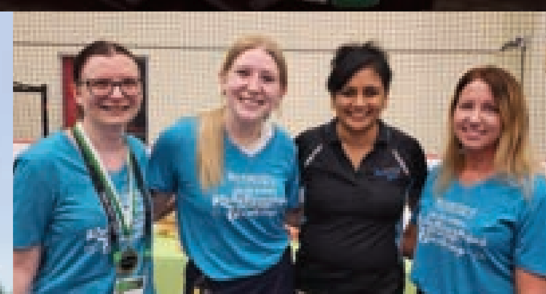

Synergy
CREDIT UNION

ANNUAL REPORT 2024

MANAGEMENT'S DISCUSSION & ANALYSIS | FINANCIAL STATEMENTS

CONTENTS

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, 2024. 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 figures, 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 prospects.

The following discussion and analysis are management's responsibility and are current as of March 24, 2025.

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

Canada's economy posted solid gains in the first half of 2024. However, under the continued weight of higher interest rates, economic growth became subdued as both business investment and consumer spending slowed. Additionally, strong population growth in the country led to an expanding labour force that outpaced hiring. This excess labour supply resulted in a softer labour market that pushed the national unemployment rate higher. As inflation reached closer to the 2% target, the Bank of Canada started easing monetary policy by cutting interest rates in June 2024. Further interest rate cuts are on the horizon to help the Canadian economy continue to grow. These rate cuts will help a large group of borrowers whose mortgages will renew in 2025 at higher rates than what they had previously borrowed at. As these higher payments could create financial stress for borrowers, financial institutions will need to continue maintaining healthy provisions for elevated credit risk and potential credit losses. While interest rate cuts may start to improve consumer confidence and boost consumer spending, the threat of tariffs from the U.S. creates uncertainty for the Canadian economy and has the potential for negative impact.

The financial industry continues to change to keep pace with the needs and expectations of those it serves. Banks and credit unions are no longer competing with each other but also with a wide array of fintech organizations that continue to grow in number in the digital space. This increased competition for market share along with the investments needed to modernize technology, fight cybersecurity threats, and maintain compliance with increasing regulatory requirements have Canadian credit unions increasingly turning to mergers to pool resources together and achieve success on these fronts.

In 2020, Synergy Credit Union embarked on a 10 year journey with the aspiration of becoming a dynamic $5 billion provincial credit union using optimal technology with proficient experts for the convenience and financial well-being of our members and communities. Halfway through this journey, Synergy is exploring the potential to merge with Cornerstone Credit Union and Conexus Credit Union to build a province-wide credit union that evolves with the changing needs of its members, employees, and communities. All three credit unions believe that merging our collective strengths has the potential to drive economic growth, further empower communities, and support the dreams of individuals, farmers, and businesses across Saskatchewan. If the merger is approved, together we will address future investment needs, meet specialized resource demands, and tackle competitive and regulatory pressures to ensure a sustainable credit union for Saskatchewan for the long-term.

CORPORATE 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 best-in-class experience. We encourage our employees to promote financial solutions that are responsive, resourceful, and realistic to fulfill our members' full-service needs and help contribute to Synergy's growth plans in banking, protection planning, 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 wonderful place to work that is healthy and diverse. We will do this in a manner that respects employee's 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.

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 economy remained resilient throughout 2024 while facing various threats to growth. Inflation both domestically and globally decreased throughout the year prompting many of the larger central banks to ease monetary policy by cutting interest rates.
- Inflation has been on a downward trend in Canada despite shelter prices continuing to be the biggest inflationary stronghold weighing on Canadian households. As inflationary pressures eased, the Bank of Canada began cutting interest rates in 2024. It is anticipated that interest rates in Canada will continue to ease throughout 2025 with some economists forecasting that the Bank

of Canada will reach a policy rate between 2.25% and 2.75% by mid-2025.

- Oil prices are forecasted to rise during the first half of 2025 due to short-term demand increasing in China and OPEC extending its production cuts. However, oil prices are expected to decrease in the second half of 2025 as global supply expands. The Conference Board of Canada projects that a barrel of West Texas Intermediate will average $72.80USD in 2025 and rise to $74.10USD in 2026 . Geopolitical developments between nations and the actions the U.S. may take on the energy front may create uncertainty in the oil market.

- While natural gas prices have been exceptionally low, medium-term prospects linked to liquified natural gas (LNG) exports and rising demand from oil sands operations, petro-chemical manufacturing, and power generation are providing optimism for an expected price improvement. As a result, AECO prices are forecasted to improve to $2.50/MMBtu in 2025[2].

- The Canadian economy slowed due to higher interest rates, declining labour productivity, and slower consumer spending. Strong population growth resulted in labour force gains that outpaced hiring and resulted in a steady rise in the national unemployment rate.

- Although national unemployment is expected to remain higher until federal policies slow down population growth through reduced immigration, faster than expected interest rate cuts by the Bank of Canada could boost economic growth and the housing market. However, the potential for tariffs from the U.S. and their impact on Canadian jobs creates uncertainty for the domestic economy. The Conference Board of Canada forecasts that Canada's GDP will grow by 1.5% in 2025 and that GDP will grow to 1.9% in 2026 before averaging 2.1% between 2027 and 2029[3].

POLITICAL LANDSCAPE

- A federal Canadian election is set to take place by October 2025. With the Liberal minority government no longer propped up by the NDP, there is a potential that a federal election could occur sooner than October and potentially bring with it a change in the ruling party. Recent polling indicates that the Conservative party is leading the Liberals with Canadians focused on the economy, U.S. relations, and health care as their top three issues[4].

- The province of Saskatchewan elected to keep the Saskatchewan Party in power for the fifth straight time although the election results showed a divide between urban and rural voters with urban voters predominantly electing NDP candidates.

- The 2024 U.S. election resulted in a change in administration with Donald Trump elected as president and the Republican party back in power. This change poses economic uncertainty for Canada as the new administration focuses on protectionist policies impacting tax and trade and imposing broad-based tariffs on all imports. There is a potential that these tariffs may increase U.S. inflation and potentially impact the pace of interest rate cuts by the U.S. Fed.

- Geopolitical tensions continue to remain elevated with conflicts in Ukraine and the Middle East continuing to pose global economic uncertainty. Political tensions between Canada and countries such as India and China may contribute to rising trade tensions heightening risk for the Canadian economy. After the Canadian government imposed tariffs on Chinese-made electric vehicles, aluminum, and steel, China initiated a one-year anti-dumping probe on Canadian canola elevating risk to the agriculture sector across the prairie provinces.

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[1] The Conference Board of Canada, Powering Ahead: Canada's Five-Year Energy Outlook, February 13, 2025

[2] ATB Financial, ATB's Quarterly Alberta Economic Outlook, December 18, 2024

[3] The Conference Board of Canada, Red Sky in the Morning: Canada's Five-Year Outlook, January 24, 2025

[4] https://nanos.co/conservatives-39-liberals-32-ndp-15-bq-8-gpc-4-ppc-2-nanos/

FINANCIAL SERVICES SECTOR

- While interest rates will continue to ease in 2025, they will remain higher than what many borrowers became accustomed to before and during the pandemic. More than 4 million mortgages in Canada (approximately 60% of all outstanding mortgages) will renew in 2025 and 2026[5]. A large majority of these mortgages have not renewed since interest rates started increasing in 2022 and many of these borrowers will face an increase in their payments. These higher payments could create financial stress for borrowers and eat into savings they may have accumulated over the pandemic. The repricing of these mortgages will require financial institutions to continue maintaining healthy provisions for elevated credit risk and potential credit losses.

- The national mortgage delinquency rate as of Q3/2024 continued to remain low at 0.20% with Saskatchewan's mortgage delinquency at 0.44% making it the highest amongst Canadian provinces[6].

- While the national mortgage delinquency rate remained low, the total number of insolvencies for the 12-month period ending December 31, 2024 increased by 12.1% in comparison to same period ending December 31, 2023[7]. Consumer insolvencies increased by 11.4% and business insolvencies increased by 28.6% indicating persisting financial pressures.

- The higher interest rate environment motivated many to move their funds from demand accounts to term deposits which continues to place pressure on financial margin within the financial sector.

- High interest rates have continued to create more competition for deposits among financial institutions. Dramatic shifts in depositor behaviour and deposit movement have the potential to impact funding costs of financial institutions and their management of interest rate risk.

- As technological interconnectivity and innovation continue in the financial sector, non-financial risks continue to remain top of mind for financial institutions with a particular focus on mitigating money laundering, third party risk management, cybersecurity, and the use of artificial intelligence.

- The financial sector continues to experience consolidation in order to achieve growth, keep pace with innovation and change, increase efficiency, address shrinking margins, higher technology costs, increasing regulatory burden, and greater competition for talent.
- The 2024 federal budget included a number of measures directed at the financial services sector that included; legislating a framework for consumer-driven banking (also known as open banking), measures related to the affordability of financial services (such as limits on NSF fees), consumer protection measures related to high-interest lending and enforcement of the criminal rate of interest, and updates to financial crime legislation.
- Synergy's provincial regulator has outlined their priorities for 2025 through 2027 which include a focus on technology and cyber risk management, third party risk management, model risk management, operational risk management / operational resilience, and deposit guarantee awareness[8].

PROVINCIAL & REGIONAL

- The Conference Board of Canada forecasts Saskatchewan's GDP to grow by 2.8% in 2025 and then grow at an average annual rate of 2.2% between 2026 and 2029[9]. It is expected that investment activity in mining, agriculture, and manufacturing and processing will help drive growth over this period.
- Although expansion is expected in Saskatchewan's agriculture, crude oil, and uranium outputs, the agriculture and oil and gas industries continue to face uncertainty due to extreme weather, emissions regulations, and potential tariffs from the U.S. The agriculture sector also faces a new risk after China initiated its one-year anti-dumping probe on Canadian canola.
- The Conference Board of Canada forecasts that Alberta's GDP will grow by 2.1% in 2025 and will average an annual growth rate of 2.4% from 2026 to 2029[10].
- In December 2024, the unemployment rate in Saskatchewan and Alberta was 5.9% and 6.7%, respectively, while the national average was 6.7%[11]. Economists anticipate that Saskatchewan's unemployment rate will continue to remain on the lower end in comparison to the other provinces.
- Housing demand continues to remain strong across Saskatchewan due to several positive economic factors. All regions of the province reported that 2024 sales outpaced 2023 levels and long-term 10 year averages with the tightest market conditions reported in the Saskatoon-Biggar and Regina-Moose Mountain regions[12]. Housing supply challenges in the province are expected to continue as a dominant theme.
- Real estate trends in the Lloydminster area indicate that housing prices have increased over the past year by 3.9% but have experienced monthly and quarterly decreases of 10.3% and 25%[13], respectively.

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[5] https://www.bankofcanada.ca/2024/11/canadas-mortgage-market-a-question-of-balance/

[6] https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/mortgage-and-debt/mortgage-delinquency-rate-canada-provinces-cmas

[7] https://ised-isde.canada.ca/site/office-superintendent-bankruptcy/en/statistics-and-research/insolvency-statistics-canada-december-2024Three-Year Outlook, September 2023

[8] Credit Union Deposit Guarantee Corporation, Regulatory Roadmap: 2025 – 2027 Priorities, Bulletin 2024-08s

[9] The Conference Board of Canada, Brighter Days Ahead: Saskatchewan's Five-Year Outlook, December 11, 2024

[10] The Conference Board of Canada, Embracing Change: Alberta's Five-Year Outlook, December 6, 2024

[11] https://www150.statcan.gc.ca/n1/daily-quotidien/250110/mc-a001-eng.htm

[12] https://saskatchewanrealtorsassociation.ca/articles/market-watch-december-2024

[13] https://www.zolo.ca/lloydminster-real-estate/trends as at February 20, 2025

2024 FINANCIAL PERFORMANCE HIGHLIGHTS

In 2024, Synergy reached over $2 billion in assets on balance sheet with asset growth of 5.4%. In addition, we had strong loan growth of 13.7% and deposit growth of 6.5% which helped to improve our loan to assets ratio and improved profitability over 2023.

Operating income finished 2024 at $16.5 million and as a result we have allocated $3.8 million in ProfitShares. Staying true to the cooperative principles, we continue to allocate our profits before all allocation and taxes; accordingly, 20% to members, 10% to our employees and 5% to Synergy Shares.

In the fourth quarter of each year Synergy develops its business plan and budget through a comprehensive planning process. Table 1 provides an overview of key financial metrics compared to plan as well as previous 4 years for comparison purposes.

