2021 Annual Report

Credit Union Synergy

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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.

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ABOUT SYNERGY

As a credit union, we're not a big corporation, and we believe in putting people first. We're guided by co-operative values and make our communities stronger by investing in what matters right here at home. At Synergy, members are owners who profit when we do and get a say in how we're run.

MISSION STATEMENT

THE SYNERGY EXPERIENCE, BUILDING RELATIONSHIPS BEYOND BANKING

WHY SYNERGY?

If you want to walk into your financial institution and be treated like you own the place no matter how much money you have, then belonging to Synergy Credit Union is the right choice for you.

What we do for our members and communities goes way beyond banking. We're proud of the exceptional range of products and services we offer, but that's not our focus. Those are the tools we use to help real people like you achieve your goals. Our focus is on understanding what you need to prosper.

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 fifth largest credit union in the province of Saskatchewan and is one of the leading credit unions in Canada with over $2.16 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, online banking, Live Chat, mobile web, and app banking, as well as through calling our Member Contact Centre.

OUR 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.

HIGHLIGHTS

MEMBERS	EMPLOYEES	SUSTAINABLE COMMUNITIES	GOVERNANCE & INTEGRITY
March — Excited to launch our new digital banking platform and onboarded over **95%** of members in the first month.	**217 Employees** **11 Serving communities** **3,582 Volunteer hours**	Through **Synergy Shares, $1M** was committed to supporting projects in our communities.	**73%** of Synergy's board have achieved the designation **Accredited Canadian Credit Union Director.**
Welcomed 838 Members to Synergy.	**Saskatchewan Top Employer** **4th year in a row.**	Awarded **27** scholarships totalling over **$21,000.** We believe strongly in supporting future leaders.	Directors completed **31 additional professional development sessions** in addition to committee and board meetings.
237 new investors welcomed to our Wealth Management Team an increase of **4.6%** year over year.	**91%** of employees feel Synergy is committed to and supportive of diversity. **92%** say they are treated fairly and with respect. Benchmarks are 72% and 74%, respectively.	**54%** of members receive e-statements; with our members help we were able to save the equivalent of approximate **50 trees this year.**	♀ **33% of Directors are women.**
In 2021 we continued to work with members negatively impacted by the pandemic with our **Member Relief Program.**	The marketing team was a finalist for the **AIME award—Best in Marketing.**	Synergy Centre in Lloydminster is **Silver LEED Certified.** We have completed several LED projects in many of our other service centres.	Developed **21 item risk register,** which provides cross organizational line of sight to effectively manage overall risk.
SRI (socially responsible investments) in our members portfolios make up **36.5%** of wealth assets.	**12** post-secondary summer students joined us in 2021; which along with our members helps build future leaders that will help to build stronger communities.	Office furniture we were not using was donated to local non-profits that could **reuse** it.	**100%** of Directors and staff that completed Anti-Money Laundering and Privacy training.

MESSAGE FROM THE CEO

If 2020 was a year of unprecedented upheaval to our day-to-day lives, then 2021 was about taking steps to return to business as normal. To be clear, it was anything but what we would traditionally consider normal. People are still impacted by COVID-19 and that in turn affects their financial wellness – an issue we take very seriously with our members. But as we turn the page to 2022, we will have to embrace a new reality in the financial services world – one that may include disruptions from COVID-19 and its lingering impacts for the foreseeable future.

In our industry, we can't just hope an issue like the pandemic just goes away. Our members still require us to offer the best products and services available on the market. The businesses and agriculture producers we have relationships with still need to know that we are there for them and can help guide them to success in an evolving economy.

I am proud of the way Synergy was able to adapt in 2021 and find successes. I want to thank our members and the Synergy team for being flexible this past year. We have dealt with temporary branch closures related to staffing challenges due to illness, encouraged virtual meetings, and shifted policies for in-branch visits based on health authority guidance. Your patience and understanding through this have not gone unnoticed.

The most significant upgrade for our members was introducing a new digital banking platform that modernized our members' experience and made day-to-day banking more efficient. A project of that magnitude isn't easy, and I applaud our staff for making the transition as smooth as possible and our members for their patience as we managed through challenges that were expected in a project of this scope.

The strength of our organization continues to be our people. As a leadership group, our goal is to create a culture that empowers our team to better serve our members in reaching their financial goals. We offer training opportunities and professional development of our staff that helps ensure members are receiving quality service and advice each time you connect with someone from our team. We are proud of the culture we have fostered and were once again named one of Saskatchewan's Top Employers in 2021—a tremendous honour for the fourth consecutive year.

We had another strong year. Our wealth assets grew to more than $520 million - a 26 per cent increase over 2020. Our assets under administration increased 4.83 per cent to end at over $2.16 billion. And our return on average assets was 0.51 per cent, up from the 0.32 per cent in 2020.

Because of that success, members benefited again in 2021 with $3.1 million in allocations through our ProfitShares. Our profit sharing program is what differentiates us from other financial institutions. It aligns with one of the Seven Co-operative Principles, members' economic participation. You can find more on the Co-operative Principles later in this report.

The Synergy Shares program continues to be something I am extremely proud of. Each year, five per cent of our pre-tax income goes into the program and is then redistributed into our communities. This year, more than $1 million was distributed. This included significant donations to the Lloydminster Comprehensive High School expansion, an Indigenous Centre with the Lloydminster Catholic School Division, a state-of-the-art media centre at Holy Rosary High School, support for upgrades to the aquatic centre in Macklin, and much more. I encourage you to check out the Synergy Shares information on our website and apply if your group can benefit. We also increased our scholarship program this year and contributed more than $1,000 annually to three local students pursuing their education.

I want to thank every member for their continued patronage this year. We are honoured to be your choice for financial services and look forward to serving you in the future.

Glenn Stang
CEO

MESSAGE FROM THE BOARD CHAIR

On behalf of Synergy's Board of Directors, I would like to thank members, staff, and management for your dedication and commitment to overcoming challenges to make us stronger.

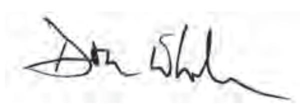
Over the past year, some banking activities have become 'normal' and others continue to evolve. Constant changes have us all working hard to keep Synergy evolving with you. Local branches serve our communities and support the many local organizations doing their good work. The Synergy Member Contact Centre was busier than ever, offering quick, efficient, competent assistance to members when they call. Branch staff has been transitioning to serve as advisors, providing proactive member financial wellness and support. The decline in over-the-counter transactions that started long before COVID has continued to require innovative use of personnel and facilities.

Our board and management agree that branch presence is very important in our rural service area. Keeping the branches viable with very slim margins and increased competition remains a challenge and a priority for us. We are very proud of the work our branch staff does to contribute to strong rural communities and thankful to our members for continuing to bank with us. This is a reciprocal arrangement we believe contributes to a sustainable quality of life as well as a healthy business model. Whether you are on the leading edge of digital banking, or a reluctant adopter of online banking, we serve you. We support you and welcome your feedback to allow us to constantly improve our product and service offerings.

Your board is continuously learning, training, collaborating, and seeking best practices in governance to serve you. Through webinars, virtual conferences, expert consultants, and strategic planning sessions, we assess current trends in everything from cybercrime, Truth and Reconciliation, and social responsibility, to economic trends and opportunities. Your board is also continually seeking to improve our effectiveness and to identify excellent candidates to fill future vacancies.

We ask our management and staff to be exceptional and we are proud to celebrate with them the many accomplishments of 2021. Great people doing excellent work for outstanding members. The Synergy team is only as strong as each of us. Each of you.

Thank you for your patience and understanding as we build the tools to serve you into the future. Thank you for using the tools that allow us to free up people to be advisors, problem solvers, innovative and creative thinkers and to support your financial wellness. Thank you for choosing to bank with a co-operative financial institution. Synergy lives with you and grows with you.



Don Wheler
Board of Directors Chair

TRUE TO OUR ROOTS

In the early 1900s when credit unions were established in Canada, Seven Co-operative 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. Synergy was thrilled to pay out more than $480,000 in ProfitShares limit paydowns and allocated more than $3 million to members' ProfitShares accounts in 2021. Members also benefited with our Member Rewards' event, where $20.22 was distributed to our members, totalling more than $450,000. We encouraged local spending with prizes to individuals, businesses, and non-profits.

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

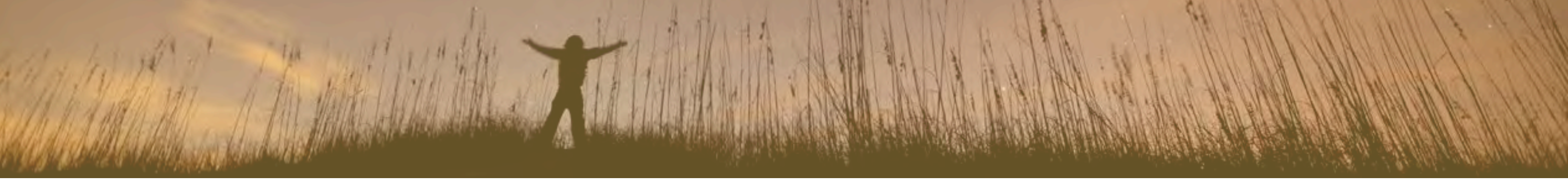
We provide members with access to resources and tools as a means to personal growth. Our goal is to empower our members through educational opportunities, including appointments with our experts who can assist in making key decisions for your financial future. Our financial literacy program, driven by 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. CO-OPERATION AMONG CO-OPERATIVES

Your credit union strengthens the co-operative movement by partnering with organizations that share the same important values. A recent example is our collaboration with 4 credit unions in Alberta, Manitoba and Saskatchewan to deliver our new digital banking and website.

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. This year, we returned more than $1 million 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.



ORDER OF MERIT

Synergy Credit Union would like to recognize Kevin Lider for his dedication to the credit union system. Kevin served on the Synergy Credit Union Board of Directors for 18 years, from 1998 to 2016.

Besides his work with the credit union, Kevin has been an active volunteer in his community, serving as a board member for the Olive Tree non-profit organization for the past five years, and as Treasurer on the Executive Board of the Lloydminster Firefighters Association.

Kevin has spent the past 40 years as a member of the Lloydminster Fire Department, where he is currently the Captain of Training & Safety.

Kevin and his wife JoAnn enjoy spending time with their two daughters, Justine and Ashley, two sons-in-law, Dylan and Joel, and two grandchildren.

LONG-SERVICE AWARDS

LINDA GRAMLICH
30 years

BRENT BAIER
10 years

FINANCIALS

$thousands			HOW WE PERFORMED		
Core Activity	**Impact on Earnings**	**Impact on Members and Community**	**2021**	**2020**	**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	(11,173)	(16,157)	(30.8%)
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	48,173	50,853	(5.3%)
Taking calculated risks	Provision for credit losses and gains (losses) on foreclosed property	We take prudent risks to support our business model	(140)	(1,702)	(91.8%)
Selling investments and other services	Non-interest revenue other	We offer transactional services and financial solutions in banking, trust, insurance* and wealth management*	10,557	8,646	22.1%
Managing interest rate risk	Non-interest revenue	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	1,642	36	4461.1%
We earn revenue	**= Total operating income**		**49,059**	**41,676**	**17.7%**
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.	(19,107)	(18,214)	4.9%
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.	(14,163)	(13,601)	4.1%
We add up our expenses	**= Total non-interest expense**		**(33,270)**	**(31,815)**	**4.6%**
We deduct expenses from revenue	**= income before allocations and income tax**		**15,789**	**9,861**	**60.1%**
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	(3,040)	(1,784)	70.4%
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	(1,561)	(969)	61.1%
Paying taxes	Income tax expense	We pay our fair share of taxes	(2,768)	(1,758)	57.5%
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**	**8,420**	**5,350**	**57.4%**

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

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 *www.synergycu.ca*
- Submitting a formal complaint to: *problem.resolution@synergycu.ca* or at *www.synergycu.ca* (about us > contact us > problem resolution).

OUR MEMBERS

We're committed to diversity, inclusion and accessibility in everything we do as a credit union. These core values are fundamental to how we operate, and we strive to extend them to all members in every interaction.

EVERY MEMBER MATTERS

We have 11 branches throughout the region to serve you the member how you want to be served. In eight of our communities, we are the only financial institution that has a branch. We value our branch network and the communities that we have the privilege of serving.

FEEDBACK MAKES US BETTER

We are serious about soliciting feedback from our members and we want to hear it: good as well as how we can improve. When good, we hope you tell others and if not so good let us know so we have an opportunity to make it right. There are several ways we gather your comments—here are a few avenues in addition to sharing with anyone on our Synergy Team.

MEMBER SURVEYS

We don't just wait for feedback, we engage with members to encourage them to provide it. Each month a number of surveys are sent to members after purchasing a product or service. These are then aggregated, reported and analyzed for continuous improvement.

Synergy sent out more than 12,000 invitations to take our member survey in 2021 and had a 13% response rate. Thank you to everyone who took the time to provide valuable feedback.

CONNECT TO THE CEO

Building relationships beyond banking is a big deal to us and we're never to busy to hear from our members - and that includes our CEO.

You can reach out to him directly through this easy-to-use feature on our website—20 members connected with Glenn through this feature last year.

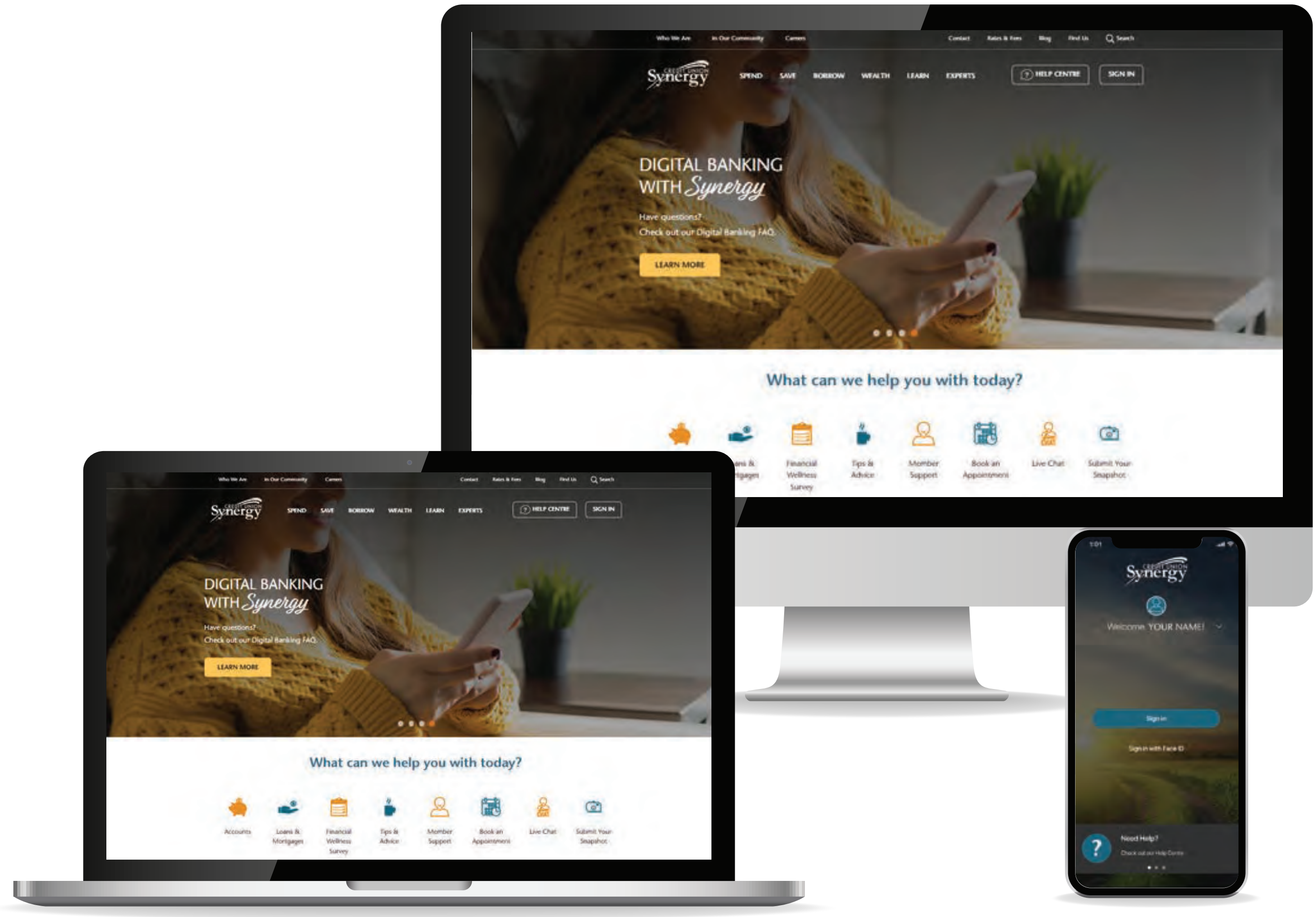
MEMBER SUPPORT

Members support us with their loans and deposits. Here is a breakdown:

Deposits + Loans by Service Centre

$thousands	2021	2020	Change from 2020 Dollars	Change from 2020 Percent
Lloydminster	1,051,476	1,103,343	(51,866)	(4.7%)
Kindersley	382,251	358,218	24,033	6.7%
Maidstone	208,215	211,064	(2,850)	(1.4%)
St. Walburg	179,769	199,398	(19,628)	(9.8%)
Lashburn	171,745	170,882	863	0.5%
Macklin	148,019	143,096	4,923	3.4%
Paradise Hill	137,886	125,912	11,974	9.5%
Neilburg	98,724	107,603	(8,879)	(8.3%)
Marshall	73,073	71,529	1,544	2.2%
Marsden	76,741	70,974	5,767	8.1%
Denzil	55,362	51,138	4,223	8.3%
Synergy Total	**2,583,261**	**2,613,156**	**(29,895)**	(1.1%)

*** Does not include head office deposits and loans**



INNOVATING FOR YOU

DIGITAL BANKING & NEW WEBSITE

In March, we successfully launched our new website and digital banking platform.

