

# Better Banking

2016 Annual Report



**Affinity**  
Credit Union





“Affinity is passionate  
about community  
and so am I.”

Member Shannon Richards

Listen to Shannon's  
story on YouTube/  
Affinity Credit Union





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Scott Flavel, Board President and Mark Lane, CEO

“We’re part of the better banking movement.”

Scott Flavel, Board President



# CEO AND BOARD PRESIDENT'S REPORT

On behalf of the Board of Directors, executive management and employees, we're pleased to present the 2016 Annual Report for Affinity Credit Union.

Throughout 2016, we focused on delivering consistent value to our members, enhancing operational efficiencies, meeting the changing needs of our members and keeping true to our co-operative values and principles.

We also made great progress in our key focus areas of member service and innovation, community building, employee engagement and financial strength.

## MEMBER SERVICE AND INNOVATION

Our focus in 2016 was on making member access to our services as easy as possible through innovative technologies while continuing to deliver excellent service. We asked members about the improvements they'd like to see and adapted some of our products and services accordingly.

These innovations included the introduction of online account opening and investment product renewals which were immediately popular with members. Online residential mortgage renewals via e-signature followed this success.

Again in 2016, we added services to our mobile app. Many of our members can now make everyday purchases with their android smartphones using Mobile Pay – another huge success.

Shopping online is now easier than ever! Using INTERAC Online Payment†, members can now make online purchases or send payments without using a credit card. The purchase amount is debited instantly from their Affinity account. This type of shopping is increasingly popular with more Canadians using this service every year.

† Trade-mark of INTERAC Inc. Used under license.

For our business members, we introduced a brand new tailor-made service – business online banking – which easily allows members to manage their business accounts in a secure environment. Some of the great features include the ability to view all their accounts with one login, to set up multiple users with varying levels of approvals and permissions for each user, pay bills, including Canada Revenue Agency payments and much more!

Although our focus in 2016 was on how to make member access to our services as easy as possible, we made sure relationship building and personal service were key in all of our interactions. We made in-branch membership opening more welcoming by offering immediate and quick membership opening services without the need for an appointment. Affinity's friendly and knowledgeable employees are ready to serve!

2016 was a year of innovation and improved member experiences and we look forward to reporting further developments over the coming year.

## COMMUNITY BUILDING

Guided by our co-operative principles, we continued to deepen our commitment to values-based banking and corporate social responsibility. Affinity's goal is to foster healthy communities and productive economies.

In 2016, we continued our focus on our alternative lending programs including community impact loans and small business micro-loans. Both programs support and boost economic development in all Saskatchewan communities. In 2016, Affinity provided \$4.36 million in community impact loans to 11 community organizations and \$1.80 million in micro-loans to 74 small businesses or start-ups across the province.

Affinity also continued to be an active partner with Westcap Mgt.Ltd., the Province of Saskatchewan and other Saskatchewan credit unions in the delivery of the HeadStart on a Home® program, which leverages funding made available from the federal government to build entry-level homes in the province. Since August 2011, the HeadStart program has approved over \$461 million in financing to builders and developers. In turn, 2,471 new entry-level homes have been built or are under construction to ease entry-level housing demands – that’s 72 construction projects in 19 different communities across Saskatchewan.

In keeping with our declared support for the United Nations Declaration on the Rights of Indigenous Peoples, we re-committed in 2016 to working on initiatives and programs that enable a deepened engagement with both First Nations and Métis peoples. This included financial literacy programs, support for indigenous languages and cross-cultural knowledge sharing in order to build trust and familiarity. We also celebrated and supported the achievements of indigenous high school and university graduates through sponsorships.

Throughout the year, we used community investment dollars to provide member benefits and to demonstrate to members and non-members alike the benefits of banking with Affinity. As one example, we continued to promote Affinity-exclusive member discounts as part of select sponsorship arrangements with arts and cultural events, tradeshow and other community programs across the province.

Affinity’s ability to be a good corporate citizen is made stronger by our unique governance model, which keeps the credit union connected to its co-operative roots and communities. Our District Council Delegates ensured the voice of our members was heard and responded to. Delegates played a vital role in determining and implementing strategy and guiding the credit union in support of our community funding initiatives. Following vigorous discussions of renewal possibilities within our governance structure, focused on expanding member engagement and streamlining our governance body, all elected officials provided valuable leadership and guidance in developing the final version of the proposed enhancements, which members will be asked to ratify at the 2017 Annual General Meeting (AGM).

In our efforts to strengthen member engagement, we provided members the ability to view our 2016 AGM from any location – even their own home – via a link hosted on our website. This service was enhanced in the latter part of 2016 and will allow full online participation in our AGM beginning in 2017.

## EMPLOYEE ENGAGEMENT

It’s through our employees that we’re able to build an organization that moves quickly and adapts to the changing needs of the real economy. Throughout 2016, we worked on a new organizational design that will enable us to better engage with members. We continue to seek ways to make service delivery more seamless for members while at the same time providing focused support to front-line employees. Over the next few years, we expect our employees to be much more mobile and technologically-enabled as we look to expand our outreach into the communities we serve.

Affinity continued to demonstrate our ongoing commitment to employee continuous learning in 2016. Throughout the year, our organizational focus was on sales and service training for front-line employees, coaching and soft skills for managers – all critical to the in-branch member experience.

We continued to support the involvement of our employees, alongside our elected officials, in community activities and through the Community Spirit Fund, which provides for the allocation of \$200 by each individual to the cause of their choice. We are proud that over 97% of our employees took part in this initiative.

As a visible piece of our commitment to the community, all employees had the opportunity to spend paid volunteer time throughout the year where they were involved in community work. This amounted to 2,518 hours, 342 days and had an estimated economic value of \$80,216.

## FINANCIAL STRENGTH

Financially, we continued to achieve both balanced growth and strong profitability, while enabling and encouraging many local economies and supporting our members to achieve their financial goals.





With online account opening and online mortgage renewals via e-signature, banking is easier, quicker and more efficient for our members

For the first time, Affinity was publicly recognized with an investment grade short-term credit rating of R-1 (low) from Dominion Bond Rating Services (DBRS). This rating was based on DBRS's assessment of Affinity's earning power, risk profile, funding and liquidity, capitalization and franchise strength – all of which received a satisfactory rating.

Over the past number of years, Affinity has achieved solid growth and shown good financial stewardship in the face of continued low interest rates. The DBRS rating is institutionally significant and we're pleased to have them acknowledge their confidence in the credit union from a number of perspectives. For additional details about the Rating Report, please visit [dbrs.com](https://dbrs.com)

The complete financial story for 2016 accompanies this report in the form of our 2016 Summary Consolidated Financial Statements.

## FUTURE

Looking forward, we'll continue to focus on enhancing the member experience through proactive engagement and personal service. This will include further investments in our digital channels and the corresponding assessment of our existing branch network. We will seek to ensure branches are strategically located, offering competitive hours and aligned with member behaviours across all service channels. By choosing this path, we hope to strengthen our credit union and to become the financial institution of choice for people in Saskatchewan.

As always, our values will define our behaviour and guide the way we interact with our members, our communities and one another. By demonstrating our values in everything we do, we'll attract those with shared values to become members and employees of Affinity. We'll continue to support community and economic development initiatives, outreach activities and employee volunteerism. It's our opportunity to make a difference and to build a better world for everyone, every day.

# BETTER BANKING

At Affinity, we're part of the better banking movement and exist to advance the well-being of our members and their communities. We're also guided by co-operative values and principles in all we do and this sets us apart from any other financial institution.

By choosing to bank with Affinity, our members know that with every dollar deposited, they're helping to build the things that matter to them – from local businesses to causes and communities.



## ○ **VISION**

Build a better world for everyone, every day.

## ○ **MISSION**

Enabling members and communities to invest in one another.

## ○ **VALUES**

Open, honest, inclusive and committed.



“As a co-op, Affinity  
has our best interests  
at heart.”

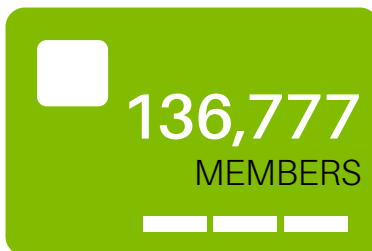
Listen to their story on  
YouTube/Affinity Credit Union

Members Austen, Nicole and Kore Smith

## ABOUT AFFINITY



of the credit union is owned  
and run by members.



in 57 communities

\$6.3<sub>b</sub>

in managed assets



8<sup>th</sup>  
largest credit  
union in Canada

# BANKING LOCAL

## WHAT WE OFFER

- Accounts and cards
- Loans and mortgages
- Investments and advice
- Financial planning and estate planning
- Business and agricultural loans
- Insurance brokerage at [affinityis.ca](http://affinityis.ca)

## INSTANT ACCESS TO SERVICES

- Online banking
- Mobile banking
- Member Contact Center  
1.866.863.6237
- Telephone banking
- Mobile specialists
- Online investment and loan renewals
- Business Banking Centres
- Automated Teller Service (ATM)



100% of our profits are re-invested in Saskatchewan  
\$2.3m was allocated in donations, sponsorships and grants



“We checked out Affinity for our business start-up and never looked back.”

Business Members, Colin Hall and Sarah Garden,  
Co-owners of Bodhi Tree Yoga in Regina

Listen to their story on  
YouTube/Affinity Credit Union



# BOARD OF DIRECTORS

Affinity Credit Union is a financial co-operative governed by a Board of Directors and accountable to the member-owners of the credit union. The Board establishes the vision and oversees core business operations at Affinity while building relationships with members and communities and providing leadership within the values-based banking, co-operative and credit union systems.

The Board has a fiduciary responsibility to the credit union and follows the standards set out in The Credit Union Act 1998, the Standards of Sound Business Practice and other applicable legislation.

The Board, led by a non-executive President, is comprised of 22 independent and elected Directors. Terms are three years in duration and renewable with no limit on tenure. Collectively, the Board is capable of fulfilling its role and represents a variety of experience, education, competencies and knowledge. 32% are women and 68% are men.

The Board delegates the day-to-day leadership and management of Affinity to the Chief Executive Officer, who establishes the accountabilities for each member of the executive leadership team.

**22**

Board Members

**32%**

women

**68%**

men





## ETHICS AND INTEGRITY

Our Board approves credit union policies and management ensures the highest standards of ethics, integrity, honesty, fairness and professionalism are followed at all times.

As at December 31, 2016



**Wayne Amos**  
District 12



**Gailmarie Anderson**  
District 11



**Mitchell Anderson**  
District 23



**Ed Cechanowicz**  
District 23



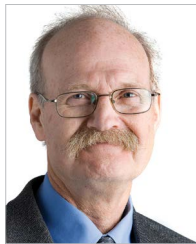
**Duane Chipley**  
District 12



**Deb Chobotuk**  
District 23



**Scott Flavel**  
District 4  
President



**Kearney Healy**  
District 23



**Lois Herback**  
District 5



**Kurt Holfeuer**  
District 23



**Audrey Horkoff**  
District 6  
1st Vice President



**Evelyn Kasahoff**  
District 7



**Milton Kerpan**  
District 11



**Paul Ledoux**  
District 9



**Martin McInnis**  
District 23



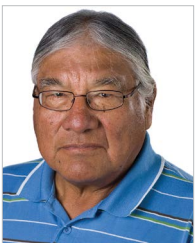
**Hugh Sampson**  
District 10



**Owen Sebastian**  
District 13



**Norman Sheehan**  
District 23



**Cy Standing**  
District 9



**Dannie Wreford**  
District 8  
2nd Vice President



**Vanda Wutzke**  
District 1



**Pauline Ziehl-Grimsrud**  
District 12





## DISTRICT COUNCIL DELEGATES

Our members nominate and elect our Delegates to serve on District Councils. In 2016, there were 12 District Councils representing the members and communities we serve throughout Saskatchewan.

Delegates elect a Board that will make decisions in the best interest of the organization. As members, Delegates provide feedback to the Board to ensure they're well-informed when making decisions and providing oversight. Delegates provide leadership on allocating community investment funds and attend many of our community events.

As of December 31, 2016, we had 116 Delegate positions including 7 vacancies: 47% are women and 53% are men.