Table 1

2024 Financial Performance and Highlights

	2024 Actual	2024 Plan	2023 Actual*	2022 Actual**	2021 Actual	2020 Actual***
Growth						
Total assets - on balance sheet (,000's)	2,029,512	1,997,581	1,926,308	1,706,029	1,639,738	1,646,521
Annual asset growth - on balance sheet	5.4%	3.7%	12.9%	4.0%	(0.4%)	15.8%
Total assets - under administration (,000's)	2,757,463	2,629,151	2,526,361	2,198,758	2,166,531	2,067,418
Annual asset growth - under administration	9.1%	4.1%	14.2%	1.5%	4.8%	14.2%
Total deposits (,000's)	1,821,586	1,795,454	1,709,793	1,503,468	1,454,579	1,461,040
Annual deposit growth	6.5%	5.0%	13.7%	3.4%	(0.4%)	18.6%
Net loans (,000's)	1,579,211	1,444,436	1,389,282	1,258,105	1,163,814	1,183,723
Annual loan growth	13.7%	4.0%	10.4%	8.1%	(1.7%)	3.8%
Credit Quality						
Delinquency greater than 90 days (% of net loans)	0.9%	< 3.0%	1.2% [1]	0.7% [1]	1.0% [1]	2.4% [1]
Gross impaired loans (,000's)	14,629	15,236	16,269	9,427	12,162	28,199
Allowance for expected credit losses (excluding specific allowances) (,000's)	5,431	6,939	4,996	6,046	5,492	6,166
Specific allowances (,000's)	1,676	5,921	5,921	1,697	2,048	2,847
Liquidity						
Liquidity Coverage Ratio (LCR)	288.1%	> 125%	421.7%	221.2%	341.7%	467.5%
Average net loan to average assets	75.0%	70.8%	72.9%	72.4%	71.0%	75.7%
Capital						
Common equity tier 1 to risk-weighted assets	13.1%	13.5%	15.1%	14.9%	14.4%	13.2%
Total eligible capital to risk-weighted assets	15.4%	16.3%	19.0%	19.6%	19.1%	17.9%
Leverage ratio	9.6%	8.9%	10.7%	11.1%	10.1%	9.6%
Profitability						
Comprehensive income (,000's)	9,447	4,598	7,662	21,023	8,420	5,350
Operating income before taxes and member allocations (,000's)	16,479	8,236	12,359	28,748	14,228	8,892
Return on average assets before taxes and member allocations	0.9%	0.5%	0.7%	1.7%	0.9%	0.6%
Allocation payable to members (,000's)	3,794	1,938	2,796	6,593	3,122	2,640
Return on average assets	0.5%	0.3%	0.4%	1.3%	0.5%	0.3%
Return on Equity	5.4%	3.1%	4.6%	14.1%	5.7%	4.5%
Efficiency ratio	70.5%	78.4%	71.9%	56.3% [2]	70.7%	75.7%

*2023 amalgamated with New Community Credit Union **2022 long term asset sold that provided extraordinary income ***2020 amalgamated with Macklin Credit Union

[1] Restated to calculate as a percentage of net loans

[2] Restated from 54.9% 2022 annual report

The financial outlook for 2025 is cautiously optimistic, though uncertainties persist, such as potential policy disruptions and geopolitical tensions. Inflation has settled below the Bank of Canada's 2% benchmark. Despite a drop of over 200 basis points in interest rates since early 2024, they remain higher than 2020 to early 2022, increasing carrying costs for our members. Consequently, we may see higher delinquency rates in the near term.

Financial fraud continues to be a concern, which could increase write-offs and requires Synergy, businesses, and consumers alike to remain vigilant to ensure that potential losses are avoided. Synergy continues to evolve data-driven solutions and fraud protection measures to safeguard our members.

TOTAL ASSETS UNDER ADMINISTRATION

Total assets under administration include assets held on Synergy's balance sheet and off-balance sheet assets such as wealth administered portfolios and loans syndicated to partners (Table 2).

Table 2

$ thousands	$ 2024	$ 2023	Change $	Change %
On-Balance Sheet Assets	2,029,512	1,926,308	103,204	5.4%
Off-Balance Sheet Assets under Administration				
Aviso Wealth	718,284	584,602	133,682	22.9%
Sold/Syndicated Loans	9,667	15,451	(5,784)	-37.4%
Total Assets Under Admistration	2,757,463	2,526,361	231,102	9.1%

We grew our assets under administration to $2.8 billion (2023 - $2.5). Our wealth administered portfolios grew to $718.3 million (2023 - $584.6). Our sold/syndicated loans have decreased to $9.7 million (2023 - $15.5) a result of normal paydown and repatriating loans sold at time of review.

Figure 1

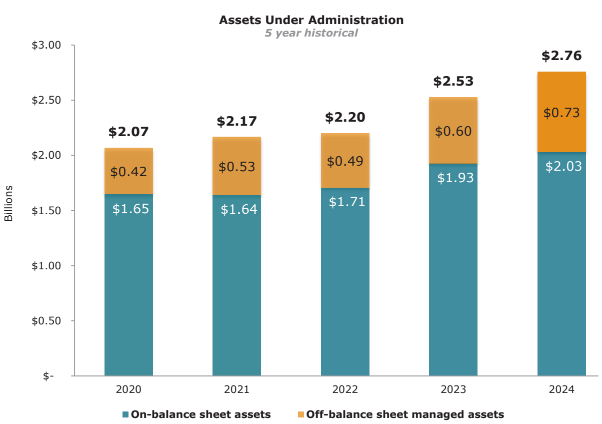
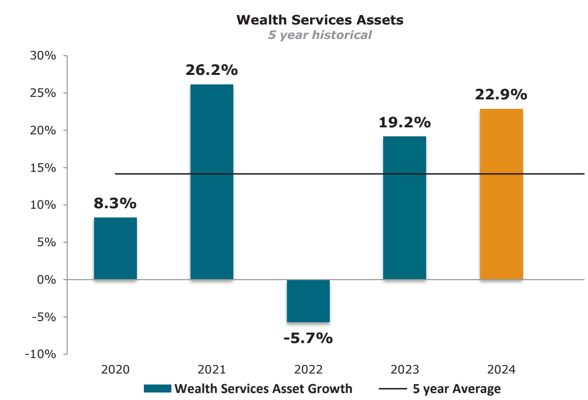


Figure 1 shows the on-balance sheet assets (blue) combined with off-balance sheet assets (orange) representing total assets under administration.

Synergy's wealth division has been a key strategic focus for our organization. This robust service is possible because of our partnership with Aviso Wealth Inc., a cooperative system-owned wealth management organization. We continue to expand our in-person advisory, offer digital advisory platforms and online brokerage. The graph below (Figure 2) shows Synergy's growth over the past 5 years as we support our members in achieving their goals.

Figure 2



The negative 5.7% growth in 2022 was a result of equity market volatility, however our average growth is still a healthy 14.2% (includes market growth). As approved in our 2025 business plan and budget we are forecasting 6% growth in new net wealth assets.

We will seek opportunities to repurchase sold/syndicated loans serviced by Synergy from our partners as they arise, leveraging our strong liquidity position. However, we will continue to work with partners when required to share the risk of larger exposures within our risk appetite framework.

2024 BALANCE SHEET REVIEW

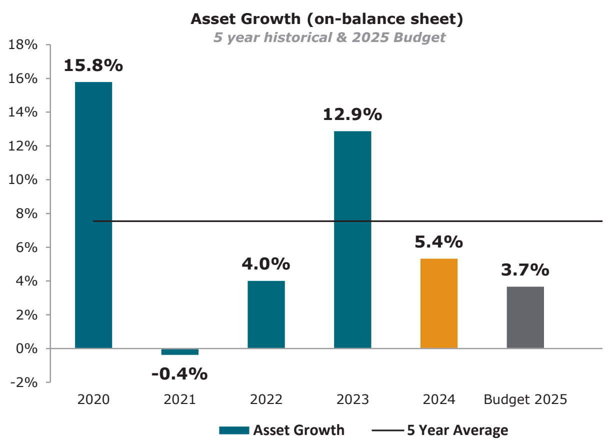
Synergy's Statement of Financial Position (Balance Sheet) includes a review of our deposits and loans of our organization and our capital position.

TOTAL ASSETS ON-BALANCE SHEET:

Our assets on-balance sheet finished the year at $2.03 billion (2023 - $1.93) a 5.4% increase year-over-year.

Figure 3 below illustrates Synergy's historical growth rate, 5-year growth rate average and our planned growth for 2025.

Figure 3



Synergy merged with Macklin Credit Union in 2020, resulting in 8% of our 15.8% of 2020 growth being directly attributable to Macklin's existing assets. In 2023, Synergy merged with New Community Credit Union, whose assets contributed 8.2% to our 12.9% growth for that year. Adjusted five-year average asset growth would be 4.3%.

During our budgetary planning process for 2025, our Board and Management reviewed the projected growth rates as outlined in the Conference Board of Canada's October 2024 three-year outlook. The outlook anticipates a GDP growth of 2.6% for Saskatchewan and 2.5% for Alberta in 2025. Considering these projections, and our desire to exceed these status quo benchmarks, we planned for a balanced growth rate of 3.7%, which aligns closely with our historical adjusted average growth rate.

Since the completion of our planning process, several noteworthy events have occurred in Canada's political environment. The resignation of our Prime Minister, a leadership transition in the leading political party in Canada, the prorogation of Parliament, and a change in government in the United States that has an economic nationalist mandate. Uncertainty could make growth challenging in 2025. However, historically, our members have responded to uncertainty by increasing emergency savings and deferring major investments until they feel comfortable. This behavior was most recently observed during the 2020 Covid pandemic.

LOANS:

Gross loans (on-balance sheet - Table 3) totaled $1.6 billion (2023 - $1.4), an increase of $186.1 million. Net loans (gross loans less allowances) totaled $1.6 billion (2023 - $1.4), an increase of $189.9 million year-over-year.

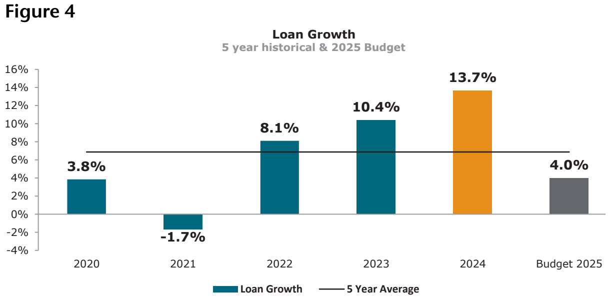
This equates to a 13.7% (2023 - 10.4%, 8.3% of 2023 growth is directly attributed to New Community Credit Union) growth in our loan portfolio in 2024, which was above our budgeted forecast of 4.0%.

Table 3

	$		Change	
$ thousands	2024	2023	$	%
Gross Loans	1,586,318	1,400,199	186,119	13.3%
Less:				
Allowance for Specific Credit Losses	1,676	5,921	(4,245)	-71.7%
Allowance for Expected Credit Losses	5,431	4,996	435	8.7%
Net Loans	1,579,211	1,389,282	189,929	13.7%

Figure 4 below illustrates our 5-year historical and 2025 forecasted net loan growth.

Figure 4



Organic loan growth has been challenging for Synergy in the past 5 years. Adjusting for loan assets held by Macklin Credit Union in 2020 and New Community Credit Union in 2023 our adjusted 5-year average growth rate would equate to 3.3%.

In 2024, 5.4% of our loan growth was organic, finishing ahead of our planned 4% growth as we attracted new opportunities in the Saskatoon market. The remaining 8.3% loan growth was from purchased loans, which is a strategic tactic to leverage our strong liquidity, diversify our portfolio both in concentration and geography and attract a higher yield on our loan portfolio.

We have planned for 4% loan growth in 2025, less than 2024 due to many uncertainties. While interest rates have reduced significantly off their peak and inflation appears to have settled below the Bank of Canada's 2% benchmark there are plenty of headwinds we are facing. Household indebtedness and high housing prices are expected to strain borrowers' ability to take on additional debt, reducing demand for loans. We expect increased competition to attract loans from borrowers who are able to participate in the market, which could dampen our consumer loan growth and decrease yield.

Since our planning in late 2024, the potential for a global economic slowdown, heightened trade tensions, and increased political risks has intensified. These factors could significantly impact our commercial and agricultural members, resulting in slower growth and reduced demand for loans, which may negatively affect our projected growth targets.

In addition to organic growth, we plan to achieve our forecasted loan growth by continuing to collaborate with other credit union partners and other institutions to purchase syndicated loans.

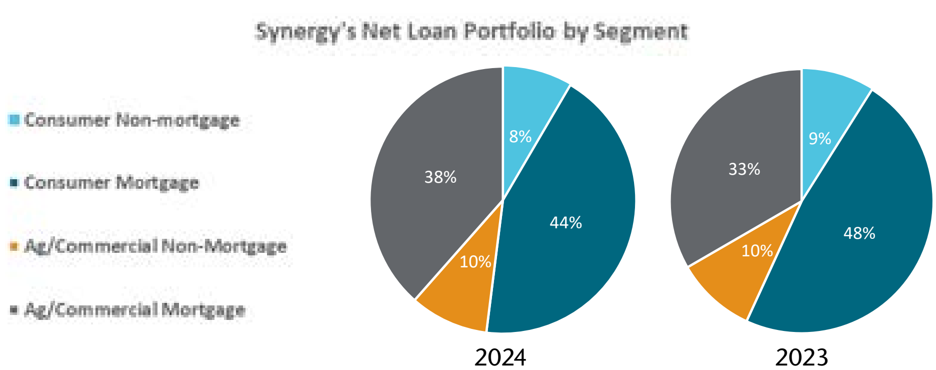
Average net loans reached 75.0% (2023 - 72.9%) of average assets above our forecasted 70.8% (see Table 1). This is below our optimal range of 82%-84%, which helps to maximize our overall profitability, however we are trending positively since a low in 2021 of 71.0%. A higher loan-to-asset ratio will enhance net interest income by placing assets into comparatively higher-yielding loans.

