of risk diversification by industry sector and the measurement and reporting of product category against assigned portfolio limits.
- The alignment of pricing of credit with risk to ensure an appropriate financial return.
- The balancing of loan growth targets without degrading the overall quality of the loan portfolio.
- The detailed and quarterly review of accounts rated less than satisfactory. These reviews include the completion of a watch list report recording accounts showing evidence of weaknesses, as well as an impaired loan report covering loans that show impairment to the point where a loss is probable.
- The independent reviews of credit evaluation, risk classification and credit management procedures by internal audit, which includes direct reporting of results to executive leadership, the CEO and the Audit Committee.

Residential Mortgage Portfolio

In accordance with CUDGC guidelines, the credit union is required to provide additional credit disclosures regarding its residential mortgage portfolio. Synergy is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but requires default insurance. The insurance is contractual coverage that protects Synergy's real estate secured lending portfolio against potential losses caused by borrower default. Default insurance can be provided by either government backed entities or other approved private mortgage insurers. Currently Synergy only uses Canada Mortgage and Housing Corporation (CMHC) to provide mortgage default insurance.

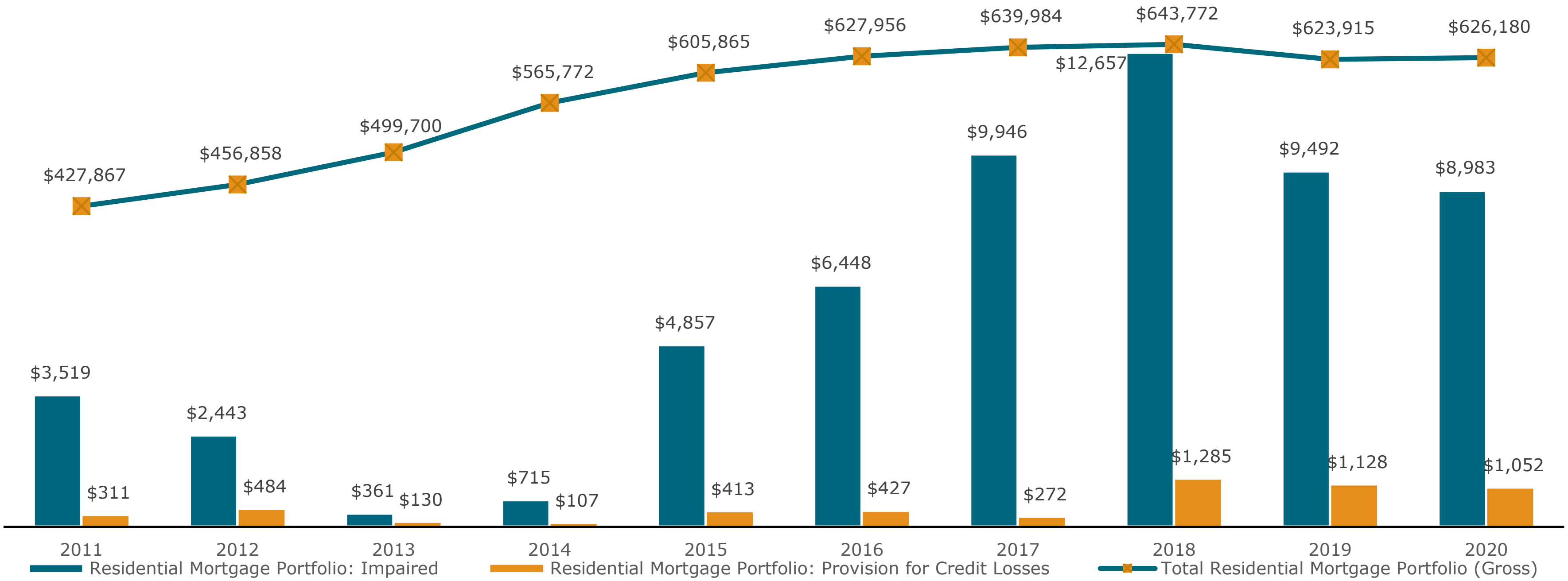
Synergy regularly performs stress tests to determine the impact of a significant decline in housing prices on the residential mortgage portfolio. The IFRS 9 accounting standard requires the use of expected loss model, which calculates the shortfalls that would be incurred in various default scenarios and multiplies that by the probability of it occurring. Each quarter the outcomes are measured and applied to the portfolio.

The following charts are intended to provide: (1) a historical perspective of how Synergy's residential mortgage portfolio has performed throughout the last 10 years, including the 2015/16 economic downturn experienced in Saskatchewan and Alberta due to the collapse of oil prices; and (2) a breakdown of the current residential mortgage portfolio into insured mortgages, conventional uninsured mortgages and uninsured Home Equity Line of Credit (HELOCs).

Residential Mortgage Portfolio: A Historical Perspective

Total residential mortgage portfolio represents the GROSS amounts of outstanding residential mortgages prior to any provision for credit losses being applied to impaired mortgages.

$ thousands



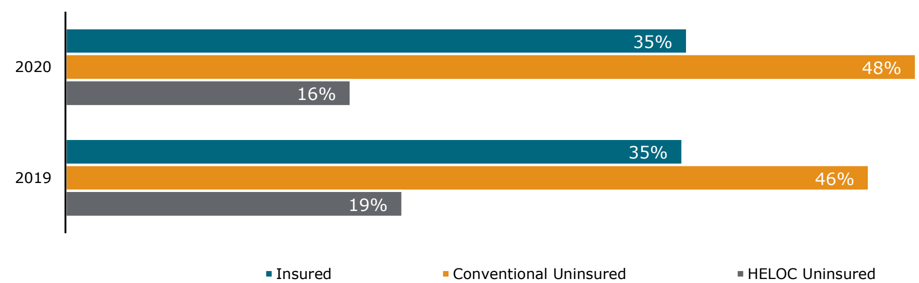
Current Structure of Residential Mortgage Portfolio

As at December 31, 2020

$ thousands

Amortization Range	Insured	Uninsured	HELOC	TOTAL
Less than 10 years	7,696	19,619	6,669	33,984
10 - 15 years	16,075	27,806	20,723	64,604
15 - 20 years	102,838	90,582	31,194	224,614
20 - 25 years	89,919	141,090	40,615	271,624
Greater than 25 years	2,963	26,833	1,558	31,354
TOTAL	219,491	305,930	100,759	626,180

As a percentage of the total gross portfolio



MARKET RISK

Market risk is the risk of loss arising from market factors, such as interest rates, foreign exchange rates, equity or commodity prices and credit spreads. Market risk includes:

- Interest rate risk resulting from movements in interest rates. It arises primarily from timing differences in the re-pricing of assets and liabilities, both on- and off-balance sheet, as they are contractually re-priced or mature
- Price risk resulting from changes in the market price of an asset or liability
- Foreign exchange risk resulting from movements in foreign exchange rates

Market Risk Overview

Market risk arises when making loans, taking deposits and making investments. Synergy does not undertake market activities such as market making, arbitrage or proprietary trading; therefore, the credit union does not have direct risks related to those activities. The most material market risks for Synergy are those related to changes in interest rates. Synergy has limited exposure to foreign exchange risk and considers its risk position to be immaterial.

Interest Rate Risk & Management

Interest rate risk arises from changes in interest rates that affect our net interest income. Exposure to this risk is what allows the credit union to make money on its loan and deposit portfolios. Synergy's earnings are affected by the monetary policies of the Bank of Canada. Monetary policy decisions have an impact on the level of interest rates, which can have an impact on earnings. Our objective is to earn an acceptable net interest income, without taking unreasonable risk, while striving to meet member needs and expectations.

To manage interest rate risk, ALCO works within policy guidelines for interest rate exposures and meets regularly to monitor the credit union's position and to decide on future strategy. The objective is to manage interest rate risk within prudent guidelines. Interest rate risk policies are reviewed by the Risk Committee and approved by the Board of Directors.

Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. Gap analysis is supplemented by computer simulation of the asset liability portfolio structure, duration analysis and dollar estimates of net interest income sensitivity for periods of up to one year.

The analysis in Note 19 *Financial Instrument Risk Management, Market Risk* in the financial statements is a static measurement of interest rate sensitivity gaps at a specific point in time. There is potential for these gaps to change significantly in a short period of time. The impact on earnings from changes in market interest rates will depend on both the magnitude of, and speed with which, interest rates change. It will also depend on the size and maturity structure of the cumulative interest rate gap position and the management of those positions over time. To the extent possible within the credit union's acceptable parameters for risk, the asset/liability position will continue to be managed in such a way that changing interest rates would generally have a marginal impact on net interest income.

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity through pricing and product policies to attract the desired assets and liabilities, as well as through the use of interest rate swaps or other appropriate economic hedging techniques.

LIQUIDITY RISK

Liquidity risk is the risk that Synergy cannot meet a demand for cash or fund its financial obligations in a cost efficient or timely manner as they become due. Demand for cash can arise from withdrawals of deposits, debt maturities and commitments to provide credit. Liquidity risk also includes the risk of not being able to sell assets in a timely manner at a reasonable price.

Liquidity Risk Overview

Synergy maintains a balanced, sound and prudent approach to managing its exposure to liquidity risk. There is a risk and reward trade-off between holding higher levels of liquid, low-yielding assets such as SaskCentral term deposits and government bonds, or deploying these funds into less liquid, higher-yielding assets, such as member loans. Through its Internal Capital Adequacy Assessment Program (ICAAP) and its liquidity management program, Synergy assesses and monitors its liquidity strategies and contingency plans under normal, slightly stressed and severe operating conditions that may be caused by either Synergy-specific or market-wide scenarios. The contingency planning and related liquidity and funding management strategies comprise an integrated liquidity risk management program designed to ensure Synergy maintains liquidity risks within an appropriate threshold.

Key liquidity risk principles include:

- Preserving and growing our reliable and stable base of retail depositors.
- Maintaining a flexible liquidity position to manage current and future growth requirements, while also contributing to the safety and soundness of the credit union.
- Maintaining an appropriate balance between the levels of liquidity Synergy holds and the corresponding costs of liquidity risk mitigation that considers the potential impact of extreme, but plausible, liquidity stress events.
- Maintaining a comprehensive liquidity contingency plan that is supported by a pool of saleable assets that can provide access to liquidity in a crisis.

Liquidity Risk Management

Synergy has comprehensive Asset Liability Management policies that cover key aspects of liquidity risk management. The key elements of managing liquidity risk include the following:

- *Policies.* Liquidity risk management policies establish targets for minimum liquidity, set the monitoring regime and define authority levels and responsibilities. Policies are reviewed by the ALCO and the Risk Committee and are approved by the Board of Directors. Acceptable thresholds for liquidity risk are established by the setting of limits.
- *Monitoring.* Trends and behaviours regarding how members manage their deposits and loans are monitored to determine appropriate liquidity levels. Active monitoring of the external environment is performed using a wide range of sources and economic barometers.
- *Measurement and modeling.* Synergy's liquidity model measures and forecasts cash inflows and outflows, including any cash flows related to applicable off-balance sheet activities over various risk scenarios.
- *Stress testing.* Synergy performs liquidity stress testing on a regular basis, including the CUDGC prescribed Liquidity Coverage Ratio (LCR) stress test as detailed in NOTE 19 *Financial Instrument Risk Management, Liquidity Risk* to evaluate the potential effect of both industry (macro) and Synergy- specific (micro) disruptions on the credit union's liquidity position. Stress test results are reviewed by the ALCO and are considered in making liquidity management decisions. Liquidity stress testing has many purposes, including, but not limited to:
    - Assisting the Board and executive leadership in understanding the potential behaviour of various positions on the credit union's balance sheet in circumstances of stress.
    - Facilitating the development of effective risk mitigation and contingency plans.
- *Contingency planning.* A liquidity contingency plan is developed and maintained specifying the desired approaches for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate team structure for the management and monitoring of liquidity events. Additionally, the plan indicates processes for effective internal and external communication and identifies potential countermeasures to be considered at various stages of an event.
- *Funding diversification.* Synergy actively monitors and manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. Supplementary funding sources include securitization, whole loan sales, and utilization of the credit facilities provided by SaskCentral and Concentra Bank.
- *Statutory liquidity.* SaskCentral, who serves as the provincial liquidity manager for Saskatchewan credit unions, requires Synergy to maintain a minimum of 10% of its liabilities on deposit with SaskCentral. Statutory liquidity requirements are calculated on a quarterly basis. SaskCentral is an integral partner in Synergy's liquidity risk management program and we are actively collaborating with SaskCentral to ensure our liquidity stress testing and contingency plans are both aligned and coordinated.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems from either internal or external sources. Operating a complex financial institution exposes Synergy to a broad range of operational risks, including failed transaction processing, documentation errors, information breaches, technology failures, business disruption, theft and fraud, workplace injury and damage to physical assets. A subset of operational risk is people risk, which is the risk that Synergy is not able to retain and attract sufficient qualified resources to implement its strategies and/or achieve its objectives.