<b>District 1</b> Jill Curren Tyler Dueck Henry Dyck Jesse Ens Lise Gareau Terry Hinz Henry Penner Katrina Regier Kristin Schlichemeyer Vanda Wutzke	<b>District 23</b> Mitchell Anderson Gayl Basler Ed Cechanowicz Deb Chobotuk Linsey Gatzke Kearney Healy Kurt Holfeuer Doug Knowles Garry Loehr Martin McInnis Victoria Morris Deirdra Ness Norman Sheehan Cecile Smith Brandi Tracksell-Sampson	<b>District 4</b> Tiffany Dreger Scott Flavel Grant Greenshields Wendy Gullacher Brett Halstead Mike Heinrich Mark Hobman Patricia Isherwood-Thomas Gerald Munholland Kelvin Schapansky Colleen Sekulich Perry Thiessen Sara Trenouth Leni Udell	<b>District 5</b> Nathaniel Cole Jean Dufresne Joyce Fraser Lois Herback Martin Lelliott Gwen Nell Ronda Palmer Gordon Perkins Betty Ann Schiefner
<b>District 6</b> Linda Bourque Bryan Cottenie Darrel Cunningham Rosalie Daisley Janice Dease Georgina Harambura Audrey Horkoff Andrew Kazakoff James Nelson Myra Paslowski	<b>District 7</b> Barb Gooding Joanne Janzen Evelyn Kasahoff Ronn Lepage Becky Loewen Deborah Ann McGuire Mike McLeod Peggy Walker	<b>District 8</b> Lyle Banda Gary Gerein Stephanie Gosselin Philip Joannette Heather Ranger Tina Stene Dannie Wreford	<b>District 9</b> Michael Bob Chief Cadmus Delorme Angela Desjarlais Leighanne Gardipy Alexander Kennedy Paul Ledoux Chief Richard Okemow Jacalyn Pilon Cy Standing Orvin Thomas
<b>District 10</b> Janine Hoey Ray Keller Karl Panas Joseph Rybinski Hugh Sampson Nick Trofimuk	<b>District 11</b> Gailmarie Anderson Don Bohay Randy Boyko Gladys Court Stephanie Gerwing Milton Kerpan Alice McFarlane Dara McMunn Lynn Pederson Larry Sparks Denis Sunderland Paul Ulrich	<b>District 12</b> Wayne Amos Dennis Bode Jasmin Carlton Duane Chipley Garry Lafrentz Cameron Nordin Dyon Stadnick Pauline Ziehl-Grimsrud	<b>District 13</b> Robert Anderson Delana Floberg Michael Greenlay Linda Kutschall Debbie Olesen Linda Ruest Owen Sebastian

# HOW WE ARE GOVERNED

## DELEGATE AND DIRECTOR ELECTION PROCESS

In accordance with the Affinity Credit Union bylaws, members can nominate and elect members to serve as a District Council Delegate. Voting is by electronic or paper ballot. District Council Delegates elect Board Directors from each of their Districts.

## MEMBER ENGAGEMENT

Members are encouraged to engage with the Board of Directors and provide feedback in a variety of ways:

- Through their locally-elected Delegates or directly to the Board of Directors
- By submitting a resolution or participating in a vote at the Annual General Meeting
- By Delegates participating in the All Delegates Meeting, District Council Meetings and on Board committees

## ASSESSING THE BOARD'S PERFORMANCE

In 2016, Affinity appointed an external consultant to facilitate a governance assessment process designed to evaluate the performance of the Chair of the Board and the Chair of each Committee. These evaluations were assessed by the respective members of the Board and each Committee.

## AVOIDING CONFLICTS OF INTEREST

A conflict of interest occurs when a personal interest of a Director or Delegate interferes or is perceived to interfere with the interests of the credit union. To ensure our elected officials contribute according to high ethical standards, each is required to sign a conflict of interest declaration annually. They are also required to declare conflicts on Board, District Council and Committee meeting agendas.

## CONTINUING EDUCATION OF DELEGATES AND DIRECTORS

Directors and Delegates receive the training they need to participate in the governance of the credit union. This includes an orientation program for newly-elected Delegates and recommended courses. Directors and Delegates are reimbursed for expenses incurred in connection with these education programs and receive per diems.

## MANDATE AND RESPONSIBILITIES OF MEMBERS OF BOARD COMMITTEES

Directors and Delegates are expected to prepare for, attend and contribute meaningfully to all Board and Committee meetings and keep deliberations confidential. Each Committee has a mandate outlining its purpose and responsibilities. Committees meet regularly throughout the year and provide regular reports to the Board. Affinity Credit Union has five such Committees.

## BOARD COMMITTEES

Scott Flavel, Board President, is an ex officio member on all Board committees.

- **Audit and Risk Committee** (7 Directors; Board President) – responsible for overseeing risk management and financial reporting integrity.
- **Conduct Review Committee** (7 Directors; Board President) – responsible for overseeing conduct and ethical business standards.
- **Human Resources Committee** (5 Directors; Board President) – responsible for overseeing compensation strategy, succession planning of the executive leadership team and other human resource issues for the organization. This committee also leads the annual process to evaluate the Chief Executive Officer's performance and compensation.



- **Governance Committee** (6 Directors; 5 Delegates; Board President) – responsible for overseeing corporate governance.
- **Co-operative Values Committee** (4 Directors; 1 Delegate from each District; 1 employee; Board President) – responsible for ensuring our co-operative values and traditions remain healthy and robust and for maintaining progressive corporate social responsibility policies.

## BOARD MEETING ATTENDANCE

The Governance Committee is responsible for reporting on Board of Directors' meetings and committee attendance.

2016 BOARD & BOARD COMMITTEE MEETING ATTENDANCE							
COMMITTEE MEMBERSHIP AND ATTENDANCE JANUARY 1-DECEMBER 31, 2016							
BOARD DIRECTORS	BOARD MEETING	AUDIT AND RISK	CONDUCT REVIEW	COMPENSATION LIAISON (JAN 1 - MAY 31) HR (JUNE 1 - DEC 31)	GOVERNANCE	CO-OPERATIVE VALUES	DISTRICT COUNCIL MEETINGS
Wayne Amos	8 of 10			5 of 5			4 of 4
Gailmarie Anderson	9 of 10					4 of 4	4 of 4
Mitchell Anderson	10 of 10	8 of 8	7 of 7				6 of 6
Ed Cechanowicz	9 of 10	8 of 8	6 of 7				5 of 6
Duane Chipley	10 of 10			5 of 5			3 of 4
Deb Chobotuk	10 of 10				6 of 9		5 of 6
Scott Flavel, Board President	10 of 10	7 of 8	6 of 7	5 of 5	9 of 9	4 of 4	4 of 4
Ruth Glatt	2 of 3			2 of 2			N/A
Kearney Healy	10 of 10					4 of 4	6 of 6
Lois Herback	10 of 10				9 of 9		4 of 4
Kurt Holfeuer	7 of 7						6 of 6
Audrey Horkoff	10 of 10	8 of 8	3 of 7				4 of 4
Evelyn Kasahoff	8 of 10				7 of 9		5 of 5
Milton Kerpan	10 of 10				9 of 9		4 of 4
Paul Ledoux	10 of 10					3 of 4	3 of 4
Martin McInnis	8 of 10	8 of 8	7 of 7				6 of 6
Cameron Nordin	3 of 3	1 of 3					4 of 4
Hugh Sampson	10 of 10	8 of 8	6 of 7				4 of 4
Owen Sebastian	9 of 10			5 of 5			3 of 4
Norman Sheehan	10 of 10			5 of 5			6 of 6
Cy Standing	7 of 10				6 of 9		3 of 4
Dannie Wreford	10 of 10				8 of 9		4 of 4
Vanda Wutzke	9 of 10	8 of 8	4 of 7				5 of 5
Pauline Ziehl-Grimsrud	9 of 10					3 of 4	4 of 4

## DIRECTOR REMUNERATION

The Governance Committee is responsible for reviewing elected officials' compensation.

2016 per diem amounts paid to each Board Director are as follows:

2016 BOARD DIRECTOR PER DIEMS		
BOARD DIRECTOR	TOTAL PER DIEMS	DATES SERVED AS A DIRECTOR IN 2016 <sup>1</sup>
Wayne Amos	\$ 6,720.00	January 1 to December 31, 2016
Gailmarie Anderson	8,785.00	January 1 to December 31, 2016
Mitchell Anderson	13,415.00	January 1 to December 31, 2016
Ed Cechanowicz	11,160.00	January 1 to December 31, 2016
Duane Chipley	8,320.00	January 1 to December 31, 2016
Deb Chobotuk	9,925.00	January 1 to December 31, 2016
Scott Flavel, Board President	34,855.00	January 1 to December 31, 2016
Ruth Glatt	2,470.00	January 1 to April 20, 2016
Kearney Healy	11,985.00	January 1 to December 31, 2016
Lois Herback	13,270.00	January 1 to December 31, 2016
Kurt Holfeuer	6,895.00	April 20 to December 31, 2016
Audrey Horkoff	13,305.00	January 1 to December 31, 2016
Evelyn Kasahoff	9,595.00	January 1 to December 31, 2016
Milton Kerpan	10,225.00	January 1 to December 31, 2016
Paul Ledoux	7,985.00	January 1 to December 31, 2016
Martin McInnis	8,820.00	January 1 to December 31, 2016
Cameron Nordin	2,065.00	January 1 to April 20, 2016
Hugh Sampson	10,765.00	January 1 to December 31, 2016
Owen Sebastian	7,280.00	January 1 to December 31, 2016
Norman Sheehan	8,305.00	January 1 to December 31, 2016
Cy Standing	7,465.00	January 1 to December 31, 2016
Dannie Wreford	9,700.00	January 1 to December 31, 2016
Vanda Wutzke	11,180.00	January 1 to December 31, 2016
Pauline Ziehl-Grimsrud	9,025.00	January 1 to December 31, 2016
<b>Total 2016 Director Per Diems</b>	<b>\$243,515.00</b>	

<sup>1</sup>Some directors may not have served for the entire 2016 calendar year due to the Board election process for those directors whose terms have expired. Directors are elected by District Councils in March each year. Amounts paid to individuals include all per diems paid to them for attendance at director, delegate, and committee meetings and training sessions throughout 2016.

## DELEGATE REMUNERATION

2016 per diems and expenses paid to all Delegates and Directors are as follows:

DELEGATE REMUNERATION	2016 TOTALS
Director per diems	\$243,515.00
Delegate per diems, taxable benefits, and honorariums	\$167,845.00
Director and Delegate expenses (includes all meals, accommodation, mileage and training)	\$372,761.00



## MEMBERSHIPS IN ASSOCIATIONS

Affinity holds memberships in various organizations and our Executives and Directors participate on boards and committees of these organizations. They include, but are not limited to:

- SaskCentral
- Canadian Credit Union Association
- Saskatchewan Co-operative Association
- Centre for the Study of Co-operatives
- Large Credit Union Coalition of Canada
- Concentra Bank
- Global Alliance for Banking on Values



# EXECUTIVE LEADERSHIP

Affinity Credit Union's executive leadership team determines organizational strategy and guides the operations of the credit union.



From Left: Ken Harding, EVP Governance & Risk; Pat Brothers, EVP HR; Myrna Hewitt, EVP Marketing & Community; Mark Lane, CEO; Atul Varde, EVP & CIO; Lise de Moissac, EVP & CFO; Tim Schroh, COO

# Stakeholder Engagement

Our leadership team takes every opportunity to interact and engage with our members, the community, employees, co-operatives, business community and government agencies – it's all part of the better banking movement and living our credit union values.

## HOW WE ENGAGE

- Surveys and focus groups
- Community and town hall meetings on service delivery
- Sponsorship, donation and award presentations
- Community events
- Social media
- Elected officials election process and planning meetings
- Youth involvement (Student Ambassadors)
- Annual General Meeting
- Representing Affinity and volunteering on external boards and committees
- Formal meetings and reports with regulators



Lise de Moissac, EVP & CFO and Tim Schroh, COO stop by for a chat with Daryl Grunau, Manager of City Perks in Saskatoon on Bike to Work Day. Affinity and City Perks partnered to host refreshments for local cyclists on Bike to Work Day



# Executive Leadership Remuneration

Affinity's executive compensation has three elements:

- Compensation that is enough to retain talented executives of high integrity but not excessive
- A clear link to pay-for-performance based on metrics from our balanced scorecard
- Disclosure that allows our members to understand Affinity's compensation decision-making process

2016 EXECUTIVE LEADERSHIP REMUNERATION (IN THOUSANDS OF DOLLARS)			
	SALARY	VARIABLE PAY**	TOTAL
CEO	431	146	577
EVP & COO	255	54	309
EVP & CIO	227	55	282
EVP Marketing & Community	206	50	256
EVP & CFO*	290	67	357
EVP HR	208	55	263
EVP Governance & Risk*	228	50	278
TOTAL	1,845	477	2,322

\*2016 Salary includes a one-time payout of earned and unused vacation.

\*\*Variable Pay is accrued as an expense in the fiscal year earned, and paid in the following year. The above table represents the timing of when amounts are actually paid.

CEO Compensation<sup>1</sup>  
to median full-time  
Affinity employee<sup>2</sup>

9.1

CEO Compensation<sup>1</sup>  
to lowest-paid full-time  
Affinity employee<sup>2</sup>

16.1

ACU CEO  
Compensation<sup>1</sup> to  
average Saskatchewan  
annualized wage<sup>3</sup>

11.1

<sup>1</sup>Base + Variable Pay

<sup>2</sup>Affinity Credit Union employees only

<sup>3</sup>September 2016 average SK weekly wage (annualized): \$51,071. Source: Statistics Canada



# VALUES-BASED BANKING



2016 GABV Annual Meeting

**GLOBAL  
ALLIANCE  
FOR BANKING  
ON VALUES**

## GLOBAL ALLIANCE FOR BANKING ON VALUES

Affinity is a member of the Global Alliance for Banking on Values (GABV), a network of the world's leading values-based financial institutions. As a member of GABV, we focus on creating social, economic and environmental change by helping individuals fulfill their potential and build stronger communities – we're banking on values!

In 2016, GABV became stronger. More members and partners joined from all around the world and now are supporting and strengthening the #BankingOnValues movement which will help to achieve the ultimate goal of influencing banking for the better. Members will use their collective, global voices to call on policy makers, regulators and many other values-based bankers to join forces and change finance by lobbying for, and financing, change!