The new website was designed for our members and visitors with appealing, clean visuals, quick search functionality, and most importantly, information to help you connect with experts while learning about ways to aid in your financial wellness journey. The new digital banking platform provides an easy-to-navigate, secure, personalized modern banking design for members to complete their day-to-day banking tasks.

Synergy worked in collaboration with Celero, a Canadian solutions integrator, and ebankIT, a global digital banking software developer. We were one of five founding credit unions to introduce the platform.

Our membership continues to embrace technology. Since the introduction of our new digital banking platform in March, 15,587 members have signed up and we average more than 7,800 daily logins.

- In 2021, our members sent more than 743,000 INTERAC e-Transfer® transactions, totalling $232 million.

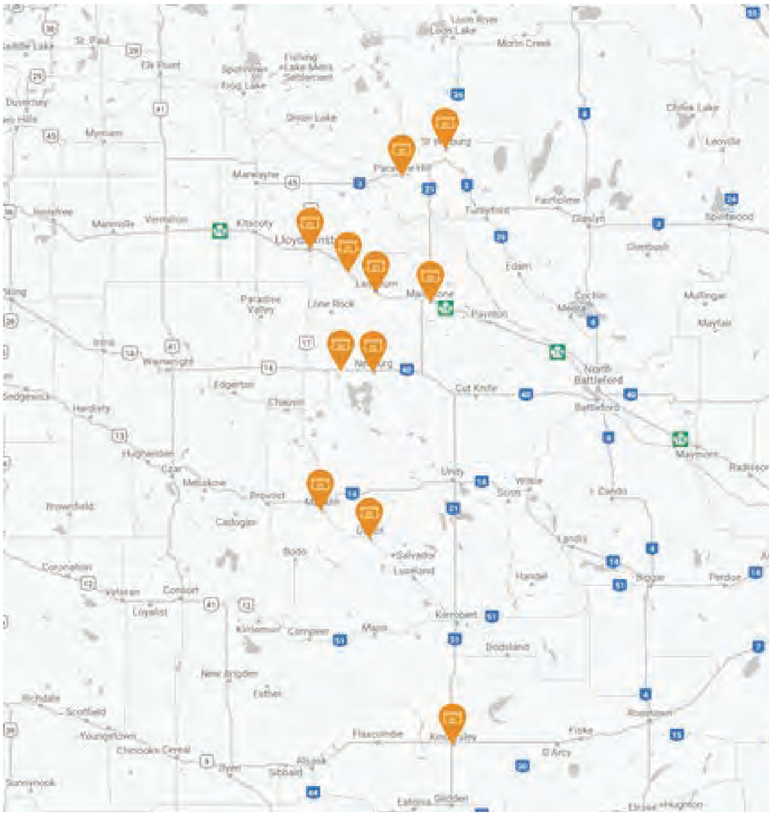
HOME FOR ALL

ACCESSIBILITY

When you walk through the doors of any Synergy branch, you'll be greeted with a smile and a team of people who are genuinely happy to see you.

Whether you'd like to become our newest member, chat with someone about investing, or buy or refinance a home.

We take pride in ensuring that we are accessible to all and have installed automatic door openers, sit down stations, braille on ABM keypads and open spacious lobbies for your convenience and comfort. If you are unable to join us in-branch, you can access us through the Member Contact Centre and, of course, engage with us digitally.



Branch locations

MEMBER CONTACT CENTRE

When you call our Member Contact Centre, you speak with a local representative. In 2021, we increased the hours of our MCC to better serve our members and we are now available seven days a week.

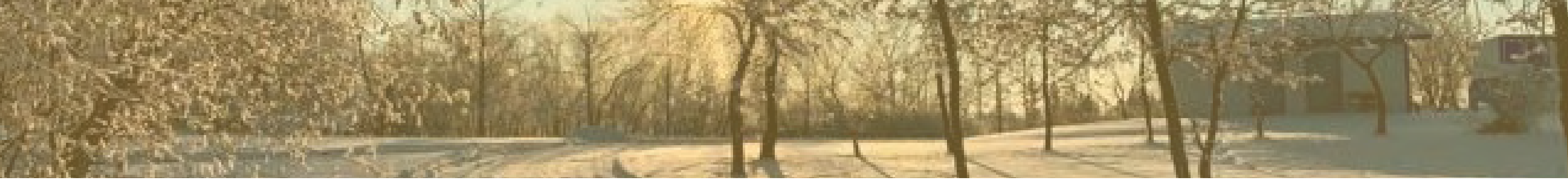
In 2021, the MCC handled:

- 75,942 phone calls
- 1,212 live chats
- 3,312 emails
- 1,129 callbacks
- 13,142 outbound calls

Synergy's Member Contact Centre had another busy year helping members.

DING FREE

We've all been there. Standing in front of another financial institution's ATM, just waiting to get dinged by a surcharge fee for accessing our cash. The surcharges vary, but the frustration of getting "dinged" remains the same. That is, unless you belong to a credit union. With access to a national network of ding free® ATMs from BC to Newfoundland, Canadian credit union members can keep more of their money where it belongs.



HEALTH OF OUR MEMBERS

FINANCIAL WELLNESS

In the first months of 2021, we introduced a financial wellness survey to our membership, a self assessment tool developed by Environics Analytics to determine how they feel about their money.

Financial Wellness quiz takers earned 69 out of a possible 100 points on average.

- 43 per cent of members feel good about their money.
- Half are earning more than they spend
- 74 per cent pay all their bills on time
- 42 per cent have six months' worth of savings for day-to-day expenses
- One in two feel confident they are doing what's needed to meet their long-term goals.

FINANCIAL LITERACY

Your Financial Literacy Team is committed to providing communities with financial education to help build knowledge and skills to understand their money.

- From September 2020 to September 2021, the Financial Literacy Team hosted about 20 presentations to partners in the community and schools.

- They also hosted a Goose Chase Virtual Scavenger Hunt that was open to middle-school aged children and had 45 participants.

WEALTH

Wealth – our best kept secret...but we don't want it to be a secret...with your help we reached a new milestone of over $500 million in assets under administration in 2021.

For some people, the thought of 'wealth management' can feel intimidating. Perhaps images go through your mind like a looming person behind a giant wood desk, talking about the stock market and portfolios - and the whole time you just feel lost.

The reality is 'wealth management' isn't only for the wealthiest people who have vast fortunes to pour into investing. It's really an opportunity for the average person to receive advice on their current situation and develop a long-term or short-term strategy that will help them reach their goals. After all – most everyone has a version of their future self that they hope to achieve. Wealth management can help you get there.

LOCAL EXPERTS

Synergy's Wealth experts use a holistic approach with advice and solutions tailored to you and your financial goals. You will find all the wealth management solutions you need from a partner you can depend on. Book an appointment with a representative online at synergycu.ca or by calling our Member Contact Centre.

QTRADE DIRECT INVESTING™

If you prefer to self-manage your investments, Qtrade Direct Investing** empowers you to reach your investment goals.

VIRTUAL WEALTH®

Just answer a few questions online to generate a low-cost portfolio matched to your goals and investing style. All you have to do from there is open your account and VirtualWealth** does the rest.

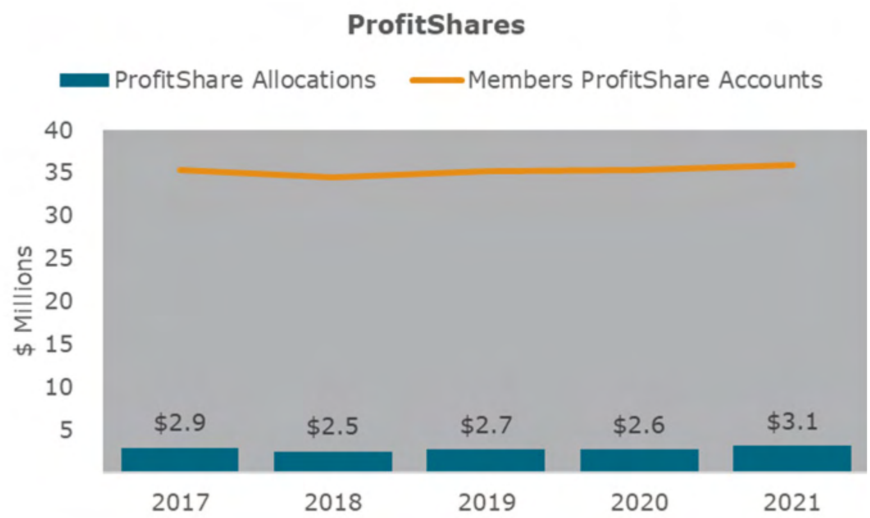
If you're not sure about working with a 'Roboadvisor', not to worry. While VirtualWealth leverages the very best in financial technology to make the process seamless for you, there are real experts behind the scenes. They're experienced portfolio managers, registered representatives and technology specialists who will:

- Continuously monitor your performance and rebalance your portfolio,
- Keep you on track towards your financial goals, and
- Grow your wealth while you get on with your life.

MEMBER VALUE

PROFITSHARES

Synergy was thrilled to pay out $869,000 in ProfitShares paydowns, seniors rewards and redemptions. We also allocated more than $3 million to members' ProfitShares accounts in 2021.

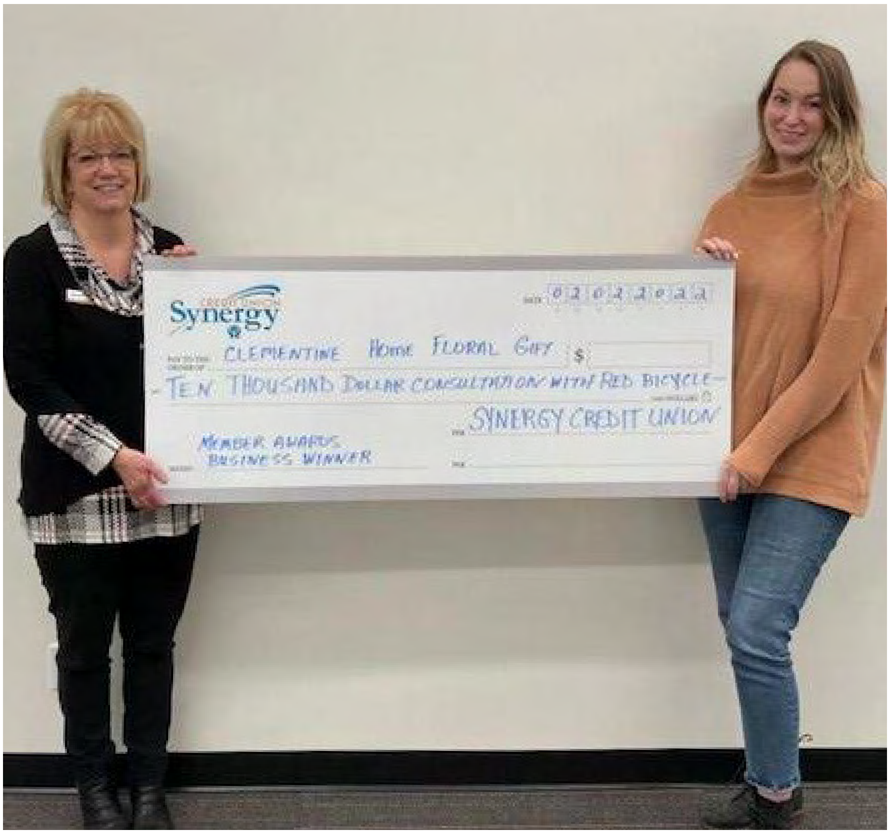


MEMBER REWARDS

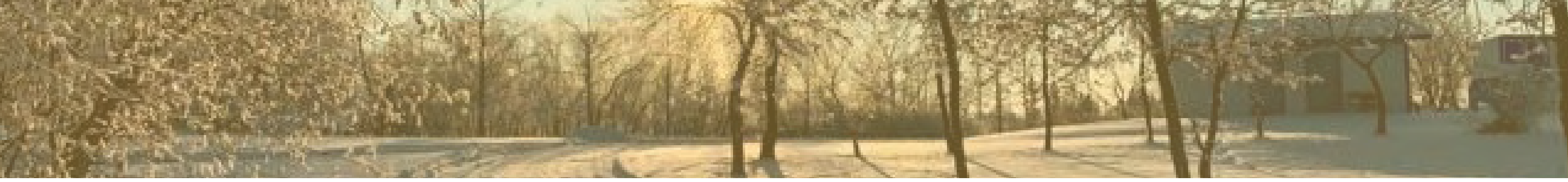
Let's spend 2022 together.

Members also benefited with our Member Rewards event, which saw $20.22 allocated to most members' chequing accounts and we encouraged local spending with prizes to individuals, businesses and non-profits. This totalled more than $450,000 returned to our members!

Congratulations to Clementine's Home Floral and Gift who won the business category and a $10,000 consultation package with Red Bicycle Communications. And congratulations to Kindersley Food Bank, which won the non-profit category and a $5,000 cash prize.



Member Rewards Business category winner Clementine Home Floral Gift receiving their prize of a $10,000 consultation with Red Bicycle.



ENGAGING OUR MEMBERS

MEMBER EVENTS

Despite the pandemic, we connected with members through a number of virtual events, including our Annual General Meeting and a webinar with financial expert Kerry K. Taylor.

Our employees also took the lead with Random Acts of Kindness, which were distributed throughout our communities on International Credit Union Day.

We adapted for Member Appreciation Day. Instead of the usual opportunity to visit over food and drinks, we distributed #VIPEveryDay mugs to members who were able to join.

OUR EMPLOYEES

Our team is your team. Synergy experts are a team of hard-working and dedicated people who live and work right here in your community. Not only do they understand your challenges, they also have the skills and training to tailor innovative solutions to your unique financial needs. Everyone at Synergy, from our branch management to our financial services team, is invested in your success. Because when you succeed, we all do.

EMPLOYER OF CHOICE

As an employer, our culture, environment, and strategy put people first. We're proud to have created a great place to work, learn, and grow a career. You can expect us to provide a safe, healthy, and flexible workplace. This includes: profit sharing, competitive compensation, above-average benefits, participation in the Global Corporate Challenge, virtual health care, development & mentoring, and training, including Truth and Reconciliation, bias, and anti-money laundering.

Synergy's Employee Compliment — 2021

217 Employees ❯ **197** Full-time Equivalent Employees ❯ **20** Part-time Employees ❯ **12** Summer students

SASKATCHEWAN TOP EMPLOYER

For the fourth-straight year, Synergy has been named one of Saskatchewan's Top Employers, a special designation that recognizes provincial employers who lead their industries in offering exceptional places to work. Employers are compared to other organizations in their field to determine which offer the most progressive and forward-thinking programs. The annual competition is open to any employer with its head office in Saskatchewan; employers of any size may apply, whether private or public sector.

2021 SASKATCHEWAN'S TOP EMPLOYERS

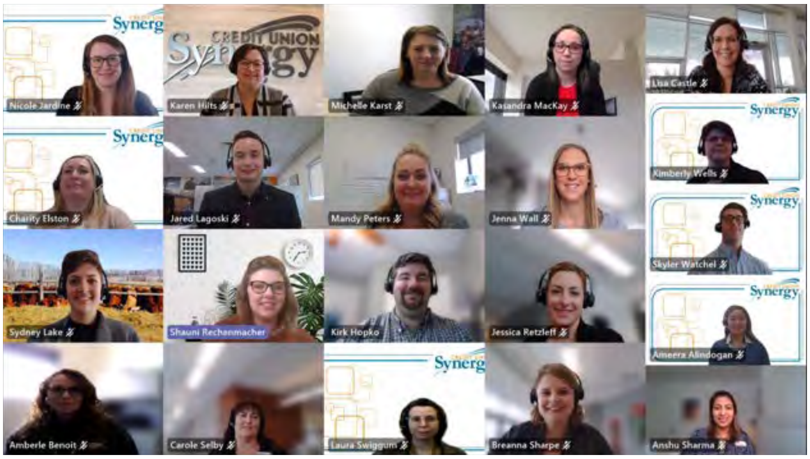
Doing what's right for our members is our overriding purpose, and we look for and value staff members who share this belief. Doing the right thing for you as our member means open and ongoing communication, upholding your right to have a say in how we're run and safeguarding the security of your privacy and all of your financial matters. Doing the right thing is embedded in our beliefs, and it is our unconditional promise to you.

EMERGING LEADERS Synergy

SYNERGY EMERGING LEADERS

You deserve a vibrant and forward-thinking financial institution, and that's what we're committed to being for you. One of the ways we do this is through our Synergy Emerging Leaders (SEL), a cross-organizational committee of Synergy leaders and future leaders who share the vision of making our credit union a better place for our employees, members and communities.

This year, the SEL led a mentorship program, hosted coffee & learns, and took part in virtual conferences with other credit unions. They also hosted Sandra McDowell for their annual wine and cheese event.



DIVERSITY & INCLUSION

Diversity and inclusion is about capturing the uniqueness of the individual; creating an environment that values and respects individuals for their talents, skills and abilities to the benefit of the collective.

The Canadian Centre for Diversity and Inclusion (CCDI), is a made-in-Canada solution designed to help employers, diversity and inclusion/ human rights/equity, and human resources practitioners effectively address the full picture of diversity, equity and inclusion within the workplace. In 2021, we engaged the Canadian Centre for Diversity and Inclusion to survey our team to determine where we stood on both diversity and inclusion.