Operational Risk Review

Operational risk is inherent in all business activities. It is embedded in processes that support the management of other risks, such as credit, liquidity, market, capital and reputational risk. Its impact can be financial loss, loss of reputation, loss of competitive position, regulatory penalties or failure in the management of other risks, such as credit or liquidity risk. Synergy is exposed to operational risk from internal business activities, external threats and outsourced business activities. While operational risk cannot be completely eliminated, proactive operational risk management is a key strategy to mitigate this risk.

The primary financial measure of operational risk is actual losses incurred. Synergy has not incurred any material losses related to operational risks in 2019 or 2020. Based on the Basel III regulatory framework, CUDGC requires Synergy to allocate a predetermined amount of capital to provide coverage for potential operational risks. The operational risk capital charge is 15% of average gross net interest income and gross non-interest income for the previous three years.

Based on this formula, Synergy has allocated $6.7 million in capital as of December 31, 2020, to cover operational risks (2019 - $6.7).

Operational Risk Management

Synergy's individual business and support areas are fully accountable for the management and control of operational risks. Strategies and factors that assist with the effective management of operational risk include, but are not necessarily limited to:

- Recruiting and retaining a knowledgeable and experienced management team committed to sound management practices and the promotion of a highly ethical culture.
- Providing strong leadership that supports and clearly communicates effective risk-management practices and encourages employees to report incidents of operational risk failures, breaches and potential losses to senior managers in a prompt and timely manner.
- Developing organizational surveys on employee engagement and Synergy's desired constructive corporate culture.
- Emphasizing the importance of effective risk management to all levels through a combination of training, coaching, and policy implementation.

Key practices to monitor, assess and manage operational risks include:

- Monitoring losses to maintain awareness of identified operational risks and to assist management in taking constructive action to reduce exposures to future losses.
- Implementing policies and procedural controls appropriate to address the identified risks, including segregation of duties, dual custody, and other checks and balances.
- Enhancing fraud prevention processes and policies on an ongoing basis.
- Establishing "whistleblower" processes and an employee code of conduct.
- Developing human resource policies and processes to ensure employees are adequately trained in the tasks for which they are responsible.
- Incorporating automated systems with built-in controls through the use of technology.
- Developing ongoing succession planning.

LEGAL AND REGULATORY RISK

Legal and regulatory risk represents the negative impact to business activities, earnings or capital, regulatory relationships or reputation as a result of a failure to comply - or adapt to - current and changing regulations, laws, industry codes, regulatory expectations or ethical standards.

Legal and Regulatory Overview

The financial services industry is one of the most closely regulated industries, and the management of a financial services business, such as ours, is expected to meet high standards in all business dealings and transactions. As a result, we are exposed to legal and regulatory risk in virtually all of our activities.

Failure to meet our requirements not only poses a risk of censure or penalty, and may lead to litigation, but it also puts our reputation at risk. Financial penalties, unfavorable judicial judgments, costs associated with legal proceedings or regulatory sanctions can adversely affect our earnings and constrain our strategic business decisions. Legal and regulatory risk differs from other risks, such as credit risk or market risk, in that it is typically not a risk actively or deliberately assumed with the expectation of a return. It occurs as part of the normal course of operating our business.

Over the past several years, the intensity of supervisory oversight of all Canadian financial institutions has increased significantly in terms of new regulatory standards. This includes amplified supervisory activities, an increase in the volume of regulation, more frequent data and information requests from regulators, and shorter implementation time frames for regulatory requirements, including the Basel III capital and liquidity standards. Certain regulations, specific to Saskatchewan credit unions, may also impact Synergy's ability to compete against federally regulated financial institutions, other non-Saskatchewan provincially regulated financial institutions and government-based financial institutions such as ATB Financial, Farm Credit Canada and the Business Development Bank of Canada.

Effective management of regulatory risk and compliance in the current environment requires considerable internal resources and the active involvement of executive leadership. Notwithstanding the additional resources, the volume, pace and implementation of new and amended regulations and standards increases the risk of unintended non-compliance.

OTHER RISK FACTORS

In addition to the risks previously described, other risk factors, including those which follow, may adversely affect Synergy's business, its financial condition and its earnings estimates.

General Business and Economic Conditions

Synergy's earnings are largely impacted by the general business and economic conditions of Saskatchewan and Alberta. Several factors that could impact general business and economic conditions in the credit union's core markets include, but are not limited to: changes to energy and other commodity prices; inflation; exchange rates; levels of consumer, business and government spending; levels of consumer, business and government debt; consumer confidence; real estate prices; and, adverse global economic events and/or elevated economic uncertainties.

Level of Competition

Synergy's performance is impacted by the intensity of competition in the markets in which we operate, where online competitors could increase the competitive environment as well. Synergy operates in highly competitive markets and member retention may be influenced by many factors, including relative service levels, the prices and attributes of products and services, changes in products and services, and the actions taken by competitors.

Accuracy of Information

Synergy depends on the accuracy and completeness of information about members and counterparties. In deciding whether to extend credit or enter into other transactions with members and counterparties, Synergy may rely on information furnished by them, including financial statements, appraisals, external credit ratings and other financial information. Synergy may also rely on the representations of members and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on the reports of auditors. Synergy's financial condition and earnings could be negatively impacted to the extent it relies on financial statements that do not comply with standard accounting practices, that are materially misleading or that do not fairly present (in all material respects) the financial condition and results of operations of members or counterparties.

Ability to Attract and Retain Employees

Competition for qualified employees is intense, reflecting the recruitment needs of other companies in our local markets, as well as those in Saskatchewan and Alberta in general.

The goal for Synergy is to continually retain and attract qualified employees who fit within our desired constructive corporate culture, but there is no assurance Synergy will be able to continue to do so.

Information Systems and Technology

Synergy is highly dependent upon information technology and supporting infrastructure, such as voice, data and network access. Various third parties provide key components of the infrastructure and applications. Disruptions in the credit union's information technology and infrastructure, whether attributed to internal or external factors, including potential disruptions in the services provided by various third parties, could adversely affect the ability of Synergy to conduct regular business and/or deliver products and services to members. In addition, Synergy currently has a number of significant technology projects underway, which further increases risk exposures related to information systems and technology.

Adequacy of our ERM Framework

Our ERM framework is made up of various processes and strategies for managing risk exposure. Given our current business structure and the scope of our operations, Synergy is primarily subject to credit, market (mainly interest rate), liquidity, operational, legal, regulatory and strategic risks. There can be no assurance that the framework to manage risks, including the framework's underlying assumptions and models, will be effective under all conditions and circumstances. If the risk management framework proves ineffective, the credit union could be materially affected by unexpected financial losses and/or other harm.

Changes in Accounting Standards

The International Accounting Standards Board continues to change the financial accounting and reporting standards that govern the preparation of Synergy's financial statements. These types of changes can be significant and may materially impact how Synergy records and reports its financial condition and results of operations.

Coronavirus (COVID-19)

A resurgence of virus spread and associated containment measures to varying degrees, along with the tapering off of certain elements of government fiscal support could have a material effect on the timing and extent of economic recovery.

Other Factors

Synergy's management cautions the above discussion of risk factors is not exhaustive. Other factors beyond Synergy's control that may affect future results include changes in tax laws, technological changes, unexpected changes in membership spending and savings habits, timely development and introduction of new products and services and the anticipation of, and success in, managing the associated risks.

2020 FINANCIAL *Statements*

2020 FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Synergy Credit Union Ltd.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are comprised entirely of directors who are neither management nor employees of the credit union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the credit union's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Glenn Stang
Chief Executive Officer

Christine Tucker
Chief Financial Officer

March 15, 2021
Lloydminster, Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To the Members of Synergy Credit Union Ltd.:

Opinion

We have audited the financial statements of Synergy Credit Union Ltd. (the "credit union"), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in equity and cash flows, and the related schedule for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the credit union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the credit union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the credit union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MNP LLP

Chartered Professional Accountants

March 15, 2021
Saskatoon, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31

($ thousands)	NOTE	2020	2019
ASSETS			
Cash and cash equivalents	5	80,844	67,551
Investments	6	341,562	172,739
Loans	7	1,183,723	1,139,903
Foreclosed property		1,230	1,693
Other receivables		277	452
Other assets		4,108	3,150
Derivative financial assets	19	-	180
Property, plant and equipment	8	32,416	33,807
Intangible assets	9	263	390
Deferred tax assets	15	2,098	1,750
		1,646,521	**1,421,615**
LIABILITIES			
Deposits	10	1,461,040	1,232,038
Loans payable	11	25,158	42,203
Other liabilities	12	6,134	5,235
Member capital			
Membership shares	13	32,748	32,436
Allocation payable to members	13	2,640	2,703
		1,527,720	**1,314,615**
EQUITY			
Retained earnings		112,350	107,000
Contributed surplus		6,451	-
		118,801	107,000
		1,646,521	**1,421,615**

On behalf of the Board of Directors:

Don Wheler, Chair
Board of Directors

Dean Roberts, Chair
Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

($ thousands)	NOTE	2020	2019
INTEREST INCOME			
Loans		46,357	49,511
Investments		4,472	5,294
Settlements on interest rate derivatives	19	24	451
		50,853	55,256
INTEREST EXPENSE			
Deposits		15,296	18,398
Loans payable		861	1,056
		16,157	19,454
NET INTEREST INCOME		**34,696**	**35,802**
Provision for (recovery of) credit losses	7	1,606	(837)
NET INTEREST MARGIN		**33,090**	**36,639**
NON-INTEREST INCOME (EXPENSE)			
Unrealized gains (losses) on investments		59	(353)
Losses on derivatives	19	(23)	(540)
Losses on foreclosed property		(96)	(910)
Other revenue	14	8,646	9,008
		8,586	7,205
NON-INTEREST EXPENSES (Schedule 1)			
Personnel		19,183	18,599
Occupancy		3,432	3,400
Member security		1,152	1,081
General business		8,627	8,131
Organization		390	472
		32,784	31,683
INCOME BEFORE ALLOCATIONS AND INCOME TAX		**8,892**	**12,161**
Patronage allocation		1,784	2,703
Income tax expense	15	1,758	2,218
COMPREHENSIVE INCOME FOR THE YEAR		**5,350**	**7,240**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

($ thousands)	Retained earnings	Contributed surplus	Total equity
Balance at December 31, 2018	**99,760**	**-**	**99,760**
Comprehensive income	7,240	-	7,240
Balance at December 31, 2019	**107,000**	**-**	**107,000**
Contributed surplus resulting from business combination (Note 22)	-	6,451	6,451
Comprehensive income	5,350	-	5,350
Balance at December 31, 2020	**112,350**	**6,451**	**118,801**

STATEMENT OF CASH FLOWS

For the years ended December 31

($ thousands)	2020	2019
OPERATING ACTIVITIES		
Loan interest received	46,589	49,864
Investment interest received	3,342	4,791
Dividends received	1,043	850
Non-interest revenue received	9,060	8,962
Interest paid	(17,163)	(17,554)
Patronage paid to members	(2,549)	(2,485)
Payments to vendors and employees	(31,925)	(36,300)
Income taxes paid	(1,673)	(1,901)
Net decrease in loans and foreclosed property	20,162	9,168
Net increase in deposits	133,732	36,144
Net cash from operating activities	**160,618**	**51,539**
INVESTING ACTIVITIES		
Property, plant and equipment and intangible assets purchased	(420)	(1,788)
Purchases of investments	(168,861)	(15,668)
Proceeds on sale and maturities of investments	27,780	1,282
Cash received from business combination (Note 22)	10,901	-
Net cash used in investing activities	**(130,600)**	**(16,174)**
FINANCING ACTIVITIES		
Membership shares redeemed and distributions (net)	320	394
Proceeds from loan securitizations	3,237	8,321
Repayment of securitization liabilities	(20,282)	(16,275)
Net cash used in financing activities	**(16,725)**	**(7,560)**
Increase in cash and cash equivalents	13,293	27,805
Cash and cash equivalents, beginning of year	67,551	39,746
Cash and cash equivalents, end of year	**80,844**	**67,551**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020
($ thousands)

1. REPORTING ENTITY

Synergy Credit Union Ltd. (the credit union) was continued pursuant to *The Credit Union Act 1998* of the Province of Saskatchewan, and operates eleven credit union branches. The credit union serves members in Lloydminster, Kindersley and surrounding areas.