## TRUTH AND RECONCILIATION

In 2016, Affinity, Assiniboine and Vancity Credit Unions, all members of the Global Alliance for Banking on Values, welcomed the opportunity to engage meaningfully in reconciliation with indigenous peoples and made this commitment together at a national reconciliation gathering in Winnipeg.

The three credit unions committed to Section 92 of the Truth and Reconciliation Commission's Calls to Action, by adopting the *UN Declaration on the Rights of Indigenous Peoples* and taking action to promote education and understanding, as well as efforts of reconciliation with indigenous peoples.



From Left: Michael Bob, Affinity District Council 9 Chair; Jessica Bolduc, National Reconciliation Gathering co-host; Jan O'Brien, Board Chair, Vancity Credit Union; Vera Goussaert, Board Chair, Assiniboine Credit Union; Waneek Horn-Miller, National Reconciliation Gathering co-host

# INNOVATION

Our focus in 2016 was on making member access to our services as easy as possible through innovative technologies while continuing to deliver excellent service.



## ONLINE ACCOUNT OPENING AND PRODUCT RENEWALS

We introduced online account opening enabling existing members to sign-up for chequing and savings accounts as well as GICs, retirement savings plans and tax free savings accounts – all without leaving their homes. It was an immediate success. As a bonus, if members already hold GICs, retirement savings or tax free savings accounts, they're now able to use this service to renew them as well.



## MORTGAGE RENEWAL VIA E-SIGNATURE

Members can now renew their residential mortgages via e-signature – in minutes! Members can access their mortgage renewal notice through their desktop or mobile device. All they have to do is choose a mortgage renewal option, electronically sign the notice and they're done!



## ONLINE SHOPPING

Shopping online is now easier than ever! Using INTERAC Online Payment†, members can now make online purchases or send payments without using a credit card. Payments are made through online banking and the purchase amount is debited instantly from their account.



## BUSINESS ONLINE BANKING

Business members benefitted from a brand new tailor-made service in 2016 – business online banking. It allows members to easily manage their business accounts in a secure environment. Some of the great features include: the ability to view all your memberships with one login, to set up multiple users with varying levels of approvals and permissions for each user, view accounts, make transfers, view monthly statements, view and download cheque images, pay bills, including CRA payments and much more!







Mobile Pay launches at Thrive Juice, Saskatoon




Some members of the Mobile Pay technology team attended the launch. Left to Right: Andrea Borsa, Affinity Credit Union, Amin Tavassolian and Andre Doucette, Push Interactions, Atul Varde, Phuc Hoang, Deanna Hoffman, Affinity Credit Union; Chad Jones, Push Interactions



## PAYING WITH A SMARTPHONE

Once again, we've added services to our mobile app so that members can now make every day purchases using their android smartphones through Mobile Pay. This new payment option securely and immediately debits the funds from the member's Affinity account - and enables them to immediately check their online bank balance from those same devices.





Listen to Dwayne's  
story on YouTube/  
Affinity Credit Union



**"Affinity understands the way  
we like to do business and  
supports us along the way."**

Affinity business member, Dwayne Mooney, owner of Ag-Com Transport Ltd



# ENHANCED MEMBER SERVICE

Throughout 2016, we made sure relationship building and personal service were key in all of our interactions making service delivery more seamless for our members.



## QUICK AND EASY MEMBERSHIP OPENING

Becoming a member of Affinity has never been easier. We made in-branch membership opening more welcoming by offering immediate and quick account opening services without the need for an appointment. Or, if a member has some idea of when they'd like to drop in and join Affinity, they can let us know online to ensure we're available whenever and wherever it is most convenient for them. Our friendly and knowledgeable employees are ready to serve!



## ACCESS TO ADVICE

As a first point of contact for many members, our Contact Centre advisors answered 140,447 calls in 2016; 91% of them within 45 seconds. 7,050 members were also able to discuss their banking needs directly with our advisors through our online Chat service on our website and mobile app. And, Contact Centre advisors responded to 5,839 email messages – we're here for you!



## IT'S YOUR MONEY

We've responded to member requests to provide immediate access to deposits in many cases waiving or reducing the hold period.



"We're focused on building relationships and treating our members as unique individuals" – Lacey Parfitt, Financial Services Representative, Melfort Branch



All deposits held at Affinity Credit Union are fully guaranteed by Credit Union Deposit Guarantee Corporation. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits held in Saskatchewan credit unions since 1953. For more information about the Corporation and the guarantee, talk to any one of our employees or visit [cudgc.sk.ca](http://cudgc.sk.ca).

# VALUING EMPLOYEES

Our employees continue to reflect our values of being open, honest, inclusive and committed. They’re engaged, diverse, motivated and reflect the communities we serve.



**846**  
employees

**674**  
full time

**172**  
part time

## LOCALLY-BASED EMPLOYEES

Employing a workforce from across Saskatchewan, where our members live, work and play, allows us to better meet employee, member and community needs.

	2016	2015	2014
<b>Local Representation</b>			
Working in urban locations	54%	53%	53%
Working in rural locations	46%	47%	47%

From left: Affinity employees, Tannis Kolenz and Angela Denys, Financial Services Managers, live and work in Estevan





## BUILDING OUR OWN TALENT

We focus on building our own talent through career development and providing numerous opportunities for growth and advancement.

	2016	2015	2014
<b>Talent Management</b>			
Positions filled internally	77%	78.9%	73.4%
Voluntary turnover	6.96%	9.44%	9.15%

## EMPLOYEE CHOICE

We respect the choice of employees, some of whom have chosen to be represented by a union which negotiates on their behalf for rates of pay, hours of work and other working conditions.

	2016	2015	2014
<b>Employee Choice</b>			
Unionized	20.7%	20.6%	20.1%

## DEVELOPMENT

In 2016, we invested \$511,404 in educational support, tuition reimbursement, training and workshops to support individual employees' personal and professional growth.

Although the same investment level was made available in 2016 as in 2015, the 2016 cost to the organization was lower, partially offset by the credit union accessing government grants which covered a portion of the cost of eligible training.

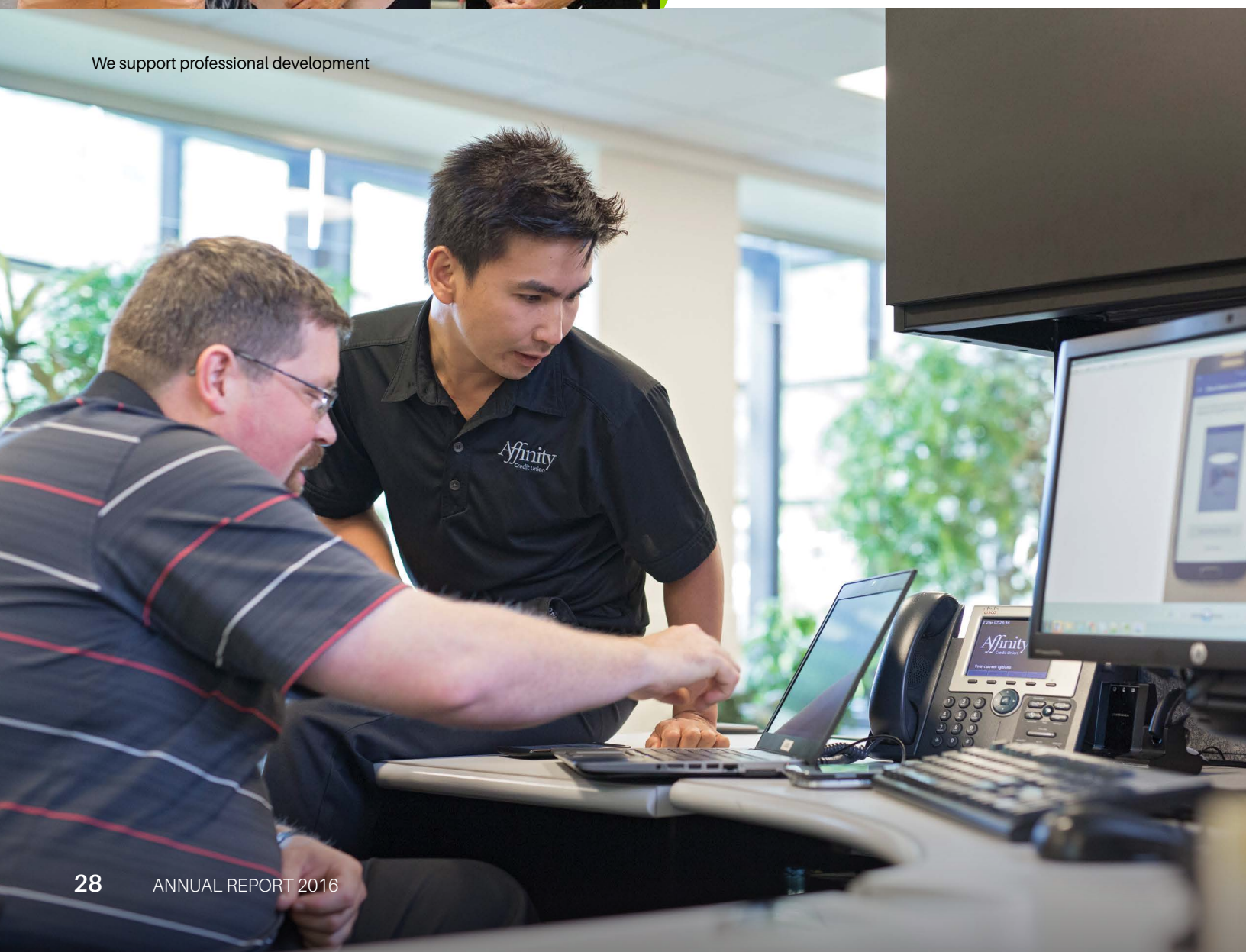
	2016	2015	2014
<b>Learning</b>			
Investment in training and developing our people	\$511,404	\$606,672	\$519,499



We encourage our employees to volunteer, help out and be a part of our community.

- 2016 Saskatchewan Summer Games in Estevan

We support professional development



## WELCOMING DIVERSITY

We remain strongly committed to a diverse workforce and encourage applications from indigenous and visible minority groups.

Our progressive hiring program has resulted in significant growth of new employees representing diversity groups. In 2015, 15.73% of all new hires represented diversity groups, with 5.62% of those hires self-declaring as indigenous.

At the end of 2016, these numbers increased to 28.57% with 12.7% self-declaring as indigenous at recruitment. We consider these numbers evidence of our strong relationship building and partnership efforts with the indigenous community.

We continue to have strong representation of women in both management and non-management positions.

	2016	2015	2014
<b>Workplace Diversity</b>			
New hires of indigenous ancestry	12.70%	5.62%	7.83%
New hires from diversity groups	28.57%	15.73%	24.35%
Management – average age	45.96	46.21	45.3
Management			
– male	33.8%	33.5%	32.7%
– female	66.2%	66.5%	67.3%
Non-management – average age	41.29	40.96	40.60
Non-management			
– male	8.7%	9.5%	9.9%
– female	91.3%	90.5%	90.1%
<b>Human Rights</b>			
Complaints of discrimination	0	0	0

“We focus on building our own talent and provide numerous opportunities for advancement.”