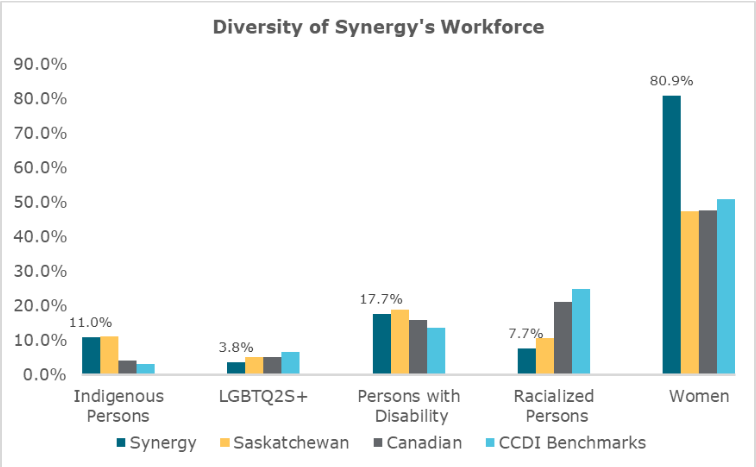
We had a 94 per cent response rate. Our results were at or above in most categories when compared to the Saskatchewan labour force for the various groups in respect to diversity. However, when it came to LGBTQ2S+ and racialized persons, we were slightly behind the provincial labor market. Our intent is to understand our diversity and inclusion metrics for Synergy and set values based goals to close gaps.

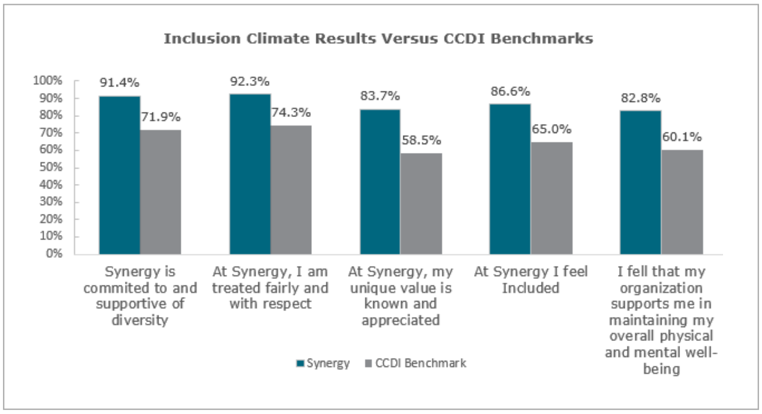
Our inclusion climate results were significantly above all of the benchmarks in every category that the survey represents.

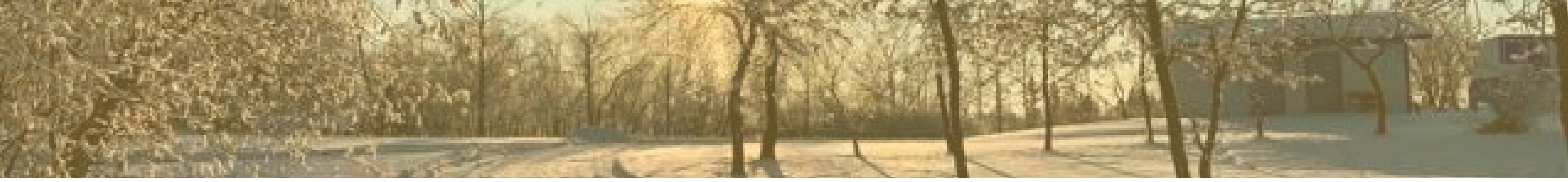
Why is Synergy committed to improving our diversity and inclusion? There are many benefits of a diverse, equitable, and inclusive workplace.

By providing an inclusive working environment and supportive leadership, employees with varied backgrounds can become more comfortable in the workplace. A diverse group of employees can enable a workplace to come up with a variety of unique ideas and approaches to an issue, often leading to creative and innovative solutions.

A diverse group of employees that represents the community often leads to understanding the issues and concerns of the members we serve in a more complete way. This depth of understanding leads to greater member insight and a unique competitive advantage.







Synergy employees taking part in Blanket Ceremony with the Lloydminster Catholic School Division for National Day for Truth and Reconciliation.

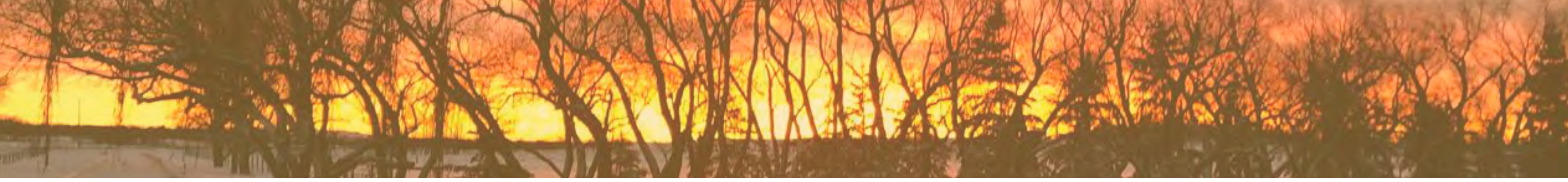
COMMITMENT TO TRUTH & RECONCILIATION

Synergy is committed to working with our First Nations partners on the path to reconciliation. We are active members in the Heart of Treaty 6 Reconciliation, which is a group of this region's individuals, community-based organizations, governments and businesses that come together, discussing reconciliation and what the Truth and Reconciliation Report Calls to Action can look like in this area. Our organization is a signatory of the Saskatchewan Chamber Indigenous Engagement Charter, a provincial initiative that serves as a roadmap to provide businesses with the tools to achieve engagement and assists the business community in demonstrating the role it must play in reconciliation.

Our staff are required to complete Reconciliation Education training and we have tools and resources available through our partnership with the Canadian Centre for Diversity and Inclusion.

On September 30, National Day for Truth and Reconciliation, we were hounoured to be invited to participate in a Blanket Ceremony with the Lloydminster Catholic School Division. We worked with an Indigenous small business, Awasis Boutique, to create a custom logo for our Orange Shirts.

Shirt design by Awasis Boutique.



OUR SUSTAINABLE COMMUNITIES

We live and work here, so we feel a responsibility to pay it forward, promote economic development and make our communities better places to live.

MAKING OUR HOME BETTER

Through our unique Synergy Shares Program, we invest in our communities and fund tools to support projects that improve community value, health care, financial literacy, and enhance local initiatives. Our staff members are passionate volunteers who extend everyday acts of kindness as part of their jobs.

SYNERGY SHARES

Each year up to 5% of Synergy's pre-tax profit will be set aside to fund this valuable initiative. This year, Synergy committed just over $1 million into the communities we serve through the Synergy Shares program.

2021 DONATION HIGHLIGHTS:

- $200,000: Lloydminster Catholic School Division expansion project, including the new Indigenous Resource Centre and the Synergy Studios multimedia classroom.
- $40,000: The Synergy Aquatic Centre in Macklin.
- $10,000: The Macklin & District Fire/ Rescue towards their rescue tool replacement project.
- $50,000: Lloydminster Region Health Foundation's Gift to Health, which is earmarked for a Mobile Digital Radiography Unit.

Based on 2021 profits, we allocated $780,000 to the Synergy Shares program.

Learn more about the program at synergycu.ca.

Synergy Shares Program - 2021

thousands

	Commitments (#)	Commitments ($)	Balance ($)
2021 opening balance			1,135
Less:			
Scholarships	27	21	
Donations*	20	1,012	
Sub-total	47		1,033
		2021 Balance before Allocation	**102**
		2021 Allocation	**780**
		Beginning Balance 2022	**882**

*Includes both funded and committed

Lloydminster Branch Manager Gord Thiel announces Synergy's $500,000 commitment to the Lloydminster Comprehensive High School's expansion project.

Donations, Sponsorships & Scholarships — 2021

$1M Donated › **5%** Profits before distributions allocated › **27** Scholarships

SYNERGY SHARES SCHOLARSHIPS

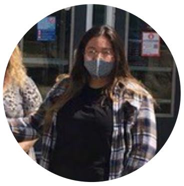
The inaugural winners of the public Synergy Shares Scholarship are McKenna Speirs and Sheldon Cannon.

Sheldon, from Kindersley, is currently taking Medicine at the University of Calgary. McKenna, from Maidstone, will be attending the University of Saskatchewan where she is taking her Bachelor of Commerce.

Synergy also offered an in-house scholarship available to children and/or a spouse of a Synergy employee or Board of Director. The winner of the in-house Synergy Shares Scholarship was Adrina Wills. Adrina is pursuing a degree in Elementary Education (Aboriginal Teacher Education Program). Each student will receive $1,000 annually for up to four years to complete their post-secondary education.

The Synergy Shares Scholarship is open to graduating high-school students, post-secondary students and mature students. Applicants were asked to submit written answers to three questions and the winners were selected by a panel of Synergy Emerging Leaders and senior-level management, utilizing a matrix scoring system. Congratulations to Sheldon, McKenna and Adrina!

Sheldon Cannon



McKenna Speirs

Adrina Wills

SUPPORTING LOCAL

Synergy believes in supporting the businesses that support the communities we work, live and play in and have adopted a procurement code of conduct. Our procurement policy encourages purchasing goods as close to home as possible.

Synergy is proud to support local businesses. Thank you to Lower Shannon Farms, Prairie Lily Coffee, Simple Famer, Graze the 502, and Sip Graze Love for assisting us with promotional items throughout the year.

RESPONSIBLE FACILITIES

Synergy Credit Union is proud to be a green leader. The Synergy Centre received its Leadership in Energy and Environmental Design (LEED) Silver Certification in 2019. LEED is a rating system that is recognized as the international mark of excellence for green building in 150 countries. Leadership in Energy and Environmental Design is a set of rating systems for the design, construction, operation, and maintenance of green buildings, homes and neighborhoods.

- We continue to make improvements to our facilities with the installation of merus rings and a high efficiency reverse osmosis system at the Synergy Centre.
- We replaced traditional fluorescent light systems for high efficiency LED lights in eight of our buildings.
- In our largest building we have engaged a comprehensive building management system that over the next year will provide significant savings in both consumption and maintenance.
- We have engaged a janitorial company that uses only environmentally responsible products in their service to us.
- We are choosy with our procurement in office furniture and purchased products that contain greater than 85% recycled material and were able to redirect file storage, tables, and chairs from the landfill to local non-profits where it will get a second life.

SUSTAINABLE ENGAGEMENT

Our teams are also engaged in various sustainability committees both locally and within the national credit union system as well.

LLOYDMINSTER DOWNTOWN AREA REDEVELOPMENT PLAN

The Downtown Area Redevelopment Plan (DARP) will catalyze the redevelopment of downtown Lloydminster into a vibrant community and the social and economic heart of the city where businesses thrive and people want to live, play and visit. Facilities Manager Randy Glynn is the Vice Chair of the Lloydminster Downtown Area Redevelopment Committee. (DARC).

Canadian Credit Union Association (CCUA) has two working groups that Synergy participates in.

CLIMATE ACTION WORKING GROUP

The Climate Change Disclosure Working Group (CCDWG) was established by CCUA in response to the member resolution and met regularly in 2020-2021 to explore the emerging issue of climate-related financial disclosure and to raise awareness of climate-related risks, public policy implications, and industry leading climate disclosure frameworks.

CCUA intends to build on the work of the CCDWG and operationalize the member resolution on behalf of the credit union system by evolving the working group and its mandate into the Climate Action Working Group (CAWG). Synergy is represented by Chief Risk Officer Jason Wang.

CREDIT UNION COMMUNITY IMPACT COMMITTEE

The Credit Union Community Impact Committee examines corporate social responsibility initiatives to proactively pursue strategies that benefit Canada's credit union system.

The purpose the Credit Union Community Impact Committee is to:

- Act as a link between credit unions and the CCUA as a management advisory committee,
- Provide expert guidance, advice and perspective to CCUA Management on issues relating to credit union social responsibility, and
- Provide a forum at the national level for discussion and planning regarding credit union social responsibility initiatives and events.

Synergy is represented by Chief Financial Officer Christine Tucker.

COMMITTED TO SOCIALLY RESPONSIBLE INVESTING

Synergy encourages its Financial Services Advisors to work towards receiving their Responsible Investment Specialist (RIS) designation.

Responsible investment refers to the incorporation of environmental, social and governance factors (ESG) into the selection and management of investments. RI has boomed in recent years as investors have recognized the opportunity for better risk-adjusted returns, while at the same time, contributing to important social and environmental issues.

Environmental, social and governance (ESG) issues are some of the most important drivers of change in the world today. And these are not just societal issues; they are important economic issues with significant implications for businesses and investors.

OUR CREDIT UNION COMMUNITY

CREDIT UNIONS REMAIN STRONG

Credit Unions continue to thrive across the country. While they are trending to fewer and larger credit unions, the amount of convenient locations has remained stable. Membership is nearly 800,000 more than it was 10 years ago and assets are nearly double what they were a decade ago.

Statistics Over Time *	2001	2011	Q3 2021
Number of Credit Unions	669	368	223
Number of Locations	1,833	1,733	1,693
Membership	4,566,869	5,132,362	5,917,119
Assets ($ mm)	$61,986	$140,219	$276,055
Average assets/ Credit Union ($mm)	$92.65	$381.03	$1,237.91
Average members/ Credit Union	6,826	13,947	26,534
Top 100 as % of Total Assets	69.9%	84.8%	94.7%
Top 10 as % of Total Assets	31.0%	45.2%	48.3%

GOVERNANCE

Synergy's leadership sets and guides the overall direction of the credit union to ensure its success, as both a viable business, and a socially, environmentally and economically responsible financial co-operative. They aim to ensure the credit union's values are aligned with its membership's and business is conducted in an effective, open, transparent and ethical manner.

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.

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.

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

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.

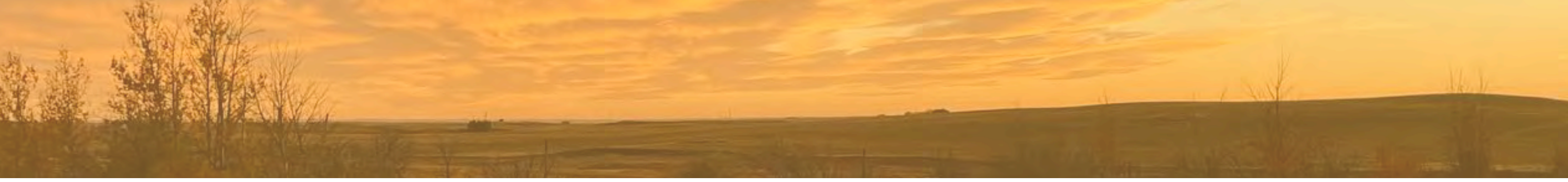
The Board has a fiduciary responsibility for the credit union, protecting members' interests and financial assets. It shapes the organization's strategic direction and ensures appropriate processes and controls are in place to identify, manage and monitor applicable risks. The Board selects the CEO, 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 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 chart to the left outlines Synergy's electoral districts, service centre coverage, and the directors currently serving.

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.



BOARD OF DIRECTORS

DISTRICT 1

BRENT BAIER

MELANIE MARI

RICK GRAFF

CAROLYN YOUNG

TOM SCHINOLD

DISTRICT 2

NEIL CARRUTHERS

DISTRICT 3

FAITH GRAHAM

DON WHELER

DISTRICT 4

LORNE JANZEN

LINDA GRAMLICH

DEAN ROBERTS

Synergy's Board — 2021

11 Members

8 Accredited Canadian Credit Union Director designation

31 Development Training Courses

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.

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.

RICK 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 26 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. Rick served many years as a First Responder for the RM of Britannia, as well 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.

CAROLYN YOUNG DISTRICT 1

Carolyn grew up in Raymore Saskatchewan. In 2001 Carolyn, her husband and five children moved to Lloydminster. She holds a CMA, CPA designation and is employed with Cenovus 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 in various ways. 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.

In 2021, Carolyn achieved her Accredited Canadian Credit Union Director status. She is a longtime credit union member and believes her personal and professional experiences are assets to the Board of Directors.

TOM SCHINOLD DISTRICT 1

Tom was elected to the Board in 2015 and has served on the Audit, Risk and Building Committees and currently serves on the Audit and Governance 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 two grandchildren.

NEIL CARRUTHERS DISTRICT 2

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

Neil is a strong supporter of Synergy's ProfitSharing 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.

FAITH GRAHAM DISTRICT 3

Faith joined the Synergy Credit Union Board of Directors in 2020 and currently serves on the Audit 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.

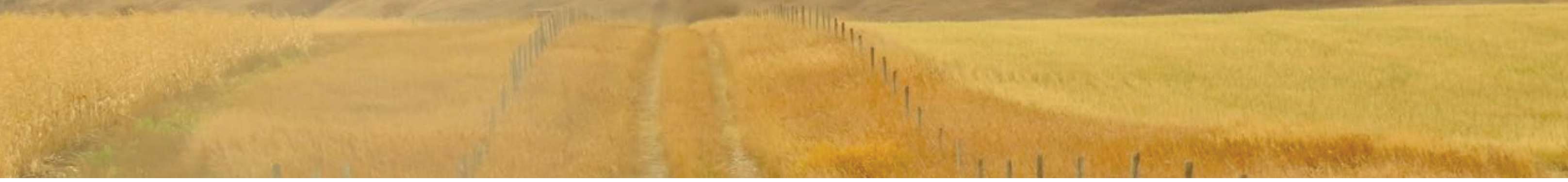
Faith and her spouse are longtime residents of the Neilburg area, having raised their family in the community. They believe community service is a lifelong endeavor and look forward to discovering innovative ways to serve in our ever-changing environment.