In accordance with *The Credit Union Act 1998*, Credit Union Deposit Guarantee Corporation (CUDGC), a provincial corporation, guarantees the full repayment of all deposits held in Saskatchewan credit unions, including accrued interest.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors and authorized for issue on March 15, 2021.

2. CHANGE IN ACCOUNTING POLICIES

Standards and interpretations effective in the current period

The credit union adopted amendments to the following standards, effective January 1, 2020. Adoption of these amendments had no effect on the credit union's financial statements.

- IFRS 3 *Business Combinations*
- IAS 1 *Presentation of Financial Statements*
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

3. BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared using the historical basis except for the revaluation of certain financial instruments.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the credit union's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

Significant accounting judgments, estimates and assumptions

The preparation of the credit union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in comprehensive income in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

COVID-19 pandemic considerations

The Canadian economy has experienced significant disruption and market volatility related to the ongoing global COVID-19 pandemic. The overall impact of the pandemic continues to be uncertain and is dependent on actions taken by Canadian governments, businesses and individuals to limit spread of COVID-19, as well as government economic response and support efforts. The COVID-19 pandemic continues to evolve and the economic environment in which the credit union operates in continues to be subject to sustained volatility, which could continue to negatively impact the credit union's financial results, as the duration of the COVID-19 pandemic and the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic remain uncertain. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the credit union's results is highly uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

3. BASIS OF PREPARATION (continued)

The credit union has detailed policies and internal controls that are intended to ensure that these judgments and estimates are well controlled and independently reviewed, and that policies are consistently applied from period to period and as a result, the credit union believes that the estimates of the value of assets and liabilities are appropriate as of December 31, 2020.

The estimate most impacted by the pandemic is the measurement of the allowance for expected credit losses. Information on significant judgments impacted by the COVID-19 pandemic that have the most significant effect on the amounts recognized in the financial statements is described in Note 19 *Financial Instrument Risk Management*. Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Classification of financial assets

Classification of financial assets requires management to make judgments regarding the business model under which the credit union's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest. Management has determined that the penalty to exercise prepayment features embedded in certain loans made to retail members does not result in payments that are not solely payments of principal and interest because they represent reasonable additional compensation for early termination of the contract.

Key assumptions in determining the allowance for expected credit losses

At each reporting period, financial assets are assessed to determine whether their credit risk has increased significantly since initial recognition. In determining whether credit risk has significantly increased, management develops a number of assumptions about the following factors which impact the borrowers' ability to meet debt obligations:

- Expected significant increase in unemployment rates, interest rates, industrial restructuring and other economic circumstances
- Declining revenues, working capital deficiencies, increases in balance sheet leverage and liquidity
- Expected or actual changes in internal credit ratings of the borrowers or external credit ratings of the instrument and overdue status
- Credit scores for regions or demographics
- The correlation between credit risk on all lending facilities of the same borrower
- Changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about:

- prepayments
- the timing and extent of missed payments or default events

In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses.

In estimating expected credit losses, the credit union develops a number of assumptions as follows:

- The period over which the credit union is exposed to credit risk, considering for example, prepayments, extension options, demand features
- The probability weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date
- Expected cash shortfalls including, recoveries, costs to recover and the effects of any collateral or other credit enhancements
- Estimates of effective interest rates used in incorporating the time value of money
- Effects of the pandemic on specific sectors to which the credit union has credit exposures

The above assumptions are based on historical information and adjusted for current conditions and forecasts of future economic conditions. The credit union determines adjustments needed to its historical assumptions by monitoring the correlation of the probability of default and loss rates with the following economic variables:

- Interest rates
- Unemployment rates
- Gross domestic product
- Inflation
- Loan to Value ratios
- Housing price indices

3. BASIS OF PREPARATION (continued)

The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes that are neither best-case nor worse-case scenarios. The credit union uses judgment to weight these scenarios.

Fair value of unquoted equity instruments

The credit union has assessed that the fair values of its unquoted equity instruments, SaskCentral shares and Concentra Bank shares approximates its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold and new shares are issued at par value of all currently held shares.

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future years could be material.

Income taxes

The credit union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the credit union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Impairment of non-financial assets

At each reporting date, the credit union assesses whether there are any indicators of impairment for non-financial assets. Non-financial assets that have an indefinite useful life or are not subject to amortization, such as goodwill, are tested annually for impairment or more frequently if impairment indicators exist. Other non-financial assets are tested for impairment if there are indicators that their carrying amounts may not be recoverable.

Useful lives of property, plant, equipment and intangible assets

Estimates must be utilized in evaluating the useful lives of all property, plant, equipment and intangible assets for calculation of the depreciation or amortization for each class of assets.

Securitization de-recognition

The determination of whether the credit union’s securitization arrangements qualify for de-recognition requires management judgment on the evaluation of the criteria for de-recognition.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements have been summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Regulations to the Act specify that certain items are required to be disclosed in the financial statements which are presented at annual meetings of members. It is management's opinion that the disclosures in these financial statements and notes comply, in all material respects, with the requirements of the Act. Where necessary, reasonable estimates and interpretations have been made in presenting this information.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency of the credit union at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in comprehensive income for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items’ fair value was determined. Translation gains and losses are included in comprehensive income.

Revenue recognition

The following describes the credit union’s principal activities from which it generates revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Service charge fees, commission and other revenue

The credit union generates revenue providing financial services to its members. Revenue is recognized as services are rendered. The credit union does not have an enforceable right to payment until services are rendered and commission revenue earned when the products are sold. The amount of revenue recognized on these transactions is based on the price specified in the contract.

The credit union does not expect to have any contracts where the period between the transfer of the promised goods or services to the member and payment by the member exceeds one year. Consequently, the credit union does not adjust any of the transaction prices for the time value of money.

Revenue recognition for items outside the scope of IFRS 15 is included in the financial instruments section of Note 4.

Financial instruments

Financial assets

Recognition and initial measurement

The credit union recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

The credit union recognizes and de-recognizes purchases and sales of financial assets on the trade date, which is the date that the credit union commits to selling or purchasing the financial asset. Interest is not accrued on the asset and corresponding liability until the settlement date when title of the financial asset passes.

Classification and subsequent measurement

On initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The credit union determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics. Financial instruments are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and de-recognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, accounts receivable, loans and certain investments held.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon de-recognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The credit union does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatory at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and derivative financial assets (which are interest rate swaps and index-linked derivatives).
- Designated at fair value through profit or loss – On initial recognition, the credit union may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different basis. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The credit union does not hold any financial assets designated to be measured at fair value through profit or loss.

The credit union measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. Equity investments measured at fair value through profit or loss are comprised of investment funds, preferred shares, and shares in SaskCentral and Concentra Bank.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business model assessment

The credit union assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives, how performance of the portfolio is evaluated and risks affecting the performance of the business model.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest, on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the credit union considers factors that would alter the timing and amount of cash flows such as, prepayment and extension features, terms that might limit the credit union's claim to cash flows, and any features that modify consideration for the time value of money.

Reclassifications

The credit union reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The credit union recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The date the credit union commits to purchasing a financial asset is considered the date of initial recognition for the purpose of applying the credit union's accounting policies for impairment of financial assets. For financial assets, the credit union records a loss allowance equal to the expected credit losses resulting from default events that are possible within the next 12-month period, unless there has been a significant increase in credit risk since initial recognition. For those financial assets for which the credit union assessed that a significant increase in credit risk has occurred, the credit union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime. The credit union applies the simplified approach for accounts receivable. Using the simplified approach, the credit union records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The credit union assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants and requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the credit union continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount of the financial asset;
- For loan commitments and financial guarantee contracts, as a provision; and
- For facilities with both a drawn and undrawn component where the credit union cannot separately identify expected credit losses between the two components, as a deduction from the carrying amount of the drawn component. Any excess of the loss allowance over the carrying amount of the drawn component is presented as a provision.

Financial assets are written off when the credit union has no reasonable expectations of recovering all or any portion thereof.

Refer to Note 19 for additional information about the credit union's credit risk management process, credit risk exposure and the amounts arising from expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial assets

The credit union applies its accounting policies for de-recognition of a financial asset to a part of a financial asset only when:

- The part comprises only specifically identified cash flows from a financial asset;
- The part comprises only a pro-rata share of the cash flows from a financial asset; or
- The part comprises only a pro-rata share of specifically identified cash flows from a financial asset.

In all other situations the credit union applies its accounting policies for de-recognition of a financial asset to the entirety of a financial asset.

The credit union de-recognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the credit union either:

- Transfers the right to receive the contractual cash flows of the financial asset; or
- Retains the right to receive the contractual cash flows of the financial asset, but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the credit union retains the risks and rewards of ownership. When the credit union neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

The credit union engages in certain securitization transactions resulting in transfers not qualifying for de-recognition, where substantially all risks and rewards of ownership have been retained. For these transactions, the transferred asset continues to be recognized in its entirety and a financial liability is recognized for the consideration received. Income on the transferred asset and expenses incurred on the financial liability are recognized in subsequent periods.

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the credit union de-recognizes the financial asset. At the same time, the credit union separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss. Such transactions include syndication transactions resulting in transfers qualifying for de-recognition.

Modification of financial assets

The credit union assesses the modification of terms of a financial asset to evaluate whether its contractual rights to the cash flows from that asset have expired in accordance with the credit union's de-recognition policy.

The credit union considers the following circumstances as an expiry of its contractual rights to the cash flows from an asset: changes to the present value of contractual cash flows of the original asset exceeding 10% (i.e. the credit union applies the guidance for modification of a financial liability by analogy), or substantial changes to the risk exposures arising from the financial asset.

When the modifications do not result in de-recognition of the financial asset, the gross carrying amount of the financial asset is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the asset’s original effective interest rate.

For the purpose of applying the impairment requirements, at each reporting date subsequent to the modification, the credit union continues to assess whether there has been a significant increase in credit risk on the modified financial assets from the date of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Recognition and initial measurement

The credit union recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the credit union measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Classification and subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at amortized cost or fair value through profit or loss.

In addition, on initial recognition the credit union may irrevocably designate certain financial liabilities to be measured at fair value through profit or loss in the following circumstances:

- The designation eliminates or significantly reduces an accounting mismatch.
- A group of financial liabilities or financial liabilities and financial assets is managed and its performance evaluated on a fair value basis.
- The financial liability is a host contract containing one or more embedded derivatives.

Changes in the carrying amount of these financial liabilities are recognized in profit or loss. Where the credit union has designated a financial liability at fair value through profit or loss, the change in fair value of the financial liability attributable to the credit union's own credit risk is presented in other comprehensive income, except where doing so creates or enlarges an accounting mismatch. Those amounts recorded in other comprehensive income are not subsequently reclassified to profit or loss.

Financial liabilities measured at fair value through profit or loss include derivative liabilities (interest rate swaps and index-linked derivatives). When the transfer of a financial asset does not qualify for de-recognition because the credit union has retained substantially all of the risks and rewards of ownership, a liability is recognized for the consideration received. Subsequently, any expense incurred on the financial liability is recognized in profit or loss.