Over the course of 2024 and into early January 2025 the Bank of Canada has reduced interest rates by 200 basis points. This has provided some relief to borrowers and reduced the default risk on fixed rate mortgages that are coming due in 2025 and 2026.

In 2020 as part of our long-term strategic plan, we aspired to change our loan portfolio mix from 60% consumer and 40% commercial and agriculture business to 50% consumer and 50% commercial and agriculture to improve loan yield and diversify our portfolio.

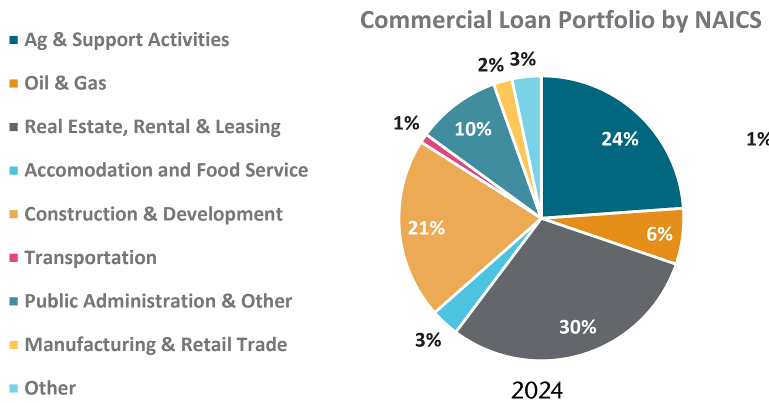
The pie chart in Figure 5 illustrates the shift of our loan portfolio from 2023 with a 5 percent increase to agriculture and commercial from consumer year-over-year.

Figure 5



As we gradually shift our overall portfolio mix, we also need to ensure that our commercial and agriculture business portfolio is not overly concentrated in any one industry type. The pie chart below (Figure 6) shows our current exposure to various industries. In 2024 we increased our concentration in construction and development by 6%, primarily through purchased syndications and decreased accommodation and food service by 4%.

Figure 6

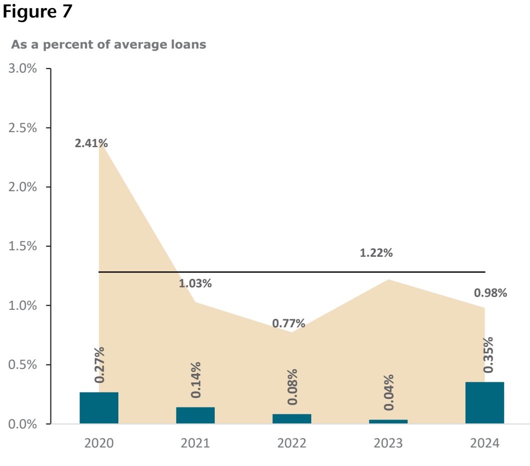


In 2025 we will continue to cultivate opportunities to partner with peers to achieve growth, a higher return for our depositors and minimize the negative impact on profitability based on lower than optimal leverage position. Having said that we will be constrained on what opportunities we will be able to act on based on industry limits we have set, to manage our overall credit risk concentration.

CREDIT QUALITY:

Credit losses are a normal part of our business and tend to increase during economically uncertain times. Our lending portfolio is focused on 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.

Figure 7



Synergy's 5-year gross impaired loans and write-off history for its loan portfolio is illustrated in Figure 7.

Gross impaired loans (greater than 90 days delinquent) decreased to 0.98% of average loans (2023 - 1.22%) because of our early engagement and focused collection activities.

Actual write-offs were $5.3 million (2023 - $484 thousand). $4.2 million of the above write-off had been expensed in 2023.

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

Loan allowances decreased by $3.8 million (2023 - $3.2 increase) year-over-year. Our allowance for expected credit losses increased by $435 thousand and specific decreased by $4.2 million, shown in Table 3. Much of the decrease to our specific provisions in 2024 was due to the write-off of one commercial exposure.

Expected credit losses (ECL) are maintained to absorb potential losses based on both historical and forward-looking metrics that are applied to our portfolio. The increase in 2024 ECL increased primarily because of $189.9 million of growth in our loan portfolio. Specific allowances have reduced by $4.2 million, as the probable loss expensed in 2023 occurred in 2024.

DEPOSITS:

We ended 2024 at $1.8 billion (2023 - $1.7) resulting in a growth of 6.5% (2023 - 13.7% of which 8.5% were New Community balances) or an increase of $111.8 million as shown in Table 4. Our 5-year average growth is 8.4%.

Table 4

$ thousands	$ 2024	$ 2023	Change $	Change %
Deposits				
Demand Deposits	969,417	937,227	32,190	3.4%
Term Deposits (incl. accrued interest)	852,169	772,566	79,603	10.3%
Total Deposits	1,821,586	1,709,793	111,793	6.5%

Demand deposits, which account for 53.2% (2023 - 54.8%) of our deposit base, increased by $32.2 million (2023 - $30.2) or 3.4% (2023 - 3.1%) year-over-year.

Term deposits, which make up the remaining 46.8% (2023 - 45.2%) of our deposit base, increased $79.6 million (2023 - $236.5 million), an increase of 10.3% (2023 - 44.1%) year-over-year.

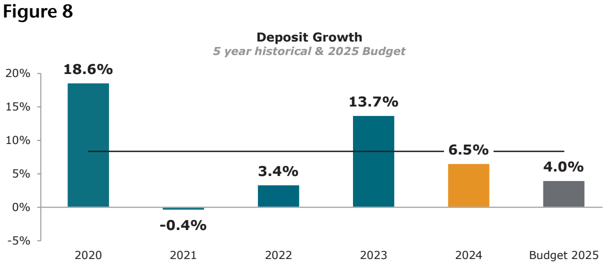
The shift in our deposits between demand and terms is shown in Table 5 with a small increased concentration in term over demand deposits.

Table 5

	% 2024	% 2023	Change %
Deposits			
Demand Deposits	53.2%	54.8%	-1.6%
Term Deposits (incl. accrued interest)	46.8%	45.2%	1.6%
Total Deposits	100.0%	100.0%	

Figure 8 illustrates Synergy's 5-year deposit growth that averages 8.4% and our 2025 forecasted growth of 4%.

Figure 8



New Community Credit Union contributed 8.5% of the growth with their opening balances in 2023 and Macklin Credit Union contributed 6.6% with their opening balances in 2020. Adjusting our 5-year average to remove the amalgamated deposits we have a 5-year deposit growth rate average of 5.3%. We will make recommendations for our members to make deposits that are in their best interest and match their financial goals; for some, that may result in moving to off-balance sheet products, creating downward pressure on deposit growth.

MEMBER PROFITSHARES:

In 2024, we introduced changes to our ProfitShare program that included lowering the maximum balances that are held in members Profitshare accounts. For consumers this was lowered to $2,500 and for commercial and agricultural members to $10,000. As a result, we redeemed in cash $13.5 million in member profit shares specific to these changes.

CAPITAL:

Equity (Table 6) increased by 5.7% to $175.2 million (2023 - $165.8) an increase of $9.4 million.

Table 6

$ thousands	$ 2024	$ 2023	Change $	Change %
Equity				
Retained Earnings	158,902	149,455	9,447	6.3%
Contributed Surplus	16,315	16,315	-	0.0%
Total Equity	175,217	165,770	9,447	5.7%

We will strategically deploy our capital by leveraging both current and future investments in technology and investments, with the objective of elevating the overall experience for our members. Committing resources to our teams and fostering ongoing professional development will play a pivotal role in delivering exceptional member service and delight our members.

REGULATORY CAPITAL:

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.

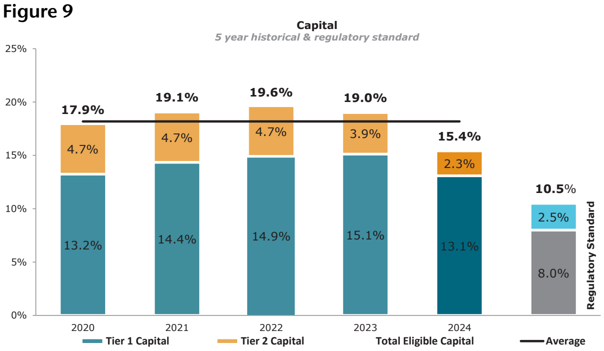
Tier 1 capital for consists of retained earnings, contributed surplus and AOCI. Deducted from Tier 1 include items such as: goodwill and intangibles. For a more inclusive list please refer to Note 14 in the financial statements.

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.

Leverage ratio is calculated by dividing eligible capital by total assets less certain deductions from capital plus specified off-statement of financial position exposures.

Synergy's capital ratios (Figure 9) are well above both minimum CUDGC standards and internal board minimums.

Figure 9



Synergy's Total Eligible Capital ended 2024 at $205.2 (2023 - 207.6) million. Table 7 shows the breakdown of Synergy's risk-weighted assets and categories of capital with 2023 comparable.

Table 7

	$		Change	
$ thousands	2024	2023	$	%
Risk-weighted assets	1,330,621	1,093,505	237,116	21.7%
CETI Capital	175,217	165,770	9,447	5.7%
Total Tier 1	174,150	164,869	9,281	5.6%
Total Tier 2	31,005	42,732	(11,727)	-27.4%
Total eligible capital	205,155	207,601	(2,446)	-1.2%

For the year ending 2024 Synergy's total capital as a percentage of risk-weighted assets was 15.4% (2023 - 19.0%), as shown in Table 8.

Table 8

	%		Change
	2024	2023	%
Regulatory Capital			
Total eligible capital to risk-weighted assets	15.4%	19.0%	-3.6%
Total Tier 1 Capital to risk-weighted assets	13.1%	15.1%	-2.0%
CET1 capital to risk-weighted assets	13.1%	15.1%	-2.0%
Leverage Ratio	9.6%	10.7%	-1.1%

The reduction in total eligible capital year-over-year is attributed to the increase of $237.1 million in risk-weighted assets due to loan growth of 13.7% as larger risk weights are applied to our loan portfolio and secondly the paydown of ProfitShare limits. The paydown of ProfitShare limits reduced tier 2 capital by $11.7 million (Table 7).

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

2024 INCOME STATEMENT REVIEW

Synergy's Statement of Comprehensive Income (Income Statement) provides an analysis of our financial performance and member return. The results below are drawn from continuing operations unless otherwise specified.

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.

Table 9 provides a detailed overview of the assets and liabilities held, their composition within the overall asset mix, and the corresponding interest earned and paid. The asset categories include cash, investments, loans, and other financial assets. The asset mix is presented as a percentage of the total assets, illustrating the distribution and diversification of the portfolio. Additionally, the table highlights the interest income generated from these assets and the interest expenses incurred, offering insights into the net interest margin and overall financial performance.

Table 9

	2024				Change in Rates	2023			
$thousands	**Average Balances**	**Mix**	**Interest**	**Rate**		**Average Balances**	**Mix**	**Interest**	**Rate**
ASSETS									
Cash and investments	460,690	23%	21,183	4.60%	0.09%	449,128	25%	20,267	4.51%
Loans	1,484,247	75%	76,797	5.17%	0.16%	1,323,694	73%	66,315	5.01%
Other assets	32,974	2%	-	0.00%	0.00%	43,348	2%	-	0.00%
LIABILITIES AND EQUITY									
Deposits	1,765,690	89%	48,947	2.77%	0.31%	1,606,631	88%	39,521	2.46%
Loans payable	1,224	0%	22	1.80%	-0.54%	5,521	0%	129	2.34%
Other liabilities	8,849	0%	-	-	-	8,239	0%	-	-
Equity and membership shares	210,997	11%	-	-	-	195,779	12%	-	-
NET INTEREST INCOME			**49,011**	**2.48%**	**-0.10%**			46,932	2.58%
Provision for credit losses			1,472	0.07%	-0.12%			3,437	0.19%
NET INTEREST MARGIN			**47,539**	**2.41%**	**0.02%**			43,495	2.39%

Net interest income increased by $2.1 million, or 4.4 %, to $49.0 million (2023 - $46.9), representing 2.5% (2023 - 2.6%) of average assets.

Net interest margin (net of loan provisions) increased by $4.0 million to $47.5 (2023 - $43.5) million, representing 2.4% (2023 - 2.4%) of average assets.

Provisions expense decreased year-over-year by $2.0 million or 0.12% of average assets in 2024 versus $3.4 million in 2023 or 0.19% of average assets.

Average yield on our loan portfolio increased to 5.2% (2023 - 5.0%), an increase of 0.2%. Average yield on our deposit portfolio increased from 2.5% to 2.8% an increase of 0.3% year-over-year. This has a 0.1% drag on interest income, but due to lower provisions margin improved by 0.02%.

The health of our loan portfolio can have a material effect on interest margin and profitability, therefore we deploy prudent lending practices, test our portfolio regularly for signs of deterioration and act quickly to intervene, as necessary.