DON WHELER DISTRICT 3

Don joined the Synergy Credit Union Board in 1998 and has served as Board Chair since 2016. Don was the founding director for the Northwest Leadership Academy and formerly an educator with the Battle River and Northwest School Divisions. He also served as president of both 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 wherever they live. He strives to contribute to meeting the challenges of the ever-changing credit union landscape.



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 April 2016. He currently serves on the Human Resources and Risk Committees. 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 continually furthers his knowledge with regular Credit Union Board training and maintains his Chartered Insurance Professional designation to stay well informed of both credit union and insurance related developments.

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 biking, camping, golfing, and travelling to new places, but he most enjoys spending time with his family, especially his five grandchildren, as well as volunteering his time to various organizations to make his community a better place.

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.

LINDA GRAMLICH DISTRICT 4

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 at 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. Presently, she serves on Synergy's HR Committee, and is Chairman of the Risk Committee. Like other members of Synergy's board, she is a lifelong learner. She is a graduate of the Credit Union Director's Achievement Program, and in March of 2021 Linda became an Accredited Canadian Credit Union Director. In April of 2021 Linda was honored with the SaskCentral Order of Merit Award.

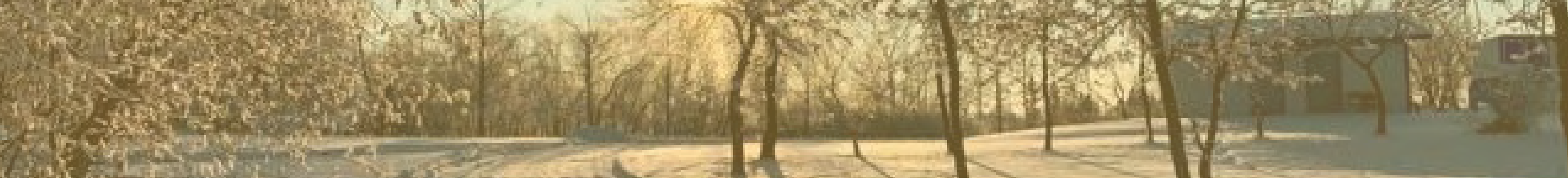
Linda is a strong community supporter, including being one of the founding members of, and serving on the World Bunnock Championship Committee for 10 years. She is also Past President of the Macklin Kinette Club, and past Secretary Treasurer of Macklin Minor Sports and the Arena Board.

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. She and her husband Patrick own and operate a large cattle ranch.

Director	Term Expires	Board Meeting Attendance	Committee Assignments	Committee Attendance	Director Compensation 2021	Director Compensation 2020
Brent Baier Elected: 2012	2024	12/12	Human Resource Committee Corporate Governance (Chair)	1/1 6/6	15,300	12,650
Dean Roberts Elected: 2014	2023	12/12	Human Resource Committee Audit Committee Executive Committee	3/3 5/5 1/1	12,450	13,506
Don Wheler Elected: 1998	2023	12/12	Board Chair Ex-officio on all other board committees	26/26	27,377	27,004
Faith Graham Elected: 2020	2023	12/12	Human Resource Committee Audit Committee	1/1 3/3	12,500	8,500
Linda Gramlich Elected: 2020	2022	12/12	Human Resource Committee Risk Committee (Chair)	3/3 4/4	16,100	5,700
Lorne Janzen Elected: 2016	2022	11/12	Human Resource Committee Risk Committee	4/4 3/3	15,750	13,118
Melanie Mari Elected: 2016	2023	12/12	Audit Committee Executive Committee Corporate Governance Risk Committee	3/3 1/1 9/9 1/1	17,000	17,450
Neil Carruthers Elected: 2009	2024	12/12	Executive Committee Audit Committee Human Resource Committee (Chair)	1/1 2/2 4/4	14,400	16,781
Richard Graff Elected: 1996	2022	11/12	Risk Committee Corporate Governance	2/4 3/3	9,350	11,950
Tom Schinold Elected: 2015	2024	12/12	Audit Committee (Chair) Corporate Governance Risk Committee	5/5 6/6 1/1	16,800	16,950
Carolyn Young Elected: 2016	2022	12/12	Audit Committee Risk Committee	2/2 3/3	13,200	12,600
Dean Walde	Retired (2021)	2/2	Corporate Governance	5/5	4,051	13,304
Joseph Koch	Retired (2020)	n/a			n/a	3,683
Joe Larre	Retired (2020)	n/a			n/a	2,536
				Total Director Compensation	174,278	175,732

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.



EXECUTIVE TEAM

GLENN STANG

BRENT BERGEN

TREVOR BEATON

CHRISTINE TUCKER

JASON WANG

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 Credit Union. 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 (renamed the 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 to obtain his Certified Chief Executive (CCE) designation. Glenn is also a certified professional director holding a Pro. Dir designation. Glenn is a passionate advocate of the credit unions 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 a second three-year term on a tri-provincial technology board.

Glenn believes in building stronger communities as demonstrated by his involvement with many organizations and volunteer activities such as Lloydminster Economic Development Corp., Kinsmen, Lloydminster Interval Home, Olive Tree, Chamber of Commerce, 100 men's club, 17 years coaching hockey, to name a few. Glenn's strong leadership attributes and his ability to get people to work together towards a common goal is one of the reasons Glenn is often nominated to chair the boards he sits on.

Glenn is married to Jean. They have three children, five grandchildren and another grandchild expected before Christmas.

BRENT BERGEN
CHIEF OPERATING OFFICER

Brent's background within the credit union system spans more than 32 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 and past vice-chair of the Lloydminster Region Health Foundation.

TREVOR BEATON
CHIEF INNOVATION & PEOPLE OFFICER

Trevor was promoted to the Chief Innovation & People Officer role in September 2016. Trevor leads Synergy's teams with responsibilities in Marketing, Human Resource, Information Technology, and Project Management. Trevor bas been in the financial industry for over 23 years, with the last 22 being at Synergy Credit Union. 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 3 years on the National Young Leader Committee. Trevor is an active coach of youth sports and has served on various community boards and committees in the area.

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 Univeristy. In addition, Christine is a certified facilitator to our internal cultural training programs at Synergy. She serves on the Board of Midwest Family Connections and is the Finance chair here in Lloydminster.

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.

EXECUTIVE COMPENSATION

The Board of Directors through the Human Resource Committee of the Board has oversight of the compensation program of the credit union as well as directly reviews and approves CEO compensation.

The Board ensures that the compensation for team members will be designed to attract, motivate and retain team members with the competencies required. Salary ranges and benefits will strive to ensure internal equity and be externally competitive with the local community, interprovincial public corporations, and other financial service providers.

Total compensation, including short term incentive and company funded benefits paid to Executive Management in 2021 amounted to $1.52 million compared to $1.38 million in 2020.

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 2021.

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 11 meetings in 2021.

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 4 meetings in 2021.

HUMAN RESOURCES COMMITTEE CORE RESPONSIBILITIES

- CEO contract, compensation and evaluation
- CEO succession plan
- Reviews
- Executive management appointments and succession
- Employment principles and compensation philosophy
- 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 2021.

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.

MANAGEMENT'S DISCUSSION & 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, 2021. 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 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 14, 2022.

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.

FACTORS THAT MAY AFFECT FUTURE RESULTS

While Synergy is a provincially regulated Saskatchewan credit union, economic factors outside our region, in Canada and abroad can have an impact that affects our local businesses and household incomes.

Nationally the Bank of Canada and its monetary policy which impacts interest rates can have a significant impact on our performance. Shifting of capital markets along with competition can impact our pricing, market share and ability to meet our forecasted performance measures.

BUSINESS ENVIRONMENT AND STRATEGY

The second year of the COVID-19 pandemic saw the world gradually reopening and recovering economically, while maintaining vigilance and fighting subsequent regional waves. Oil prices continued to climb throughout 2021 and have recently reached a 7-year high.[i] Economists forecast a 4.4% growth rate in Canada's real GDP in 2022, led by bigger rebounding in Alberta and Saskatchewan.[ii]

During the prolonged pandemic, consumers are accelerating their adoption of "digital living", a big part of which is digital banking. In August 2021, the Canadian government released its report on consumer-driven finance, also known as open banking, outlining its vision about the open banking initiative.

We are at a crossroad, where opportunities and risks both abound. In 2021, Synergy reached a major milestone with the successful migration of our digital banking platform. However, we understand this is not the end of the "project," but merely one step on a long journey to transform into a leader in innovations and analytics. We will continue to focus on investing heavily in the best solutions that bring our members convenience, value, and security. We will continue to focus on data analytics to understand and serve our members better.

While we have been busy pushing for changes, our strategic goals and commitments remain unchanged. Synergy is confirming its goal: *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.* We also remain committed to member experience, collaboration, our co-operative values, and communities.

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 2021 was the result of balancing reopening with localized restrictive measures due to the COVID-19 pandemic. In Canada, the second and third waves surged in the first half of the year, causing a GDP contraction in the second quarter. Following a considerable reduction of case counts and nationwide reopening during the summer months, the fourth wave returned in the autumn. As a result, economic recovery was hampered by capacity restrictions in certain sectors. Geographically, vaccine and policy responses resulted in uneven growth.

- Fundamentals for Canada's oil and gas sector look brighter than in recent years. Increases in crude oil prices, a return to stable demand, and new pipeline capacity will allow Canadian producers to get better pricing.

- Supply chain disruptions, production delays and higher-than-usual saving rates have resulted in an inflation level unseen in close to two decades. These underlying causes are expected to be temporary, but economists believe it will take another year before consumer price increases fall back to the Bank of Canada's 2.0% target.

- Considering the above factors, economists have projected a 4.4% rebound in real GDP for Canada in 2022. Synergy will strive to capture the strong momentum in our trade area.

POLITICAL LANDSCAPE

- The federal election in 2021 resulted in little change to the existing minority Liberal government. We anticipate a high level of policy consistencies, including continued attention on environmental, social and governance (ESG) issues and open banking.

- Canada actively participates in global climate change and sustainability initiatives. The 2021 U.N. Climate Change Conference, also known as COP26, called for many important changes, such as reporting standards, capital for transition, and international carbon price. Canada's adoption of these changes could impact to Synergy and its members.

- After leading the Saskatchewan Party in achieving a sweeping win in the 2020 provincial election, Saskatchewan Premier received support from the majority of the Party members in a recent routine leadership review, signaling continued stability in provincial policymaking, despite criticisms he has faced with regards to handling of pandemic restrictive measures.

FINANCIAL SERVICES SECTOR

- Inflation pressures have led economists to believe there may be at least one interest rate increase in 2022. Some economists are predicting more aggressive rate increases. After seeing several years of margin compression due to low rates, the rate hike prospects may mean some relief in margins for lending institutions.

- The federal government released its Advisory Committee report on open banking, which proposes the expected participation, timelines, basic ground rules, and success measurements, etc. The government is expected to appoint the open banking lead in the coming months, who will help articulate the detailed requirements and accelerate this movement. 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 actively monitoring developments in 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. We continue to be a positive force in the local communities in Truth and Reconciliation.

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

PROVINCIAL & REGIONAL

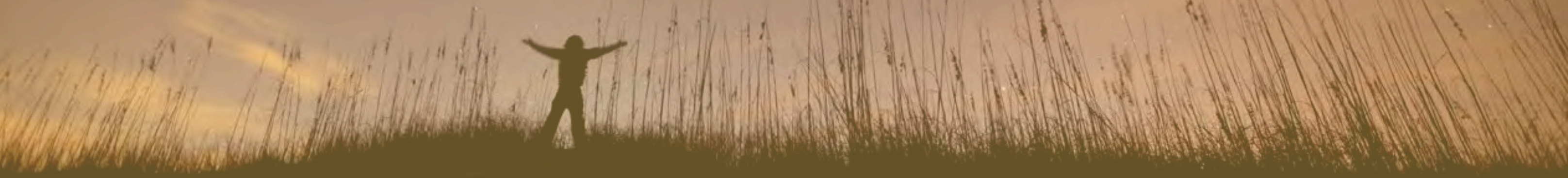
- The provinces of Saskatchewan and Alberta are already seeing economic recoveries in the second half of 2021 and are expected to have the strongest GDP growth in 2022 among all Canadian provinces and territories, driven by higher prices of energy products, and such commodities as potash. In 2022, Alberta and Saskatchewan are expected to post real GDP growth of 6.1% and 4.6%, respectively.[iii]

- The economic strength of Synergy's trade area is highly correlated to the prospects of energy and agriculture sectors. We expect the growth rate of our trade area is in line with that of Saskatchewan, estimated to be 4.6% in 2022.

i. West Texas Intermediate (WTI) price exceeded 80 U.S. dollars per barrel in October 2021, a price level last seen in October 2014.

ii. The Conference Board of Canada, Provincial Economies Get a Boost, Provincial Outlook, August 2021.

iii. The Conference Board of Canada, Provincial Economies Get a Boost, Provincial Outlook, August 2021.



2021 FINANCIAL PERFORMANCE HIGHLIGHTS

In the fourth quarter of each year Synergy Credit Union develops its business plan and budget that is approved by the Board of Directors.

Below is a summary of key financial ratios compared to our 2021 budget along with previous year comparables.

$ thousands	2021 Results	2021 Budget	2020 Actual
Assets, Deposits and Loans			
Total assets - on balance sheet	1,639,738	1,702,819	1,646,521
Annual asset contraction - on balance sheet	(0.4%)	3.4%	15.8%
Total assets - under administration	2,166,531	2,144,127	2,067,418
Annual asset growth - under administration	4.8%	3.7%	14.2%
Total deposits	1,454,579	1,508,266	1,461,040
Annual deposit contraction	(0.4%)	3.2%	18.6%
Total loans	1,163,814	1,209,262	1,183,723
Annual loan contraction	(1.7%)	2.2%	3.8%
Asset Quality			
Delinquency greater than 90 days	0.7%	< 3.0%	1.0%
Gross impaired loans	12,162	27,409	28,199
Allowance for expected credit losses (excluding specific allowances)	5,492	7,126	6,166
Specific allowances	2,048	3,353	2,847
Net loan to assets	71.0%	70.5%	71.9%
Capital			
Common equity tier 1 to risk-weighted assets	14.4%	13.1%	13.2%
Tier 1 capital to risk-weighted assets	14.4%	13.1%	13.2%
Total eligible capital to risk-weighted assets	19.1%	17.5%	17.9%
Leverage ratio	10.1%	9.2%	9.6%
Profitability			
Comprehensive income	8,420	2,597	5,350
Operating income before taxes and member allocations	14,228	4,651	8,892
Return on average assets before taxes and member allocations	0.9%	0.3%	0.5%
Efficiency ratio	70.7%	80.2%	75.7%
Allocation payable to members [1]	3,122	1,094	2,640

[1] In 2020 actual — special one-time payment to Macklin members

DISCUSSION:

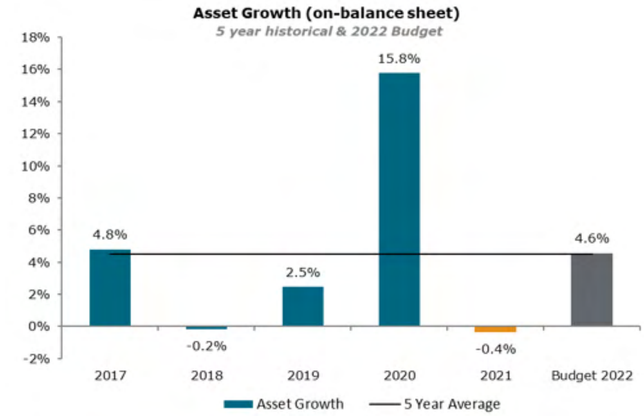
We expect uncertainty to continue as globally and nationally governments react to higher-than-normal inflation, the Government of Canada reducing quantitative easing measures and increasing interest rates.

Interest rates raised too quickly could slow the economic recovery, which is expected as pandemic measures ease. This will directly impact our region already struggling from a period of prolonged low oil prices. These factors, along with increasing regulatory burden in the near term, will create a drag on our income as forecasted in our 2022 budget.

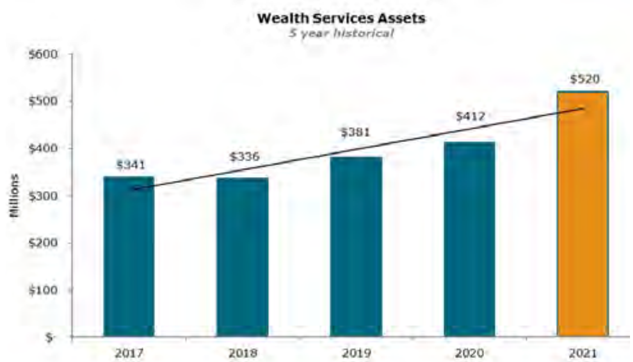
We will put our capital to work by leveraging current and future investment in technology and initiatives to enhance our members' experience. Investing in our teams and encouraging continued professional development will contribute to providing extraordinary service and delight our members.

Continuous improvement will enhance our member experience and ensure that our non-interest expenses grow slower as a percentage of average assets than our revenue. We will take advantage of our strong capital base to support our future growth opportunities.