All other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities measured at amortized cost include deposits, loans payable, other liabilities and member capital.

Financial liabilities are not reclassified subsequent to initial recognition.

De-recognition of financial liabilities

The credit union de-recognizes a financial liability only when its contractual obligations are discharged, canceled or expire.

Derivatives

Derivatives are initially recognized at fair value on the date the credit union becomes party to the provisions of the contract and are subsequently remeasured at fair value at the end of each reporting period. Changes in the fair value of derivative instruments are recognized in profit or loss.

Dividend income

Dividend income is recorded in profit or loss when the credit union's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the credit union, and the amount of the dividend can be measured reliably.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired, subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

Collateral

The credit union recognizes the proceeds from the sale of any non-cash collateral that has been pledged to it and a liability measured at fair value for its obligation to return the collateral.

If a debtor defaults under the terms of its contract and is no longer entitled to the return of any collateral, the credit union recognizes the collateral as an asset initially measured at fair value or, if it has already sold the collateral, de-recognizes its obligation to return the collateral.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the credit union's cash management system.

Investments

Each investment is classified into one of the categories described under financial instruments. The classification dictates the accounting treatment for the carrying value and changes in that value.

Impairment of non-financial assets

At the end of each reporting period, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating units (CGU) to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or are otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

Securitization

The credit union securitizes loan assets, generally through the sale of these assets to third parties. As the credit union remains exposed to residual risk and reward through the retention of items such as servicing requirements and the right to excess spread, these assets have not been de-recognized, as the de-recognition criteria have not been met and they continue to be reported on the statement of financial position. The residual risks associated with these assets are mitigated by the credit union's risk policies.

Syndication

The credit union syndicates individual assets with various other financial institutions primarily to manage credit risk, create liquidity and manage regulatory capital for the credit union. Syndicated loans transfer substantially all the risks and rewards related to the transferred financial assets and are de-recognized from the credit union's statement of financial position. All loans syndicated by the credit union are on a fully-serviced basis. The credit union receives fee income for services provided in the servicing of the transferred financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreclosed assets

Foreclosed assets held for sale are initially recorded at the lower of cost and fair value less costs to sell. Cost comprises the balance of the loan at the date on which the credit union obtains title to the asset plus subsequent disbursements related to the asset, less any revenues or lease payments received. Foreclosed assets held for sale are subsequently valued at the lower of their carrying amount and fair value less cost to sell.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Land has an unlimited useful life and is therefore not depreciated. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

Buildings and improvements	5 to 40 years
Furniture and equipment	3 to 20 years
Automotive	5 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.
Gains or losses on the disposal of property, plant and equipment will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Intangible assets

Computer software

The credit union's only intangible asset is computer software which is amortized to comprehensive income on a straight-line basis over its estimated useful life of 3 - 10 years. The useful life of computer software will be reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and recognized in comprehensive income as other operating income or other operating costs, respectively.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets transferred, liabilities assumed and equity instruments issued by the credit union in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value (the date in which the credit union acquired control of the acquiree). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognized in profit or loss. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquired identifiable assets, and liabilities are recognized at their acquisition-date fair values if they meet the definitions of assets and liabilities under IFRS for the preparation and presentation of financial statements at acquisition date and they were exchanged as part of the business combination rather than as the result of separate transactions.

Income taxes

The credit union accounts for income taxes using the asset and liability method. Current and deferred taxes are recognized in comprehensive income except to the extent that the tax is recognized either in other comprehensive income or directly in equity, or the tax arises from a business combination. Under this method, the provision for income taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax asset and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable income.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allows the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Leases

The credit union assesses at inception of a contract, whether the contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the credit union assesses whether the customer has the following through the period of use:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Where the credit union is a lessee in a contract that contains a lease component, the credit union allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the credit union recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset is comprised of the initial amount of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred by the credit union, and an estimate of the costs to be incurred by the credit union in dismantling and removing the underlying asset and restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the credit union measures right-of-use assets by applying the cost model, whereby the right-of-use asset is measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the credit union expects that the ownership of the underlying asset will transfer to the credit union by the end of the lease term or if the cost of the right-of-use asset reflects that the credit union will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments not paid at the lease commencement date, discounted using the interest rate implicit in the lease or the credit union's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined. The lease payments included in the measurement of the lease liability comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable by the credit union under a residual value guarantee, the exercise price of a purchase option that the credit union is reasonably certain to exercise and payment of penalties for terminating the lease if the lease term reflects the credit union exercising an option to terminate the lease. After the commencement date, the credit union measures the lease liability at amortized cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The credit union remeasures the lease liability when there is a change in the lease term, a change in the credit union's assessment of an option to purchase the underlying asset, a change in the credit union's estimate of amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. On remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The credit union has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low value leases. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of $5,000 USD or less. The credit union recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee’s benefit.

Employee benefits

The credit union’s post employment benefit programs consist of a defined contribution plan. Credit union contributions to the defined contribution plan are expensed as incurred.

Membership shares

Shares are classified as liabilities or member equity in accordance with their terms. Shares redeemable at the option of the member, either on demand or on withdrawal from membership, are classified as liabilities. Shares redeemable at the discretion of the Credit Union Board of Directors are classified as equity. Shares redeemable subject to regulatory restrictions are accounted for using the criteria set out in IFRIC 2 *Members' Shares in Cooperative Entities and Similar Instruments*.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, such as property, plant and equipment and intangible assets, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Government grants

The credit union recognizes government assistance when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance, and that the assistance will be received. The credit union recognizes government assistance as other revenue.

Standards issued but not yet effective

The credit union has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2020 but are not yet effective. Unless otherwise stated, the credit union does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 3 Business combinations

Amendments to IFRS 3, issued in May 2020, updated all old references of IFRS 3 *Conceptual Framework* to the revised *Conceptual Framework for Financial Reporting*. The amendments also add an exception to the IFRS 3 recognition requirements, whereby for liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* if incurred separately, an acquirer would apply IAS 37 or IFRIC 21 to identify the obligations assumed in a business combination, instead of the *Conceptual Framework*. Finally, the amendments make requirements for contingent assets more explicit by adding a statement in IFRS 3 that an acquirer should not recognize contingent assets acquired in a business combination.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. The credit union is currently assessing the impact of these amendments on its financial statements.

IAS 16 Property, plant and equipment

Amendments to IAS 16, issued in May 2020, prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. The credit union is currently assessing the impact of these amendments on its financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 37 Provisions, contingent liabilities and contingent assets

Amendments to IAS 37, issued in May 2020, specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

The amendments are effective for annual periods beginning on or after January 1, 2022. The credit union is currently assessing the impact of these amendments on its financial statements.

5. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand	3,715	3,276
Deposits on demand	77,129	64,275
	80,844	**67,551**

6. INVESTMENTS

	2020	2019
Amortized Cost		
SaskCentral liquidity deposits	87,343	47,515
SaskCentral liquidity term deposits	56,657	77,486
Non-redeemable term deposits	138,750	25,000
Marketable bonds and bank terms	33,537	2,587
Debentures	1,177	-
Accrued interest	769	472
Total amortized cost	**318,233**	**153,060**
Fair Value Through Profit Loss (FVTPL)		
SaskCentral shares	9,779	9,050
Concentra Bank shares	7,750	7,500
Investment funds	5,787	3,055
Preferred shares	13	13
Accrued interest	-	61
Total fair value through profit loss (FVTPL)	**23,329**	**19,679**
Total investments	**341,562**	**172,739**

Pursuant to Regulation 18(1)(a) of *The Credit Union Regulations, 1999*, Credit Union Central of Saskatchewan (SaskCentral) requires the credit union maintain 10% of its liabilities using a prescribed formula in specified liquidity deposits with SaskCentral. CUDGC requires the credit union adhere to these prescribed statutory liquidity deposit requirements. As of December 31, 2020 and 2019, the credit union met the requirements.

SaskCentral is owned by Saskatchewan credit unions acting as their liquidity manager and key consulting service provider. SaskCentral maintains business relationships with, and invests in, a number of co-operative entities on behalf of Saskatchewan credit unions, including Concentra Bank, Credit Union Payment Services (CUPS), CU CUMIS Wealth Holdings LP (CUC Wealth) and Celero Solutions. SaskCentral holds 84.0% of the voting common shares of Concentra Bank.

7. LOANS

	2020				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	116,002	1,603	-	(23)	117,582
Commercial	136,680	10,443	(48)	(1,824)	145,251
Residential	617,197	8,983	(541)	(511)	625,128
Consumer loans	129,580	2,784	(1,365)	(2,511)	128,488
Business loans	161,208	3,596	(893)	(1,297)	162,614
Accrued interest	3,870	790	-	-	4,660
Total loans	**1,164,537**	**28,199**	**(2,847)**	**(6,166)**	**1,183,723**

	2019				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	105,339	2,128	-	(16)	107,451
Commercial	130,923	1,627	(299)	(1,674)	130,577
Residential	614,423	9,492	(1,128)	(450)	622,337
Consumer loans	136,056	2,668	(2,025)	(2,160)	134,539
Business loans	140,402	2,850	(1,020)	(920)	141,312
Accrued interest	3,065	622	-	-	3,687
Total loans	**1,130,208**	**19,387**	**(4,472)**	**(5,220)**	**1,139,903**

7. LOANS (continued)

Included in the above balances are securitized residential mortgages amounting to $25,540 (2019 - $42,526). These residential mortgages have been pledged as collateral for secured borrowings of $25,158 (2019 - $42,203).

Canada emergency business account program

Under the Canada Emergency Business Account (CEBA) Program, with funding provided by the Government of Canada and Export Development Canada (EDC) as the Government of Canada's agent, the credit union provides loans to its business banking members. In June 2020, eligibility for the CEBA loan program was expanded to include businesses that did not meet the payroll requirements of the initial program but had other eligible non deferrable expenses. Under the CEBA Program, eligible businesses receive up to a $60,000 interest free loan until December 31, 2022. If $40,000 is repaid on or before December 31, 2022, the remaining amount of the loan is eligible for complete forgiveness. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing an interest rate of 5% per annum.

The funding provided to the credit union by the Government of Canada in respect of the CEBA Program represents an obligation to pass through collections on the CEBA loans and is otherwise no recourse to the credit union. Accordingly, the credit union is required to remit all collections of principal and interest on the CEBA loans to the Government of Canada but is not required to repay amounts that its members fail to pay or that have been forgiven. The credit union receives an administration fee to recover the costs to administer the program for the Government of Canada.

Loans issued under the program are not recognized on the credit union's Statement of Financial Position, as the credit union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. As of December 31, 2020, the credit union had provided approximately 704 members with CEBA loans and had funded approximately $30.38 million in loans under the program.

Changes in allowance for credit losses

	2020	**2019**
Balance at beginning of year	9,692	11,376
Acquisition through business combination	840	-
Impairment losses (recoveries) recognized	1,606	(837)
Amounts written-off	(3,125)	(847)
Balance at end of year	**9,013**	**9,692**

Of the total allowance for credit losses of $9,013 (2019 – $9,692), $2,847 (2019 – $4,472) is a specific provision and $6,166 (2019 – $5,220) is a collective provision.