In 2025 we expect our net interest income to decrease to 2.40%, however we have returned our provision for credit losses to 16 basis points reducing margin to 2.2% of average assets. With many headwinds ahead including increased competition, predicted global economic slowdown, and trade threats this may be hard to achieve.

NON-INTEREST INCOME:

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

In 2024, Synergy experienced a $1.9 million unrealized gain (2023 - $63 thousand) on investments, and a $49 thousand loss (2023 - $69 gain) on foreclosed properties. The remainder of our non-interest income is comprised of other revenue.

Synergy's other revenue ended the year at $9.9 million (2023 - $9.1), an increase of $866 thousand.

Captured in the Table 10 below is Synergy's other revenue broken down by category both by dollar amount and as a percentage of average assets compared to 2023.

Table 10

	$			% of Average Assets		
$ thousands	2024	2023	Change	2024	2023	Change
Deposit fees, commissions	3,671	3,469	202	0.19%	0.19%	-
Wealth services	2,911	2,730	181	0.15%	0.15%	-
Creditor insurance	872	865	7	0.04%	0.05%	(0.01)
Loan fees	1,624	1,070	554	0.08%	0.06%	+0.02
Credit card	445	440	5	0.02%	0.02%	-
Lease	313	322	(9)	0.02%	0.02%	-
Other	100	174	(74)	0.01%	0.01%	-
Total other revenue	9,936	9,070	866	0.51%	0.50%	+0.01

Loan fees increased $554 thousand year-over-year. We are experiencing higher than normal application revenue through the expansion of our syndication book, however the revenue is amortized over the life of the loan and not all flowed into income in the year received.

All other categories of non-interest income remained relatively the same as a percentage of average assets.

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.

Our budget for 2025 has our non- interest income growing at the same pace as our growth in assets.

NON-INTEREST EXPENSE:

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

Table 11 below shows the amount of each expense category, the change in dollars yearly, and the change in expense as a percentage of average assets.

Non-interest expense increased $2.5 million (2023 - $1.8), or 6.1% (2023 - 4.7%), to $42.8 million (2023 - $40.3).

Table 11

	$			% of Average Assets		
$ thousands	2024	2023	Change	2024	2023	Change
Personnel	24,300	22,442	1,858	1.23%	1.24%	-0.01
Occupancy	3,841	3,767	74	0.19%	0.21%	-0.02
Member security	1,524	1,458	66	0.08%	0.08%	-
General business	12,585	11,451	1,134	0.64%	0.63%	+0.01
Organization	559	1,220	(661)	0.02%	0.06%	-0.04
Total non-interest expense	42,809	40,338	2,471	2.16%	2.22%	-0.06

Personnel expenses increased by $1.9 million; of this the variable pay incentive increased by $499 thousand. If this were adjusted for this expense, there would have been an increase of $1.4 million in personnel expenses or 6.5% year over year. As a percentage of average assets overall personnel expenses decreased by 0.01%.

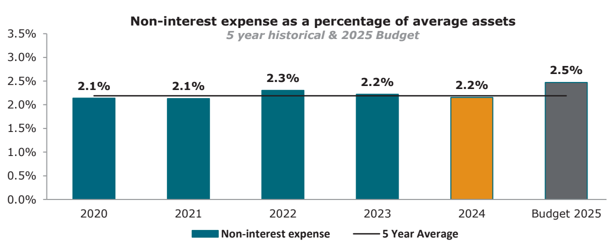
Included in general business, advertising, and donations, was $588 thousand (2023 - $226) that was funded from Synergy Shares. While the money is allocated each year to the fund the expense flows through our income statement in the year it is funded.

Organization expenses decreased 0.04% as a percentage of average assets, primarily because of one-time merger expense of $850 thousand incurred in 2023 with New Community.

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 results over the long term.

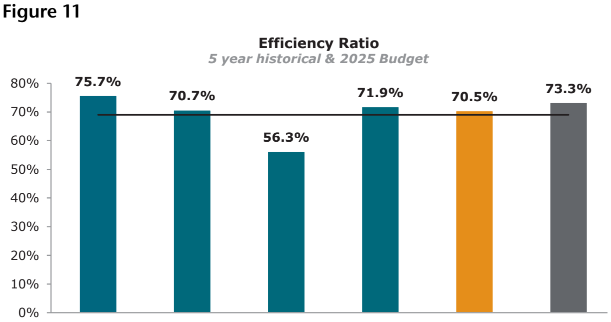
Figure 10 below shows our 5-year historical non-interest expense as a percentage of average assets along with our forecasted percentage for 2025.

Figure 10



Synergy's efficiency ratio, which is non-interest expenses divided by net interest income and total non-interest revenue, ending 2024 at 70.5% versus forecasted of 78.4% (2023 - 71.9%) including unrealized gains on investments. See Figure 11.

Figure 11



Efficiency ratio in 2022 was significantly better than Synergy's average due to one-time income from the sale of a long-term investment.

In our budget for 2025, we have forecasted an increase in our non-interest expenses from 2.2% to 2.5% of average assets. We have allocated additional spending primarily targeted to technology.

Implementing technology solutions that enhance member experiences and facilitate frictionless payments clearing can be costly. To manage our overall expenses effectively it is crucial to distribute these costs across as many accounts as possible and make size and scale important to Synergy's long-term sustainability.

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 our members' data and privacy and see these costs rise in future years.

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

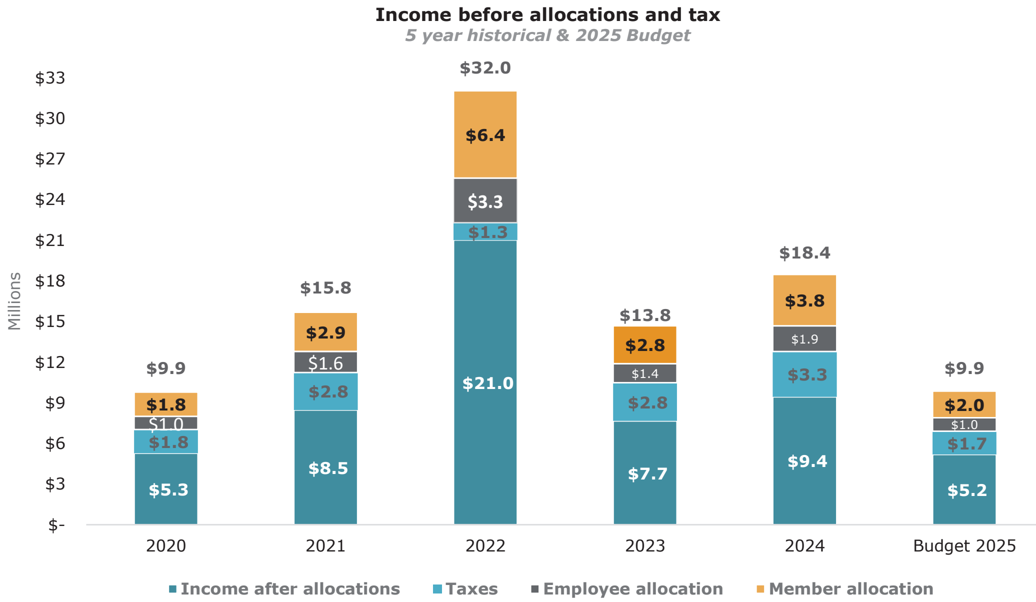
INCOME BEFORE ALLOCATIONS AND TAX:

Income before employee profit shares, member ProfitShares and tax were $18.4 million (2023 - $13.8), an increase of $4.6 million or 33%.

Allocations to employees (employee profit sharing) was $1.9 million (2023 - $1.4), representing an increase of $500 thousand or 35.7% year-over-year.

Figure 12 below shows how our income has been distributed over the past 5 years and our budget for 2025.

Figure 12



COMPREHENSIVE INCOME:

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. Our community investment is allocated based on before tax and allocation profit however does not show as an expense through our income statement until funded.

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.

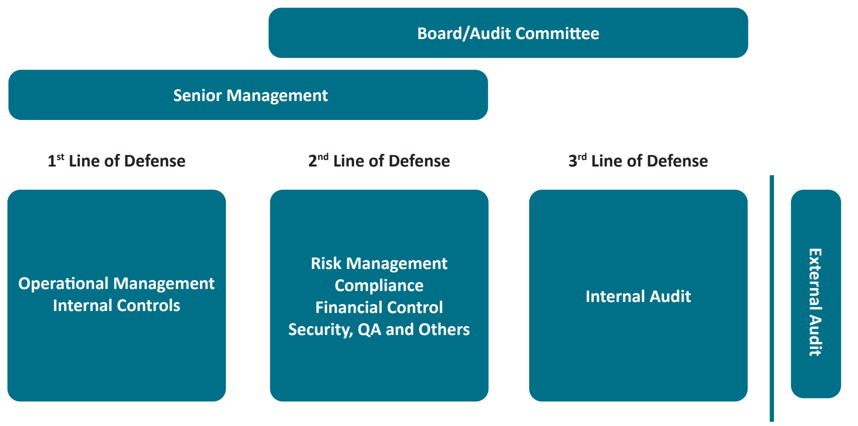
Synergy's return on average assets over the past 5 years is illustrated in Figure 12.

Allocations expense to members (ProfitShares) from profits in 2024 and will be distributed in 2025 total $3.8 million (2023 - $2.8), representing an increase of $1.0 million or 35.7% year-over-year.

In 2025, we expect our comprehensive income to be $4.2 million lower due to higher provisions expense, increased spend on technology including additional investment for open banking and enhancements to our digital platforms and one-time costs related to exploring and completing a business case for the potential merger of Synergy, Conexus, and Cornerstone credit unions.

RISK MANAGEMENT

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



Synergy's business activity exposes us to a wide variety of risks in 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 risk suitable for, and understood by each member.
- Aiming risk controls at mitigating uncertainty and maximizing opportunity in a way that optimizes the credit union's capacity to protect, and sustainably grow value for our members.
- Using 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 is constantly evaluated to ensure it meets Synergy's challenges and requirements. The evaluation includes a comparison to industry best practices and 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 and continuous review and guidance from 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 failing to perform as agreed. Credit risk is found in all activities where success depends on a counterparty, debt issuer or borrower's 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 highly effective, as demonstrated by Synergy's consistently lower than industry – and 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 include:

- 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 more than 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 financial service advisors, retail service centre managers, and regional 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 must 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 (Figure 13), as well as percentage of mortgages compared to our overall loan portfolio (Figure 14), and (2) a breakdown of the current residential mortgage portfolio into insured mortgages, conventional uninsured mortgages, and uninsured HELOCs (Table 12).

Figure 13

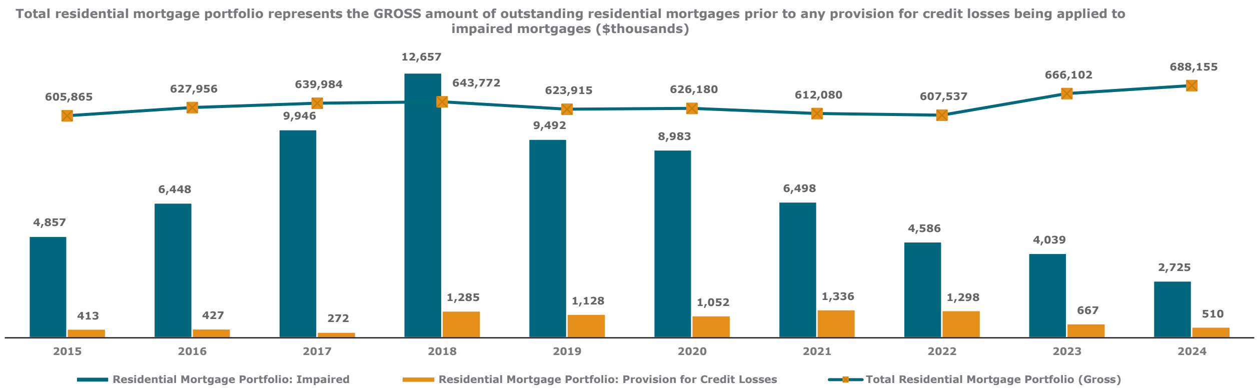


Figure 14

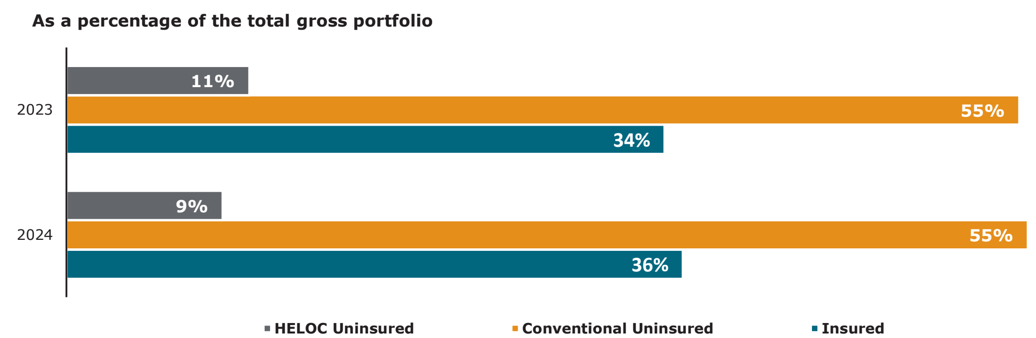


Table 12

As at December 31, 2024
$ thousands

				Total		
Amortization Range	**Insured**	**Uninsured**	**HELOC**	**2024**	**2023**	**Difference**
Less than 10 years	8,900	28,761	14,510	52,171	49,451	2,720
11 - 15 years	46,905	68,401	16,671	131,977	105,941	26,036
16 - 20 years	65,824	110,556	20,615	196,995	245,733	(48,738)
21 - 25 years	121,862	155,892	10,212	287,966	255,164	32,802
Greater than 25 years	1,123	17,923	-	19,046	9,813	9,233
TOTAL	**244,614**	**381,533**	**62,008**	**688,155**	**666,102**	**22,053**

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 impact the level of interest rates, which can impact earnings. Our objective is to earn an acceptable net interest income, without taking unreasonable risks, while striving to meet members' 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 estimate of net interest income sensitivity for periods of up to one year.