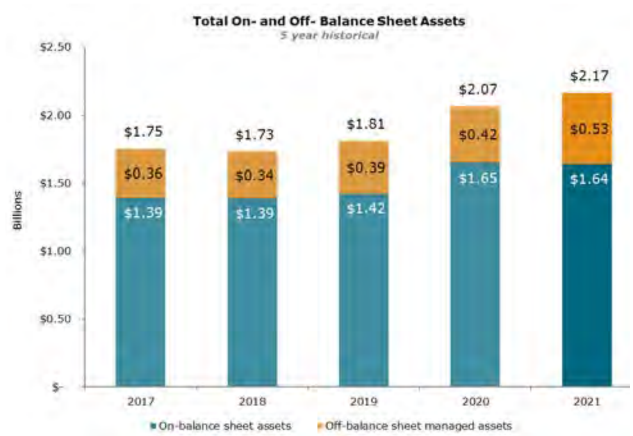
Synergy is deeply rooted in this region, and we are committed to providing quality expert advice to our membership. We will continue to support high-quality borrowers within our region focusing on loans that offer a fair and appropriate return and risk profile. Synergy is also committed to building our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



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



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



ASSETS:

2021 RESULTS

- Ended December 31, 2021, with on-balance sheet assets of $1.64 billion (2020 - $1.65) which equates to a reduction of 0.4% or a $6.8 million decrease
- Other assets under administration include off-balance sheet assets managed by our wealth services division totaling $520.3 million (2020 - $412.4) and $6.5 million (2020 - $8.5) in loans sold or syndicated to other credit union partners but serviced by Synergy
- Assets under administration finished the year at $2.17 billion (2020 – $2.07)

DISCUSSION:

Synergy's assets contracted slightly after significant growth in 2020 due to our merger with Macklin Credit Union and members accumulating cash that would normally be deployed for travel and leisure activities during the early stages of the pandemic. In 2021, as several government programs wound down, we did not see the same influx of deposits, although did not experience significant outflow either.

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 15.9% and we have increased these assets by $107.9 million (2020 - $31.7) or 26% in 2021. 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 has positively contributed to our success. This is a key area of our business where we are enhancing our 'human plus digital'.

This continues to be our focus and we expect double digit growth in new investments. The markets are expected to be more volatile in 2022; however, which could dampen our overall growth in our wealth assets.

Synergy is experiencing excess liquidity and as a result loans sold or syndicated to other credit union partners will pay down and not be replaced over the next few years.

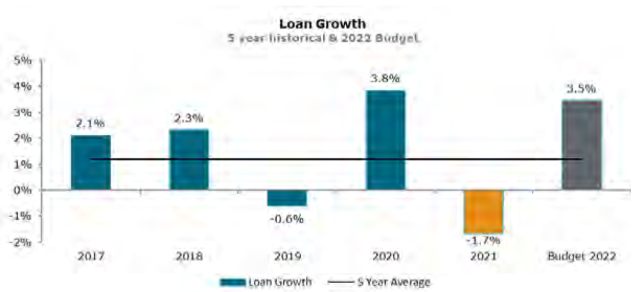
Synergy's performance target for on balance sheet asset growth in 2022 has been anchored to Saskatchewan's forecasted GDP growth of 4.6%, at the time our budget was approved in late 2021.

At the time of writing, primarily provincially, many of the vaccine mandates are being softened or completely lifted. The pent-up consumer demand especially for spending, related to experiences could hamper our efforts to grow assets as members utilize deposits they have built up over the pandemic. In addition, if inflationary pressures are prolonged, we may see consumers and businesses deploy their reserves for day-to-day expenses.

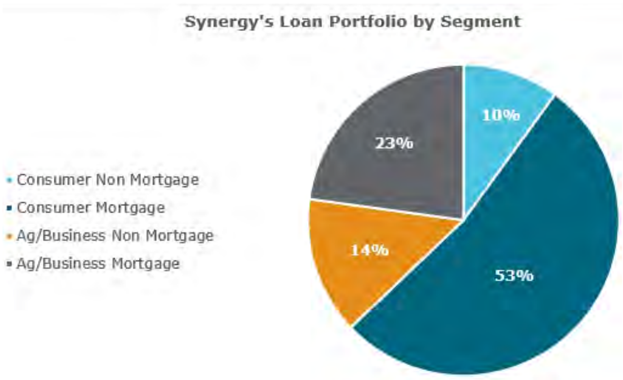
LOANS:

2021 RESULTS

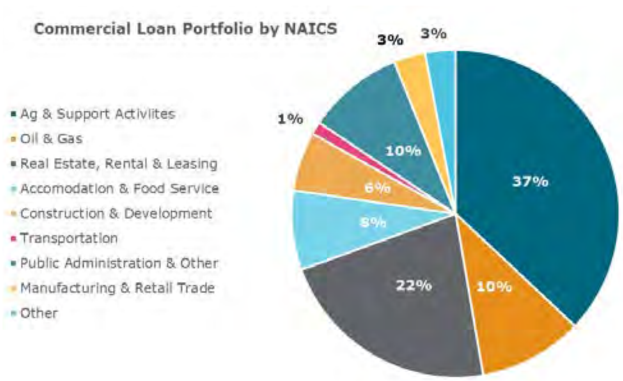
- We experienced a contraction in our loan portfolio of 1.7% (2020 – 3.8% growth). In 2021 loan demand remained soft due to the economy and the ongoing pandemic impact
- Gross loans (on balance sheet) totaled $1.17 billion (2020 - $1.19), a decrease of $21.4 million
- Net loans totaled $1.16 billion (2020 - $1.18), a decrease of $19.9 million over the prior year
- Loan allowances decreased by $1.5 million (2020 - $679 thousand) year-over-year. Specific allowance reduced by $799 thousand (2020 - $1.6 million) and collective decreased by $674 thousand (2020 – increased by $946 thousand)
- Actual write-offs were $1.7 million (2020 - $3.1). Approximately $1.3 million of this write-off had been allowed for in previous years
- Loans reached 71.0% (2020 – 71.9%) of average assets; below our optimal range of 82%-84% which will help maximize our overall profitability. This ratio decreased only slightly even though we experienced a decrease of 1.7% in our loan portfolio and a slight decrease in our overall on-balance sheet assets
- Consumer portfolio contracted by 3.9% or $29.3 million
- Agricultural and commercial portfolio grew at 1.6% or $7.0 million year over year



Synergy’s loans are comprised of more than 63% consumer and 37% Ag and Business as shown below.



We further break down our Ag and Business loans (Commercial portfolio) by North American Industry Classification System to determine our concentration by industry. As you can see below our largest concentration is Agriculture and Support Activities.



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.

DISCUSSION:

In late 2014 our region experienced an economic slowdown not experienced in decades due to depressed oil prices. This negatively impacted our housing market where property values dropped more than 20% eroding homeowner’s equity and their ability to leverage their largest asset.

We believe we are past the peak of the credit cycle and that loan demand locally will be muted, contrary to the growth experienced due to our merger with Macklin Credit Union in 2020. The last three years we have experienced contraction in our portfolio.

Inflationary pressures have the Bank of Canada hawkish on raising interest rates and some financial analysts feel we could see as many as five increases to prime rate in 2022. This will have a direct impact on ability for borrowers to qualify for new credit.

We expect our businesses to resume investment slowly and cautiously due to higher oil prices and early indicators that we could emerge from the pandemic in the first half of 2022.

Our agricultural community, which had a poor growing season but higher than average commodity prices, is borrowing to expand and/or upgrade equipment to make them more efficient. This had a positive impact in 2021 with an increase of 3.9% year-over-year in our agricultural portfolio. We expect investment by our producers to continue in 2022 as producers continue to grow, adjust, and thrive while advancing their sustainable farming practices.

Consumers, which will feel the brunt of high inflation first, who are significantly indebted and do not have borrowing capacity, have, and will continue to create drag on loan demand. Inflationary pressures are also a concern as heavily indebted consumers may have trouble meeting their payment obligations. Consumers who have accumulated excess liquidity over the pandemic will likely start to deploy it with lifestyle spending which may provide some new opportunities for credit granting.

In 2022 we will continue to cultivate opportunities to partner with peers to achieve growth, a higher return for our depositors and minimize the negative impact on profitability based on lower than optimal leverage position. We have budgeted positive loan growth of 3.5% for 2022.

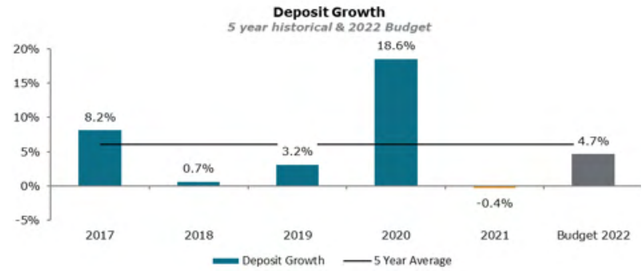
We experienced approximately an $800 thousand reduction in our provision (those tied to specific loans) during 2021 because of increased early intervention by our loan loss and prevention team to create a greater number of positive outcomes for our members and Synergy.

In 2022, we have returned our provision for credit losses to approximately 15 basis points of average assets benchmarked to our ten-year average. There is potential for us to experience actual losses higher than budget if we do not see inflation return to more normal levels without significant interest rate increases. We feel that our early intervention efforts will help to lower overall risk along with our prudent underwriting practices.

DEPOSITS:

2021 RESULTS

- Ended 2021 at $1.45 billion (2020 - $1.46) resulting in a contraction of 0.4% (2020 – 18.6%) or decrease of $6.5 million (2020 – increase of $229; Macklin credit union merger contributed $97.0 million of this growth in 2020)
- Demand deposits, which account for 65.8% (2020 - 58.0%) of our entire deposit base, increased $109.5 million (2020 - $173.1) or 11.5% (2020 – 20.4%) year-over-year
- Term deposits, which make up the remaining 34.2% (2020 - 42.0%) of our deposit base, dropped $116.0 million (2020 - $55.9), a contraction of 23.3% year-over-year



DISCUSSION:

Our deposit portfolio contracted in 2021 was slightly negative after double digit growth in 2020 a result of our merger with Macklin Credit Union and members building deposits as lockdowns prevented them from spending on leisure products and activities. We expect growth in deposits to return closer to our 5-year average and have budgeted for 4.7% growth for 2022.

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

We will make recommendations for our members deposits that are in their best interest and match their goals; for some that may result in moving to off balance sheet products, creating downward pressure on deposit growth.

If higher than normal inflation persists, we expect to see a larger outflow of our deposits to fund day to day costs as well as debt reduction to avoid higher interest carrying costs. These two factors, along with pandemic measure easing, could result in a larger outflow of our deposits than anticipated which we will need to replace with new business to achieve our target growth rate.

NET INTEREST INCOME AND MARGIN:

Net interest income represents the difference between the interest we receive from borrowers and our other assets less what we pay our depositors.

Net interest margin is the above calculation less provision for credit losses; allowances and write-offs.

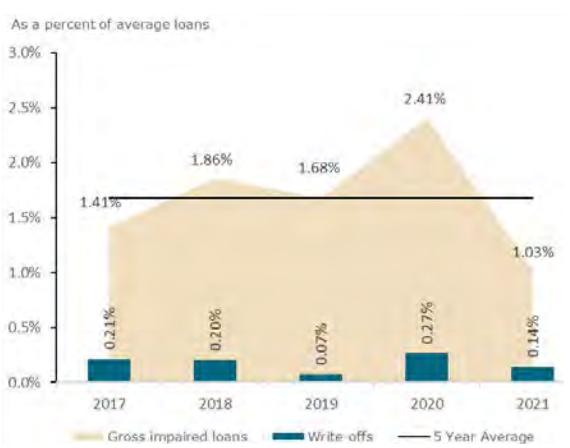
2021 RESULTS

- Net interest income increased by $2.3 million, or 6.6%, to $37.0 million (2020 –$34.7), representing 2.3% (2020 - 2.3%) of average assets, resulting primarily from members holding a higher amount of their deposits in demand accounts that are non-interest bearing
- Net interest margin (net of loan provisions) increased by $3.7 million (2020 - decrease of $3.6) to $36.8 million (2020 - $33.1), representing 2.2% (2020 – 2.2%) of average assets
- Interest margin results as a percentage of average assets were significantly higher than 2020 because of $194 thousand in provision expense versus $1.6 million in 2020
- Average yields earned on loans decreased 0.3%, resulting in a reduction of $3.1 million in loan income as a result of the lingering impact of 150 basis point prime rate reduction in 2020 as well as increased competition especially in relation to consumer mortgages in 2021. The result of members holding signifcant dollars in non-interesting bearing accounts enabled us to hold our net interest income fairly stable from 2020 to 2021

$thousands	2021 Average Balances	2021 Mix	2021 Interest	2021 Rate	Change in Rates	2020 Average Balances	2020 Mix	2020 Interest	2020 Rate
ASSETS									
Cash and investments	430,408	26%	4,953	1.15%	-0.20%	331,348	22%	4,472	1.35%
Loans	1,173,769	72%	43,220	3.68%	-0.31%	1,161,813	75%	46,357	3.99%
Other assets	38,953	2%	-	0.00%	-0.06%	40,907	3%	24	0.06%
LIABILITIES AND EQUITY									
Deposits	1,457,810	89%	10,635	0.73%	-0.41%	1,346,539	88%	15,296	1.14%
Loans payable	19,591	1%	538	2.75%	0.19%	33,681	2%	861	2.56%
Other liabilities	7,039	0%	-	-	-	5,685	0%	-	-
Equity and membership shares	158,691	10%	-	-	-	148,164	10%	-	-
NET INTEREST INCOME			**37,000**	**2.25%**	**-0.01%**	1,534,068	100%	34,696	2.26%
Provision for credit losses			194	0.01%	-0.09%			1,606	0.10%
NET INTEREST MARGIN			**36,806**	**2.24%**	**0.08%**			33,090	2.16%

Average Yields earned on our loan portfolio decreased by 0.31% (2020 - 0.34%) as loans are renewed at lower rates due to our continued low interest environment. Interest paid on deposits reduced by 0.41% (2020 - 0.38%) which helped reduce the negative impact on net interest income.

The following chart outlines Synergy's 5-year gross impaired loans and write-off history for its loan portfolio. Gross impaired loans reduced significantly in 2021 to 1.0% of average assets (2020 - 2.4%) because many of the 2020 member relief loans which were classified as deferrals and in 2021 returning to normal repayment and performing as expected. Gross impaired loans without the deferrals represented 1.3% of average assets in 2020. In 2021 this ratio improved to 1.0% of average assets a result of our early engagement and focused collection activities.



DISCUSSION:

In 2021, we were able to hold our net interest income as a percentage of average assets similar to 2020 after a drop of 29 basis points in 2019. This was achieved because our depositors held significantly more of their assets in low to no interest demand deposit accounts. In 2022 we are forecasting interest income of 2.1% (2021 – 2.2%) of average assets, a downward trend that we have been experiencing the past five years. This margin squeeze is expected to continue as increased competition and changing consumer behavior disrupts our core business.

Our relatively flat deposit growth in 2021 and lower loan demand has contributed to a leverage ratio of 71%, which is 11 to 13 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.

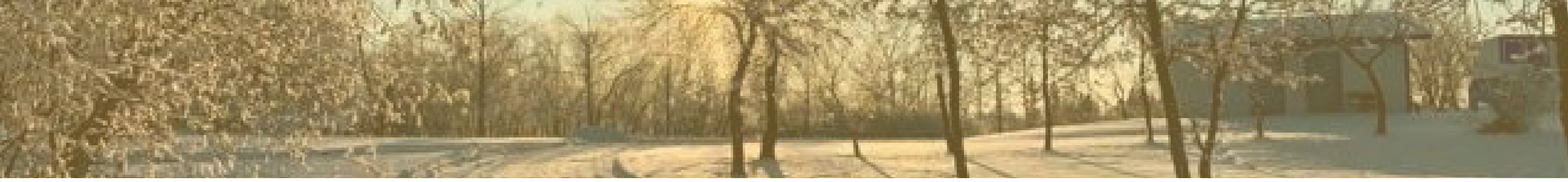
Many financial institutions, including ourselves, have idle liquidity, the competition to attract new loans will limit the amount of upside we receive from an increasing prime rate as competition will put downward pressure on market rates. In addition, our depositors still require a reasonable return on the funds they have entrusted to us.

Our net interest margin increased in 2021 a result of our expense for provisions of $194 thousand or 0.01% of average assets. Loans that were deferred through our member relief program during the early stages of the pandemic have returned to normal repayment and have not led to higher delinquency in 2021.

We do not expect this to occur in 2022; instead, a return to normal of 15 basis point of average assets for provisions expense.

High consumer debt loads, coupled with inflationary pressures have the potential to increase bankruptcies, which directly correlates to increased loan losses, and remains a concern for the foreseeable future. The speed at which the Bank of Canada increases rates could also create increased allowances. To mitigate this risk, we have a focus of early intervention on our lending portfolio leading to improved outcomes for our members and less losses for Synergy.

We will continue to monitor our allowances and diligently work to ensure actual loan write-offs remain within industry standards as our region navigates continued uncertainty in the market.



NON-INTEREST INCOME:

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

In 2021, Synergy experienced a $1.6 million unrealized gain (2020 - $59 thousand) on investments, $0 gains on derivatives (2020 - $23 thousand loss) and a $54 thousand gain (2020 - $96 thousand loss) on foreclosed properties. The remainder of our non-interest income is comprised of other revenue.

			Change from 2020	
$ thousands	2021	2020	Dollars	Percent
Deposit fees and commissions	3,050	2,929	121	4.13%
Wealth services	3,672	2,914	758	26.01%
Creditor insurance	903	885	18	2.03%
Loan fees	1,093	780	313	40.13%
Credit card	239	177	62	35.03%
Lease	453	328	125	38.11%
Government assistance	915	570	345	60.53%
Other	232	63	169	268.25%
Total other revenue	**10,557**	8,646	**1,911**	**22.10%**

2021 RESULTS – OTHER REVENUE

- Ended the year at $10.6 million (2020 - $8.7), an increase of $1.9 million
- We increased revenue in every category with wealth revenues making up the largest portion
- Received $915 (2020 - $570) thousand in Canadian Emergency Wage Subsidy; this did not flow through to employee or member profit share allocations

As a % of average assets	2021	2020	Change
Deposit fees and commissions	0.19%	0.19%	-
Wealth services	0.22%	0.19%	+0.03
Creditor insurance	0.05%	0.06%	-0.01
Loan fees	0.07%	0.05%	+0.02
Credit card	0.01%	0.01%	-
Lease	0.03%	0.02%	+0.01
Government assistance	0.06%	0.04%	+0.02
Other	0.01%	0.00%	+0.01
Total other revenue	**0.64%**	0.56%	+0.08

DISCUSSION:

Our focus on growing our wealth portfolio over the past several years, ensuring our members have robust investment options, has resulted in wealth revenue that now makes up the largest proportionate share of our other revenue.