Pat Brothers, EVP HR

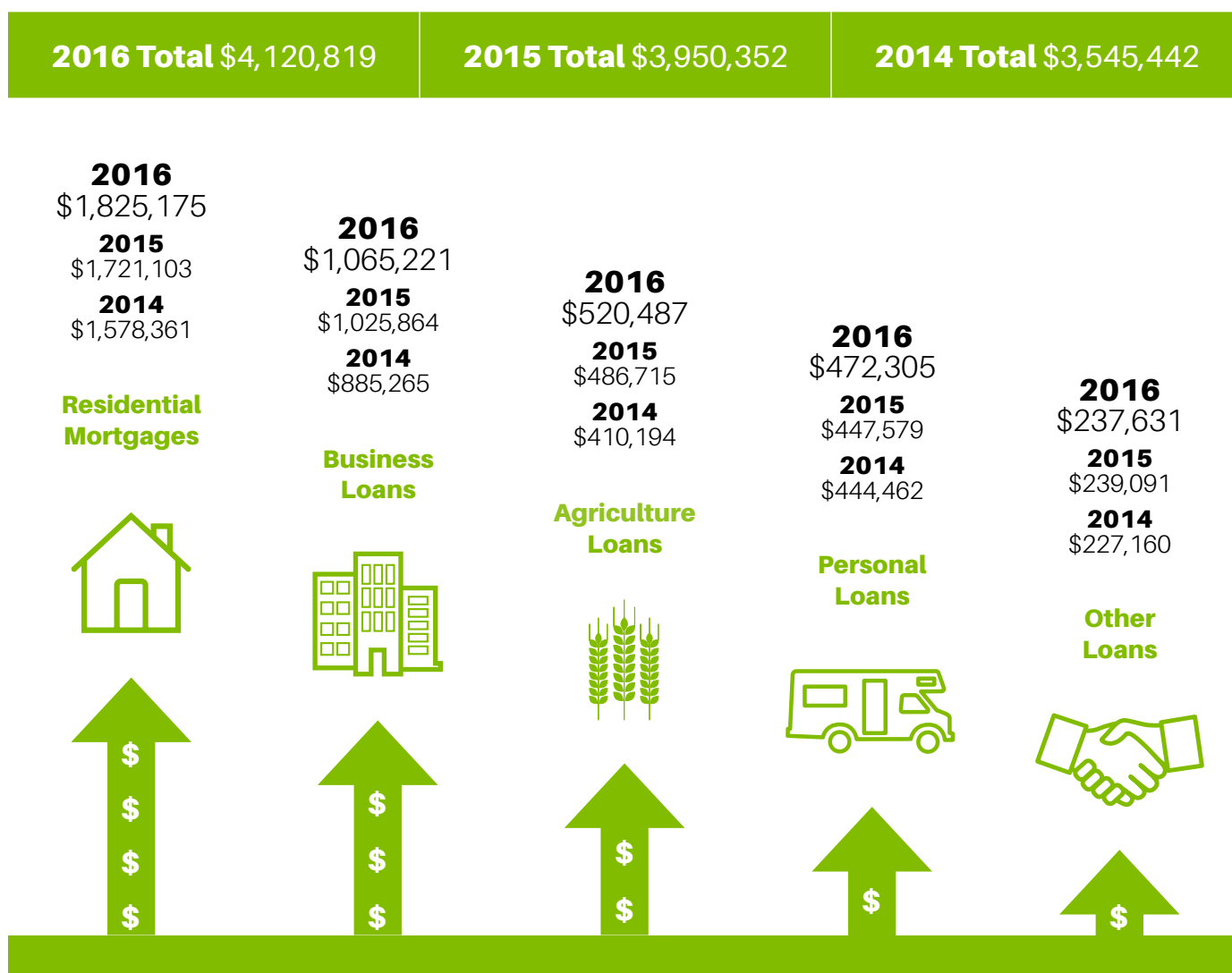


# SOCIAL FINANCING IMPACT

By banking locally with Affinity, your dollars are reinvested and circulated in our local communities through loans – benefitting families, neighbours and communities and contributing to local economic vitality.

## IN 2016, 89% OF AFFINITY'S MEMBER DEPOSITS WERE INVESTED AS LOANS IN SASKATCHEWAN

(In thousands of dollars. As at December 31, 2016.)



# Social Finance Loan Programs

We make it a priority to help the under-served.

Our micro-loan, community loan and indigenous lending programs help members with little or no credit history access funding for small business start-ups or community enterprises with a social or environmental benefit. This partnership also provides the support and coaching that new entrepreneurs need to be successful.

Our affordable housing programs are focused on helping low-to-moderate-income households move from rental accommodations to home ownership – creating stronger communities and financial stability for our members.

(Total outstanding as at December 31, 2016)

TYPE OF LOAN	BALANCE (IN THOUSANDS OF DOLLARS)			# OF LOANS		
	2016	2015	2014	2016	2015	2014
Affordable Housing Loans	\$35,006	\$34,783	\$32,131	288	290	265
Non-profit/Community Loans	\$43,941	\$36,496	\$21,319	67	76	56
First Nations Lending	\$22,711	\$25,065	\$18,595	28	29	29
Small Business Start-up Loans	\$2,133	\$877	\$629	111	42	31
<b>Total</b>	<b>\$103,791</b>	<b>\$97,221</b>	<b>\$72,674</b>	<b>494</b>	<b>437</b>	<b>381</b>



We offer free and low cost account packages for small community and non-profit organizations to support their work. Visit our website and search for Business Packages and Plans.



# COMMUNITY IMPACT

Through our community investment program, we support non-profit, charitable organizations and initiatives that directly benefit our members and our Saskatchewan communities.

## FUNDING BY PROGRAM (as at December 31, 2016)

In 2016, we provided a total of \$2.3 million – or 5.7% of our 2015 pre-tax profits – to 1,637 organizations and initiatives in our communities across the province.

PROGRAM	# OF INVESTMENTS			TOTAL \$		
	2016	2015	2014	2016	2015	2014
District Council Community Development Funding	264	204	197	\$1,085,650	\$1,026,562	\$814,812
Corporate & Branch Level Donations & Sponsorships	286	294	300	\$908,883	\$1,196,533	\$996,709
Youth Scholarships	114	114	101	\$109,000	\$109,000	\$93,000
Community Spirit Fund – Employee Giving	943	1,014	1,080	\$188,600	\$202,800	\$234,651
<b>TOTAL</b>	<b>1,607</b>	<b>1,626</b>	<b>1,678</b>	<b>\$2,292,133</b>	<b>\$2,534,895</b>	<b>\$2,139,172</b>



**\$500** scholarship to Logan Voldeng from Naicam – one of 88 *Build a Better World* scholarships awarded in 2016



**\$300** from Viscount Branch to support the breakfast program at Viscount School





**\$9,057** in District Council funding to Milestone Drop-in Centre for energy upgrades



**\$200** in Community Spirit funding to Melfort SaskTel Pioneers Project which offers free tax return services to low income individuals

## FUNDING BY DISTRICT (as at December 31, 2016)

Our District Council Delegates represent our members in each of the 57 communities where we operate. Through this connection, they're better able to make decisions about how and where we allocated funding in each local community.

DISTRICT	2016 TOTAL \$	2015 TOTAL \$	2014 TOTAL \$
District 1	\$96,880	\$31,907	\$34,383
District 4	\$80,075	\$61,881	\$100,623
District 5	\$130,996	\$188,750	\$111,116
District 6	\$59,045	\$104,580	\$29,333
District 7	\$95,711	\$28,436	\$33,873
District 8	\$43,176	\$28,654	\$86,162
District 9	\$85,050	\$10,055	\$54,884
District 10	\$70,359	\$50,120	\$83,760
District 11	\$101,068	\$133,679	\$94,153
District 12	\$334,906	\$205,845	\$317,251
District 13	\$25,855	\$102,831	-
District 23	\$732,704	\$533,370	\$668,756
Province-wide initiatives	\$138,708	\$175,284	\$197,228
<b>TOTAL</b>	<b>\$1,994,533</b>	<b>\$1,655,392</b>	<b>\$1,811,522</b>

# COMMUNITY FOCUS AREAS

To achieve a greater impact, our community investment funding support is focused on four areas:

- 1 Economic self-reliance
- 2 Environmental sustainability
- 3 Local economic development
- 4 Building community assets and facilities

In 2016, 78% of our District Council and corporate funding was invested into initiatives within these four areas. We increased investment in these strategic areas by 1% over 2015.

## TOTAL FUNDING BY FOCUS AREA

STRATEGIC FOCUS AREA	2016 TOTAL \$	2015 TOTAL \$	2014 TOTAL \$
Local Economic Development	\$108,562	\$206,006	\$50,494
Economic Self-Reliance	\$282,857	\$413,843	\$385,726
Environmental Sustainability	\$309,900	\$155,296	\$154,729
Building Community Assets and Facilities	\$855,954	\$799,534	\$811,073
<b>TOTAL</b>	<b>\$1,555,273</b>	<b>\$1,574,679</b>	<b>\$1,402,022</b>

**We're Getting Greener!**  
43,926 members choose e-statements.  
That's a 23% increase from 2015.



## Hudson Bay Hope Foundation

Affinity partnered with the Hudson Bay Hope Foundation and co-hosted their annual radio auction which raised \$12,430 to help people in their community with medical travel and expenses. Affinity donated an additional \$5,000 to the cause making it a grand total of \$17,430 - well done Hudson Bay employees!



## Focus Area: Economic Self-Reliance

We think it's important that all citizens of the community have opportunities to achieve a good quality of life and to realize their full potential. We seek to enhance financial and social well-being by supporting initiatives that create employment opportunities and improve educational outcomes for vulnerable populations. These initiatives include promoting financial literacy and reducing poverty and social exclusion.

### RECONCILIATION WITH INDIGENOUS PEOPLE

In support of the Truth and Reconciliation Commission's Calls to Action, we increased our efforts of meaningful reconciliation with indigenous people by supporting a variety of initiatives including traditional parenting workshops, preserving First Nations languages and cross-cultural knowledge sharing.



Affinity sponsored and took part in the Rock your Roots Walk for Reconciliation in Saskatoon – a celebration of our indigenous community and the tapestry of cultures that make up the city

Affinity provided funding to Carlyle Elementary School so that an Elder from White Bear First Nations could spend time working with students in the classroom and share cultural knowledge. The Elder attended the school once a week for 6 hours from September 2016 to June 2017



## EACH ONE TEACH ONE WORKSHOPS July to December 2016



24

workshops  
delivered

375

participants

10

communities

11

employees  
certified as trainers

People's financial well-being depends on their ability to understand and use financial information. That's why we adopted a new approach to financial literacy in 2016. We joined with credit unions across the country to launch *Each One Teach One*. This program certifies Affinity staff to deliver financial literacy workshops to a wide variety of groups across our communities. The program also comes with valuable resource materials on the program which we've made available to our community partners.

## IMPROVING EDUCATIONAL AND EMPLOYMENT OUTCOMES

As a community-based financial co-operative, we partner with educators in valuable skills-building programs like the Aboriginal Youth Entrepreneurship Program (AYEP). This unique program helps First Nations and Métis youth increase attendance and engagement at school and improve graduation rates. It's offered to grade 10, 11 and 12 students throughout the province as a credited course to learn about creating a business and being their own boss.



Students in the AYEP program spent a day taking part in business workshops, listening to guest speakers and taking part in business pitch sessions. *Photo courtesy of the Saskatoon StarPhoenix*



## ID CLINICS

Without identification, it's difficult to access basic services including health care, file income tax, social assistance, shelters and food banks. It's also challenging to apply for employment, secure housing, open a bank account or simply to apply for identification.

At Affinity, we understand the importance of having ID and that the process to obtain it can be confusing and arduous for individuals. For that reason, we partnered with the Prince Albert YWCA Regional Newcomer Centre and Community Legal Assistance Services for Saskatoon Inner City (CLASSIC) to host nine ID clinics in 2016.

Affinity provided \$24,160 in financial support and employees from Affinity Insurance in Prince Albert and our Saskatoon branch staff volunteered their time. This resulted in:

- 645 birth certificates and
- 45 SGI photo ID cards either applied for or issued

Thanks to our Affinity Insurance employees in Prince Albert and our Saskatoon branch staff for supporting this important initiative!





Dara McMunn, District  
Council Delegate for Star  
City and Minor Sports  
Board Director

## Focus Area: Environmental Sustainability

We promote environmental sustainability in our operations through energy efficiency, recycling and green building practices, as well as providing financial support to organizations active in developing initiatives and services that benefit the environment.

### ENERGY REDUCTION

A healthy environment is important to everyone. That's why Affinity Credit Union provides funding to increase the energy efficiency of non-profit and community organizations.

Star City received community development funding from their local Affinity District Council to launch a major lighting retrofit in their arena. Star City Minor Sports Board of Directors, who operate the rink, made the decision to pursue the lighting change and reduce energy use – and it's been a great success.

It's anticipated that their electrical costs will be reduced by \$3,000 a year following a 46% reduction in kwh hours for the lights. In addition, because the LED lights don't emit heat – as compared to the old metal halide lights which gave off significant amounts of heat making the ice plant work harder – there will be approximately another 5% reduction in energy consumption.

Dara McMunn, Affinity District Council Delegate for Star City and Minor Sports Board Director, said: "With the lighting retrofits, electricity costs will be much lower than before. An added bonus is that the new lights generally last longer than the old ones, so our maintenance personnel can spend less time replacing bulbs."

The lights were installed by C & S Electric from Melfort – an Affinity business member.





## OUTDOOR SCHOOL

Affinity supports Riverside Community School in Prince Albert which does great things for students while giving them an appreciation for the environment and nature. Students learn leave-no-trace practices and volunteer in the community doing garbage pickup, tree planting and animal care



## LIVING GREENER

To help our members and the general public to live a greener life at home and at work, Affinity once again provided \$25,000 to the Saskatchewan Living Green Expo at Prairieland Park in Saskatoon. Hosted by the Saskatchewan Environmental Society, this two-day event welcomed 66 exhibitors who showcased Saskatchewan's best green products and services and offered information sessions with experts in sustainable and healthy living.

Visitor attendance doubled over last year with more than 2,500 people walking through the doors – 408 of them were Affinity members who received half-price admission thanks to one of our member perks!

## REDUCING GREENHOUSE GASES

In order to reduce greenhouse gas emissions which are polluting our environment and contributing to climate change, we aimed to decrease work-related travel by 5% in 2016 through the use of video-conferencing and car-pooling. We're excited to say that we exceeded our target, reducing total mileage and emissions by 8.6%.

Although we're challenged by our large geographical footprint, we're determined to continue our efforts in 2017 and to achieve another 5% reduction in work-related mileage. This will be achieved through heightened awareness of our impact on the environment following awareness campaigns held internally in 2016.

WORK-RELATED TRAVEL	2015	2016	2016 OUTCOME
Employees and Elected Officials	1,614,686 kms	1,476,157 kms	8.6% reduction in mileage and emissions
Greenhouse gas emissions	448 tonnes <sup>1</sup>	410 tonnes <sup>1</sup>	

<sup>1</sup>Based on average sized car using average fuel consumption of 9 km per litre.