The analysis in NOTE 17 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 brief period. 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 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 using interest rate swaps or other appropriate 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

Process (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 mitigates 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 17 *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 (a subsidiary of Equitable Bank).
- *Statutory liquidity*. SaskCentral, who serves as the provincial liquidity manager for Saskatchewan credit unions, requires Synergy to maintain a minimum of 8.65% of its liabilities on deposit with SaskCentral. Statutory liquidity requirements are calculated

quarterly. 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 monetary 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, third party vendors, 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 2024. 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 $8.4 million in capital as of December 31, 2024, to cover operational risks (2023 - $7.8 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 because 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 tightly 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 all our activities.

Failure to meet our requirements not only poses a risk of censure or penalties, 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 times 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 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 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 auditors' reports. 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 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 (interest rate), liquidity, operational, legal, regulatory, information technology (including cyber risk), 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.

OTHER FACTORS

Synergy's management cautions that 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.

GOVERNANCE

GOVERNANCE

Synergy's leadership steers the credit union towards success as a responsible, values-aligned financial cooperative. We emphasize practicality, transparency, and ethics in both business and environmental practices.

MEMBER INVOLVEMENT

Members play a vital role in shaping the future of Synergy Credit Union through democratic participation. The Board of Directors encourages attendance at the Annual General Meeting, voting in director elections, and participation in special resolutions. Members in good standing can also run for a seat on the Board.

Additionally, specific risk oversight and accountability have been delegated to Board committees. These committees study, discuss, and propose risk policies and management recommendations to the Board of Directors.

CORPORATE GOVERNANCE STRUCTURE

Synergy Credit Union, a member-owned cooperative financial institution, operates under the governance of an elected Board of Directors. The Board holds a fiduciary duty to safeguard members' interests and assets, shape the institution's strategic direction, and oversee risk management processes.

The Board is responsible for appointing the CEO, defining their responsibilities, and assessing their performance. Additionally, it communicates with members and stakeholders through channels such as this Annual Report, the Annual General Meeting, and various other forms.

BOARD GOVERNANCE STRUCTURE

Directors play a crucial role in upholding our credit union's values, ensuring honesty and integrity, and contributing their knowledge and experience. They also strive to advance its principles and community values.

To maintain independence, directors must have no conflicts of interest with Synergy Credit Union or the financial services industry as a whole. The Board's Corporate Governance Committee annually reviews compliance with this independence requirement.

MEET OUR TEAM: BOARD OF DIRECTORS

BOARD MEMBER	Neil Carruthers (CHAIR)	Don Wheler	Randy Ramsay	Rick Graff	Faith Graham	Linda McKinnon
Year First Elected	2009	1998	2024	1996	2020	2020
Year Current Term Ends	2027	2026	2027	2025	2026	Resigned April, 2024
Committee Assignments (Jan-April 2024)	Ex-offico member of all committees	Human Resources & Risk	N/A	Audit	Human Resources & Audit	Risk
Committee Assignments (April-Dec 2024)	Ex-officio member of all committees	Human Resources & Risk	Human Resources & Risk	Audit & Risk	Corporate Governance & Audit	N/A
Meetings/Attendance Board & Committee (Jan-Dec 2024)	31/35	25/26	21/21	17/17	17/17	4/4
Remuneration[1]	$38,900	$21,528	$15,700	$14,850	$13,850	$5,050
Expenses[2]	$9,725	$2,498	$4,957	$5,084	$3,109	–
Total Compensation	$48,625	$24,026	$20,657	$19,934	$16,959	$5,050

[1] per diems, honorariums, long service
[2] mileage, training, expense reports, out of pocket

9 Directors

6 Accredited Canadian Credit Union Director designations

100 Development Training Courses

BOARD MEMBER	Melanie Bonnah (VICE CHAIR)	Ashley Lilly	Tom Schinold	Carolyn Young	Jay Walker
Year First Elected	2016	2023	2015	2016	2023
Year Current Term Ends	2026	2026	2024	2025	2025
Committee Assignments (Jan-April 2024)	Risk & Corporate Governance	Human Resources	Corporate Governance & Human Resources	Audit & Risk	Audit
Committee Assignments (April-Dec 2024)	Risk & Corporate Governance	Human Resources & Risk	N/A	Human Resources & Audit	Corporate Governance & Audit
Meetings/Attendance Board & Committee (Jan-Dec 2024)	22/22	21/25	5/5	29/29	22/22
Remuneration[1]	$20,200	$15,700	$5,250	$18,850	$16,350
Expenses[2]	$3,097	$3,172	$533	$2,875	$3,204
Total Compensation	$23,297	$18,872	$5,783	$21,725	$19,554
				2024 TOTAL	**$224,482**
				2023 TOTAL	**$199,090**

[1] per diems, honorariums, long service
[2] mileage, training, expense reports, out of pocket

TO VIEW FULL BIOS, GO TO SYNERGYCU.CA

GOVERNANCE COMMITTEES

AUDIT COMMITTEE

The Audit Committee oversees internal audits, risk management, and internal controls, ensuring compliance with regulations and the approved risk appetite. It also serves as the Conduct Review Committee under *The Credit Union Act, 1998*. In 2024, the committee held four meetings.

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 the annual operating budget
- Compliance with Standards of Sound Business Practice and Synergy Credit Union's Code of Conduct
- Monitoring of related party transactions and conflicts of interest

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee ensures Synergy's governance practices evolve to support member engagement, community sustainability, and effective communication. It also acts as the Nominating Committee, overseeing transparent and democratic Board elections. In 2024, the committee held five meetings.

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 Resources Committee oversees policies that ensure fair, meaningful employment in a safe and respectful workplace. It also monitors executive appointments, compensation, and ethical conduct policies. In 2024, the committee held twelve meetings.

HUMAN RESOURCES COMMITTEE CORE RESPONSIBILITIES

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

RISK COMMITTEE

The Risk Committee oversees Synergy's risk appetite and Enterprise Risk Management framework, including liquidity and capital stress testing. It ensures governing policies define risk levels and monitor compliance. In 2024, the committee held four meetings.

RISK COMMITTEE CORE RESPONSIBILITIES

- Oversight of Enterprise Risk Management framework
- Monitoring of corporate risk profile
- Monitoring of Internal Capital Adequacy Assessment Program (ICAAP) and stress testing results
- Oversight of liquidity, interest rate, and credit risk

MANAGEMENT'S ROLE IN RISK GOVERNANCE

The CEO is accountable to the Board for managing all material risks, executing strategic plans, and overseeing risk management. The executive leadership team supports this by managing risks within their respective areas, ensuring adequate systems and tools are in place.

KEY MANAGEMENT COMMITTEES INCLUDE:

- **ALCO (Asset-Liability Committee):** Oversees balance sheet management, capital, profitability, funding, and liquidity.
- **Credit Committee:** Approves significant credit risk exposures.
- **IT Governance Committee:** Aligns IT strategy with business needs, ensuring security, stability, and reliability.
- **Cyber Security Governance Committee:** Manages cybersecurity risk.
- **Risk & Compliance Committee (RCCO):** Ensures regulatory compliance, risk mitigation, and privacy risk management.

Business units are responsible for identifying and managing their risks with support from executive leadership. The Chief Risk Officer oversees Enterprise Risk Management, the Chief Financial Officer manages financial operations, and Internal Audit provides independent assessments of risk controls and risk management.

MEET OUR TEAM: EXECUTIVE TEAM

Glenn Stang
Chief Executive Officer

Glenn's career in the credit union system spanned over 43 years, including 27 dedicated years with Synergy Credit Union before retiring at the end of 2024. He joined Synergy in August 1997 as Branch Manager of the 50th Street Lloydminster location, a role he held until July 2003, when he was promoted to Executive Manager of Retail Services (later renamed Chief Operating Officer). In January 2013, Synergy's Board of Directors unanimously appointed Glenn as CEO, a position he served with distinction for over a decade.

A lifelong learner, Glenn completed an extensive three-year program in 2015 to earn his Certified Chief Executive (CCE) designation and is also a certified Professional Director with a Pro.Dir designation.

Glenn was a passionate advocate for the credit union system, bringing his expertise and leadership to numerous system-wide initiatives. He completed two three-year terms on influential boards, including the Canadian Credit Union Association (CCUA) and a tri-provincial technology board.

In addition to his professional contributions, Glenn believed in building stronger communities. His volunteerism and involvement with organizations such as the Lloydminster Economic Development Corporation, Kinsmen, KidSport, Lloydminster Interval Home, Olive Tree, Chamber of Commerce, 100 Men Lloydminster, and 17 years of coaching hockey showcased his unwavering commitment to community betterment.

Known for his exceptional leadership and ability to unite people toward shared goals, Glenn was frequently nominated to chair the boards on which he served, leaving a lasting legacy of collaboration and positive impact.

Brent Bergen
Chief Operating Officer

Brent's background within the credit union system spans more than 34 years across seven different credit unions in 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 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 will take on the role of Chief Executive Officer on January 1, 2025. He has over 25 years of experience in the financial industry, with 19 years in senior leadership roles, 8 of which were at the executive level. His leadership fosters innovation informed by the cooperative values while maintaining a culture of member and community connectedness. Trevor holds a Master of Business Administration from Royal Roads University, a Bachelor of Commerce from the University of Saskatchewan, and a Professional Director designation from Governance Solutions Inc.

Recognized as a National Young Leader in 2012, Trevor served three years on the National Young Leader Committee. He is an active community member, serving on the Board of SaskCentral and volunteering as a youth sports coach. Trevor has also contributed to various local boards and committees.

Christine Tucker
Chief Financial Officer

Christine has worked in the credit union system for over two decades. She began her career as an Account Manager at Synergy Credit Union in Lashburn in 1999. She then progressed through various positions, including Branch Manager, Regional Manager, and Manager of Retail. In 2018, she became Synergy's Chief Financial Officer. Christine holds a CPA, CMA, ACUIC designation from Dalhousie University, GCB.D, Sustainability and ESG designation through Competent Boards. She is also a certified facilitator of Synergy's internal cultural training programs. Christine is a board member and the Finance Chair of Midwest Family Connections, a local non-profit organization.

Harmolk Brar
Chief Risk Officer

Harmolk's background in the financial services sector spans 20 years across various financial institutions in Canada, including five years within the credit union system. His experience includes roles in risk management, compliance, internal audit, and the regulation of financial institutions.

Harmolk joined Synergy Credit Union in August 2023. As Chief Risk Officer, he leads a team responsible for enterprise risk management, compliance, and privacy.

Harmolk holds a Bachelor of Commerce degree from the University of Manitoba, GCB.D, Sustainability and ESG designation through Competent Boards.

Miranda Reid
Corporate Secretary & Executive Assistant

Prior to joining Synergy Credit Union in 2022, Miranda spent almost 30 years in administrative, project management, leadership, and governance roles. Miranda's role with Synergy as Corporate Secretary & Executive Administrator provides support to the Board of Directors, CEO and Executive Team, as well as housing several governance functions in support of Synergy. Outside of her professional role at Synergy, Miranda is a volunteer with the Spark Foundation of Lloydminster.

EXECUTIVE COMPENSATION

The Board of Directors, specifically through the Human Resources Committee, oversees the credit union's compensation program and directly approves CEO compensation. The Board aims to design team member compensation to attract, motivate, and retain individuals with the necessary skills. Salaries and benefits are structured to maintain internal fairness and competitiveness within the local community, interprovincial public corporations, and financial service providers.

The total compensation, including short-term incentives, and company-funded benefits paid to Executive Management in 2024 totaled $1.76 million, compared to $1.51 million in 2023.

CONEXUS, CORNERSTONE, AND SYNERGY CREDIT UNIONS EXPLORE POTENTIAL MERGER

Conexus, Cornerstone, and Synergy Credit Unions are exploring a potential merger. Together for a Thriving Saskatchewan, is an initiative driven by a shared vision to combine resources and strategic investments to create a stronger, more resilient province-wide credit union that can better serve the evolving needs of our members and communities.

WHY MERGE?