Loans past due but not impaired

A loan is considered past due when a payment had not been received by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired as at December 31, are as follows:

	2020			
	1 to 59 days	60 to 90 days	More than 90 days	Total all days
Mortgages				
Agriculture	3,313	50	-	3,363
Commercial	6,277	-	-	6,277
Residential	17,359	2,546	-	19,905
Consumer loans	1,434	404	-	1,838
Business loans	652	85	-	737
Total loans	**29,035**	**3,085**	**-**	**32,120**

	2019			
	1 to 59 days	60 to 90 days	More than 90 days	Total all days
Mortgages				
Agriculture	2,954	870	-	3,824
Commercial	3,184	6,434	-	9,618
Residential	19,932	3,812	-	23,744
Consumer loans	4,661	964	-	5,625
Business loans	3,149	460	-	3,609
Total loans	**33,880**	**12,540**	**-**	**46,420**

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2018	6,493	36,846	8,513	169	52,021
Additions	-	1,074	513	73	1,660
Disposals	-	-	(863)	(103)	(966)
Balance at December 31, 2019	6,493	37,920	8,163	139	52,715
Additions	-	258	137	-	395
Disposals	-	(3)	(903)	-	(906)
Acquisitions through business combination	36	1,088	584	-	1,708
Balance at December 31, 2020	**6,529**	**39,263**	**7,981**	**139**	**53,912**

Accumulated depreciation	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2018	-	12,169	5,408	167	17,744
Depreciation	-	1,531	611	15	2,157
Disposals	-	-	(890)	(103)	(993)
Balance at December 31, 2019	-	13,700	5,129	79	18,908
Depreciation	-	1,562	622	15	2,199
Disposals	-	(3)	(902)	-	(905)
Acquisitions through business combination	-	801	493	-	1,294
Balance at December 31, 2020	**-**	**16,060**	**5,342**	**94**	**21,496**

Net book value	Land	Building and improvements	Furniture and equipment	Automotive	Total
At December 31, 2019	6,493	24,220	3,034	60	33,807
At December 31, 2020	**6,529**	**23,203**	**2,639**	**45**	**32,416**

9. INTANGIBLE ASSETS

Cost	Purchased software
Balance at December 31, 2018	3,079
Additions	127
Disposals	(624)
Balance at December 31, 2019	2,582
Additions	25
Disposals	(19)
Acquisition through business combination	251
Balance at December 31, 2020	**2,839**

Accumulated amortization	
Balance at December 31, 2018	2,629
Amortization	174
Disposals	(611)
Balance at December 31, 2019	2,192
Amortization	157
Disposals	(19)
Acquisition through business combination	246
Balance at December 31, 2020	**2,576**

Net book value	
At December 31, 2019	390
At December 31, 2020	**263**

10. DEPOSITS

	2020	**2019**
Demand deposits	847,047	673,938
Term deposits	606,694	550,084
Accrued interest	7,299	8,016
	1,461,040	**1,232,038**

11. LOANS PAYABLE

	2020	**2019**
Financial liabilities from securitizations	**25,158**	**42,203**

Financial liabilities from securitizations

During the year, the credit union securitized $3,236 (2019 - $8,321) in residential mortgages and recognized new related loans payable liabilities of $3,192 (2019 - $8,303). At December 31, 2020, the carrying amount of the secured borrowings was $25,540 (2019 - $42,526) with a weighted average interest rate of 1.92% (2019 – 1.90%). The credit union received the net differential between the monthly interest receipts of the assets and the interest expense on the secured borrowing. The exposure to variability of future interest income and expense has been incorporated into the interest rate sensitivity calculations as shown in Note 19.

SaskCentral

The credit union has an authorized line of credit bearing interest at prime less 0.50% in the amount of $10,000 (2019 - $8,000) from SaskCentral. Prime rate was 2.45% at December 31, 2020. At December 31, 2020 the credit union had $0 (2019 - $0) outstanding on this line of credit.

The credit union also has available through SaskCentral a commercial paper facility in the amount of $25,000 (2019 - $25,000). Under the program, the credit union may request drawings up to the established limit. The principal amount and interest are due on the maturity date of the commercial paper issued by SaskCentral. The interest rate payable is the commercial paper market term rate as established plus 0.375%. As of December 31, 2020 and 2019, the credit union had $0 drawn on this program, bearing nil interest. As at December 31, 2020 and 2019, the accrued interest on this commercial paper facility is $0.

All SaskCentral bank indebtedness agreements are secured by general security agreements registered against the assets of the credit union.

Concentra Bank

The credit union has a secured quick line (revolving credit facility) in the amount of $50,000 (2019 - $50,000) from Concentra Bank. The intended purpose of the credit facility is to support the credit union’s liquidity needs in extending loans to members and to finance any other operating requirements.

At December 31, 2020 and 2019, the credit union had no balance outstanding on this credit facility. The credit facility is secured by residential mortgages amounting to $30,000 equaling 110% of the credit limit insured by CMHC or Sagen Mortgage Insurance Company Canada (previously Genworth Canada), Concentra term deposits amounting to $20,000,

11. LOANS PAYABLE (continued)

as well as a second charge security interest against the assets of the credit union. The interest rate payable under the facility is the three-month CDOR rate plus 1.00% for funds secured by insured mortgages, and the three-month CDOR rate plus 0.50% for funds secured by Concentra term deposits. The annual standby fees are 0.20% per annum for funds secured by insured mortgages and 0.15% per annum for funds secured by Concentra term deposits.

12. OTHER LIABILITIES

	2020	2019
Accounts payable and accrued liabilities	5,821	4,939
Retained member capital for distribution	313	296
	6,134	**5,235**

The credit union contributes annually to a defined contribution pension plan for employees. The annual pension expense of $945 (2019 - $873) is included in personnel expenses.

13. MEMBERSHIP SHARES AND ALLOCATION PAYABLE

Membership shares, including member ProfitShares, are as provided for by *The Credit Union Act 1998* and administered according to the credit union's Bylaws, which set out the rights, privileges, restrictions and conditions.

The authorized share capital is unlimited in amount and consists of fully paid shares with a par value of $5 per share. These accounts are not guaranteed by CUDGC.

Membership share characteristics include freedom from mandatory charge and subordination to the rights of creditors and depositors.

	2020	2019
Balance, beginning of year allocations to members	32,436	32,027
Interest rebate to borrowers	847	810
Bonus interest to investors	604	608
Share dividend	637	629
Redemptions on member accounts	(1,902)	(1,761)
Allocated membership shares	32,622	32,313
Other membership shares	126	123
Total membership shares	**32,748**	**32,436**

The Board of Directors declared a patronage allocation in the amount of $1,938 on December 31, 2020 (2019 - $2,703). The patronage allocation approved by the Board of Directors is based on the amount of loan interest paid, deposit interest earned, member rewards, and a dividend based on outstanding ProfitShare balances as of December 31, 2020. As part of our amalgamation agreement, the credit union set aside $702 of Macklin credit union's legacy capital which will be paid out in the form of dividends to Macklin membership in 2021.

	2020	2019
Interest rebate to borrowers	611	958
Bonus interest to investors	377	682
Member account rewards	599	414
Share dividend	351	649
Legacy fund to Macklin membership	702	-
	2,640	**2,703**

14. OTHER REVENUE

	2020	2019
Deposit fees and commissions	2,929	3,638
Wealth services	2,914	2,784
Insurance	885	1,319
Loan fees	780	695
Credit card	177	190
Lease	328	203
Government grants	570	-
Other	63	179
	8,646	**9,008**

Canada Emergency Wage Subsidy

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualification and application of the CEWS is assessed over multiple four week application periods.

The credit union has determined that it has qualified for the CEWS for the following periods during the year: Period 5: July 5 – August 1, 2020; Period 6: August 2 – August 29, 2020; Period 7: August 30 – September 26, 2020; Period 8: September 27 – October 24, 2020; Period 9: October 25 – November 21, 2020. The credit union has applied for and received government assistance related to the CEWS in the amount of $570 which has been reflected in the Statement of Comprehensive Income.

15. INCOME TAXES

	2020	2019
Income tax expense is comprised of:		
Current income tax expense	1,330	1,901
Deferred tax expense	428	317
	1,758	**2,218**

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	2020	2019
Income before income taxes	7,108	9,458
Combined federal and provincial tax rate	27.00%	27.00%
Income tax expense at statutory rate	1,919	2,554
Adjusted for the net effect of:		
Non-taxable and other items	(161)	(141)
Credit union rate reduction	-	(195)
	1,758	**2,218**

Deferred tax assets recognized are attributable to the following:

	2020	2019
Deferred tax assets		
Property, plant and equipment	356	220
Loans	1,742	1,530
Deferred tax assets	**2,098**	**1,750**

The deferred tax asset is expected to be recovered in more than twelve months from December 31, 2020.

16. CAPITAL MANAGEMENT

CUDGC prescribes capital adequacy measures and minimum capital requirements. The capital adequacy rules issued by CUDGC have been based on the Basel III framework, consistent with the financial industry in general.

The credit union follows the standardized approach to calculate risk-weighted assets for credit and operational risk.

Under this approach, credit unions are required to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets, including off-balance sheet commitments.

Based on the prescribed risk of each type of asset, a weighting of 0% to 1250% is assigned. The ratio of regulatory capital to risk-weighted assets is calculated and compared to the standard outlined by CUDGC.

Tier 1 capital is defined as a credit union's primary capital and comprises the highest quality of capital elements while tier 2 is secondary capital and falls short of meeting tier 1 requirement for permanence or freedom from mandatory charges. Tier 1 capital consists of two components: common equity tier 1 (CET1) capital and additional tier 1 capital. CET1 capital includes retained earnings, contributed surplus and AOCI. Deductions from CET1 capital include goodwill, intangible assets, deferred tax assets (except those arising from temporary differences), increases in equity capital resulting from securitization transactions, unconsolidated substantial investments and fair value gains/losses on own use property. Additional tier 1 capital consists of qualifying membership shares or other investment shares issued by the credit union that meet the criteria for inclusion in tier 1 capital and are not included in common equity tier 1 capital.

At the current time, the credit union does not have any qualifying membership or investment shares that meet the criteria established for additional tier 1 capital.

Tier 2 capital includes a collective allowance for credit losses to a maximum of 1.25% of risk-weighted assets, subordinated indebtedness and qualifying membership shares or other investment shares issued by the credit union that meet the criteria for inclusion in tier 2 capital and are not included in tier 1 capital.

Regulatory standards also require the credit union to maintain a minimum leverage ratio of 5%. This ratio is calculated by dividing eligible capital by total assets less certain deductions from capital plus specified off-statement of financial position exposures. Based on the type of off-statement of financial position exposure, a conversion factor is applied to the leverage ratio. All items deducted from capital are excluded from total assets.

The credit union has adopted a capital management framework that conforms to the capital framework and is regularly reviewed and approved by the Board of Directors.

16. CAPITAL MANAGEMENT (continued)

The following table compares CUDGC regulatory standards to the credit union's board policy for 2020:

	Regulatory standard	Board minimum
Eligible capital to risk-weighted assets	10.50%	12.50%
Tier 1 capital to risk-weighted assets	8.50%	9.50%
CET1 capital to risk-weighted assets	7.00%	9.50%
Leverage ratio	5.00%	6.00%

During the years ended December 31, 2020 and 2019, the credit union complied with all internal and external capital requirements.

Eligible capital

	2020	2019
Risk-weighted assets	**895,932**	**807,173**
CETI capital comprises:		
Retained earnings	112,350	107,000
Contributed surplus	6,451	-
Deductions from common equity tier 1 capital:		
Intangible assets	(263)	(390)
Eligible CET1 capital	118,538	106,610
Additional tier 1 capital	-	-
Total eligible tier 1 capital	118,538	106,610
Tier 2 capital comprises:		
Membership capital	35,388	35,139
Collective allowance	6,166	5,220
Total tier 2 capital	41,554	40,359
Total eligible capital	**160,092**	**146,969**

Regulatory capital adequacy ratios

	2020	2019
Total eligible capital to risk-weighted assets	17.87%	18.21%
Total tier 1 capital to risk-weighted assets	13.23%	13.21%
CET1 capital to risk-weighted assets	13.23%	13.21%
Leverage ratio	9.59%	10.29%

17. RELATED PARTY TRANSACTIONS

A related party exists when one party has the ability to directly or indirectly exercise control, joint control or significant influence over the other, or is a member, or close family member of a member of the key management personnel of the credit union. Related party transactions are in the normal course of operations and are measured at the consideration established and agreed to by the parties.

The Board's Audit Committee reviews and monitors all related party transactions for compliance with legislation, standards of sound business practice and with credit union's policies and procedures. The Committee is charged with ensuring that all proposed related party transactions are fair to the credit union and that the best judgment of the credit union has not been compromised as a result of real or perceived conflict of interest.

Related parties are defined in *The Credit Union Act 1998* and include all directors or senior officers of the credit union, their spouses, their children under the age of 18, or any entity in which the director, senior officer, their spouse, or their children under the age of 18 has a substantial or controlling interest.