## Focus Area: Local Economic Development

As a local financial institution, we play a strong role in facilitating economic development in our urban and rural communities. We take this role seriously, but can't do it alone. We work closely with our members and community partners who help us make positive changes.



### MUNICIPAL ECONOMIC DEVELOPMENT

In support of local economic development initiatives, we partnered with local municipalities across the province including the Mid-Sask Municipal Alliance. We provided funding for their work in the development of a local investment and business retention strategy. We also partnered with the Saskatchewan Economic Development Association (SEDA) and sponsored the development of local community profiles for 15 rural municipalities. These profiles provide key social and economic statistics and local resources that municipalities can use to attract people, entrepreneurs and investors to their community.



### EDUCATIONAL WORKSHOPS

We co-ordinated and hosted educational workshops that provided valuable advice and information to our consumer, agriculture, business and non-profit members. Workshop topics included home ownership, environmental sustainability practices, agriculture management and small business development.



### MEMBER PERKS

We teamed up with like-minded organizations to boost the local economy and provide some great member perks for events in and around our communities including the Golden Apple Theatre in Regina, the Souris Valley Theatre in Estevan and the Living Green Expo in Saskatoon. The perks increase attendance and develop new audiences for these organizations.



### POVERTY REDUCTION

We hosted a Poverty Reduction – Good for Business Forum – to create networking opportunities for our community partners to work collaboratively in creating poverty-reduction strategies and promoting local business.



## STRATEGIC PARTNERSHIPS

District 23 Delegate Linh Le got a big group hug when she presented members of the Saskatoon Poverty Reduction Partnership with a cheque to support their ongoing programming



## PURCHASING PROCEDURE

We're always looking for ways to use our capital to strengthen member wealth and well-being and to demonstrate our commitment to corporate social responsibility.

That's why we've developed policies to ensure we're open and transparent when dealing with potential business partners when purchasing products and services.

In 2017, we're taking this a step further by implementing a procedure to help us choose suppliers based on a set of weighted criteria.

Our purchasing procedure will be available by year end at [affinitycu.ca](http://affinitycu.ca).

## PROMOTING LOCAL BUSINESSES

We love helping local businesses reach their goals and potential. A successful business improves our local community and contributes to local economic development. It's a win-win situation!

That's why we provided \$5,000 to Redvers Activity Centre Inc. to help relocate their greenhouse. The Activity Centre provides vocational employment and residential social programs for people living with developmental disabilities and chronic mental illness.



From left are Marsha Goforth, CEO of the Activity Centre and Jasmin Carlton, Affinity's District Council Delegate for Redvers, Carlyle and Manor



## Focus Area: Building Community Assets & Facilities

A healthy community has the facilities, equipment and infrastructure it requires to meet the economic, social and cultural needs of its residents. We help our communities to develop, improve or expand buildings and other facilities that benefit the whole community and support economic, cultural and social vitality.

In 2016, we invested heavily in the development, repair and renovations of community assets and facilities that were critical to community well-being and vitality. This investment totaled \$976,979. The following provides a snapshot of just some of the many initiatives we have supported.



**51**

recreation centres,  
sport complexes,  
golf courses or rinks



**34**

playgrounds, parks  
and trail facilities



**66**

community halls, libraries,  
museums, fire halls,  
and educational, seniors  
and cultural centres



**2**

housing facilities



**12**

healthcare facilities



**14**

childcare centres



Shaunavon Branch employees and representatives from CHACI

Cypress Hills Ability Centres Inc. (CHACI) purchased two new passenger vans in 2016 thanks to \$60,000 provided by Affinity in late 2015. CHACI does such amazing work in and around Shaunavon by helping people with physical or mental disabilities to get to work, school or medical appointments.



KamKids Day Care in Kamsack

By providing communities with funding support for local day care facilities, we're investing in our future and strengthening our communities. Pictured are children and their care giver from KamKids Day Care in Kamsack. We provided them with \$1,000 to purchase much needed furniture.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## FINANCIAL OVERVIEW

The Canadian economy was challenged on a number of fronts in 2016. The weakest part of the economy was business investment. This was the third consecutive year for a decline in non-energy investment and oil and gas producers cut investment by almost \$13 billion as a reaction to low oil prices. Despite the pickup in the U.S. economy and the substantial depreciation of the Canadian dollar, exports continued to underperform as market share in the U.S. was lost to key competitors, such as Mexico and China. The household sector was a key economic driver in 2016. Mediocre employment gains and subdued wage growth did not curtail the solid increases in spending. Overall, the Canadian economy managed an increase of less than 1.5%, following a disappointing 0.9% increase in 2015.

The first half of the year was unproductive. In the third quarter, the economy strongly rebounded as northern Alberta projects came back online after the Fort McMurray wildfires caused a shutdown in the second quarter. Outside of the large fluctuations in the energy sector, economic growth remained weak. Conditions did not improve in the fourth quarter and if the energy sector was excluded, GDP showed contraction.

Saskatchewan's economy did not perform well in 2016 and declined by 1.5%. Investment spending dropped by 4.7%, caused by a fall in commodity prices, particularly for crude oil. The drop would have been more pronounced without a government initiative (The Saskatchewan Builds Capital Plan) to introduce significant incremental spending for education, health and roadway improvement. The Plan pushed the gross fixed capital formation in 2016 by 22%.

Excessive rain in the agricultural sector left some fields waterlogged and a jump in the popularity of dry field lentils hurt crop quality in 2016. Early September snow resulted in delays in the harvest of remaining crops. The overall output was not significantly different from what was achieved in 2015 under drought-like conditions. Despite the poor output, producers are benefitting from favourable prices and have increased the efficiency from operations through lower input costs overall.

Low potash prices and elevated levels of worldwide inventory caused curtailments at Potash Corp's Allan and Lanigan mines followed by the shutdown of Mosaic's Colonsay mine in July. Overall, provincial production dropped by 10.1% in 2016.

The Saskatchewan metal mining sector, particularly uranium, faced continued depressed market conditions. However, metal mining did grow by 5.6% in 2016, as Cameco increased activity at the Cigar Lake mine.

Nearly all of Saskatchewan's major traded goods were depressed in 2016.

The continued depression of commodity markets has filtered through to other areas of the Saskatchewan economy. Multiple family housing starts were 25% of the 2015 activity and single family construction was slightly higher in 2016. The rise in the commercial and industrial vacancy rates in 2015 continued in 2016.

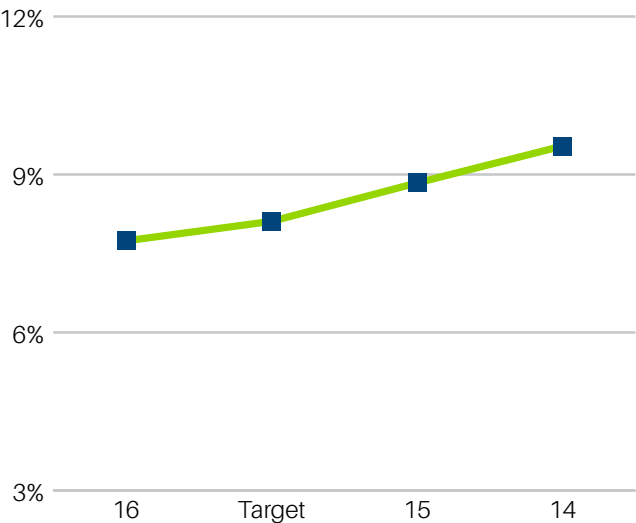
At Affinity, we experienced a number of business impacts from our provincial economy. With no increase to interest rates, deposits continued to be less attractive than the market. At the same time, our depositors who faced uncertainties in employment were not in a position to add to net savings. We saw heightened inability for some commercial and consumer borrowers to pay for existing credit or qualify for new credit, triggering a spike in delinquency and loan write-offs. The increase to commercial and residential vacancy rates caused commercial borrowers to delay new projects and consumer property owners to stay put. This was evidenced in the less than expected growth in several of our loan portfolios.

FINANCIAL HIGHLIGHTS

Our overall financial plan was to push balance sheet growth and leverage our financial position through a strong bottom line. In spite of contracted growth from recessionary pressures in 2015, we aspired to a better outcome in 2016. Our capital planning supported balance sheet growth of 8-9%, after considering our unique risk profile and achieving particular efficiency and return results. Our modelling included aggressive levels of cost control and very competitive pricing for loans and deposits. These assumptions were the basis of Affinity’s annual operating plan for the year.

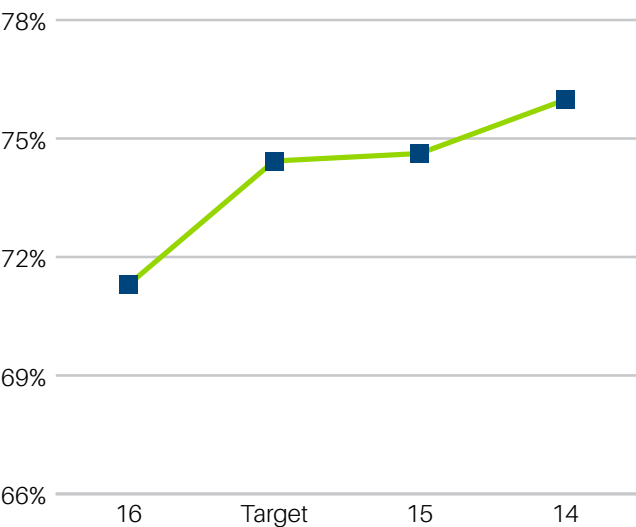
The highlights represent the consolidated results for the controlled operations of the credit union including its wholly-owned subsidiary companies: insurance, property, employee services, investments, student loan administration and a holding company.

Return on Member Equity (%)



The Return on Member Equity of 7.74% fell short of the 8.11% budget target. Careful cost control and a number of one-time gains did not compensate for the more than expected loss of margin and the increase in credit loss provisions.

Efficiency Ratio (%)



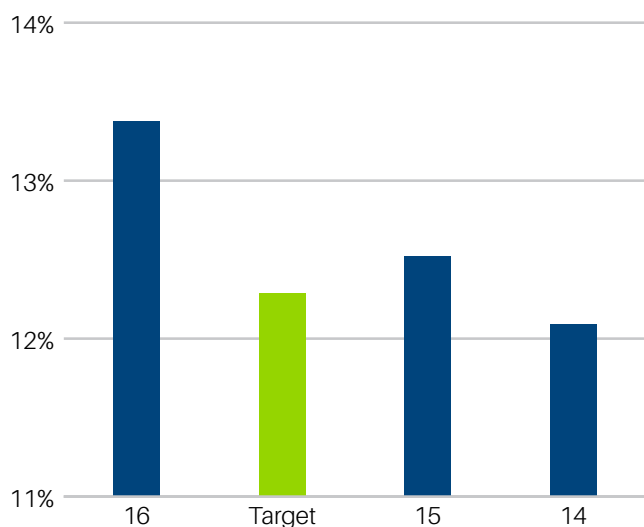
The credit union expected to generate a cost to revenue spend of 74.43%, similar to what was achieved in 2015. We would continue to work on expense management through process improvements and potential reductions in staff and, at the same time, generate non-interest income to compensate for the loss of margin dollars through competitive pricing. The outcome was better than expected. Although margin, both in dollars and as a percentage of average assets, was much lower than target, we saved more cost and generated more non-interest revenues than our plan. The ratio was impacted by a one-time gain on the sale of a Saskatoon commercial property. Our result of 71.30% approached the 69-70% goal in our capital plan. Had we not benefitted from the property gain, the ratio would have been 72.60%.

In 2015, Affinity was heavily engaged in planning for the future. That work included choosing our target markets and identifying the gaps in our service delivery model across all channels. Our ultimate aim was to command a higher market share despite an uncertain economy. Our 2016 projects included numerous enhancements to our online channels and better member-centric internal processes. At the same time, we began to broaden sales staff

roles to accommodate more member services at a single point of contact. The outcome would be more Affinity members and more wallet share from each member. Financially, this would translate into lower efficiency ratios and better returns on member equity.

In 2016, Affinity Credit Union maintained its membership with the Global Alliance for Banking on Values (GABV). This organization is made up of member financial institutions world-wide and its mission is “to use finance to deliver sustainable economic, social and environmental development, with a focus on helping individuals fulfil their potential and build stronger communities”. Affinity supports this mission by taking local deposits and turning them into loans for businesses and individuals within the province of Saskatchewan. We were proud to say that our deposits are more than 90% of our financing requirement with the remainder coming from retained earnings. For each dollar deposited, we lent out 89% in 2016.

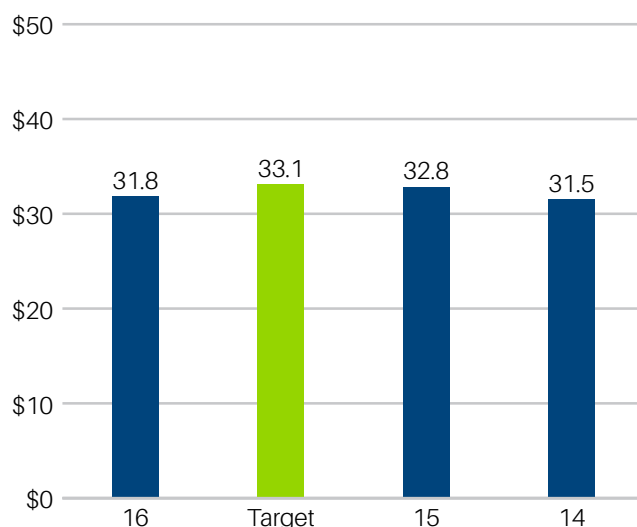
#### Total Capital/RWA (%)



Affinity's capital position improved in 2016, through a smaller than expected asset base. The target was 12.29%, and 13.38% was achieved.