We continue to grow our credit card portfolio through a win-back strategy, after our change in providers in 2018 we expect steady growth in this portfolio in the future.

We slightly increased revenue on our deposit fees in 2021 however still significantly below our historical norm as foreign exchange transactions as well as cash services have not returned to normal since the start of the pandemic.

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.

The Canadian Emergency Wage Subsidy has been discontinued and will not return in 2022.

In 2022 we will see reduction in lease revenue as we have a tenant exiting at the end of the first quarter. We are looking to replace with a new tenant as soon as possible.

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.

NON-INTEREST EXPENSE:

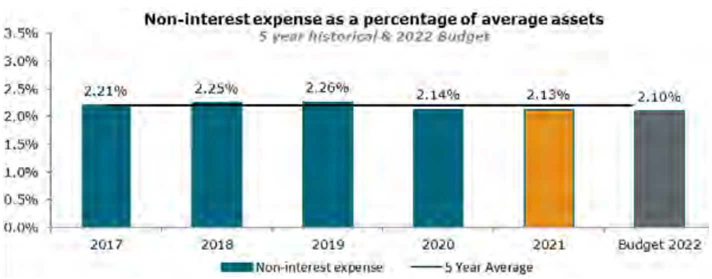
Total non-interest expenses includes personnel expense that encompasses allocations to Synergy's annual employee profit-sharing program, occupancy, member security, general business and organization costs.

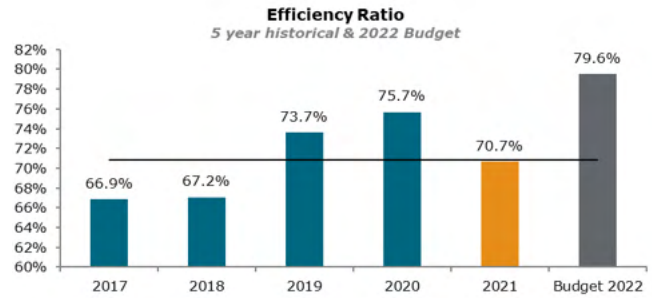
2021 RESULTS

- Non-interest expense increased $2.1 million (2020 - $1.0), or 6.2% (2020 – 3.4%), to $34.83 million (2020 - $32.78). Note: $373 thousand of expenses are included that were paid out of our Synergy Shares fund expensed in 2021 (2020 - $275)
- As a percentage of average assets, non-interest expense decreased from 2.14% in 2020 to 2.13% in 2021; we held off on some capital projects and did not fill human resources vacancies as quickly as we would like

$ thousands	2021	2020	Change from 2020 Dollars	Change from 2020 Percent
Personnel	**20,668**	19,183	1,485	7.74%
Occupancy	**3,584**	3,432	152	4.43%
Member security	**1,326**	1,152	174	15.10%
General business	**8,980**	8,627	353	4.09%
Organization	**273**	390	(117)	(30.0%)
Total non-interest expense	**34,831**	32,784	**2,047**	**6.24%**

As a % of average assets	2021	2020	Change
Personnel	**1.26%**	1.25%	+0.01
Occupancy	**0.22%**	0.22%	-
Member security	**0.08%**	0.08%	-
General business	**0.55%**	0.56%	-0.01
Organization	**0.02%**	0.03%	-0.01
Total non-interest expense	**2.13%**	2.14%	**-0.01**





DISCUSSION:

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.

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. 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.

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 and we see these costs rising in future years.

As one tenant vacates our space, we will see increased occupancy costs as the tenant will no longer pay their proportionate share. We are actively seeking a tenant to occupy the space that will allow us to recapture some of these occupancy costs.

Synergy's efficiency ratio, which is non-interest expenses divided by net interest income and total non-interest revenue, has seen an improvement in 2021 to 70.7% (2020 – 75.7%) including unrealized gains on investments. Our forecast for 2022 is to see this rise to 79.6% because of relatively flat net interest income, increased provisions expense to normal levels, less non-interest revenue and higher operating expenses.

Our goal is to reduce this ratio to 70% or less over the next several years as we become more efficient from our digital investments.

INCOME BEFORE ALLOCATIONS AND TAX:

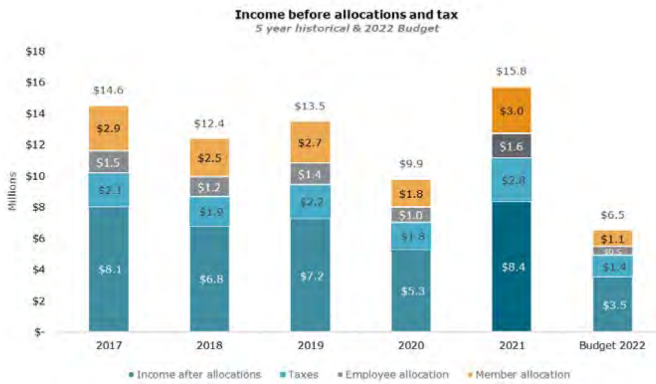
After our expenses are subtracted from our revenue we share and distribute a portion with our members, employees, and our community.

Synergy is proud to share our pre-tax profits with our stakeholders as follows: up to 20% for members, up to 10% for our employees and up to 5% for our communities via Synergy Shares.

2021 RESULTS

- Income before employee profit shares, member profit shares and tax was $15.8 million (2020 - $9.9), an increase of $5.9 million or 60.1%
- Allocations to employees (employee profit sharing) was $1.6 million (2020 - $969 thousand), representing an increase of $591 thousand or 61.0% year-over-year
- Allocations expense to members (ProfitShares) was $3.0 million (2020 - $1.8), representing an increase of $1.2 million or 70.4% year-over-year
- Income tax expense was $2.8 million (2020 - $1.8), an increase of $1.0 million or 57.5%

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



DISCUSSION:

In 2021 we exceeded our forecast by almost $6 million dollars. This was achieved by several one-time items including higher than expected net interest income, lower than normal provision expense, unrealized gains on investments, other revenue items and lower operating expenses as discussed above, that we do not expect to repeat in 2022.

We are forecasting to end 2022 close to $6.5 million in income before taxes and allocations. Expected rising interest rates are expected to have a modest positive impact to our income in 2022.

COMPREHENSIVE INCOME:

Our comprehensive income is 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.

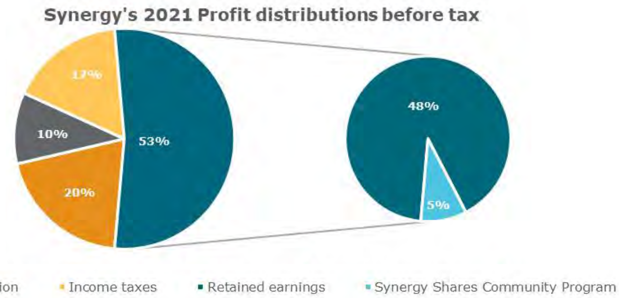
2021 RESULTS

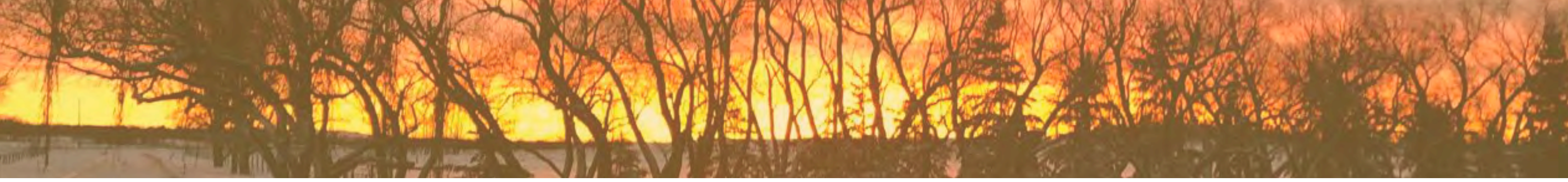
- Comprehensive income after taxes and allocations was $8.4 million (2020 - $5.4), up $3.1 million or 57.4% over 2020
- Member allocation expense of $3.0 million (2020 $1.8)
- Income taxes $2.8 million (2020 - $1.8) paid at a rate of 24.7% (2020 – 24.7%)

DISCUSSION:

We finished 2021 more than 50% ahead of budget which allowed us to increase our retained earnings, our savings to invest in future business opportunities.

In 2022, we expect comprehensive income to be less than 2021 due to one-time items not expected to repeat in 2022.





CAPITAL MANAGEMENT

2021 RESULTS

- Equity grew by 7.1% to $127.2 million (2020 - $118.8)
- Eligible capital grew by 4.8% to $167.8 million (2020 - $160.1)
- Tier I capital rose by 6.6% to $126.3 million (2020 - $118.5)
- Equity made up 75.8% (2020 – 74.0%) of Synergy's eligible capital base

The chart below depicts Synergy's capital history over the past 5 years.

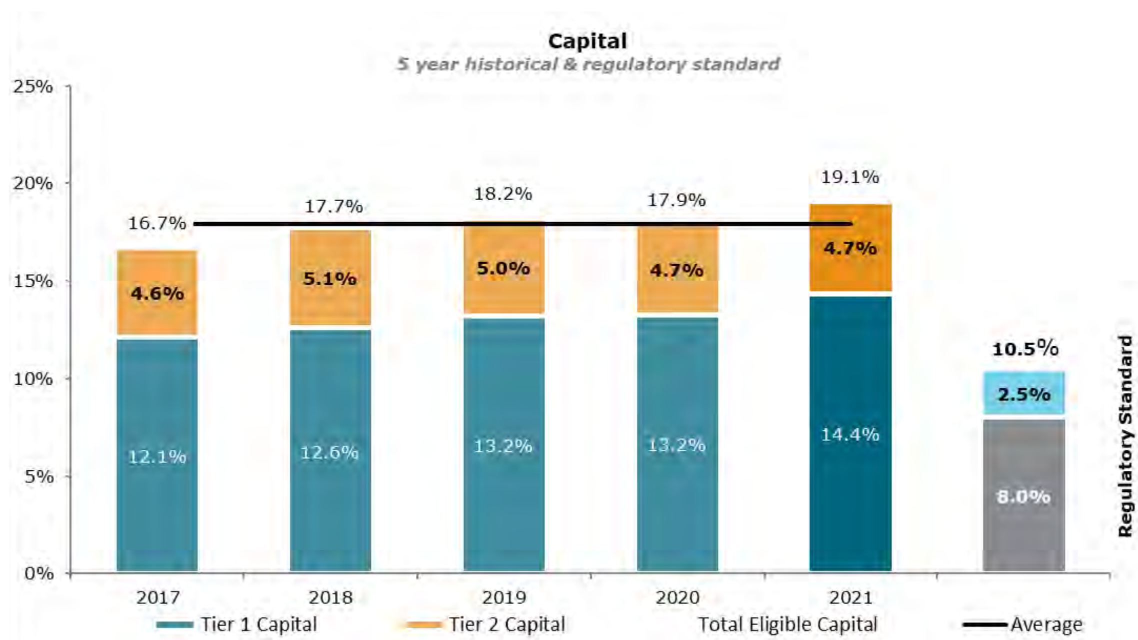
DISCUSSION:

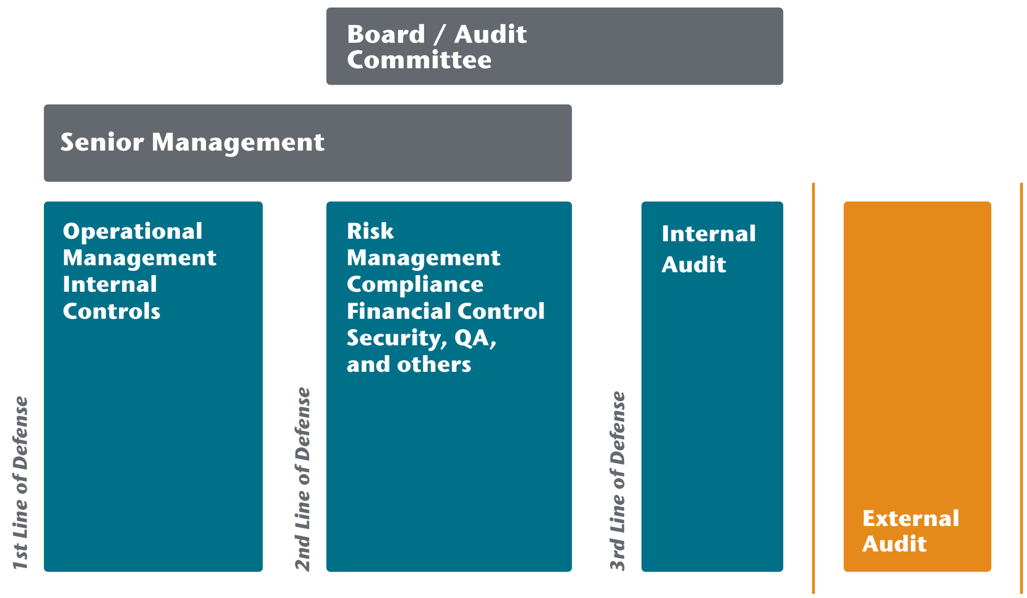
With our strong capital position, we are poised to take advantage of growth opportunities as our region recovers from the difficult economic environment we have been experiencing. As well we can invest in technology that both enhances the member experience and makes us more efficient.

We continue to mobilize our sales team to capitalize on opportunities that fit our overall risk tolerance as we support our members and community.

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, and higher deposit and funding costs, which when all combined results in a significant compression of net interest margin. Synergy's capital can withstand all our scenarios.





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 above.

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 aiming risk 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 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, strategy, 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 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. To minimize potential loss given default, most 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

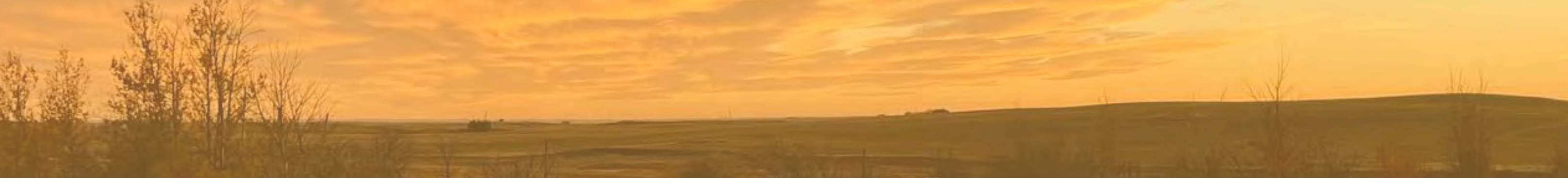
We are committed to several important principles to manage our credit risk exposures, which includes:

- 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 uses Canada Mortgage and Housing Corporation (CMHC) and Sagen (formerly Genworth) 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 ten years including the 2015/16 economic downturn experienced in Saskatchewan and Alberta due to the collapse of oil prices,

2) a breakdown of the current residential mortgage portfolio into insured mortgages, conventional uninsured mortgages, and uninsured HELOCs, and

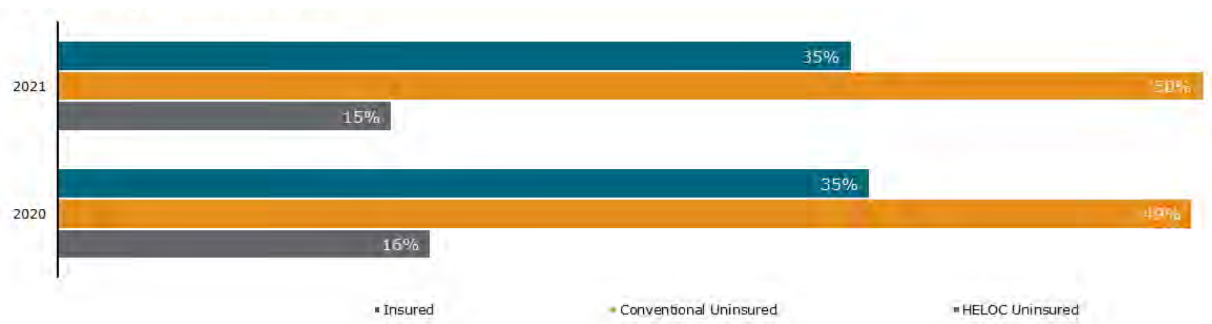
3) mortgages as a percentage of our total gross portfolio.

Total residential mortgage portfolio represents the GROSS amount of outstanding residential mortgages prior to any provision for credit losses being applied to impaired mortgages ($thousands)

As at December 31, 2021
$ thousands

Amortization Range	Insured	Uninsured	HELOC	TOTAL
Less than 10 years	5,645	19,837	8,075	33,557
10 - 15 years	14,196	31,399	25,911	71,506
15 - 20 years	90,454	96,028	35,473	221,955
20 - 25 years	81,726	125,229	19,637	226,592
Greater than 25 years	25,656	32,814	-	58,470
TOTAL	**217,677**	**305,307**	**89,096**	**612,080**

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.