Due to increased competition, regulatory pressures, and the opportunity for meaningful organic growth, credit unions in Canada are increasingly turning to mergers to achieve the necessary scale.

Together, we'll learn how we can best address future investment needs, meet specialized resource demands, and tackle competitive and regulatory pressures, to ensure a sustainable credit union for the long-term.

We believe merging our collective strengths has the potential to drive economic growth, further empower our communities, and support the dreams of individuals, farmers and businesses across the province.

OPPORTUNITIES

Combined, we see opportunities through a merger where:

- We will cultivate member relationships that foster loyalty and trust.
- We will be fiercely competitive by offering a breadth of modern products, services, and personalized advice.
- We will create the capacity for reinvestment toward innovation, necessary to remain sustainable in the long-term, while ensuring an efficient operation.
- We will sustain our ability to materially impact social issues and economic well-being within our Saskatchewan communities.
- We will have the financial strength to offer a relevant member loyalty program.
- We will have a diverse and inclusive workplace that retains and attracts talented employees who are committed to delivering an exceptional member experience.

TOGETHER FOR A THRIVING SASKATCHEWAN

We look forward to this promising journey ahead, as we strive to create a credit union that goes beyond financial services, becoming a catalyst for economic growth and a thriving Saskatchewan.

MORE ABOUT OUR PARTNERS

ABOUT CONEXUS CREDIT UNION

Conexus has more than 80 years of serving members and giving back to local communities. Conexus manages $10 billion in assets and has 897 employees serving nearly 145,000 members across 30 locations in Saskatchewan.

To learn more about Conexus, visit conexus.ca.

ABOUT CORNERSTONE CREDIT UNION

Cornerstone is the product of many mergers over the years, with the most recent in 2021 with Cornerstone, Horizon and Plainsview credit unions. Cornerstone has over $2.6 billion in assets under management with 15 branches within East-Central Saskatchewan. Cornerstone Credit Union serves over 30,000 members and has an employee base of 280.

To learn more about Cornerstone, visit cornerstonecu.com.

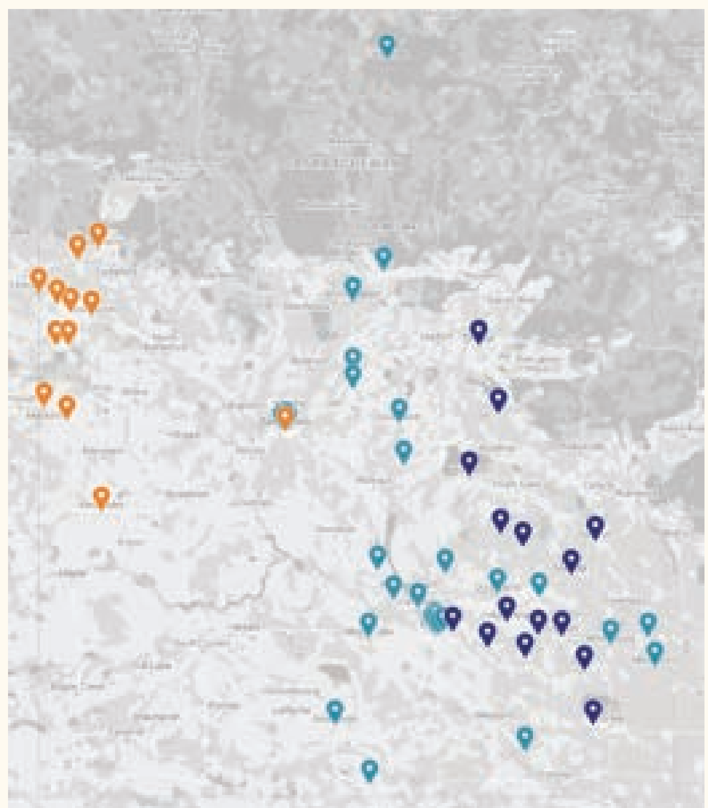
ABOUT SYNERGY CREDIT UNION

Synergy is a member-owned financial institution serving over 27,000 members with 12 branches across west-central Saskatchewan. As the fifth-largest credit union in Saskatchewan, Synergy has 238 employees and manages over $2.8 billion in assets under management, standing tall among Canada's leading credit unions.

To learn more about Synergy, visit synergycu.ca.

WHERE YOU CAN FIND US

The new credit union will have branches located throughout Saskatchewan as indicated on the map below.



WHAT'S NEXT?

We are currently in the exploration phase, which includes thorough due diligence to inform a comprehensive business case. We remain dedicated to transparent communication throughout our journey. The business case will validate the expected benefits of the merger and, if approved, the recommendation will be presented to you, our valued members, for the final decision.

Intent to Explore — November 2024 to March 2025

Recommendation — April 2025 to June 2025

A business case will be developed and presented to the Boards of Directors for approval by April 2025. If the business case is approved, a recommendation of merger will be presented to members.

Member Vote & Results — June 2025

If the recommendation is to proceed with a merger, members of all three credit unions will have the final say in shaping the future of their credit union through a member vote.

Regulatory Approvals — Dependant on Vote

We require consent from the provincial regulator and clearance from the Competition Bureau to proceed.

Merger — January 1, 2026

If approved, the new credit union will take effect January 1, 2026.

STAY CONNECTED!

We are committed to keeping you informed along our journey! You can find the following information and more about this potential merger by visiting any of our branches or our shared website at: thrivingtogethersk.ca

- **Detailed Information** about the proposed merger.
- **Frequently Asked Questions** to address your key questions or concerns.
- **A Feedback Form** to share your questions, comments, or ideas.

Your voice matters, and we're here to listen. Together, we can build a stronger future for our members, employees, and communities.

FINANCIAL STATEMENTS

2024 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 IFRS® Accounting 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.

Trevor Beaton
Chief Executive Officer

Christine Tucker
Chief Financial Officer

March 24, 2025
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, 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting 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 IFRS® Accounting 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 24, 2025
Saskatoon, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31

($ thousands)	NOTE	2024	2023
ASSETS			
Cash and cash equivalents	4	73,335	66,635
Investments	5	344,447	436,963
Loans	6	1,579,211	1,389,282
Foreclosed property		78	214
Other receivables		343	512
Other assets		3,475	2,218
Property, plant and equipment	7	26,368	28,215
Intangible assets		1,067	901
Deferred tax assets	13	1,188	1,368
		2,029,512	**1,926,308**
LIABILITIES			
Deposits	8	1,821,586	1,709,793
Loans payable	9	-	2,447
Other liabilities	10	7,135	10,562
Membership shares	11	21,780	34,940
Allocation payable to members	11	3,794	2,796
		1,854,295	**1,760,538**
Commitments (Note 18)			
EQUITY			
Retained earnings		158,902	149,455
Contributed surplus		16,315	16,315
		175,217	165,770
		2,029,512	**1,926,308**

The accompanying notes are an integral part of these financial statements

On behalf of the Board of Directors:

Neil Carruthers, President
Board of Directors

Jay Walker, Chair
Audit Committee

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

($ thousands)	NOTE	2024	2023
INTEREST INCOME			
Loans		76,797	66,315
Investments		21,183	20,267
		97,980	86,582
INTEREST EXPENSE			
Deposits		48,947	39,521
Loans		22	129
		48,969	39,650
NET INTEREST INCOME		**49,011**	**46,932**
Provision for credit losses	6	1,472	3,437
NET INTEREST MARGIN		**47,539**	**43,495**
NON-INTEREST INCOME			
Unrealized gains on investments		1,862	63
Gains (losses) on foreclosed property		(49)	69
Other revenue	12	9,936	9,070
		11,749	9,202
NON-INTEREST EXPENSES (Schedule 1)			
Personnel		24,300	22,442
Occupancy		3,841	3,767
Member security		1,524	1,458
General business		12,585	11,451
Organization costs		559	1,220
		42,809	40,338
INCOME BEFORE ALLOCATIONS AND INCOME TAX		**16,479**	**12,359**
Patronage allocation		3,685	1,865
Income tax expense	13	3,347	2,832
COMPREHENSIVE INCOME FOR THE YEAR		**9,447**	**7,662**

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, 2022	141,793	6,451	148,244
Comprehensive income	7,662	-	7,662
Contributed surplus from business combination	-	9,864	9,864
Balance at December 31, 2023	**149,455**	**16,315**	**165,770**
Comprehensive income	9,447	-	9,447
Balance at December 31, 2024	**158,902**	**16,315**	**175,217**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the years ended December 31

($ thousands)	2024	2023
OPERATING ACTIVITIES		
Loan interest received	77,451	66,163
Investment interest received	22,100	18,061
Dividends received	254	18,625
Non-interest revenue received	12,723	9,599
Interest paid	(45,913)	(30,692)
Patronage paid to members	(2,687)	(5,662)
Payments to vendors and employees	(46,752)	(36,111)
Income taxes paid	(3,071)	(722)
Net increase in loans and foreclosed property	(191,403)	(30,905)
Net increase in deposits	108,736	74,867
Net cash from (used in) operating activities	**(68,562)**	**83,223**
INVESTING ACTIVITIES		
Property, plant and equipment and intangible assets purchased	(485)	(1,254)
Purchases of investments	(56,321)	(131,606)
Proceeds on sale and maturities of investments	147,666	36,112
Cash received from business combination	-	16,257
Net cash from (used in) investing activities	**90,860**	**(80,491)**
FINANCING ACTIVITIES		
Membership shares redeemed and distributions (net)	(13,151)	1,783
Repayment of securitization liabilities	(2,447)	(6,146)
Net cash used in financing activities	**(15,598)**	**(4,363)**
Increase (decrease) in cash and cash equivalents	6,700	(1,631)
Cash and cash equivalents, beginning of year	66,635	68,266
Cash and cash equivalents, end of year	**73,335**	**66,635**

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2024
($ 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 twelve credit union branches. The credit union serves members in Lloydminster, Kindersley, Saskatoon 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The financial statements were approved by the Board of Directors and authorized for issue on March 24, 2025.

2. 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.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

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 significant.

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; and
- 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; and
- The timing and extent of missed payments or default events.

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

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

- The period over which the credit union is exposed to credit risk, considering for example, prepayments, extension options, demand features;
- The probability weighted outcome, including identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes;
- The risk of default occurring on loans during their expected lives and during the next 12 months after the reporting date;
- Expected cash shortfalls including recoveries, costs to recover and the effects of any collateral or other credit enhancements;
- Estimates of effective interest rates used in incorporating the time value of money; and
- Effects of the economic changes, such as inflation and interest rate changes, 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; and
- 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 (a subsidiary of Equitable Bank) shares approximates its cost based on the terms that the equity investments cannot be transferred, the shares cannot be sold and new shares are issued at par value of all currently held shares.

3. MATERIAL ACCOUNTING POLICIES

The material 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.

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 3.

Financial instruments

Financial assets

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and de-recognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash equivalents, other receivables, loans and certain investments held.
- Mandatorily 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).

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. Derivatives measured at fair value through profit or loss are comprised of index linked derivatives.

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.

3. **MATERIAL ACCOUNTING POLICIES** (continued)

Impairment (continued)

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 17 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 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; or
- 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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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 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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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*.

4. CASH AND CASH EQUIVALENTS

	2024	2023
Cash on hand	4,339	4,021
Deposits on demand	68,996	62,614
	73,335	**66,635**

5. INVESTMENTS

	2024	2023
Amortized Cost		
SaskCentral liquidity deposits	135,251	94,018
SaskCentral liquidity term deposits	17,749	53,982
Non-redeemable term deposits	121,500	223,500
Marketable bonds and bank terms	45,075	32,796
Debentures	899	971
Accrued interest	2,389	3,488
Total amortized cost	**322,863**	**408,755**
Fair Value Through Profit Loss (FVTPL)		
SaskCentral shares	4,621	5,886
Concentra Bank shares	-	8,000
Investment funds	16,950	14,237
Preferred shares	13	13
Accrued interest	-	72
Total fair value through profit loss (FVTPL)	**21,584**	**28,208**
Total investments	**344,447**	**436,963**

Pursuant to Regulations, the Standards of Sound Business Practices (SSBP) requires that the credit union maintain 8.65% of its total liabilities in specified liquidity deposits. The provincial regulator for credit unions, CUDGC, requires that the credit union adhere to these prescribed limits and restrictions. As of December 31, 2024 and 2023, the credit union met the requirements.

SaskCentral is owned by Saskatchewan credit unions acting as their liquidity manager. SaskCentral maintains business relationships with, and invests in, several cooperative entities on behalf of Saskatchewan credit unions, including CU CUMIS Wealth Holdings LP (CUC Wealth) and CGI (previously Celero Solutions).