## OPERATING SUMMARY

### Comprehensive Income (\$ millions)



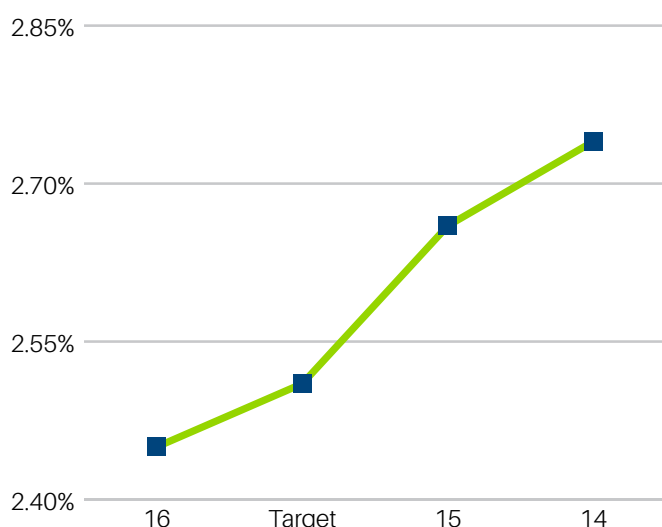
Comprehensive income was \$1 million lower than 2015. This was particularly significant when we consider some of the areas of increased bottom line pressure. Net interest margin continued to be constrained as mortgage rates reached an all-time low. At the same time, our loan growth was \$150 million less than expected causing an additional shortfall in margin dollars. In 2016, Affinity added an incremental \$12.4 million in credit loss provisions. As the oil sector remained depressed, so too did the related service industry causing stress to several businesses where we have lending exposure. On a positive note, we earned more than expected fee income from our credit union operations. We spent \$3.3 million less in operating costs year over year. The most prominent reduction was in personnel cost where process improvements allowed us to delay or avoid filling many positions that were vacated throughout the year. We also enjoyed two one-time gains: \$3 million from the sale of a commercial property and \$3.3 million from a reclassification of investments. Finally, we chose to return more to communities than the annual operating plan target.



## Net Interest Margin

Net interest margin represents our net earnings from balance sheet loans, investments and funding. We ended the year at 2.45% which was 6 basis points below the budget target. We generated \$121 million in net interest margin, approximately \$5.2 million under budget and \$0.3 million less than 2015. As rates fell and the margin percentage compressed, the percentage return on the growth of our balance sheet also declined. Rates at 2015 levels would have produced an additional \$10.3 million in margin dollars. However, it was our intention to provide very competitive pricing to members and we expected to incur a margin decline in percentage and dollars to achieve this.

### Net Interest Margin (%)



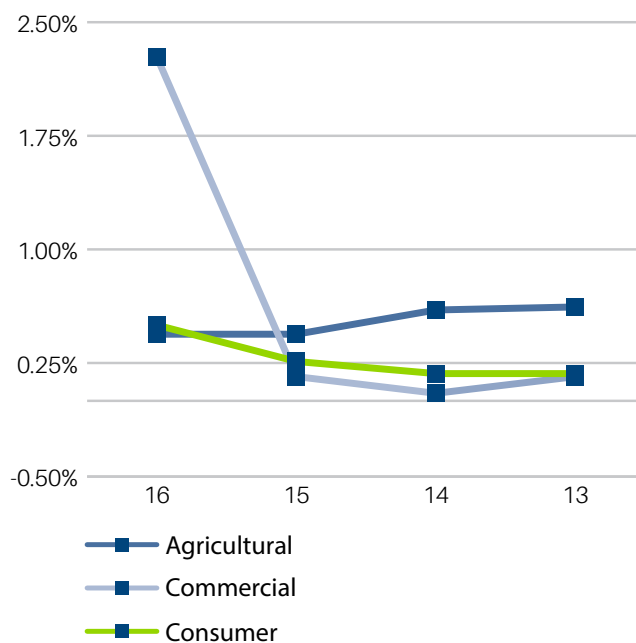
We were significantly behind budget in loan interest revenues due to the smaller than expected balance sheet and our aim to meet market competitive mortgage rates. We felt the largest margin impact from our consumer loan portfolio which made up more than 60% of our loan base. In response to rate cuts, actual deposit costs were also well behind budget. Again, cost was impacted by the lower than expected balance sheet size. Net interest margin included investment interest and actual results in this area met the budget expectation.

## Credit Loss Provision

The loan loss provision is determined by the extent to which delinquent loans are security short. The result of this gap is represented as credit loss expense. Overall, we assess specifically delinquent loans for our ability to recover principal. We also create an allowance and offsetting provision cost on a collective basis for delinquency we believe is inherent in our loan portfolio but that hasn't yet occurred. The overall cost for 2016 was \$14.1 million which was \$11.7 million more than budget. Although our target for the year was created on a conservative basis, we didn't anticipate the impact of the depressed oil sector on the service industry where we had a number of large exposures. In addition, the increased strain on employment in oil and other resource sectors caused increased loss provisions in our consumer loan portfolios.

Affinity's credit quality declined from 2015 levels. We ended the year with delinquency as a percentage of outstanding loans of 94 basis points; the first year in five where delinquency has exceeded 30 basis points.

### Loan Delinquency (%)



By individual portfolio, we experienced the highest delinquency levels in the commercial portfolio at 2.27%, and this area also realized the greatest increase over the 2015 levels. The consumer portfolio delinquency increased from 26 basis points in 2015, to 50 basis points in 2016 and the increase was from both mortgage and non-mortgage loans. In the non-mortgage category, loan write offs were 42% or \$.5 million higher than 2015. Ag delinquency, at 44 basis points, was unchanged from the prior year and the lowest of the three portfolios. The upward trend in overall delinquency caused us to sharpen our focus on delinquency levels and write off trends as indicators of how the economy was performing and the resulting impact on our borrowers' ability to deal with credit.

## Other Income

We attained \$4.2 million more than our budget with an overall result of \$48 million for 2016. This was also \$3.3 million better than the prior year. Other income represented two key categories: revenues from traditional financial intermediation and revenues from our diversification initiatives. From traditional sources, we had more than expected revenues for mortgage prepayment penalties and dividends from our credit union system investments. Through diversification, we continued to grow revenues from our insurance subsidiaries of which we have several throughout the province. In recent years, we have relocated three agencies and in each instance, post-move revenues have surpassed what was achieved in the former location. Our mutual fund brokerage provided less than expected revenues in 2016. We realized significant gains through Saskatchewan venture capital investment redemptions and a one-time \$3 million gain on the sale of a commercial property in Saskatoon.

## Operating Expenses

Affinity's operating expenses for the year were 3% less than both 2015 and 2014 levels. Our focus on cost control continued to be successful and allowed for better efficiency and ROE ratios. At the same time, lower levels of cost helped Affinity to afford better rates and fees for members which in turn encouraged the growth of our balance sheet.

Personnel cost was behind budget by \$4.6 million. The 2016 budget anticipated a level of staff attrition and timing lags in hiring for vacant positions. We were able to achieve a better result than planned through enhanced process improvements and redeploying staff where practicable. Occupancy cost was under budget by over \$0.6 million due to fewer repairs and maintenance costs than anticipated. Member security costs approximated budget. We had less general business cost than expected as a result of unused computer and consulting costs which more than mitigated the overspend from insurance agencies. Organization costs were \$130 thousand less than budget. We spent more than planned for community initiatives but saved dollars from lower than expected credit union system dues.

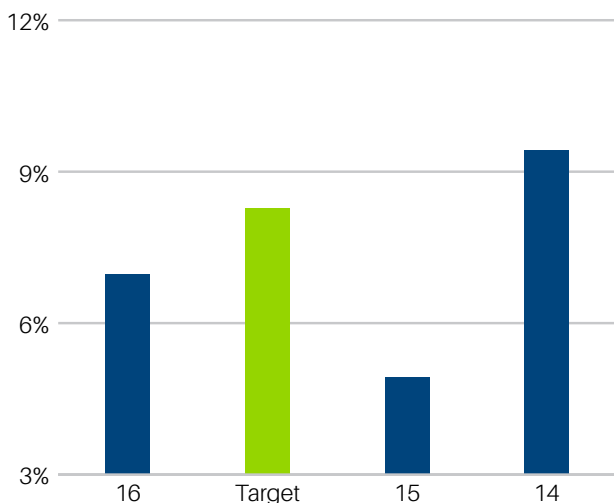
Affinity's \$31.8 million of Other Comprehensive Income for 2016 represented a strong bottom line from a regulatory perspective. Credit Union Deposit Guarantee Corporation expects an approximate return of 50 basis points per average assets and Affinity achieved 65 basis points, slightly behind our 66 basis point target.

## FINANCIAL POSITION SUMMARY

The Affinity Capital Plan sets out an appropriate level of balance sheet growth for the credit union. We seek growth that best leverages capital but does not erode capital and modelled 8-9% as ideal. Asset growth was set for 8.02% for 2016. The first two quarters of the year were weak but through aggressive sales efforts, we were able to pick up the pace in the latter half of the year. Asset growth, at 6.73% for 2016, fell short of our plan. We continued to have solid deposit growth over the course of 2016, but loan demand was softer than expected and we ended the year with higher levels of excess liquidity. There was no rationale to continue to raise deposits to our planned level without matching loan demand. To do so would have created an unnecessary stockpile of liquidity and strain on our capital position.

## Deposits

### Deposit Growth (%)



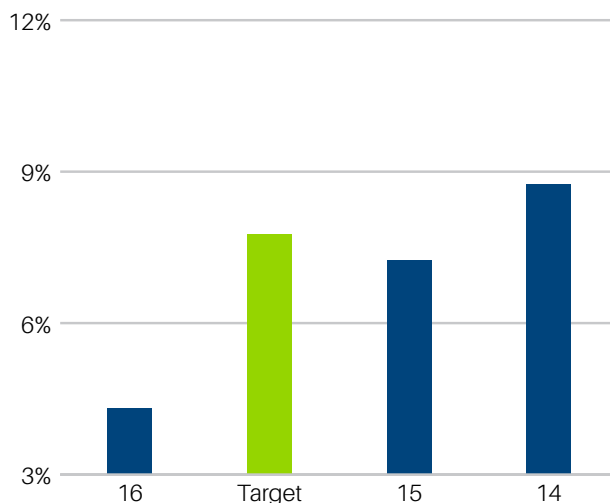
We are unable to grow without appropriate financing and our chief financing avenue was member deposits. In 2016, the credit union deposit base was 90.88% of assets and this was consistent with prior years.

The budget for the year was based on an aggressive strategy of growth allowed for in our capital plan. As rates continued to fall in 2016, deposits remained an unattractive option for investors and we struggled to achieve the financing necessary for our desired 8-9% asset growth. We continued to use our nominee deposit relationship outside of Saskatchewan but only to the extent that we were unable to attract deposits from within the province. This channel is capable of providing \$340 million in large institutional or corporate depositors. By the end of 2016, we had used approximately one third of its capacity.

Overall, deposits grew by 7% or \$302 million, which was less than the 8.28% target. We were off plan in demand deposits but far ahead of plan in fixed deposits. We were able to secure deposits from local corporate investors over the course of the year and this helped to subsidize the growth not achieved through our individual membership base.

## Loans

### Loan Growth (%)



Loans make up the majority of Affinity's asset base. The growth target of 7.77% for 2016 was on par to what had been achieved in the prior year. The outcome of 4.32% was far less than expected and we lagged budget in several areas of the portfolio.

Consumer loans were less than expected for non-mortgage and mortgage loans. Growth in this portfolio was 2.2% overall. Residential mortgages did not grow in the first quarter of 2016 and grew evenly throughout the rest of the year, although at a pace much slower than expected. The employment layoffs across the resource sector exacerbated the already weakened housing markets in Regina and Saskatoon. Ag sector growth was 7% and within \$24 million of reaching the budget target. Commercial growth was better than expected at 6.6%. In spite of a weakened economy, our commercial pipeline did not drop throughout the year.

Affinity has a number of loan syndication relationships with third parties. We sell loans as a means of managing liquidity or managing the size of our borrower relationships. We did not need to syndicate any new loans in 2016 as our liquidity position did not warrant it and new commercial loans were well within our large aggregate limits. At the end of the year, we had on-balance sheet loans of \$4.1 billion.



## CAPITAL AND LIQUIDITY MANAGEMENT

### Capital Monitoring and Management

As a financial institution, Affinity requires an adequate level of capital in reserve to mitigate risk, measured by way of member capital to risk weighted assets. Risk is embedded in our current balance sheet position, in operations and from our business environment. Controlling risk encompasses more than what is known at a point in time. We also need to consider unforeseen but plausible future risk. Our regulator, Credit Union Deposit Guarantee Corporation has an expectation that Affinity will hold capital that includes a base regulatory level plus a buffer.