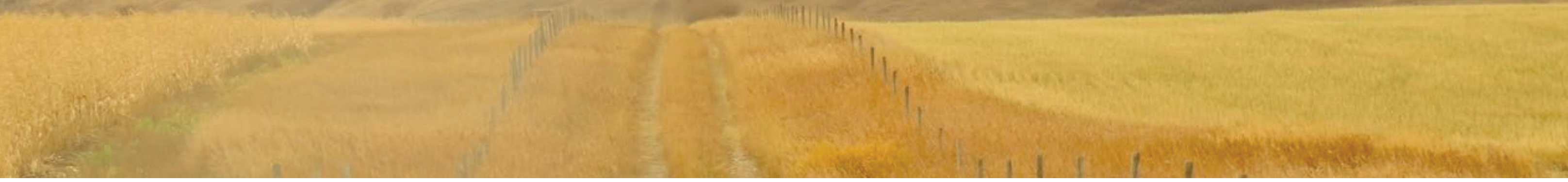
Key liquidity risk principles include:

- 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 (operating as Wyth Financial)
- *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 OVERVIEW

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 2020 or 2021. 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 $6.8 million in capital as of December 31, 2021, to cover operational risks (2020 - $6.7 million).

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 using 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 RISK 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

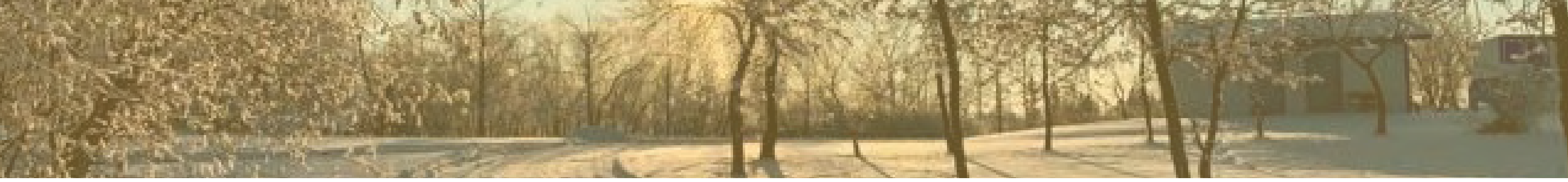
In addition to the risks previously described, other risk factors, including those which follow, may adversely affect Synergy's business, its financial condition, and its earnings estimates.

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 several 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)

Many restrictions are easing and government assistance is ending we are optimistic that any new strains will have minimal impact on business operations.

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.

2021
FINANCIAL STATEMENTS

2021 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	Christine Tucker
Chief Executive Officer	Chief Financial Officer

March 14, 2022
Lloydminster, Saskatchewan

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, 2021, 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, 2021, 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 14, 2022
Saskatoon, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31

($ thousands)	NOTE	2021	2020
ASSETS			
Cash and cash equivalents	5	75,957	80,844
Investments	6	362,453	341,562
Loans	7	1,163,814	1,183,723
Foreclosed property		468	1,230
Other receivables		2,153	277
Other assets		1,597	4,108
Property, plant and equipment	8	31,022	32,416
Intangible assets	9	907	263
Deferred tax assets	15	1,367	2,098
		1,639,738	**1,646,521**
LIABILITIES			
Deposits	10	1,454,579	1,461,040
Loans payable	11	14,024	25,158
Other liabilities	12	7,943	6,134
Membership shares	13	32,849	32,748
Allocation payable to members	13	3,122	2,640
		1,512,517	**1,527,720**
EQUITY			
Retained earnings		120,770	112,350
Contributed surplus		6,451	6,451
		127,221	118,801
		1,639,738	**1,646,521**

The accompanying notes are an integral part of these financial statements

On behalf of the Board of Directors:

Don Wheler, President
Board of Directors

Tom Schinold, Chair
Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

($ thousands)	NOTE	2021	2020
INTEREST INCOME			
Loans		43,220	46,357
Investments		4,953	4,472
Settlements on interest rate derivatives	19	-	24
		48,173	50,853
INTEREST EXPENSE			
Deposits		10,635	15,296
Loans		538	861
		11,173	16,157
NET INTEREST INCOME		**37,000**	**34,696**
Provision for credit losses	7	194	1,606
NET INTEREST MARGIN		**36,806**	**33,090**
NON-INTEREST INCOME (EXPENSE)			
Unrealized gains on investments		1,642	59
Losses on derivatives	19	-	(23)
Gains (losses) on foreclosed property		54	(96)
Other revenue	14	10,557	8,646
		12,253	8,586
NON-INTEREST EXPENSES (Schedule 1)			
Personnel		20,668	19,183
Occupancy		3,584	3,432
Member security		1,326	1,152
General business		8,980	8,627
Organization costs		273	390
		34,831	32,784
INCOME BEFORE ALLOCATIONS AND INCOME TAX		**14,228**	**8,892**
Patronage allocation		3,040	1,784
Income tax expense	15	2,768	1,758
COMPREHENSIVE INCOME FOR THE YEAR		**8,420**	**5,350**

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, 2019	107,000	-	107,000
Contributed surplus resulting from business combination	-	6,451	6,451
Comprehensive income	5,350	-	5,350
Balance at December 31, 2020	**112,350**	**6,451**	**118,801**
Comprehensive income	8,420	-	8,420
Balance at December 31, 2021	**120,770**	**6,451**	**127,221**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the years ended December 31

($ thousands)	2021	2020
OPERATING ACTIVITIES		
Loan interest received	44,117	46,589
Investment interest received	4,273	3,342
Dividends received	730	1,043
Non-interest revenue received	12,537	9,060
Interest paid	(14,132)	(17,163)
Patronage paid to members	(2,559)	(2,549)
Payments to vendors and employees	(31,499)	(31,925)
Income taxes paid	(1,452)	(1,673)
Net decrease in loans and foreclosed property	20,226	20,162
Net increase (decrease) in deposits	(3,501)	133,732
Net cash from operating activities	**28,740**	**160,618**
INVESTING ACTIVITIES		
Property, plant and equipment and intangible assets purchased	(1,569)	(420)
Purchases of investments	(47,045)	(168,861)
Proceeds on sale and maturities of investments	26,104	27,780
Cash received from business combination	-	10,901
Net cash used in investing activities	**(22,510)**	**(130,600)**
FINANCING ACTIVITIES		
Membership shares redeemed and distributions (net)	17	320
Proceeds from loan securitizations	-	3,237
Repayment of securitization liabilities	(11,134)	(20,282)
Net cash used in financing activities	**(11,117)**	**(16,725)**
Increase (decrease) in cash and cash equivalents	(4,887)	13,293
Cash and cash equivalents, beginning of year	80,844	67,551
Cash and cash equivalents, end of year	**75,957**	**80,844**

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021
($ 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 14, 2022.

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, 2021. Adoption of these amendments had no effect on the credit union's financial statements.

- IFRS 7 *Financial Instruments: Disclosure,* IFRS 9 *Financial Instruments,* IFRS 16 *Leases,* and IAS 39 *Financial Instruments: Recognition and Measurement (Amendments)*

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 COVID-19 pandemic has continued to evolve and the economic environment in which the credit union operates continues to be subject to sustained uncertainty, which could continue to negatively impact the credit union's financial results. 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. While the Canadian economic recovery has continued, momentum has been volatile amid ongoing uncertainty regarding the extent and duration of the impacts of the COVID-19 pandemic. 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, the current environment requires particularly complex judgments and estimates in certain areas, which have a higher level of uncertainty with respect to management's judgments and estimates. The credit union continues to closely monitor the changing conditions and their impacts.

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, 2021.

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.

The impact of COVID-19 has been partially offset by available Government programs for which the credit union was eligible. The credit union was eligible and received wage subsidies for Periods 10, 11 and 13 through 21 in 2021. Additional details of subsidies for 2021 is described in Note 14. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions.

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

3. BASIS OF PREPARATION (continued)

Key assumptions in determining the allowance for expected credit losses (continued)

- 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

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 (operating as Wyth Financial) 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.

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:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement (continued)

- 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, other receivables, 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 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial assets (continued)

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.

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 (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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 CGUs, or otherwise they are allocated to the smallest group of CGUs 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.

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 estimateduseful 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

The credit union assesses at lease inception whether a lease should be classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; otherwise it is classified as an operating lease.

At the commencement date of a finance lease, the credit union recognizes assets held under a finance lease as a receivable at an amount equal to the net investment in the lease, discounted using the interest rate implicit in the lease. The lease payments included in the measurement of the net investment in the lease comprise of payments for the right to use the underlying asset that are not received at the commencement date, including fixed payments less any lease incentives payable, variable lease payments that depend on an index or a rate, any residual value guarantees provided to the lessor, the exercise price of a purchase option if the lessee is reasonably certain to exercise and payments of penalties for termination of the lease if the lease term reflects the lessee exercising an option to terminate the lease. After the commencement date, the credit union recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the credit union's net investment in the lease. Note the credit union does not currently have any finance leases where they are the lessor.

Lease payments from operating leases are recognized as income on either a straight-line basis or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

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. Pension benefits of $954 (2020 - $945) were paid to the defined contribution retirement plan during the year.

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 assistance

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, 2021 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 does not expect these amendments to have a material impact 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 does not expect these amendments to have a material impact on its financial statements.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IAS 37 Provisions, contingent liabilities and contingent assets (continued)

The amendments are effective for annual periods beginning on or after January 1, 2022. The credit union does not expect these amendments to have a material impact on its financial statements.

IFRS 16 Leases

Amendments to IFRS 16, issued in March 2021, extend the availability of the exemption for COVID-19 related rent concessions by one year to June 30, 2022. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met.

The amendments are effective for transactions for annual reporting periods beginning on or after April 1, 2021. The credit union does not expect these amendments to have a material impact on its financial statements.

IAS 1 Presentation of financial statements and IFRS practice statement 2 making material judgements

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The credit union does not expect these amendments to have a material impact on its financial statements.

IAS 8 Accounting policies, changes in accounting estimates and errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The credit union does not expect these amendments to have a material impact on its financial statements.

IAS 12 Income taxes

Amendments to IAS 12, issued in May 2021, narrow the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. The credit union does not expect these amendments to have a material impact on its financial statements.

5. CASH AND CASH EQUIVALENTS

	2021	2020
Cash on hand	4,147	3,715
Deposits on demand	71,810	77,129
	75,957	**80,844**

6. INVESTMENTS

	2021	2020
Amortized Cost		
SaskCentral liquidity deposits	62,403	87,343
SaskCentral liquidity term deposits	85,597	56,657
Non-redeemable term deposits	153,750	138,750
Marketable bonds and bank terms	32,532	33,537
Debentures	1,111	1,177
Accrued interest	668	769
Total amortized cost	**336,061**	**318,233**
Fair Value Through Profit Loss (FVTPL)		
SaskCentral shares	9,878	9,779
Concentra Bank shares	7,750	7,750
Investment funds	8,700	5,787
Preferred shares	13	13
Accrued interest	51	-
Total fair value through profit loss (FVTPL)	**26,392**	**23,329**
Total investments	**362,453**	**341,562**

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, 2021 and 2020, 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

	2021				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	120,860	1,308	-	(17)	122,151
Commercial	145,620	1,414	(143)	(1,695)	145,196
Residential	605,582	6,498	(989)	(347)	610,744
Consumer loans	117,099	1,005	(768)	(2,127)	115,209
Business loans	167,086	1,334	(148)	(1,302)	166,970
Accrued interest	2,945	603	-	(4)	3,544
Total loans	**1,159,192**	**12,162**	**(2,048)**	**(5,492)**	**1,163,814**

7. LOANS (continued)

2020	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	116,002	1,602	-	(23)	117,581
Commercial	136,680	10,443	(48)	(1,824)	145,252
Residential	617,197	8,983	(541)	(511)	625,128
Consumer loans	129,580	2,798	(1,365)	(2,511)	128,502
Business loans	161,208	3,583	(893)	(1,297)	162,600
Accrued interest	3,870	790	-	-	4,660
Total loans	**1,164,537**	**28,199**	**(2,847)**	**(6,166)**	**1,183,723**

Included in the above balances are securitized residential mortgages amounting to $14,230 (2020 - $25,540). These residential mortgages have been pledged as collateral for secured borrowings of $14,024 (2020 - $25,158).

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, 2023, due to a 1-year extension provided by the Government of Canada on January 12, 2022. If $40,000 is repaid on or before December 31, 2023, the remaining amount of the loan is eligible for complete forgiveness. If the loan is not repaid by December 31, 2023, 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, 2021, the credit union had provided approximately 768 members with CEBA loans and had funded approximately $40.73 million in loans under the program.

Changes in allowance for credit losses	2021	2020
Balance at beginning of year	9,013	9,692
Acquisition through business combination	-	840
Provision for credit losses	194	1,606
Amounts written-off	(1,667)	(3,125)
Balance at end of year	**7,540**	**9,013**

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:

	2021			
	1 to 59 days	60 to 90 days	More than 90 days	Total days
Mortgages				
Agriculture	1,583	352	-	1,935
Commercial	788	1,232	-	2,020
Residential	15,057	1,810	-	16,867
Consumer loans	2,643	85	-	2,728
Business loans	882	1,281	-	2,163
Total loans	**20,953**	**4,760**	**-**	**25,713**

	2020			
	1 to 59 days	60 to 90 days	More than 90 days	Total 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**

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2019	6,493	37,908	8,184	161	52,746
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	39,251	8,002	161	53,943
Additions	-	370	379	-	749
Disposals	-	-	(848)	-	(848)
Balance at December 31, 2021	**6,529**	**39,621**	**7,533**	**161**	**53,844**

Accumulated depreciation	Land	Building and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2019	-	13,747	5,089	102	18,938
Depreciation	-	1,562	622	15	2,199
Disposals	-	(3)	(902)	-	(905)
Acquisitions through business combination		802	493	-	1,295
Balance at December 31, 2020	-	16,108	5,302	117	21,527
Depreciation	-	1,614	514	15	2,143
Disposals	-	-	(848)	-	(848)
Balance at December 31, 2021	**-**	**17,722**	**4,968**	**132**	**22,822**

Net book value	Land	Building and improvements	Furniture and equipment	Automotive	Total
At December 31, 2020	6,529	23,143	2,700	44	32,416
At December 31, 2021	**6,529**	**21,899**	**2,565**	**29**	**31,022**

9. INTANGIBLE ASSETS

Cost	Purchased software
Balance at December 31, 2019	2,582
Additions	25
Disposals	(19)
Acquisitions through business combination	251
Balance at December 31, 2020	2,839
Additions	820
Disposals	(592)
Balance at December 31, 2021	**3,067**

Accumulated amortization	
Balance at December 31, 2019	2,192
Amortization	157
Disposals	(19)
Acquisitions through business combination	246
Balance at December 31, 2020	2,576
Amortization	132
Disposals	(548)
Balance at December 31, 2021	**2,160**

Net book value	
At December 31, 2020	263
At December 31, 2021	**907**

10. DEPOSITS

	2021	**2020**
Demand deposits	956,585	847,047
Term deposits	493,654	606,694
Accrued interest	4,340	7,299
	1,454,579	**1,461,040**

11. LOANS PAYABLE

	2021	**2020**
Financial liabilities from securitizations	**14,024**	**25,158**

11. LOANS PAYABLE (continued)

Financial liabilities from securitizations

During the year, the credit union securitized $0 (2020 - $3,236) in residential mortgages and recognized new related loans payable liabilities of $0 (2020 - $3,192). At December 31, 2021, the carrying amount of the secured borrowings was $14,230 (2020 - $25,540) with a weighted average interest rate of 2.09% (2020 – 1.92%). 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 $16,400 (2020 - $10,000) from SaskCentral. Prime rate was 2.45% at December 31, 2021. At December 31, 2021 the credit union had $0 (2020 - $0) outstanding on this line of credit.

The credit union also has available through SaskCentral a commercial paper facility in the amount of $16,400 (2020 - $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, 2021 and 2020, the credit union had $0 drawn on this program, bearing nil interest. As at December 31, 2021 and 2020, 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 (2020 - $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, 2021 and 2020, 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, 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

	2021	2020
Accounts payable and accrued liabilities	7,657	5,821
Corporate income taxes payable	57	-
Retained member capital for distribution	229	313
	7,943	**6,134**

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.

	2021	2020
Balance, beginning of year	32,748	32,436
Allocations to members		
Interest rebate to borrowers	315	847
Bonus interest to investors	697	604
Share dividend	322	637
Macklin member legacy capital	396	-
Redemptions on member accounts	(1,755)	(1,902)
Allocated membership shares	32,723	32,622
Other membership shares	126	126
Total membership shares	**32,849**	**32,748**

In 2021, approximately 50% of the $702 Macklin member legacy capital was allocated to Macklin member profit share accounts, with the remaining paid out in the form of cash to their deposit accounts.

The Board of Directors declared a patronage allocation in the amount of $3,122 on December 31, 2021 (2020 - $1,938). 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, 2021.

	2021	2020
Interest rebate to borrowers	917	319
Bonus interest to investors	956	720
Member account rewards	594	548
Share dividend	655	351
Legacy fund to Macklin membership	-	702
	3,122	**2,640**

14. OTHER REVENUE

	2021	2020
Deposit fees and commissions	3,050	2,929
Wealth services	3,672	2,914
Insurance	903	885
Loan fees	1,093	780
Credit card	239	177
Lease	453	328
Government assistance	915	570
Other	232	63
	10,557	**8,646**

14. OTHER REVENUE (continued)

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 10: November 22 – December 19, 2020; Period 11: December 20, 2020 – January 16, 2021; Period 13: February 14 – March 13, 2021; Period 14: March 14 – April 10, 2021, Period 15: April 11 – May 8, 2021, Period 16: May 9 – June 5, 2021; Period 17: June 6 – July 3, 2021, Period 18: July 4 – July 31, 2021; Period 19: August 1 – August 28, 2021, Period 20: August 29 – September 25, 2021; Period 21: September 26 – October 23, 2021. The credit union has applied for and received government assistance related to the CEWS in the amount of $915 (2020 - $570) which has been reflected in the statement of comprehensive income.