6. LOANS

	2024				
	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	148,008	-	-	(11)	147,997
Commercial	452,728	9,233	(567)	(1,789)	459,605
Residential	685,429	2,725	(237)	(273)	687,644
Consumer loans	135,161	724	(469)	(2,071)	133,345
Business loans	150,363	1,947	(403)	(1,287)	150,620
Total loans	**1,571,689**	**14,629**	**(1,676)**	**(5,431)**	**1,579,211**

6. **LOANS** (continued)

2023	Performing	Impaired	Allowance Specific	Allowance for Expected Credit Losses	Net Loans
Mortgages					
Agriculture	134,639	-	-	(8)	134,631
Commercial	325,179	9,723	(4,785)	(1,545)	328,572
Residential	662,063	4,039	(397)	(270)	665,435
Consumer loans	126,245	966	(599)	(2,102)	124,510
Business loans	135,804	1,541	(140)	(1,071)	136,134
Total loans	**1,383,930**	**16,269**	**(5,921)**	**(4,996)**	**1,389,282**

Included in the above balances are securitized residential mortgages amounting to $0 (2023 - $2,475). These residential mortgages have been pledged as collateral for secured borrowings of $0 (2023 - $2,447).

Changes in allowance for credit losses	2024	2023
Balance at beginning of year	10,917	7,743
Acquired through business combination	-	221
Provision for credit losses	1,472	3,437
Amounts written-off	(5,282)	(484)
Balance at end of year	**7,107**	**10,917**

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:

	2024			
	1 to 59 days	60 to 90 days	More than 90 days	Total days
Mortgages				
Agriculture	951	-	-	951
Commercial	3,000	-	-	3,000
Residential	7,388	23	-	7,411
Consumer loans	2,605	107	-	2,712
Business loans	1,015	32	-	1,047
Total loans	**14,959**	**162**	**-**	**15,121**

	2023			
	1 to 59 days	60 to 90 days	More than 90 days	Total days
Mortgages				
Agriculture	1,095	-	-	1,095
Commercial	1,623	-	-	1,623
Residential	13,111	989	-	14,100
Consumer loans	2,686	152	-	2,838
Business loans	1,221	37	-	1,258
Total loans	**19,736**	**1,178**	**-**	**20,914**

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2022	6,529	39,719	7,143	136	53,527
Additions	-	945	280	-	1,225
Disposals	-	-	(1,164)	-	(1,164)
Acquisitions through business combination	35	810	128	-	973
Balance at December 31, 2023	6,564	41,474	6,387	136	54,561
Additions	-	100	95	-	195
Disposals	-	(2)	(138)	-	(140)
Balance at December 31, 2024	**6,564**	**41,572**	**6,344**	**136**	**54,616**

Accumulated depreciation	Land	Buildings and improvements	Furniture and equipment	Automotive	Total
Balance at December 31, 2022	-	19,237	5,018	131	24,386
Depreciation	-	1,593	601	5	2,199
Disposals	-	-	(1,164)	-	(1,164)
Acquisitions through business combination	-	797	128	-	925
Balance at December 31, 2023	-	21,627	4,583	136	26,346
Depreciation	-	1,571	467	-	2,038
Disposals	-	(2)	(134)	-	(136)
Balance at December 31, 2024	**-**	**23,196**	**4,916**	**136**	**28,248**

Net book value	Land	Buildings and improvements	Furniture and equipment	Automotive	Total
At December 31, 2023	6,564	19,847	1,804	-	28,215
At December 31, 2024	**6,564**	**18,376**	**1,428**	**-**	**26,368**

8. DEPOSITS

	2024	**2023**
Demand deposits	969,417	937,227
Term deposits	833,431	756,884
Accrued interest	18,738	15,682
	1,821,586	**1,709,793**

9. LOANS PAYABLE

	2024	2023
Financial liabilities from securitizations	-	**2,447**

Financial liabilities from securitizations

At December 31, 2024, the carrying amount of the secured borrowings was $0 (2023 - $2,475) with a weighted average interest rate of 0% (2023 - 1.15%). 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 17.

SaskCentral

The credit union has an authorized line of credit bearing interest at prime less 0.50% in the amount of $19,250 (2023 - $18,300) from SaskCentral. Prime rate was 5.45% at December 31, 2024. At December 31, 2024 and 2023, the credit union had $0 outstanding on this line of credit.

The credit union also has available through SaskCentral a commercial paper facility in the amount of $19,250 (2023 - $18,300). 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, 2024 and 2023, the credit union had $0 drawn on this program, bearing nil interest. As at December 31, 2024 and 2023, 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 (2023 - $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, 2024 and 2023, 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, 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 Concentra Prime Rate less 0.90% (2023 - three-month CDOR rate plus 1.00%) for funds secured by insured mortgages, and the Concentra Prime Rate less 1.25% (2023 - three-month CDOR rate plus 0.65%) 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.

10. OTHER LIABILITIES

	2024	2023
Accounts payable and accrued liabilities	6,200	9,736
Corporate income taxes payable	594	492
Retained member capital for distribution	341	334
	7,135	**10,562**

11. 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 to $10 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.

	2024	2023
Balance, beginning of year	34,940	33,214
Allocations to members		
Interest rebate to borrowers	866	875
Bonus interest to investors	824	772
Share dividend	986	1,014
New Community member legacy capital	-	2,688
Redemptions on member accounts	(15,981)	(3,768)
Allocated membership shares	21,635	34,795
Other membership shares	145	145
Total membership shares	**21,780**	**34,940**

The Board of Directors declared a patronage allocation in the amount of $3,794 on December 31, 2024 (2023 - $2,796). The patronage allocation approved by the Board of Directors is based on the amount of loan interest paid, deposit interest earned, and a dividend based on outstanding ProfitShare balances as of December 31, 2024.

	2024	2023
Interest rebate to borrowers	1,597	884
Bonus interest to investors	1,333	863
Share dividend	864	1,049
	3,794	**2,796**

12. OTHER REVENUE

	2024	2023
Deposit fees and commissions	3,671	3,469
Wealth services	2,911	2,730
Insurance	872	865
Loan fees	1,624	1,070
Credit card	445	440
Lease	313	322
Other	100	174
	9,936	**9,070**

13. INCOME TAXES

Income tax expense is comprised of:	2024	2023
Current tax expense	3,167	2,261
Deferred tax expense	180	571
	3,347	**2,832**

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

	2024	2023
Income before income taxes	12,794	10,494
Combined federal and provincial tax rate	27.00%	27.00%
Income tax expense at statutory rate	3,454	2,833
Adjusted for the net effect of:		
Non-deductible and other items	15	13
Non-taxable dividends	(31)	(104)
Differences in expected income tax rates	(126)	(4)
Refundable taxes	(23)	(74)
Prior year adjustments to income tax provision	57	168
	3,347	**2,832**

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

	2024	2023
Deferred tax assets (liabilities)		
Property, plant and equipment	693	498
Loans	1,512	1,509
Unrealized gains on fair value through profit or loss investment funds	(1,017)	(639)
Net deferred tax asset	**1,188**	**1,368**

14. 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, fair value gains/losses on own use property, reverse mortgage exposures greater than 80% LTV and capitalized mortgage portfolio insurance premiums. 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 2024:

	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, 2024 and 2023, the credit union complied with all internal and external capital requirements.

Eligible capital

	2024	2023
Risk-weighted assets	**1,330,621**	**1,093,505**
CET1 capital comprises:		
Retained earnings	158,902	149,455
Contributed surplus	16,315	16,315
Deductions from CET1 capital:		
Intangible assets	(1,067)	(901)
Total eligible tier 1 capital	174,150	164,869
Tier 2 capital comprises:		
Membership capital	25,574	37,736
Collective allowance	5,431	4,996
Total tier 2 capital	31,005	42,732
Total eligible capital	**205,155**	**207,601**

Regulatory capital adequacy ratios

	2024	2023
Total eligible capital to risk-weighted assets	15.42%	18.98%
Total tier 1 capital to risk-weighted assets	13.09%	15.08%
CET1 capital to risk-weighted assets	13.09%	15.08%
Leverage ratio	9.60%	10.65%

15. 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 $264 (2023 - $187).

	2024	2023
Loans outstanding at January 1	6,791	5,827
Loans granted (repaid) during the year, net	(487)	964
	6,304	**6,791**

Member deposits

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 $77 (2023 - $48).

	2024	2023
Deposits at January 1	3,770	2,500
Deposits received during the year, net	243	1,270
	4,013	**3,770**

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 2024 was $14 (2023 - $9).

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 Director, Finance & Accounting, VP, Human Resources, Corporate Secretary & Executive Administrator and Internal Auditor.

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

	2024	2023
Directors		
Compensation and other short-term benefits	186	172
Executive leadership team		
Salaries and other short-term benefits	1,681	1,439
Post-employment benefits	76	71
Other key management personnel		
Salaries and other short-term benefits	1,493	1,257
Post-employment benefits	82	75
	3,518	**3,014**

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 2024 is $388 (2023 - $287) and OKMP 2024 is $220 (2023 - $135). Travel and training costs to members of the board in 2024 were $38 (2023 - $27).

16. 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.

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

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

2024	Carrying amount	Level 1	Level 2	Level 3
FINANCIAL ASSETS -Recurring measurements				
Fair value through profit loss (FVTPL)				
Cash on hand	4,339	-	4,339	-
SaskCentral shares	4,621	-	-	4,621
Investment funds	16,950	-	-	16,950
Preferred shares	13	-	-	13
Total financial assets- recurring measurements	**25,923**	**-**	**4,339**	**21,584**
FINANCIAL ASSETS – Fair values disclosed				
Amortized cost				
Deposits on demand	68,996	-	68,996	-
SaskCentral liquidity term deposits	17,749	-	17,749	-
SaskCentral liquidity deposits	135,251	-	135,251	-
Non-redeemable term deposits	121,500	-	121,500	-
Marketable bonds and bank terms	45,075	-	45,075	-
Debentures	899	-	899	-
Accrued interest	2,389	-	2,389	-
Loans	1,579,211	-	1,574,047	-
Other receivables	343	-	343	-
Total financial assets - fair values disclosed	**1,971,413**	**-**	**1,966,249**	**-**
FINANCIAL LIABILITIES – Fair values disclosed				
Other financial liabilities				
Deposits	1,821,586	-	1,829,833	-
Other liabilities	6,541	-	6,541	-
Member capital	25,574	-	-	25,574
Total financial liabilities – fair values disclosed	**1,853,701**	**-**	**1,836,374**	**25,574**

2023	Carrying amount	Level 1	Level 2	Level 3
FINANCIAL ASSETS – Recurring measurements				
Fair value through profit loss (FVTPL)				
Cash on hand	4,021	-	4,021	-
SaskCentral shares	5,886	-	-	5,886
Concentra Bank shares	8,000	-	-	8,000
Investment funds	14,237	-	-	14,237
Preferred shares	13	-	-	13
Accrued interest	72	-	-	72
Total financial assets – recurring measurements	**32,229**	**-**	**4,021**	**28,208**
FINANCIAL ASSETS – Fair values disclosed				
Amortized cost				
Deposits on demand	62,614	-	62,614	-
SaskCentral liquidity term deposits	53,982	-	53,982	-
SaskCentral liquidity deposits	94,018	-	94,018	-
Non-redeemable term deposits	223,500	-	223,500	-
Marketable bonds and bank terms	32,796	-	32,796	-
Debentures	971	-	971	-
Accrued interest	3,488	-	3,488	-
Loans	1,389,282	-	1,351,956	-
Other receivables	512	-	512	-
Total financial assets - fair values disclosed	**1,861,163**	**-**	**1,823,837**	**-**
FINANCIAL LIABILITIES – Fair values disclosed				
Other financial liabilities				
Deposits	1,709,793	-	1,668,823	-
Loans payable	2,447	-	2,381	-
Other liabilities	10,070	-	10,070	-
Member capital	37,736	-	-	37,736
Total financial liabilities – fair values disclosed	**1,760,046**	**-**	**1,681,274**	**37,736**

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, 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.

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

Changes in recurring measurement level 3 assets	2024	2023
Balance, beginning of year	28,136	30,001
Gains recognized in comprehensive income	1,862	63
Additions	946	1,701
Acquisitions through business combination	-	1,990
Disposals	(9,360)	(5,619)
Balance, end of year	**21,584**	**28,136**

17. 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.

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.

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. Key factors influencing assumptions are economic uncertainties tied to the change in Government and the threat of tariffs, inflationary concerns, continuing higher interest rate environment, and the borrower's future ability to service debt.

The credit union has run a number of simulations on its collective allowance, incorporating assumptions about the resulting macroeconomic impacts of current interest rate environment, based on information and facts available at December 31, 2024. 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 business loans and commercial mortgages by 10%, and consumer loans and residential mortgages by 5% suggesting a decline in debt servicing due to economic uncertainties with a change in Government and pending tariffs; and
- *Model 3* – adjusting the minimum threshold for Stage 1 - low credit risk files by increasing the consumer credit score from 600 to 640 and commercial risk rating from 5 to 4, and stressing the commercial mortgages, business loans, consumer loans and residential mortgages by 5%, suggesting a further decline in debt service ability with the pending tariffs, rising costs and higher interest rates

The weightings chosen on December 31, 2024 were 50% for model 1, 40% for model 2 and 10% for model 3. This approach resulted in an increase of $347 to the collective provision at December 31, 2024.