Because the measure is based on assets, capital needs to increase as the balance sheet grows. We will always need additional capital if we're to consider future expansion, either within our traditional business lines or through further diversification. The measure is also based on member capital and its growth is dependent upon generating strong operating results.

In 2016, Affinity was guided by the capital plan that was developed and approved in 2015. In that plan, we tested a capital buffer against our current risk profile and established a 12.5% minimum target, which represents a base of 10.5% plus a 2% buffer. Through testing and market research, we arrived at appropriate performance targets for efficiency and return on equity over the next five years.

The final phase of the capital plan involved testing a number of balance sheet growth scenarios against performance targets and capital adequacy. Appropriate growth would cause capital positions to slowly build over and above the target minimum.

On a regular basis we monitored our capital position and forecasted changes in our business model against capital adequacy to ensure we were making the right business decisions. Finally, as our risk management framework reaches maturity, we continually adjusted the capital we require for existing and emerging risks. We will refresh the capital plan each year by reconsidering performance metrics and the appropriateness of business plans and growth goals against capital.

At the end of 2016, our capital to risk weighted assets was 13.38%, considerably higher than the 2016 minimum requirement.

### Internal Capital Adequacy Assessment Process (ICAAP)

In addition to meeting a regulatory capital base and buffer requirement, the credit union also measures capital adequacy in relation to its unique risk profile. Throughout 2016, the credit union's key risk map was refreshed. We re-evaluated the current risks and considered emerging risks. Once we had established the likelihood of unmitigated risk occurring and its impact on capital, we instituted a base internal capital requirement. We met with risk owners to stress test each risk for plausible but remote scenarios. During this exercise, we determined what capital buffer needed to be added to the base internal capital requirement. The aggregate became our internal capital requirement for the credit union. If the internal capital requirement was greater than the regulatory requirement, we raised our minimum capital standard. At the end of 2016, the internal capital requirement for our significant risks was less than the regulatory requirement.

### Liquidity Management

Liquidity management is the constant monitoring of current, near and far term expected cash positions to ensure that Affinity can satisfy demands on cash. The Board and management have set targets of necessary operating surplus liquidity over a one year time horizon that provide a generous liquidity buffer to withstand the stress of unusual events and contemplate current expected cash flow. Intermediate targets have also been established to oblige action long before any critical shortfalls are experienced.

Throughout 2016, Affinity experienced a position of excess liquidity as deposit growth exceeded our loan demand. As a result, we ended the year with enough surplus liquidity to exceed our operating liquidity policy metrics from 30-365 days in the future from the year end date.

Throughout 2016, Affinity measured its Liquidity Coverage Ratio, which is a measure of high quality liquidity assets against stressed net cash outflows from our operations over a 30 day time horizon. Because the measure became a regulatory requirement at the beginning of 2017, we wanted to ensure that we were prepared and that our operating liquidity policy was aligned with the new standard. We were able to meet the new regulatory minimum for all quarters throughout 2016.

Because our balance sheet strategies are underpinned by liquidity management, we have arranged for a number of backup sources in addition to raising deposits. We carry a line of credit with Credit Union Central of Saskatchewan (SaskCentral) and two further debt facilities with two different financial institutions. Throughout 2016, we kept these facilities largely unused and available. We also ended the year with approximately \$200 million of capacity within the nominee deposit channel.

Another liquidity source is leveraging our existing balance sheet through loan securitizations. During 2016, we received our issuer status to enter a residential mortgage securitization platform. Securitization transactions are a form of borrowing against our loan base. We expected to use this service during the year. However our surplus liquidity position did not warrant it. Finally, we have the option to sell loans to raise cash to continue lending. This is our last liquidity resort as our aim is to continue to grow our balance sheet and leverage our capital position.

## OUTLOOK

Overall, economic growth is expected to rise by a modest 1.2% in 2017. Gains in employment will also resume but wage gains will be marginal as there is slack in labour markets. Investment across the board is on track for a pale performance as a number of construction projects near completion. As a result, many of the province's key industries will face difficulties and the road to recovery will be rocky. Household consumption will increase only modestly. Consumer spending on services will benefit the most from the small gains that do occur, leaving the retail trade sector to struggle. On the other hand, financial and commercial services will begin to rebound in 2017. If agricultural conditions return to normal, it's expected that output from this sector will improve by 2.7%. The outlook from mining favours potash with an expected output increase of 8.1%. Uranium mining is expected to experience no material growth in output.

Affinity has factored this heightened risk into its financial forecast for 2017. The annual operating plan includes lower balance sheet growth and a continued expectation of higher loan delinquency and losses. At the same time, our efforts at internal process redesign, investments in technology and people and realigning our talent with a member-first lens will be a continuation of the work started over the last two years. We expect that every initiative will lead to a stronger financial outcome.

## RISK MANAGEMENT

### Overview

Affinity actively manages a variety of risks as it delivers financial services to members and customers across the province of Saskatchewan. Key risks are monitored, assessed and vetted by management, and reported to the Board on a quarterly basis.

The Board of Directors, supported by the detailed work of the Audit and Risk Committee, approves the risk policy and reviews and approves the risk framework and the risk appetite not less than annually. On a quarterly basis, the Board receives a formal risk report which includes information about key risk levels and trends relative to the approved risk appetite, business implications, management response and emerging risk factors.

Affinity manages risk to safeguard and ultimately increase value for the organization and its members. We consider risks from the perspective of living our values and fulfilling our business objectives as expressed through our strategic and business plans. In safeguarding and leveraging our reputation, we understand that the potential to impact reputation is embedded in all key risk areas and throughout all business conditions and lines of business. As a financial institution, Affinity maintains a strong focus on capital. Our key risks are common to our industry: credit, market, liquidity, strategic, customer, operational and regulatory and legal.

### Top and Emerging Risk

Top risks include: strategic implications of the operating model on our competitive position, ability to implement and adapt strategic organizational and cultural changes quickly and effectively and, given the current economic conditions, risk of increased credit default losses. The Board and management continue to pay close attention to the strength of our brand and product offering as well as living out and differentiating on our values. Additionally, Affinity carefully monitors and controls all risks core to financial institutions, including liquidity, regulatory, credit, and market, as well as the delicate interplay of growth, efficiency and return.

Key risks are aligned to strategies and key initiatives. Response activities are in place for key risks:

- The member experience plan defines and guides the risk response activities which mitigate strategic implications of the operating model on our competitive position and ability to implement and adapt strategic organizational and cultural changes quickly and effectively. Given these risks are strategic in nature, improvements will occur over a planned time horizon.
- Given the economy, management has increased monitoring of a number of factors related to the credit portfolio in order to mitigate the risk of increased default losses. Although credit portfolio risk trended upward as the year progressed, delinquency and write-offs remain within risk appetite. The Credit Risk Committee regularly reviews the credit portfolio.
- Other core financial institution balance sheet risks include capital, liquidity, market and regulatory. These risks are monitored and controlled through policy, procedure, controls and stress testing. They are regularly reviewed by management and the Asset Liability Committee. These core risks are maintained at low levels of risk and well within the approved risk appetite.

We monitor the business environment for factors that could cause our results to be significantly different from our plans. Currently we are attentive to a number of key themes, including political and economic conditions with a specific focus on interest rate and credit cycles, regulatory and legislative developments, fraud and security, technological developments and cyber-security, changing demographics and market trends as well as the activities and results of competitors.

### Risk Philosophy

Affinity Credit Union balances risk and reward to meet goals for members, community, employees, growth and financial sustainability. In pursuit of these goals, we accept risks we understand and can manage within prudent levels.



Risk Culture

At Affinity, we understand that our risk culture is influenced by the actions of our people, the means by which work is done and the manner in which decisions are made. Our risk culture is fostered and supported through strong Board oversight, an interactive risk governance structure, awareness and education, risk appetite, policies and procedures and a variety of tools that support identification, measurement, analysis and risk informed decision-making.

Governance and Design

Our risk program is designed to support the Board in understanding, speaking knowledgeably about and providing direction to key risks. We strive for plain language and clear communication of the business implications and management response to risk exposures. This starts with the Board and Audit and Risk Committee and is fostered at all levels of the organization through our executive risk owners and our risk governance committees.

The Strategic Risk Committee (SRCO), comprised of all members of executive management, evaluates and monitors key risks with a dual focus on alignment with risk appetite and implications for business success. The Strategic Development Manager and the Chief Internal Auditor are in attendance.

Key risks are assessed by SRCO each quarter. The full risk register is monitored by risk owners each quarter and refreshed not less than annually on the basis of a SRCO workshop.

Under the direction of the CEO and guided by the leadership of executive risk owners, business lines are accountable for understanding and managing the risks related to their business activities. As such they make judgments and decisions to ensure business plans and associated risk levels are appropriate and managed within the approved risk appetite and risk management policies.

Reporting to the CEO, the Executive Vice President Governance and Risk has executive accountability for the design, implementation and effectiveness of the enterprise risk program. The conceptual design of the program recognizes that leaders of business lines are the risk owners and ultimately accountable for the risks related to their functional areas. Congruent with a three lines of defense model, the organizational structure distinguishes between management control functions that own and manage risk, functions that oversee risks and functions that provide independent assurance. The risk function works in concert with other elements within the management and control structure, including compliance and internal audit. The result promotes transparency and contributes to risk informed decision-making.



The Board provides oversight to the risk program and its integration with strategic and capital planning. The Board approves the risk framework, the risk appetite framework and key risk policies and limits. The quarterly risk report to the Board is a summary of the status, direction, and projected trend of key risks relative to approved risk appetite, business implications and risk mitigation activities. The report also comments on economic conditions and emerging risks. The Board receives a risk analysis to support decision-making, such as the approval of the business plan and as input to strategic planning. Awareness and education sessions are conducted throughout the year, including an orientation for new Board members.

The Audit and Risk Committee of the Board reviews risk matters coming before the Board, including the effectiveness of the risk program, status of key risks and strategic implications of risk conditions.

The Chief Internal Auditor reports independently to the Board (through the Audit and Risk Committee) on the effectiveness of the risk governance structure and risk management framework.

The Strategic Risk Committee uses a risk assessment process which takes into account likelihood and impact and meets quarterly to review and evaluate key risk levels relative to the Board approved risk appetite and discuss potential implications to the successful achievement of business and strategic plans. Further, the committee members participate in annual interviews and a workshop to scope and plan top risks for the upcoming year. Monitoring of risk levels and risk mitigation activities are conducted according to an established protocol.

The Asset Liability Committee provides high-level oversight and strategic direction to balance sheet management within the Board approved risk appetite and policy. It reviews economic trends, interest rate forecasts, investment portfolio risk and performance, liquidity, foreign exchange exposures and capital adequacy. The committee approves and monitors balance sheet risk management tactics.

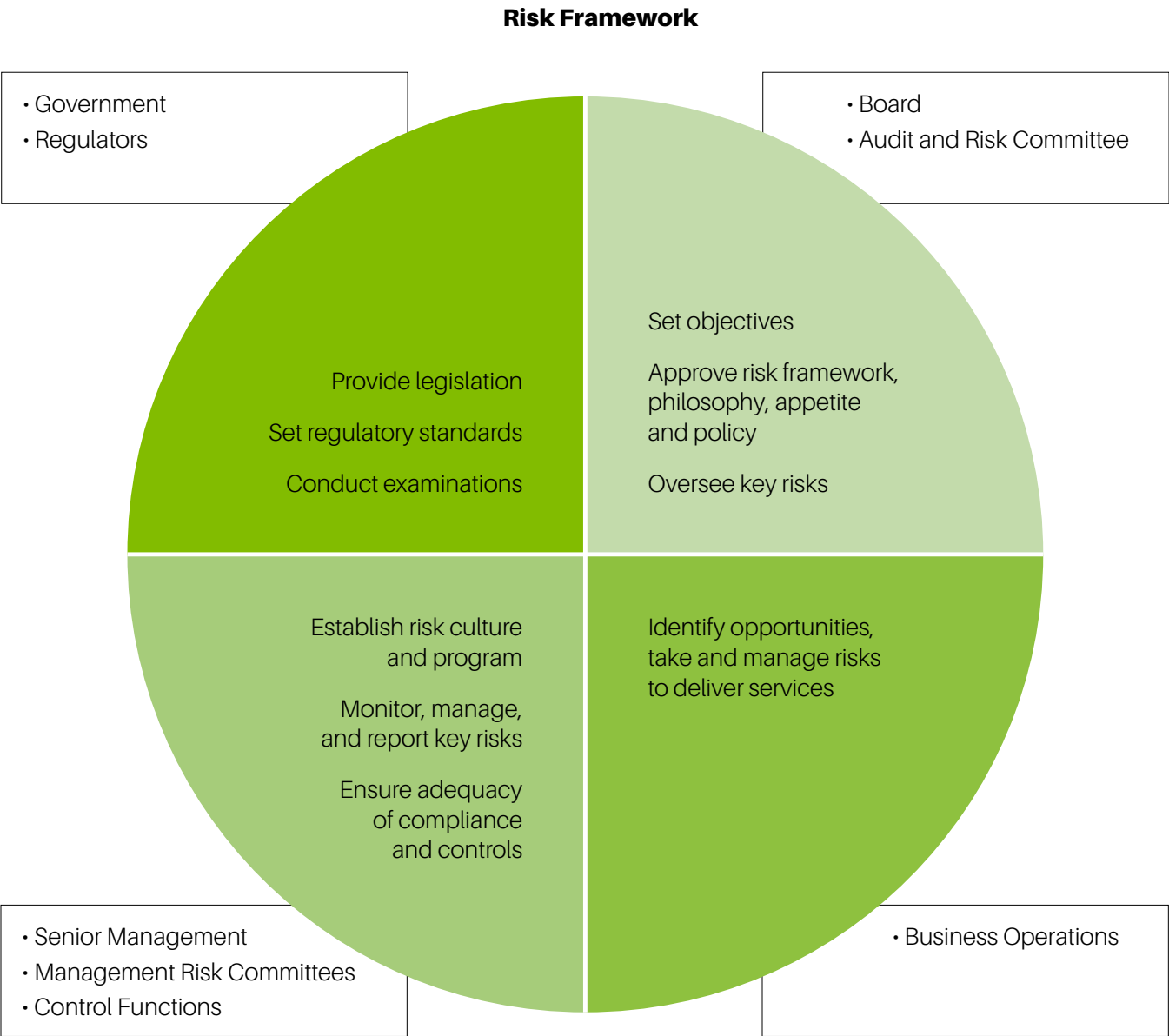
The Credit Risk Committee develops and recommends credit strategies and operating policy within the Board approved risk appetite and policy. It monitors conditions affecting credit procurement and performance, monitors portfolio concentrations and performance and approves and monitors credit risk management tactics.