Member loans

The credit union, in accordance with its policy, grants loans to related parties at regular member rates or at preferred staff rates for senior officers. These loans are granted under the same lending policies applicable to other members. The credit union received interest from related parties in the amount of $167 (2019 - $371).

	2020	2019
Loans outstanding at January 1	8,876	11,592
Loans repaid during the year, net	(3,044)	(2,716)
	5,832	**8,876**

Deposit accounts

Related parties may hold deposit accounts and have access to personal chequing accounts that do not incur service charges. Interest paid by the credit union to the related parties is $42 (2019 - $23).

	2020	2019
Deposits at January 1	3,991	4,171
Deposits received (repaid) during the year, net	348	(180)
	4,339	**3,991**

17. RELATED PARTY TRANSACTIONS (continued)

Ordinary course of business transactions

The credit union, in accordance with its policy and *The Credit Union Act 1998*, can enter into business transactions for the purchase of services with entities owned or significantly controlled by designated related parties. These transactions are in the credit union's ordinary course of business, are at market terms and conditions and are reviewed and reported to the Audit Committee. The value of such services purchased by the credit union to entities owned or significantly controlled by designated related parties in 2020 was $6 (2019 - $13).

Key management compensation

Key management persons (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, directly or indirectly. Control is the power to govern the financial and operating policies of the credit union so as to obtain benefits from its activities. The KMP of the credit union includes the executive leadership team (ELT) and members of the board who held offices during the financial year. The ELT is comprised of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, and Chief Innovation & People Officer. Other key management personnel (OKMP) include the direct reports of Chief Operating Officer, as well as the Manager of Finance and Accounting, Manager of Human Resources, Manager of Governance and Internal Auditor.

The aggregate compensation of KMP during the year, comprising amounts paid or payable, was as follows:

	2020	2019
Directors		
Compensation and other short-term benefits	182	178
Executive leadership team		
Salaries and other short-term benefits	1,445	1,323
Post-employment benefits	67	67
Other key management personnel		
Salaries and other short-term benefits	1,168	1,097
Post-employment benefits	70	65
	2,932	**2,730**

In the above table, remuneration shown as salaries and other short-term benefits include wages, salaries, statutory government contributions, paid annual leave and paid sick leave, performance-based incentive and the value of fringe benefits received, Director per diems, but excludes out-of-pocket expense reimbursements.

Members of the ELT receive a performance-based incentive in the form of variable compensation, which is included in salaries and other short-term benefits. Variable compensation is accrued in the fiscal year earned and paid in the following year. Figures in the above table represents the timing of when variable compensation amounts are accrued as a personnel expense as opposed to when they are paid. Variable compensation accrued for the ELT in 2020 is $248 (2019 - $266) and OKMP 2020 is $176 (2019 – $132). Travel and training costs to members of the board in 2020 were $39 (2019 - $53).

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the credit union takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair values are determined where possible by reference to quoted bid or asking prices in an active market. In the absence of an active market, the credit union determines fair value based on internal or external valuation models, such as discounted cash flow analysis or using observable market based inputs (bid and ask price) for instruments with similar characteristics and risk profiles.

The credit union classifies fair value measurements of financial instruments recognized in the statement of financial position using the following three-tier fair value hierarchy, which reflects the significance of the inputs used in measuring fair value as follows:

- *Level 1:* Quoted market prices (unadjusted) are available in active markets for identical assets or liabilities;
- *Level 2:* Fair value measurements are derived from inputs other than quoted prices that are included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- *Level 3:* Fair value measurements derived from valuation techniques that include significant unobservable inputs.

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

The following table summarizes the carrying amount and fair values of the credit union's financial instruments.

	2020				2019			
	Carrying amount	Fair value classifications			Carrying amount	Fair value classifications		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
FINANCIAL ASSETS – Recurring measurements								
Fair value through profit loss (FVTPL)								
Cash	3,715	-	3,715	-	3,276	-	3,276	-
SaskCentral shares	9,779	-	-	9,779	9,050	-	-	9,050
Concentra Bank shares	7,750	-	-	7,750	7,500	-	-	7,500
Investment funds	5,787	-	-	5,787	3,055	-	-	3,055
Preferred shares	13	-	-	13	13	-	-	13
Derivative financial assets	-	-	-	-	180	-	180	-
Total financial assets – recurring measurements	**27,044**	-	**3,715**	**23,329**	**23,074**	-	**3,456**	**19,618**
FINANCIAL ASSETS – Fair values disclosed								
Amortized cost								
Cash equivalents	77,129	-	77,129	-	64,275	-	64,275	-
SaskCentral liquidity term deposits	56,657	-	56,657	-	77,486	-	77,486	-
SaskCentral liquidity deposits	87,343	-	87,343	-	47,515	-	47,515	-
Non-redeemable term deposits	138,750	-	138,750	-	25,000	-	25,000	-
Marketable bonds and bank terms	33,537	-	33,537	-	2,587	-	2,587	-
Debentures	1,177	-	1,177	-	-	-	-	-
Loans	1,183,723	-	1,253,252	-	1,139,903	-	1,159,067	-
Other receivables	277	-	277	-	452	-	452	-
Total financial assets – fair values disclosed	**1,578,593**	**-**	**1,648,122**	**-**	**1,357,218**	**-**	**1,376,382**	**-**
FINANCIAL LIABILITIES – Fair values disclosed								
Other financial liabilities								
Deposits	1,461,042	-	1,526,059	-	1,232,038	-	1,237,692	-
Loans payable	25,158	-	26,635	-	42,203	-	42,913	-
Other liabilities	6,134	-	6,134	-	5,235	-	5,235	-
Member capital	35,388	-	-	35,388	35,139	-	-	35,139
Total financial liabilities – fair values disclosed	**1,527,720**	**-**	**1,558,828**	**35,388**	**1,314,615**	**-**	**1,285,840**	**35,139**

18. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Methods and assumptions

- The fair values of short-term financial instruments including cash and cash equivalents, short-term investments, other receivables, other liabilities and certain other assets and liabilities are approximately equal to their carrying values.
- Fair values of investments are based on quoted market prices, when available, or quoted market prices of similar investments.
- For variable interest rate loans that reprice frequently, fair values approximate carrying values. Fair values of other loans are estimated using discounted cash flow calculations with market interest rates for similar groups of loans.
- Carrying values approximate fair values for deposits with adjustable rates without specified maturity terms. Fair values for other deposits and loans payable with specified maturity terms are estimated using discounted cash flow calculations at market rates for similar deposits with similar terms.
- The fair values of derivative financial instruments are estimated by reference to the appropriate current market yields with matching terms to maturity. The fair values reflect the estimated amounts that the credit union would receive or pay to terminate the contracts at the reporting date.
- The interest rates used to discount estimated cash flows, when applicable, are based on interest rates for identical products as at the reporting date.
- All recurring Level 2 fair value measurements use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.
- For fair value measurements of Level 3 SaskCentral and Concentra Bank shares for 2020, the credit union has assessed that the fair value of the amounts is comparable to their amortized cost, which equals the par value of the shares. The shares are not quoted or traded, however, when new shares are offered the price remains the same as the par value of all currently available shares. There was no impact of the measurement on profit or loss for the year.

Changes in recurring measurement level 3 assets:

	2020	**2019**
Balance, beginning of year	19,618	18,603
Gains recognized in comprehensive income	144	56
Additions	2,127	2,168
Acquisitions through business combination	1,579	-
Disposals	(139)	(1,209)
Balance, end of year	**23,329**	**19,618**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT

The nature of the credit union's financial instruments creates exposure to credit, liquidity and market risk. Management of these risks is established in policies and procedures determined by the Board of Directors. In addition, CUDGC establishes standards to which the credit union must comply.

Credit risk

Credit risk is the risk of loss to the credit union if a member or counterparty defaults on its contractual payment obligations. Credit risk may arise from loans and receivables and principal and interest amounts due on investments.

Credit risk is managed in accordance with a governing policy established by the Board of Directors. The Board of Directors has delegated responsibility for the management of credit risk to the CEO. The CEO has in turn delegated responsibility for management of credit risk within the loan portfolio to the Retail Division, and for management of credit risk within the investment and derivatives portfolio to the Finance Division.

Inputs, assumptions and techniques

Definition of default and assessments of credit risk

Financial instruments are assessed at each reporting date for a significant increase in credit risk since initial recognition. This assessment considers changes in the risk of a default occurring at the reporting date as compared to the date of initial recognition.

The credit union considers loans and receivables to be in default when contractual payments are more than 90 days past due or other objective evidence of impairment exists, such as notification from the borrower or breach of major covenants. This definition is consistent with the definitions used for the credit union's internal credit risk management practices and has been selected because it most closely aligns the definition of default to

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

the credit union’s past credit experience, and the covenants placed in standard borrowing contracts. Relatively few financial instruments subsequently return to performing status after a default has occurred under this definition without further intervention on the part of the credit union. These loans are considered stage 3 loans.

Changes in credit risk are assessed on the basis of the risk that a default will occur over the contractual lifetime of the financial instrument rather than based on changes in the amount of expected credit losses or other factors. In making this assessment the credit union takes into account all reasonable and supportable information, including forward-looking information, available without undue cost or effort. The credit union considers past due information of its balances and information about the borrower available through regular commercial dealings, such as requests for loan modifications.

The credit risk of a financial instrument is deemed to have significantly increased since initial recognition when contractual payments have exceeded 30 days past due, or other information becomes available to management through the course of regular credit reviews, communication with the borrower or forecasting processes which consider macroeconomic conditions expected to have a future impact on borrowers. These loans are considered stage 2 loans. The credit union considers there not to have been a significant increase in credit risk despite contractual payments being more than 30 days past due when they have interviewed the borrower and determined that payment is forthcoming. Loans that are not determined to be stage 2 or stage 3 loans are considered stage 1 loans.

When the contractual terms of a financial asset have been modified or renegotiated and the financial asset has not been de-recognized, the credit union assesses for significant increases in credit risk by consideration of its ability to collect interest and principal payments on the modified financial asset, the reason for the modifications, the borrower’s payment performance compared to the modified contractual terms and whether such modifications increase the borrower’s ability to meet its contractual obligations.

The credit union identifies credit-impaired financial assets through regular reviews of past due balances and credit assessments of its members. Credit-impaired financial assets are typically placed on the credit union's watch list based on its internal credit risk policies. In making this assessment, the credit union considers past due information of its balances and information about the borrower available through regular commercial dealings.

Payment deferrals

In response to the COVID-19 pandemic, the credit union considered payment deferral requests from eligible members. The agreement to a payment deferral on its own does not represent a significant increase in credit risk, and the loan does not automatically move from stage 1 to stage 2 for IFRS 9 purposes. Facilities with payment deferrals are not considered past due. Loans with deferrals that have moved from stage 1 to stage 2 have experienced a significant increase in credit risk due to the adverse shift in economic conditions. In assessing credit risk, the credit union monitors the credit quality of impacted borrowers using sound credit risk management practices. The loan modifications due to payment deferrals did not result in any modification gains or losses.

Details regarding the number and balance of loans under payment deferral terms within stages 1 and 2 at December 31, 2020 are as follows:

- Consumer: 81 loans amounting to $5,841
- Commercial: 13 loans amounting to $6,751
- Agriculture: 4 loans amounting to $1,664

Measurement of expected credit losses

The credit union measures expected credit losses for member loans on a group basis. These assets are grouped on the basis of their shared risk characteristics such as loan type (agriculture, commercial, residential, consumer, and business loans). Otherwise, expected credit losses are measured on an individual basis.

The credit union will measure expected credit losses on an individual basis for the loans that are considered credit-impaired since it usually has information available to estimate the actual amounts that are expected to be recovered. The lifetime expected credit losses will be calculated as the difference between the carrying amount and the present value of expected recoveries (including the sale of collateral) for the individual loan. When measuring 12-month and lifetime expected credit losses, the credit union utilizes complex modelling, which uses current banking system loan data to assess probability of default, exposure at default, loss given default and present value calculations.

Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its members and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Significant judgments, estimates and assumptions are required when calculating the expected credit losses of financial assets. In measuring the 12-month and lifetime expected credit losses, management makes assumptions about prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses. Management also makes judgment on how many years of data to utilize or whether to weigh more recent years more heavily in the analysis.

As indicated in Note 3, COVID-19 and the measures taken by Canadian federal, provincial and municipal governments to limit the spread of COVID-19 have had a material adverse impact on the Canadian economy. To mitigate the economic impact, governments have enacted policy measures to provide economic stimulus and financial support to both individuals and businesses.

Management had to use judgment in several areas to assess if the estimate the model calculated was reasonable or if an overlay was needed to increase or decrease the allowance. The negative effects of the global economic shut down, increased unemployment and depressed oil prices had to be weighed against the more positive aspects of government support programs, government loan programs, loan deferrals and rent deferrals.

The credit union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of the COVID-19 pandemic, based on information and facts available at December 31, 2020. These scenarios are weighted, and the weighted average is used to build the estimate for expected credit losses. The three simulations included:

- *Model 1* - baseline approach where results are similar to this year with no improvement or further decline expected,
- *Model 2* - stressing the agriculture, consumer and commercial sectors by 5% suggesting a further decline in the market; and
- *Model 3* - applying a risk premium to all members who opted for loan deferrals this year and to the hospitality sector to account for increased vacancy due to COVID-19.

The weightings chosen on December 31, 2020 were 20% for model 1, 20% for model 2 and 60% for model 3. This approach resulted in an increase of $196 to the collective provision at December 31, 2020.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery. The credit union assesses that there is no reasonable expectation of recovery when they have exhausted all attempts to obtain some of the loan back, including realizing on the security, if any, and disposing of related security. Where information becomes available indicating the credit union will receive funds, such amounts are recognized at their fair value.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Exposure to credit risk

The following table sets out information about the credit quality of financial assets assessed for impairment under IFRS 9 *Financial instruments*. The amounts in the table, unless otherwise indicated, represent the assets' gross carrying amount. The gross carrying amount of financial assets represents the maximum exposure to credit risk for that class of financial asset.

December 31, 2020	**Loans Outstanding**				**Allowance for Credit Losses (ACL)**				
	Stage 1	Stage 2	Stage 3	**Gross Loans**	Stage 1	Stage 2	Stage 3	**ACL**	**Net Loans**
Mortgages									
Agriculture	108,545	7,457	1,602	**117,604**	17	6	-	**23**	**117,581**
Commercial	114,237	32,227	660	**147,124**	282	1,391	199	**1,872**	**145,252**
Residential	526,293	95,089	4,798	**626,180**	207	377	468	**1,052**	**625,128**
Consumer loans	115,252	16,140	972	**132,364**	593	2,427	842	**3,862**	**128,502**
Business loans	132,711	28,557	3,536	**164,804**	104	1,165	935	**2,204**	**162,600**
Accrued interest	3,136	806	718	**4,660**	-	-	-	**-**	**4,660**
Total	**1,000,174**	**180,276**	**12,286**	**1,192,736**	1,203	5,366	2,444	**9,013**	**1,183,723**

December 31, 2019	**Loans Outstanding**				**Allowance for Credit Losses (ACL)**				
	Stage 1	Stage 2	Stage 3	**Gross Loans**	Stage 1	Stage 2	Stage 3	**ACL**	**Net Loans**
Mortgages									
Agriculture	96,400	8,666	2,401	**107,467**	14	2	-	**16**	**107,451**
Commercial	94,164	36,862	1,523	**132,549**	187	1,129	656	**1,972**	**130,577**
Residential	536,071	81,471	6,374	**623,916**	136	461	981	**1,578**	**622,338**
Consumer loans	122,507	14,777	1,440	**138,724**	581	2,431	1,174	**4,186**	**134,538**
Business loans	114,736	25,849	2,667	**143,252**	94	962	884	**1,940**	**141,312**
Accrued interest	2,464	582	641	**3,687**	-	-	-	**-**	**3,687**
Total	**966,342**	**168,207**	**15,046**	**1,149,595**	1,012	4,985	3,695	**9,692**	**1,139,903**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Concentrations of credit risk

Concentration of credit risk exists if a number of borrowers are exposed to similar economic risks by being engaged in similar economic activities or being located in the same geographical region, and indicate the relative sensitivity of the credit union's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the credit union due to its primary service area being Lloydminster and Kindersley, Saskatchewan and surrounding areas.

Amounts arising from expected credit losses

Reconciliation of the loss allowance

The following tables show a reconciliation of the opening to the closing balance of the loss allowance by class of financial instrument.

2020

	Allowance for Credit Losses (ACL)			
	Stage 1	Stage 2	Stage 3	**Total**
Agriculture Mortgages				
Balance at December 31, 2019	14	2	-	16
Net remeasurement of loss allowance	3	4	-	7
Balance at December 31, 2020	**17**	**6**	**-**	**23**
Commercial Mortgages				
Balance at December 31, 2019	187	1,129	656	1,972
Net remeasurement of loss allowance	95	262	(457)	(100)
Balance at December 31, 2020	**282**	**1,391**	**199**	**1,872**
Residential Mortgages				
Balance at December 31, 2019	136	461	981	1,578
Net remeasurement of loss allowance	71	(84)	(513)	(526)
Balance at December 31, 2020	**207**	**377**	**468**	**1,052**
Consumer Loans				
Balance at December 31, 2019	581	2,431	1,174	4,186
Net remeasurement of loss allowance	12	(4)	(332)	(324)
Balance at December 31, 2020	**593**	**2,427**	**842**	**3,862**
Business Loans				
Balance at December 31, 2019	94	962	884	1,940
Net remeasurement of loss allowance	10	203	51	264
Balance at December 31, 2020	**104**	**1,165**	**935**	**2,204**
Total allowance for credit losses				**9,013**

2019

	Allowance for Credit Losses (ACL)			
	Stage 1	Stage 2	Stage 3	**Total**
Agriculture Mortgages				
Balance at December 31, 2018	13	1	179	193
Net remeasurement of loss allowance	1	1	(179)	(177)
Balance at December 31, 2019	**14**	**2**	**-**	**16**
Commercial Mortgages				
Balance at December 31, 2018	188	975	709	1,872
Net remeasurement of loss allowance	(1)	154	(53)	100
Balance at December 31, 2019	**187**	**1,129**	**656**	**1,972**
Residential Mortgages				
Balance at December 31, 2018	189	598	1,151	1,938
Net remeasurement of loss allowance	(53)	(137)	(170)	(360)
Balance at December 31, 2019	**136**	**461**	**981**	**1,578**
Consumer Loans				
Balance at December 31, 2018	570	2,455	1,182	4,207
Net remeasurement of loss allowance	11	(24)	(8)	(21)
Balance at December 31, 2019	**581**	**2,431**	**1,174**	**4,186**
Business Loans				
Balance at December 31, 2018	96	1,086	1,984	3,166
Net remeasurement of loss allowance	(2)	(124)	(1,100)	(1,226)
Balance at December 31, 2019	**94**	**962**	**884**	**1,940**
Total allowance for credit losses				**9,692**

Investments

The following table summarizes the credit exposure of the credit union's investment portfolio.

	2020	**2019**
AA	33,754	2,600
A	7,750	7,558
R-1	294,241	159,514
Unrated	5,817	3,067
Total investments	**341,562**	**172,739**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Loan portfolio

Please refer to Note 7 which summarizes credit risk exposures for the loan portfolio including performing loans, impaired loans, past due but not impaired loans and allowances for credit losses.

Exposure to credit risk

The credit union's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial asset (cash, investments, loans, securitized mortgages, other receivables and derivatives) is the carrying amount of those assets as indicated in the Statement of Financial Position. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

In the normal course of business, the credit union has entered into various commitments to extend credit that may not be reported on the statement of financial position, as well as guarantees and standby letters of credit. The primary purpose of these contracts is to make funds available for the financing needs of members. These are subject to normal credit standards, financial controls, risk management and monitoring procedures. Commitments are included in Note 20.

Liquidity risk

Liquidity risk is the risk that the credit union is unable to generate or obtain the necessary cash or cash equivalents in a timely manner, at a reasonable price, to meet its financial commitments as they come due. Liquidity risk is managed in accordance with policies and procedures established by the Board of Directors. In addition, CUDGC establishes standards to which the credit union must comply.

Risk measurement

The assessment of the credit union's liquidity position reflects management's estimates, assumptions and judgment pertaining to current and prospective specific and market conditions and the related behavior of its members and counter parties. The credit union measures and manages the liquidity position from three risk perspectives.

- Short-term exposure (up to one month) based on historical changes in liquidity;
- Medium-term exposure (up to one year) based on forecasted cash flows; and
- Exposure to abnormal liquidity events based on various stress tests.

Policies and processes

The credit union manages liquidity by monitoring, forecasting and managing cash flows. The Finance Division manages day-to-day liquidity within board-approved policies, and reports to the ALCO quarterly to ensure compliance. Management provides quarterly reports on these matters to the Risk Committee. The acceptable amount of risk is defined by policies approved by the Board and monitored by the ALCO and Risk Committee. The credit union's liquidity policies and practices include:

- Measuring, monitoring and forecasting of cash flows;
- Maintaining a sufficient pool of high quality liquid assets to meet operating needs;
- Maintaining access to credit and commercial paper facilities;
- Managed growth of the credit union's loan and deposit portfolios;
- Established access to asset sale programs through capital markets and credit union partners;
- The establishment of a board approved liquidity plan and related liquidity contingency plans; and
- Participation in the mandatory statutory liquidity program.

The following are the contractual maturities of the credit union's financial liabilities.

2020	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Deposits	1,246,621	150,293	63,695	431
Loans payable	6,851	12,902	5,405	-
Other liabilities	5,925	209	-	-
Member capital	2,640	-	-	32,748
	1,262,037	**163,404**	**69,100**	**33,179**

2019	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years
Deposits	985,775	163,489	82,067	707
Loans payable	12,065	19,375	10,763	-
Other liabilities	5,038	197	-	-
Member capital	2,703	-	-	32,436
	1,005,581	**183,061**	**92,830**	**33,143**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity risk (continued)

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) is a regulatory requirement of CUDGC. The minimum LCR requirement of 100% was effective on January 1, 2019. The objective of the LCR is to ensure the credit union has an adequate stock of unencumbered high-quality liquid assets (HQLA) that:

- Consists of cash or assets that can be converted into cash at little or no loss of value; and
- Meets its liquidity needs for a 30 calendar day stress scenario.

Inflow and outflow values are calculated as outstanding balances maturing or callable within 30 days of various types of liabilities, off-balance sheet items or contractual receivables. These items are weighted after the application of haircuts (for HQLA) and inflow and outflow rates as prescribed by CUDGC. The LCR is calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2020	
High quality liquid assets (HQLA):	Actual Value	Weighted Value
Level 1 HQLA	122,303	122,303
Level 2A HQLA	11,196	9,516
Level 2B HQLA	32,801	16,401
Total HQLA	166,300	**148,220**
Cash outflows:		
Stable retail deposits	348,354	17,418
Less stable retail deposits	86,246	8,625
Retail term deposits > 30 days	389,852	-
Unsecured wholesale funding	629,288	62,149
Secured wholesale funding	-	-
Other contractual funding obligations	271,874	12,928
Total cash outflows	1,725,614	101,120
Cash inflows:		
Inflows from loan repayments	12,750	6,375
Inflows from other counterparties not included in HQLA	63,037	63,037
Total cash inflows	75,787	69,412
Cash inflows after CUDGC maximum inflow cap applied, if required		69,412
Total net cash outflows		**31,708**

	2019	
High quality liquid assets (HQLA):	Actual Value	Weighted Value
Level 1 HQLA	100,865	100,865
Level 2A HQLA	10,433	8,868
Level 2B HQLA	24,089	12,044
Total HQLA	135,387	**121,777**
Cash outflows:		
Stable retail deposits	286,321	14,316
Less stable retail deposits	62,223	6,222
Retail term deposits > 30 days	370,549	-
Unsecured wholesale funding	504,929	49,033
Secured wholesale funding	-	-
Other contractual funding obligations	229,223	11,761
Total cash outflows	1,453,245	81,332
Cash inflows:		
Inflows from loan repayments	10,084	5,042
Inflows from other counterparties not included in HQLA	46,941	46,941
Total cash inflows	57,025	51,983
Cash inflows after CUDGC maximum inflow cap applied, if required		51,983
Total net cash outflows		**29,349**

Quarterly LCR history

	2020	**2019**
At March 31	692%	350%
At June 30	396%	352%
At September 30	596%	306%
At December 31	467%	415%

As the LCR is a CUDGC prescribed standard, when a credit union is not in compliance, CUDGC may take any necessary action. Necessary action may include, but is not limited to:

- Reducing or restricting the credit union's authorities and limits;
- Subjecting the credit union to preventive intervention;
- Issuing a compliance order;
- Placing the credit union under supervision or administration; and
- Issuing an amalgamation order.