15. INCOME TAXES

Income tax expense is comprised of:	**2021**	**2020**
Current income tax expense	2,037	1,330
Deferred tax expense	731	428
	2,768	**1,758**

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

	2021	**2020**
Income before income taxes	11,188	7,108
Combined federal and provincial tax rate	27.00%	27.00%
Income tax expense at statutory rate	3,021	1,919
Adjusted for the net effect of:		
Non-taxable and other items	(253)	(161)
	2,768	**1,758**

Deferred tax assets and liabilities recognized are attributable to the following:

	2021	**2020**
Deferred tax assets (liabilities)		
Property, plant and equipment	232	356
Allowance for impaired loans	1,538	1,742
Unrealized gains on fair value through profit or loss investment funds	(403)	-
Net deferred tax assets	**1,367**	**2,098**

The deferred tax asset is expected to be recovered in more than twelve months from December 31, 2021.

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.

The following table compares CUDGC regulatory standards to the credit union's board policy for 2021:

	Regulatory standard	Board minimum
Total eligible capital to risk-weighted assets	10.50%	12.50%
Total 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, 2021 and 2020, the credit union complied with all internal and external capital requirements.

16. CAPITAL MANAGEMENT (continued)

Eligible capital

	2021	2020
Risk-weighted assets	**880,184**	**895,932**
CET1 capital comprises:		
Retained earnings	120,770	112,350
Contributed surplus	6,451	6,451
Deductions from CET1 capital:		
Intangible assets	(907)	(263)
Eligible CET1 capital	126,314	118,538
Additional tier 1 capital	-	-
Total eligible tier 1 capital	126,314	118,538
Tier 2 capital comprises:		
Membership capital	35,971	35,388
Collective allowance	5,492	6,166
Total tier 2 capital	41,463	41,554
Total eligible capital	**167,777**	**160,092**

Regulatory capital adequacy ratios

	2021	2020
Total eligible capital to risk-weighted assets	19.06%	17.87%
Total tier 1 capital to risk-weighted assets	14.35%	13.23%
CET1 capital to risk-weighted assets	14.35%	13.23%
Leverage ratio	10.10%	9.59%

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 $134 (2020 - $167).

	2021	2020
Loans outstanding at January 1	5,832	8,876
Loans repaid during the year, net	(790)	(3,044)
	5,042	**5,832**

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 $29 (2020 - $42).

	2021	2020
Deposits at January 1	4,339	3,991
Deposits received during the year, net	20	348
	4,359	**4,339**

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 2021 was $5 (2020 - $6).

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:

	2021	2020
Directors		
Compensation and other short-term benefits	174	182
Executive leadership team		
Salaries and other short-term benefits	1,522	1,382
Post-employment benefits	69	67
Other key management personnel		
Salaries and other short-term benefits	1,156	1,148
Post-employment benefits	67	70
	2,988	**2,849**

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 2021 is $364 (2020 - $203) and OKMP 2021 is $152 (2020 – $81). Travel and training costs to members of the board in 2021 were $33 (2020 - $39).

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.

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.

2021	Carrying amount	Level 1	Level 2	Level 3
FINANCIAL ASSETS – Recurring measurements				
Fair value through profit loss (FVTPL)				
Cash	4,147	-	4,147	-
SaskCentral shares	9,878	-	-	9,878
Concentra Bank shares	7,750	-	-	7,750
Investment funds	8,700	-	-	8,700
Preferred shares	13	-	-	13
Total financial assets – recurring measurements	**30,488**	**-**	**4,147**	**26,341**
FINANCIAL ASSETS – Fair values disclosed				
Amortized cost				
Cash equivalents	71,810	-	71,810	-
SaskCentral liquidity term deposits	85,597	-	85,597	-
SaskCentral liquidity deposits	62,403	-	62,403	-
Non-redeemable term deposits	153,750	-	153,750	-
Marketable bonds and bank terms	32,532	-	32,532	-
Debentures	1,111	-	1,111	-
Loans	1,163,814	-	1,180,177	-
Other receivables	2,153	-	2,153	-
Total financial assets - fair values disclosed	**1,573,170**	**-**	**1,589,533**	**-**
FINANCIAL LIABILITIES – Fair values disclosed				
Other financial liabilities				
Deposits	1,454,579	-	1,455,892	-
Loans payable	14,024	-	14,221	-
Other liabilities	7,943	-	7,943	-
Member capital	35,971	-	-	35,971
Total financial liabilities – fair values disclosed	**1,512,517**	**-**	**1,478,056**	**35,971**

2020	Carrying amount	Level 1	Level 2	Level 3
FINANCIAL ASSETS – Recurring measurements				
Fair value through profit loss (FVTPL)				
Cash	3,715	-	3,715	-
SaskCentral shares	9,779	-	-	9,779
Concentra Bank shares	7,750	-	-	7,750
Investment funds	5,787	-	-	5,787
Preferred shares	13	-	-	13
Total financial assets – recurring measurements	**27,044**	**-**	**3,715**	**23,329**
FINANCIAL ASSETS – Fair values disclosed				
Amortized cost				
Cash equivalents	77,129	-	77,129	-
SaskCentral liquidity term deposits	56,657	-	56,657	-
SaskCentral liquidity deposits	87,343	-	87,343	-
Non-redeemable term deposits	138,750	-	138,750	-
Marketable bonds and bank terms	33,537	-	33,537	-
Debentures	1,177	-	1,177	-
Loans	1,183,723	-	1,253,252	-
Other receivables	277	-	277	-
Total financial assets - fair values disclosed	**1,578,593**	**-**	**1,648,122**	**-**
FINANCIAL LIABILITIES – Fair values disclosed				
Other financial liabilities				
Deposits	1,461,042	-	1,526,059	-
Loans payable	25,158	-	26,635	-
Other liabilities	6,134	-	6,134	-
Member capital	35,388	-	-	35,388
Total financial liabilities – fair values disclosed	**1,527,722**	**-**	**1,558,828**	**35,388**

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 2021, 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.

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

Changes in recurring measurement level 3 assets	2021	2020
Balance, beginning of year	23,329	19,618
Gains recognized in comprehensive income	1,907	144
Additions	1,463	2,127
Acquisitions through business combination	-	1,579
Disposals	(358)	(139)
Balance, end of year	**26,341**	**23,329**

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 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, 2021 are as follows:

- Consumer: 4 loans amounting to $351 (2020 - 81 loans amounting to $5,841)
- Commercial: nil (2020 - 13 loans amounting to $6,751)
- Agriculture: nil (2020 - 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.

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.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Measurement of expected credit losses (continued)

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, 2021. 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 all sectors by 5% suggesting a further decline in the market; and
- *Model 3* - stressing the residential mortgages, and business loans by an additional 5% from Model 2 suggesting a further decline in these particular products.

The weightings chosen on December 31, 2021 were 50% for model 1, 25% for model 2 and 25% for model 3. This approach resulted in an increase of $150 to the collective provision at December 31, 2021.

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.

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, 2021	**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	113,448	7,412	1,308	**122,168**	10	7	-	**17**	**122,151**
Commercial	113,673	32,258	1,103	**147,034**	180	1,317	341	**1,838**	**145,196**
Residential	521,121	87,713	3,246	**612,080**	129	663	544	**1,336**	**610,744**
Consumer loans	104,353	13,355	396	**118,104**	469	2,055	371	**2,895**	**115,209**
Business loans	143,329	23,404	1,687	**168,420**	87	1,121	242	**1,450**	**166,970**
Accrued interest	2,384	556	608	**3,548**	4	-	-	**4**	**3,544**
Total	**998,308**	**164,698**	**8,348**	**1,171,354**	879	5,163	1,498	**7,540**	**1,163,814**

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**

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.

2021	**Allowance for Credit Losses (ACL)**			
	Stage 1	Stage 2	Stage 3	**Gross Loans**
Agriculture Mortgages				
Balance at December 31, 2020	17	6	-	**23**
Net remeasurement of loss allowance	(7)	1	-	**(6)**
Balance at December 31, 2021	**10**	**7**	**-**	**17**
Commercial Mortgages				
Balance at December 31, 2020	282	1,391	199	**1,872**
Net remeasurement of loss allowance	(102)	(74)	142	**(34)**
Balance at December 31, 2021	**180**	**1,317**	**341**	**1,838**
Residential Mortgages				
Balance at December 31, 2020	207	377	468	**1,052**
Net remeasurement of loss allowance	(78)	286	76	**284**
Balance at December 31, 2021	**129**	**663**	**544**	**1,336**
Consumer loans				
Balance at December 31, 2020	593	2,427	842	**3,862**
Net remeasurement of loss allowance	(124)	(372)	(471)	**(967)**
Balance at December 31, 2021	**469**	**2,055**	**371**	**2,895**
Business loans				
Balance at December 31, 2020	104	1,165	935	**2,204**
Net remeasurement of loss allowance	(17)	(44)	(693)	**(754)**
Balance at December 31, 2021	**87**	**1,121**	**242**	**1,450**
Accrued Interest				
Balance at December 31, 2020	-	-	-	**-**
Net remeasurement of loss allowance	4	-	-	**4**
Balance at December 31, 2021	**4**	**-**	**-**	**4**
Total allowance for credit losses				**7,540**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Reconciliation of the loss allowance (continued)

2020	Allowance for Credit Losses (ACL)			
	Stage 1	Stage 2	Stage 3	**Gross Loans**
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**

Investments

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

	2021	**2020**
AA	32,657	33,754
A	7,800	7,750
R-1	313,268	294,241
Unrated	8,728	5,817
Total investments	**362,453**	**341,562**

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.

2021	Less than 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Deposits	1,296,163	127,666	30,584	166	1,454,579
Loans payable	4,264	9,760	-	-	14,024
Other liabilities	7,791	152	-	-	7,943
Member capital	3,122	-	-	32,849	35,971
Total	**1,311,340**	**137,578**	**30,584**	**33,015**	**1,512,517**

2020	Less than 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Deposits	1,246,621	150,293	63,695	431	1,461,040
Loans payable	6,851	12,902	5,405	-	25,158
Other liabilities	5,925	209	-	-	6,134
Member capital	2,640	-	-	32,748	35,388
Total	**1,262,037**	**163,404**	**69,100**	**33,179**	**1,527,720**

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is a regulatory requirement of CUDGC. The minimum LCR requirement of 100% was effective 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 are prescribed by CUDGC. The LCR is calculated as the weighted value of HQLA divided by the weighted value of total net cash outflows.

	2021	
High quality liquid assets (HQLA)	Actual Value	Weighted Value
Level 1 HQLA	101,924	101,924
Level 2A HQLA	9,615	8,172
Level 2B HQLA	24,370	12,185
Total HQLA	135,909	**122,281**
Cash outflows		
Stable retail deposits	381,926	19,096
Less stable retail deposits	102,601	10,260
Retail term deposits > 30 days	355,047	-
Unsecured wholesale funding	610,665	56,373
Secured wholesale funding	-	-
Other contractual funding obligations	246,909	14,240
Total cash outflows	1,697,148	99,969
Cash inflows		
Inflows from loan repayments	10,063	5,032
Inflows from other counterparties not included in HQLA	58,532	58,532
Total cash inflows	68,595	63,564
Cash inflows after CUDGC maximum inflow cap applied, if required		63,564
Total net cash outflows		**36,405**

	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**

Quarterly LCR history

	2021	2020
At March 31	593%	692%
At June 30	259%	396%
At September 30	608%	596%
At December 31	336%	467%

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 2021 internal LCR limit of 100% and the CUDGC limit of 100% for 2021.

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 of 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.

19. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

2021	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	71,810	-	-	-	-	4,147	75,957
Effective rate	*0.25%*	-	-	-	-	-	*0.25%*
Investments	54,493	66,897	129,250	84,732	1,123	25,958	362,453
Effective rate	*0.24%*	*0.84%*	*0.69%*	*1.17%*	*3.28%*	-	*0.66%*
Loans	219,082	25,786	128,935	756,931	33,080	-	1,163,814
Effective rate	*3.98%*	*4.09%*	*3.71%*	*3.54%*	*4.27%*	-	*3.67%*
Other receivables	-	-	-	-	2,153	-	2,153
Effective rate					*3.50%*		*3.50%*
	345,385	**92,683**	**258,185**	**841,663**	**36,356**	**30,105**	**1,604,377**
Liabilities							
Deposits	594,053	106,838	229,320	158,250	166	365,952	1,454,579
Effective rate	*0.32%*	*1.26%*	*0.97%*	*2.30%*	*1.58%*	-	*0.63%*
Loans payable	-	726	3,538	9,760	-	-	14,024
Effective rate	-	*2.13%*	*2.40%*	*2.32%*	-	-	*2.33%*
Other liabilities	-	-	-	-	-	7,943	7,943
Member capital	-	-	-	-	-	35,971	35,971
	594,053	**107,564**	**232,858**	**168,010**	**166**	**409,866**	**1,512,517**
Net mismatch	**(248,668)**	**(14,881)**	**25,327**	**673,653**	**36,190**	**(379,761)**	**91,860**

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	548,865	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	18,3080	-	-	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**

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	2021	2020
1% rise in the prime interest rate	1,077	1,579
1% decrease in the prime interest rate	(1,077)	(1,579)

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 counter balancing positions. The credit union does not have any existing swaps at December 31, 2021.

The net interest revenue earned or expense paid on the swaps during the year was $0 (2020 – net revenue of $24). The change in unrealized fair value of interest rate swaps for the year was $0 (2020 - loss of $23).

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, 2021, the credit union had $7,329 (2020 - $8,398) in U.S. dollar financial assets. This is comprised of a $2,000 (2020 - $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 $7,384 (2020 -$8,436) 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.

20. COMMITMENTS (continued)

Commitments subject to credit risk (continued)

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, 2021, the credit union had the following other commitments subject to credit risk:

	2021	**2020**
Undrawn lines of credit	217,555	242,373
Standby letters of credit	2,010	2,076
Commitments to extend credit	19,655	21,295
Venture Capital cash calls	6,071	4,375
Collabria MasterCard guarantees	383	613
	245,674	**270,732**

Other commitments

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

	Estimated payments
2022	912
2023	926
2024	873
2025	893
2026	10
Thereafter	40
	3,654

In the table above, property, plant and equipment commitments are nil and intangible asset commitments total $170.

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.

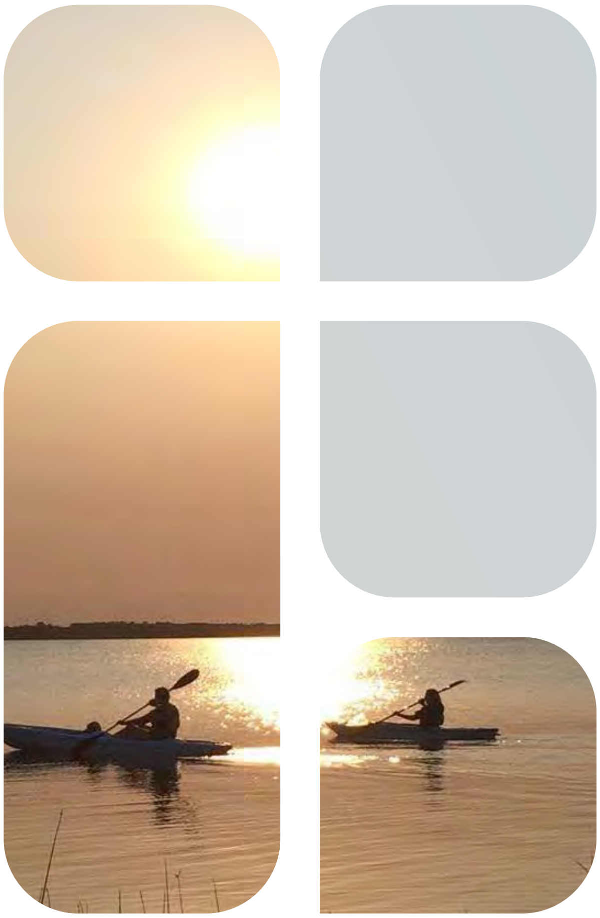
22. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

SCHEDULE 1: NON-INTEREST EXPENSES

For the years ended December 31

($ thousands)	2021	2020
PERSONNEL		
Salaries	15,756	15,000
Employee profit sharing	1,561	969
Employee benefits	2,991	2,916
Other	360	298
	20,668	**19,183**
OCCUPANCY		
Building depreciation	1,614	1,562
Building and land taxes	406	376
Building fire insurance	192	171
Building maintenance	497	409
Heat, light and water	122	149
Janitorial services	535	526
Other	218	239
	3,584	**3,432**
MEMBER SECURITY		
CUDGC deposit insurance assessment	1,163	1,018
Fidelity and burglary insurance	155	130
Life savings insurance	8	4
	1,326	**1,152**
GENERAL BUSINESS		
Advertising and donations	1,273	1,315
Automotive	28	30
Computer costs	3,956	3,562
Equipment depreciation	514	622
External audit	149	154
Foreclosed property	231	186
Loan, search and legal fees	343	345
Overdraft and fraud losses	48	106
Card fees	106	112
Service, clearing and ATM charges	1,399	1,248
Stationary and supplies	72	81
Telephone and postage	421	436
Other	440	430
	8,980	**8,627**
ORGANIZATION COSTS		
Annual meetings	10	12
Director compensation and expenses	173	249
SaskCentral dues	85	125
Other	5	4
	273	**390**
TOTAL NON-INTEREST EXPENSES	**34,831**	**32,784**



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