The Operational Risk Committee combines dialogue and case studies to increase awareness and identify solutions to cross-functional operational risk challenges. It creates synergy and improves outcomes regarding the management of operational risk across all functional areas.

The Risk Framework

The Board reviews and approves the risk framework annually. The framework includes a description of risk management at Affinity: purpose, governance, risk appetite, key program elements, control structure,

roles and responsibilities and risk process and tools. It provides policy direction to the organization, influences the risk culture and helps to provide confidence to key stakeholders that Affinity understands and actively manages its risks in order to meet business objectives.





## Risk Appetite

The Board sets risk appetite for the organization through annual review and approval of the risk appetite framework. The components of the risk appetite framework are the risk philosophy, the risk appetite statements and the target risk appetite, which includes both the selection of target risk levels and quantitative ranges and points. The annual refresh of the Risk Appetite Framework includes consultation with technical staff, executive managers and management level risk committees. Quarterly and annual risk reporting to the Board reflects current risk levels relative to the approved risk appetite.

## Risk Tools

The organization employs a variety of specific tools to manage its key risks, including policy and procedure,

risk identification and assessment, analysis processes and stress testing as well as risk measurement monitoring and reporting.

## Links to ICAAP

The organization has in place an Internal Capital Adequacy Assessment Process (ICAAP), which is reviewed by the Board. Quarterly risk assessments by the Strategic Risk Committee provide inputs to the ICAAP and the results of the ICAAP are subsequently reviewed by the Strategic Risk Committee.

## Index of Key Risk Exposures

At Affinity, all risks are mapped according to the following categorization:

CATEGORY NAME	SHORT FORM DEFINITION (RISK OF LOSS ARISING FROM)
Strategic Risk	Inability to adapt to changes in the business environment through appropriate business plans, decision-making, resource allocation or implementation of effective strategies
Customer Risk	Inability to meet needs and expectations of customers or prospective customers, resulting in loss of customers/volume/revenues
Operational Risk (sub-categories people, process, technology)	Problems or failures in the performance or controls of business functions or processes
Credit Risk	Counterparty inability or unwillingness to meet contractual obligations
Market Risk	Decreases in the value of a financial instrument or portfolios of financial instruments due to movements in interest rates and timing differences in the repricing of assets and liabilities, changes in movements and volatility in foreign exchange rates and credit spreads
Liquidity Risk	Inability to meet current and future demands on cash in a timely manner and at reasonable prices
Regulatory and Legal Risk	Non-compliance with governing laws and regulations or failure to meet legal obligations

# SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Affinity Credit Union were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments.

These consolidated financial statements were prepared in accordance with financial reporting requirements prescribed by the Credit Union Act, 1998 of the Province of Saskatchewan, Credit Union Deposit Guarantee Corporation, and by statute. The accounting policies followed in the preparation of these financial statements conform to international reporting standards (IFRS).

Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements. In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls include quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with appropriate legislation and conflict of interest rules, and by an internal audit staff, which conducts periodic audits of all aspects of our operations.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit and Risk Committee, which is composed entirely of independent directors.

This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit and Risk Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues. Our Senior Compliance Manager and Chief Internal Auditor have full and unrestricted access to the Audit and Risk Committee.

Further monitoring of financial performance and reporting is carried out by the Credit Union Deposit Guarantee Corporation. It is given its responsibilities and powers by provincial statute through the Credit Union Act. Its purpose is to guarantee members' funds on deposit with Saskatchewan Credit Unions and provide preventative services. Preventative services include ongoing financial monitoring, regular reporting and consultation.

KPMG LLP, Chartered Professional Accountants appointed by the members of Affinity Credit Union upon the recommendation of the Audit and Risk Committee and Board, have performed an independent audit of the consolidated financial statements and their report follows. The auditors have full and unrestricted access to the Audit and Risk Committee to discuss their audit and related findings.



Mark Lane  
Chief Executive Officer



Lise de Moissac  
Executive Vice President  
and Chief Financial Officer

Saskatoon, Saskatchewan  
February 27, 2017





KPMG LLP  
500-475 2nd Avenue South  
Saskatoon Saskatchewan S7K 1P4  
Canada  
Tel (306) 934-6200  
Fax (306) 934-6233

## INDEPENDENT AUDITORS' REPORT

To the Members of Affinity Credit Union:

The accompanying summary consolidated financial statements of Affinity Credit Union, which comprise the summary consolidated statement of financial position as at December 31, 2016, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related note, are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, of Affinity Credit Union as at and for the year ended December 31, 2016.

We expressed an unmodified audit opinion on those complete consolidated financial statements in our auditors' report dated February 27, 2017.

The summary consolidated financial statements do not contain all the requirements of International Financial Reporting Standards applied in the preparation of the complete audited consolidated financial statements of Affinity Credit Union. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the complete audited consolidated financial statements of Affinity Credit Union.

### *Management's Responsibility for the Summary Consolidated Financial Statements*

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 1.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### *Opinion*

In our opinion, the summary consolidated financial statements derived from the complete audited consolidated financial statements of Affinity Credit Union as at and for the year ended December 31, 2016 are a fair summary of those complete consolidated financial statements, in accordance with the basis described in Note 1.

Chartered Professional Accountants

February 27, 2017  
Saskatoon, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

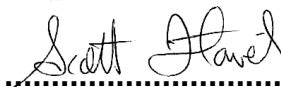
**AFFINITY CREDIT UNION**  
**SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31 (in thousands of dollars)**

	<b>2016</b>	2015
	<b>(Note 1)</b>	(Note 1)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 42,805	\$ 22,942
Financial investments	830,300	693,375
Loans	4,120,819	3,950,352
Other assets	102,906	108,821
Total Assets	\$ 5,096,830	\$ 4,775,490
<b>LIABILITIES</b>		
Deposits	\$ 4,631,772	\$ 4,329,777
Other liabilities	39,712	52,210
Total Liabilities	4,671,484	4,381,987
<b>EQUITY</b>		
Retained earnings	422,865	393,856
Accumulated other comprehensive income	3,000	(13)
Equity attributable to owners	425,865	393,843
Non-controlling interest	(519)	(340)
Total Equity	425,346	393,503
Total Liabilities and Equity	\$ 5,096,830	\$ 4,775,490

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

**APPROVED BY THE BOARD**

..... CFO

..... Director

**AFFINITY CREDIT UNION**  
**SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
Year ended December 31 (in thousands of dollars)

	2016 (Note 1)	2015 (Note 1)
<b>PROFIT OR LOSS</b>		
INTEREST INCOME		
Loans	\$ 154,374	\$ 153,882
Investments	10,344	9,673
	<u>164,718</u>	<u>163,555</u>
INTEREST EXPENSE		
Deposits	43,659	42,145
Borrowings	147	196
	<u>43,806</u>	<u>42,341</u>
NET INTEREST	120,912	121,214
PROVISION FOR CREDIT LOSSES	14,188	1,751
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>106,724</u>	<u>119,463</u>
OTHER INCOME	48,331	44,959
NET INTEREST AND OTHER INCOME	<u>155,055</u>	<u>164,422</u>
OPERATING EXPENSES		
Personnel	72,935	74,918
General business	30,665	31,791
Occupancy	9,409	9,764
Organizational	3,391	3,496
Security	4,263	4,022
	<u>120,663</u>	<u>123,991</u>
PROFIT BEFORE INCOME TAX	<u>34,392</u>	<u>40,431</u>
PROVISION FOR INCOME TAXES	5,531	7,757
PROFIT	<u>28,861</u>	<u>32,674</u>
OTHER COMPREHENSIVE INCOME	<u>2,982</u>	<u>121</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 31,843</u>	<u>\$ 32,795</u>
Profit attributable to:		
Affinity Credit Union	\$ 29,040	\$ 32,798
Non-controlling interests - Minority shareholders of 101188741 Saskatchewan Ltd.	(179)	(124)
	<u>\$ 28,861</u>	<u>\$ 32,674</u>

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



**AFFINITY CREDIT UNION**  
**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Year ended December 31 (in thousands of dollars)**

2016					
(Note 1)					
	Retained earnings including contributed surplus	Accumulated other comprehensive income	Equity attributable to owners	Non controlling interest	Total equity
<b>Balance, beginning of year</b>	\$ 393,856	\$ (13)	\$ 393,843	\$ (340)	\$ 393,503
Addition to contributed surplus	-	-	-	-	-
Total profit or (loss)	29,040	-	29,040	(179)	28,861
Other comprehensive income, net of tax	(31)	3,013	2,982	-	2,982
<b>Balance, end of year</b>	<u>\$ 422,865</u>	<u>\$ 3,000</u>	<u>\$ 425,865</u>	<u>\$ (519)</u>	<u>\$ 425,346</u>

2015					
(Note 1)					
	Retained earnings including contributed surplus	Accumulated other comprehensive income	Equity attributable to owners	Non controlling interest	Total equity
Balance, beginning of year	\$ 343,041	\$ 104	\$ 343,145	\$ (216)	\$ 342,929
Addition to contributed surplus	17,779	-	17,779	-	17,779
Total profit or (loss)	32,798	-	32,798	(124)	32,674
Other comprehensive income, net of tax	238	(117)	121	-	121
Balance, end of year	<u>\$ 393,856</u>	<u>\$ (13)</u>	<u>\$ 393,843</u>	<u>\$ (340)</u>	<u>\$ 393,503</u>

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

**AFFINITY CREDIT UNION**  
**SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year ended December 31 (in thousands of dollars)

	<b>2016</b>	2015
	<b>(Note 1)</b>	(Note 1)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Total profit	\$ 28,861	\$ 32,674
Adjustments to operating cash flows	(101,079)	(107,514)
Changes in operating assets and liabilities	77,643	(100,027)
Cash interest received	164,794	163,205
Cash interest paid	(42,436)	(43,535)
Cash income taxes paid	(8,420)	(5,104)
	<u>119,363</u>	<u>(60,301)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from investments	167,621	278,574
Purchases of investments	(293,627)	(268,696)
Net cash and cash equivalents attributed to minority shareholders	(179)	(124)
Net cash and cash equivalents acquired through business combinations	-	6,002
Purchase of non-financial assets	(2,187)	(5,651)
Proceeds from disposal of property and equipment	3,963	145
	<u>(124,409)</u>	<u>10,250</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Other liabilities	28	(1,482)
Sale of loans	28,874	37,959
Repurchase of loans	(3,805)	(5,488)
	<u>25,097</u>	<u>30,989</u>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,051</b>	(19,062)
<b>NET FOREIGN EXCHANGE DIFFERENCE ON CASH HELD</b>	<b>(188)</b>	123
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>22,942</u>	41,881
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 42,805</u>	<u>\$ 22,942</u>

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

**AFFINITY CREDIT UNION****Note to the Summary Consolidated Financial Statements  
December 31, 2016**

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**1. Basis of the summary consolidated financial statements**

The criteria applied by management in the preparation of these summary consolidated financial statements are as follows:

- a) The information in the summary consolidated financial statements is in agreement with the related information in the Credit Union's December 31, 2016 audited consolidated financial statements (the "Audited Financial Statements"); and
- b) The summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the Audited Financial Statements, including the notes thereto.
- c) The Audited Financial Statements can be obtained at any Affinity Credit Union branch or on-line at:  
  
<https://www.affinitycu.ca/YourCreditUnion/About/Pages/AnnualReportsandStatements.aspx>
- d) The detailed notes included in the Audited Financial Statements are not included in the summary consolidated financial statements as these notes are available in the Audited Financial Statements which can be obtained as described above.



**AFFINITY CAMPUS**

902 7th Avenue North

Mail to: PO Box 1330  
Saskatoon SK  
S7K 3P4