The credit union has met and complied with its 2020 internal LCR limit of 100% and the CUDGC limit of 100% for 2020.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors, such as interest rates, foreign currency risk, equity prices and credit spreads. The credit union's exposure changes depending on market conditions. The primary market risks that credit union is exposed to are interest rate risk and foreign currency risk.

The Finance Division manages day-to-day market risk within approved policies and reports quarterly to ALCO to ensure policy compliance. Management provides quarterly reports on these matters to the Risk Committee.

Interest rate risk

The most significant form of market risk to the credit union is interest rate risk. Interest rate risk is the potential adverse impact on profit due to changes in interest rates.

The credit union's exposure to interest rate risk arises due to timing differences in the repricing assets and liabilities, as well as due to financial assets and liabilities with fixed and floating rates. The credit union's exposure to interest rate risk can be measured by the mismatch or gap between the assets, liabilities and off-balance sheet instruments scheduled to mature or reprice on particular dates. Gap analysis measures the difference between the amount of assets and liabilities that reprice in specific time buckets.

The following table summarizes the carrying amounts of financial instruments exposed to interest rate risk by the earlier of the contractual repricing/ maturity dates. Repricing dates are based on the earlier of maturity or the contractual repricing date and effective interest rates, where applicable, represent the weighted average effective yield. The schedule does not identify management's expectations of future events where repricing and maturity dates differ from contractual dates.

2020	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	77,129	-	-	-	-	3,715	80,844
Effective rate	*0.25%*	-	-	-	-	-	*0.25%*
Investments	81,112	102,810	104,787	28,347	1,190	23,316	341,562
Effective rate	*0.32%*	*0.66%*	*1,29%*	*1.94%*	*0.58%*	-	*0.76%*
Loans	270,539	20,890	144,068	708,156	40,070	-	1,183,723
Effective rate	*3.66%*	*3.66%*	*3.79%*	*3.96%*	*4.43%*	-	*3.88%*
Other receivables	-	-	-	-	-	277	277
	428,780	**123,700**	**248.855**	**736,503**	**41,260**	**27,308**	**1,606,406**
Liabilities							
Deposits	545,865	112,163	281,313	213,987	431	307,281	1,461,040
Effective rate	*0.32%*	*2.28%*	*1.50%*	*2.53%*	*2.43%*	-	*0.96%*
Loans payable	-	-	6,850	18,308	-	-	25,158
Effective rate	-	-	*2.08%*	*2.31%*	-	-	*2.25%*
Other liabilities	-	-	-	-	-	6,134	6,134
Member capital	-	-	-	-	-	35,388	35,388
	545,865	**112,163**	**288,163**	**232,295**	**431**	**348,803**	**1,527,720**
Net Mismatch	**(117,085)**	**11,537**	**(39,308)**	**504,208**	**40,829**	**(321,495)**	**78,686**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

2019	On demand	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets							
Cash and cash equivalents	64,275	-	-	-	-	3,276	67,551
Effective rate	*1.60%*	-	-	-	-	-	*1.60%*
Investments	32,050	65,084	38,695	17,293	13	19,604	172,739
Effective rate	*1.77%*	*1.62%*	*2.15%*	*2.30%*	*3.29%*	-	*1.68%*
Loans	264,670	37,115	157,979	644,032	36,107	-	1,139,903
Effective rate	*5.55%*	*4.35%*	*3.59%*	*4.04%*	*4.82%*	-	*4.36%*
Derivative financial assets	-	-	-	-	-	180	180
Other receivables	-	-	-	-	-	452	452
	360,995	**102,199**	**196,674**	**661,325**	**36,120**	**23,512**	**1,380,825**
Liabilities							
Deposits	446,683	96,463	207,359	245,555	707	235,271	1,232,038
Effective rate	*1.08%*	*2.61%*	*2.31%*	*2.71%*	*2.52%*	-	*1.52%*
Loans payable	-	-	12,065	30,138	-	-	42,203
Effective rate	-	-	*1.68%*	*2.40%*	-	-	*2.19%*
Other liabilities	-	-	-	-	-	5,235	5,235
Member capital	-	-	-	-	-	35,139	35,139
	446,683	**96,463**	**219,424**	**275,693**	**707**	**275,645**	**1,314,615**
Balance sheet mismatch	(85,688)	5,736	(22,750)	385,632	35,413	(252,133)	66,210
Derivatives	50,000	(50,000)	-	-	-	-	-
Net mismatch	**(35,688)**	**(44,264)**	**(22,750)**	**385,632**	**35,413**	**(252,133)**	**66,210**

The credit union estimates comprehensive income would be impacted by the following amounts given a +/- 1% change in interest rates. Given the non-linear relationship between broader market rates and rates on credit union deposits, the sensitivity of comprehensive income to interest rates is expected to decrease as market rates increase.

Impact to comprehensive income	**2020**	**2019**
1% rise in the prime interest rate	1,579	529
1% decrease in the prime interest rate	(1,579)	(529)

To manage its exposure to interest rate fluctuations and to manage the asset liability mismatch, the credit union enters into interest rate swaps. It minimizes the interest rate risk and cash required to liquidate the contracts by entering into counterbalancing positions.

	2020		**2019**	
	Notional value	Fair value	Notional value	Fair value
Pay fixed 1.26% Expires 23-JAN-20	-	-	(50,000)	180
	-	**-**	**(50,000)**	**180**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The notional principal amounts shown represents the contract or principal amount used in determining payments. These amounts are not exchanged themselves and serve only as the basis for calculating other amounts that do change hands.

The net interest revenue earned or expense paid on the swaps during the year was a net revenue of $24 (2019 – net revenue of $451). The change in unrealized fair value of interest rate swaps for the year was a loss of $23 (2019 - loss of $540).

Board policy places limitations on exposure to interest rate risk by outlining maximum acceptable levels of asset-liability gap, maximum acceptable levels of margin sensitivity to interest rates, and by placing restrictions on the types and quantities of asset classes that may be held in the credit union's investment portfolio.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a foreign currency. It is not considered significant at this time as the credit union does not engage in any active trading of foreign currency positions or hold significant foreign currency denominated financial instruments for an extended period.

As at December 31, 2020, the credit union had $8,398 (2019 - $5,925) in U.S. dollar financial assets. This is comprised of a $2,000 (2019 - $2,000) U.S. dollar bond and the remainder is in U.S. dollar accounts with SaskCentral. These assets were held to offset exposure of $8,436 (2019 - $5,865) in U.S. dollar financial liabilities, primarily in the form of deposits from members.

20. COMMITMENTS

Operating leases

The credit union currently has not entered into any agreements to lease equipment and property.

Commitments subject to credit risk

Standby letters of credit represent irrevocable assurances that the credit union will make payments in the event that a member cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to members. Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit. The credit union makes the following instruments available to its members:

- Standby letters of credit representing irrevocable assurances that the credit union will pay if a member cannot meet their obligations to a third party;
- Documentary and commercial letters of credit to allow a third party to draw drafts to a maximum agreed amount under specific terms and conditions;
- Commitments to extend credit representing unused portions of authorizations to extend credit in the form of loans (including lines of credit), guarantees or letters of credit;
- Irrevocable commitments to venture capital investments that are subject to cash calls; and
- Credit card guarantees to Collabria MasterCard representing assurances that the credit union will assume the associated credit risk if a member cannot meet their obligations to Collabria.

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2020, the credit union had the following other commitments subject to credit risk:

	2020	**2019**
Undrawn lines of credit	242,373	203,160
Standby letters of credit	2,076	1,988
Commitments to extend credit	21,295	18,301
Venture Capital cash calls	4,375	6,372
Collabria MasterCard guarantees	613	669
	270,732	**230,490**

20. COMMITMENTS (continued)

Other commitments

The credit union has various other commitments that include community investments, banking system services and construction contracts. Future estimated payments for these commitments are as follows.

	Estimated payments
2021	920
2022	43
2023	34
2024	35
2025	30
Thereafter	50
	1,112

In the table above, property, plant and equipment commitments total $89 and intangible asset commitments total $200.

21. OTHER LEGAL AND REGULATORY RISK

Legal and regulatory risk is the risk that the credit union has not complied with requirements set out in terms of compliance such as standards of sound business practice, anti money laundering legislation or their code of conduct/ conflict of interest requirements. In seeking to manage these risks, the credit union has established policies and procedures and monitors to ensure ongoing compliance.

22. BUSINESS COMBINATION

On July 1, 2020 pursuant to the terms of an amalgamation agreement, all members of Macklin Credit Union exchanged their common shares for common shares of the credit union on a one for one basis. The business combination took place to achieve economies of scale for the combined credit union.

Business acquisitions are accounted for using the acquisition method, with the credit union acquiring 100% of the net assets of Macklin Credit Union. The results of the acquired business are included in the financial statements from the date of acquisition. No cash was transferred and no contingent consideration was provided for Macklin Credit Union. The following table summarizes the fair value of the identifiable assets acquired and the liabilities assumed at the date of acquisition:

	Fair value at the acquisition date
Acquired assets and assumed liabilities	
Cash and equivalents	10,901
Investments	27,630
Loans	65,357
Other assets	1,014
Property, plant and equipment	414
Intangible assets	5
Deposits	(96,977)
Other liabilities	(1,884)
Net identifiable assets and liabilities	**6,460**

The par value of equity shares issued to former members of Macklin Credit Union was $9. The credit union recognized the excess of fair value of the net assets acquired over the par value of the equity shares issued by the credit union as contributed surplus in the amount of $6,451, which is recorded directly in equity.

Fair values in determining the financial assets acquired and liabilities assumed were determined based on the same criteria as outlined in Note 18 *Classification and Fair Value of Financial Instruments*. The fair value of property, plant and equipment was estimated using cost less accumulated depreciation.

No goodwill was recognized on the above amalgamation with Macklin Credit Union.

Incremental acquisition-related legal, professional and accounting costs of the above noted business combination have been recognized as an expense in the Statement of Comprehensive Income.

SCHEDULE 1: NON-INTEREST EXPENSES

For the years ended December 31

($ thousands)	2020	2019
PERSONNEL		
Salaries	15,000	14,161
Employee profit sharing	969	1,352
Employee benefits	2,916	2,578
Other	298	508
	19,183	**18,599**
OCCUPANCY		
Building depreciation	1,562	1,531
Building and land taxes	376	382
Building fire insurance	171	168
Building maintenance	409	431
Heat, light and water	149	252
Janitorial services	526	451
Other	239	185
	3,432	**3,400**
MEMBER SECURITY		
CUDGC deposit insurance assessment	1,018	951
Fidelity and burglary insurance	130	126
Life savings insurance	4	4
	1,152	**1,081**
GENERAL BUSINESS		
Advertising and donations	1,315	976
Automotive	30	37
Computer costs	3,562	3,070
Equipment depreciation	622	611
External audit	154	150
Foreclosed property	186	407
Loan, search and legal fees	345	248
Overdraft and fraud losses	106	91
Card fees	112	196
Service, clearing and ATM charges	1,248	1,386
Stationary and supplies	81	57
Telephone and postage	436	388
Other	430	514
	8,627	**8,131**
ORGANIZATION		
Annual meetings	12	14
Director compensation and expenses	249	215
SaskCentral dues	125	237
Other	4	6
	390	**472**
TOTAL NON-INTEREST EXPENSES	**32,784**	**31,683**

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