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

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, 2024	**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	134,697	13,311	-	**148,008**	10	1	-	**11**	**147,997**
Commercial	404,433	43,934	13,594	**461,961**	470	1,613	273	**2,356**	**459,605**
Residential	602,949	83,864	1,341	**688,154**	154	326	30	**510**	**687,644**
Consumer loans	122,297	13,101	487	**135,885**	466	1,697	377	**2,540**	**133,345**
Business loans	127,922	22,477	1,911	**152,310**	107	1,250	333	**1,690**	**150,620**
Total	**1,392,298**	**176,687**	**17,333**	**1,586,318**	1,207	4,887	1,013	**7,107**	**1,579,211**

December 31, 2023	**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	128,028	6,611	-	**134,639**	7	1	-	**8**	**134,631**
Commercial	282,150	43,436	9,316	**334,902**	369	1,404	4,557	**6,330**	**328,572**
Residential	578,185	85,670	2,247	**666,102**	136	258	273	**667**	**665,435**
Consumer loans	113,633	13,089	489	**127,211**	498	1,787	416	**2,701**	**124,510**
Business loans	115,372	20,957	1,016	**137,345**	122	996	93	**1,211**	**136,134**
Total	**1,217,368**	**169,763**	**13,068**	**1,400,199**	1,132	4,446	5,339	**10,917**	**1,389,282**

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, Kindersley, and Saskatoon, 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.

2024	**Allowance for Credit Losses (ACL)**			
	Stage 1	Stage 2	Stage 3	**Gross Loans**
Agriculture Mortgages				
Balance at December 31, 2023	7	1	-	**8**
Net remeasurement of loss allowance	3	-	-	**3**
Balance at December 31, 2024	**10**	**1**	**-**	**11**
Commercial Mortgages				
Balance at December 31, 2023	369	1,404	4,557	**6,330**
Net remeasurement of loss allowance	101	209	(4,284)	**(3,974)**
Balance at December 31, 2024	**470**	**1,613**	**273**	**2,356**
Residential Mortgages				
Balance at December 31, 2023	136	258	273	**667**
Net remeasurement of loss allowance	18	68	(243)	**(157)**
Balance at December 31, 2024	**154**	**326**	**30**	**510**
Consumer loans				
Balance at December 31, 2023	498	1,787	416	**2,701**
Net remeasurement of loss allowance	(32)	(90)	(39)	**(161)**
Balance at December 31, 2024	**466**	**1,697**	**377**	**2,540**
Business loans				
Balance at December 31, 2023	122	996	93	**1,211**
Net remeasurement of loss allowance	(15)	254	240	**479**
Balance at December 31, 2024	**107**	**1,250**	**333**	**1,690**
Total allowance for credit losses				**7,107**

2023	**Allowance for Credit Losses (ACL)**			
	Stage 1	Stage 2	Stage 3	**Gross Loans**
Agriculture Mortgages				
Balance at December 31, 2022	8	2	7	**17**
Net remeasurement of loss allowance	(1)	(1)	(7)	**(9)**
Balance at December 31, 2023	**7**	**1**	**-**	**8**
Commercial Mortgages				
Balance at December 31, 2022	253	1,711	96	**2,060**
Net remeasurement of loss allowance	116	(307)	4,461	**4,270**
Balance at December 31, 2023	**369**	**1,404**	**4,557**	**6,330**
Residential Mortgages				
Balance at December 31, 2022	139	578	581	**1,298**
Net remeasurement of loss allowance	(3)	(320)	(308)	**(631)**
Balance at December 31, 2023	**136**	**258**	**273**	**667**
Consumer loans				
Balance at December 31, 2022	491	1,699	296	**2,486**
Net remeasurement of loss allowance	7	88	120	**215**
Balance at December 31, 2023	**498**	**1,787**	**416**	**2,701**
Business loans				
Balance at December 31, 2022	109	1,500	273	**1,882**
Net remeasurement of loss allowance	13	(504)	(180)	**(671)**
Balance at December 31, 2023	**122**	**996**	**93**	**1,211**
Total allowance for credit losses				**10,917**

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Investments

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

	2024	2023
AA	40,939	33,746
A-	5,131	-
R-1	157,649	257,279
BBB	122,854	131,675
Unrated	17,874	14,263
Total investments	**344,447**	**436,963**

Loan portfolio

Please refer to Note 6 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 18.

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.

2024	Less than 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Deposits	1,579,703	152,961	88,472	450	1,821,586
Other liabilities	6,541	-	-	-	6,541
Member capital	3,794	-	-	21,780	25,574
Total	**1,590,038**	**152,961**	**88,472**	**22,230**	**1,853,701**

2023	Less than 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Deposits	1,457,949	175,679	73,000	3,165	1,709,793
Loans payable	2,447	-	-	-	2,447
Other liabilities	10,070	-	-	-	10,070
Member capital	2,796	-	-	34,940	37,736
Total	**1,473,262**	**175,679**	**73,000**	**38,105**	**1,760,046**

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.

	2024	
High quality liquid assets (HQLA)	Actual Value	Weighted Value
Level 1 HQLA	185,724	185,724
Level 2A HQLA	1,264	1,074
Level 2B HQLA	146	73
Total HQLA	187,134	**186,871**
Cash outflows		
Stable retail deposits	364,233	18,212
Less stable retail deposits	110,642	11,064
Retail term deposits > 30 days	562,932	-
Unsecured wholesale funding	765,041	67,936
Other contractual funding obligations	361,324	26,232
Total cash outflows	2,164,172	123,444
Cash inflows		
Inflows from loan repayments	12,540	6,270
Inflows from other counterparties not included in HQLA	52,301	52,301
Total cash inflows	64,841	58,571
Cash inflows after CUDGC maximum inflow cap applied, if required		58,571
Total net cash outflows		**64,873**

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Policies and processes (continued)

	2023	
High quality liquid assets (HQLA)	Actual Value	Weighted Value
Level 1 HQLA	133,974	133,974
Level 2A HQLA	7,876	6,694
Level 2B HQLA	19,144	9,572
Total HQLA	160,994	**150,240**
Cash outflows		
Stable retail deposits	359,684	17,984
Less stable retail deposits	94,952	9,495
Retail term deposits > 30 days	524,406	-
Unsecured wholesale funding	715,233	61,298
Other contractual funding obligations	282,861	17,401
Total cash outflows	1,977,136	106,178
Cash inflows		
Inflows from loan repayments	11,799	5,900
Inflows from other counterparties not included in HQLA	64,639	64,639
Total cash inflows	76,438	70,539
Cash inflows after CUDGC maximum inflow cap applied, if required		70,539
Total net cash outflows		**35,639**

Quarterly LCR history

	2024	2023
At March 31	556%	294%
At June 30	565%	459%
At September 30	398%	605%
At December 31	288%	421%

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 2024 internal LCR limit of 100% and the CUDGC limit of 100% for 2024.

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.

2024	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	68,996	-	-	-	-	4,339	73,335
Effective rate	*1.92%*	-	-	-	-	-	*1.81%*
Investments	134,773	31,500	89,616	56,132	10,855	21,571	344,447
Effective rate	*3.65%*	*4.04%*	*4.59%*	*3.93%*	*5.04%*	-	*3.77%*
Loans	335,029	40,209	207,180	942,853	53,940	-	1,579,211
Effective rate	*6.87%*	*4.75%*	*4.34%*	*4.93%*	*6.26%*	-	*5.30%*
Other receivables	-	-	-	-	-	343	343
	538,798	**71,709**	**296,796**	**998,985**	**64,795**	**26,253**	**1,997,336**
Liabilities							
Deposits	580,128	153,723	438,268	241,433	450	407,584	1,821,586
Effective rate	*1.96%*	*4.59%*	*4.21%*	*4.33%*	*4.00%*	-	*2.60%*
Other liabilities	-	-	-	-	-	6,541	6,541
Member capital	-	-	-	-	-	25,574	25,574
	580,128	**153,723**	**438,268**	**241,433**	**450**	**439,699**	**1,853,701**
Net mismatch	**(41,330)**	**(82,014)**	**(141,472)**	**757,552**	**64,345**	**(413,446)**	**143,635**

2023	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	62,614	-	-	-	-	4,021	66,635
Effective rate	*4.97%*	-	-	-	-	-	*4.67%*
Investments	97,578	78,000	185,640	46,801	822	28,122	436,963
Effective rate	*5.16%*	*4.45%*	*4.99%*	*3.00%*	*3.25%*	-	*4.45%*
Loans	253,791	38,922	159,145	886,252	51,172	-	1,389,282
Effective rate	*8.48%*	*4.70%*	*4.85%*	*4.39%*	*5.78%*	-	*5.25%*
Other receivables	-	-	-	-	-	512	512
	413,983	**116,922**	**344,785**	**933,053**	**51,994**	**32,655**	**1,893,392**
Liabilities							
Deposits	562,592	130,104	375,306	248,679	3,165	389,947	1,709,793
Effective rate	*2.55%*	*3.92%*	*4.31%*	*4.21%*	*4.93%*	-	*2.71%*
Loans payable	-	-	2,447	-	-	-	2,447
Effective rate	-	-	*1.47%*	-	-	-	*1.47%*
Other liabilities	-	-	-	-	-	10,070	10,070
Member capital	-	-	-	-	-	37,736	37,736
	562,592	**130,104**	**377,753**	**248,679**	**3,165**	**437,753**	**1,760,046**
Net mismatch	**(148,609)**	**(13,182)**	**(32,968)**	**684,374**	**48,829**	**(405,098)**	**133,346**

17. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Interest rate risk (continued)

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	2024	2023
1% rise in the prime interest rate	984	464
1% decrease in the prime interest rate	(984)	(464)

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, 2024.

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.

18. COMMITMENTS

Operating leases

The credit union leases a parking lot from the City of Lloydminster for a 5 year term with a 12 month termination notice. The commitment for this lease is $5. The credit union leases two postage machines with 66-month terms expiring in 2028. The total commitment for these equipment leases is $22.

Commitments subject to credit risk

Standby letters of credit represent irrevocable assurances that the credit union will make payments in the event that a member cannot meet its obligations to third parties, and they carry the same risk, recourse and collateral security requirements as loans extended to members.

Commitments to extend credit represent unutilized portions of authorizations to extend credit in the form of loans, bankers' acceptances or letters of credit. The credit union makes the following instruments available to its members:

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

The amounts shown on the table below do not necessarily represent future cash requirements since many commitments will expire or terminate without being funded. As at December 31, 2024, the credit union had the following other commitments subject to credit risk:

	2024	2023
Undrawn lines of credit	208,847	250,154
Standby letters of credit	915	1,034
Commitments to extend credit	156,824	34,111
Venture Capital cash calls	7,052	4,789
Collabria MasterCard guarantees	109	186
	373,747	**290,274**

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
2025	1,328
2026	88
2027	10
2028	10
2029	10
Thereafter	10
	1,456

In the table above, property, plant and equipment commitments are $0 and intangible asset commitments total $80.

19. 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)	2024	2023
PERSONNEL		
Salaries	18,020	16,946
Employee profit sharing	1,897	1,398
Employee benefits	3,834	3,450
Other	549	648
	24,300	**22,442**
OCCUPANCY		
Building depreciation	1,571	1,593
Building and land taxes	519	462
Building fire insurance	246	230
Building maintenance	457	401
Heat, light and water	250	344
Janitorial services	540	531
Other	258	206
	3,841	**3,767**
MEMBER SECURITY		
CUDGC deposit insurance assessment	1,355	1,293
Fidelity and burglary insurance	169	165
	1,524	**1,458**
GENERAL BUSINESS		
Advertising and donations	1,652	1,333
Automotive	23	33
Computer costs	4,909	5,421
Equipment depreciation	467	601
External audit	95	156
Foreclosed property	122	138
Loan, search and legal fees	895	619
Overdraft and fraud losses	78	100
Card fees	158	148
Service, clearing and ATM charges	2,812	1,728
Stationary and supplies	75	72
Telephone and postage	386	322
Other	913	780
	12,585	**11,451**
ORGANIZATION COSTS		
Annual meetings	24	24
Director compensation and expenses	265	233
SaskCentral dues	82	81
Other	188	882
	559	**1,220**
TOTAL NON-INTEREST EXPENSES	**42,809**	**40,338**

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Credit Union Deposit Guarantee Corporation (the Corporation) functions as the deposit guarantor for Saskatchewan's provincially regulated credit unions (Saskatchewan Credit Unions) and serves as the primary regulator for Saskatchewan Credit Unions and Credit Union Central of Saskatchewan (SaskCentral). Collectively, these entities are referred to as Provincially Regulated Financial Institutions or "PRFIs". The Corporation operates under provincial legislation, namely, *The Credit Union Act, 1998* and *The Credit Union Central of Saskatchewan Act, 2016*.

The responsibility for overseeing the Corporation is assigned to the Registrar of Credit Unions with the Financial and Consumer Affairs Authority of Saskatchewan as specified by provincial legislation.

Established in 1953, the Corporation holds the distinction of being the first deposit guarantor in Canada, ensuring the safety of deposits against credit union failure. Through the promoting of responsible governance, risk management, and prudent management of capital, liquidity, along with guaranteeing deposits, the Corporation plays a crucial role in fostering 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

Our Market Code is about living by a promise to consistently follow best practices for soliciting, promoting, advertising, marketing, selling and distributing our products or services.

synergycu.ca