gaining momentum

Affinity Credit Union Annual Report

2018

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All deposits held at Affinity Credit Union are fully guaranteed by the 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.

Affinity Credit Union Business Member:
Bodhi Tree Yoga

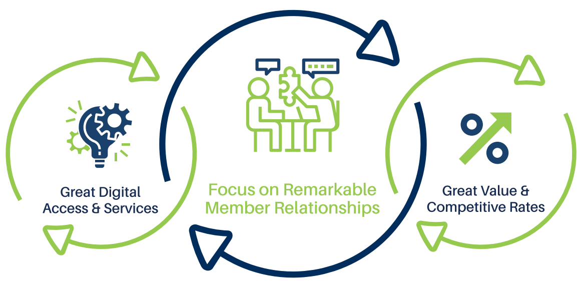
Moving forward, we know that the value members see in their credit union must shine through in ways that are meaningful and remarkable.

Scott Flavel, Board Chair and Mark Lane, CEO

From Our Chair and CEO

It was another welcomed and formative year of growth at Affinity. In 2018, we saw the conclusion of a number of projects and initiatives which brought significant change to our credit union, and we now move into the future with increased ability and a renewed sense of purpose.

This focus, outlined in our three-year strategic plan, details our continued pathway to a remarkable member-first experience, supported by robust digital solutions and access, and delivering great value and advice every day for our members.



Over the past year, we've introduced new products and services to help meet these aspirations. After fully launching Restart Loans in June 2018, it's clear there's a high demand and need for this type of product in Saskatchewan. We take pride in the fact that a total of 948 loans were approved by the end of 2018 to help prevent members from falling into, or further into, the payday loan cycle.

The past year also saw the launch of our specialized Wealth Advisory Team and expansion of our Contact Centre. The Wealth Advisory Team provides members with an innovative approach to investment advice and allows us to provide a more personalized and proactive service over the phone.

Similarly, the expansion of our Contact Centre delivered an increase in hours, including Sunday openings, and an expansion to the services it provides members to meet their growing expectations. Now when members reach out to the Affinity Contact Centre, they can receive first-level IT support related to our digital offerings, investment support, consumer and residential mortgage lending and the expertise of our small business team.

These were but a few 2018 initiatives that demonstrated our continued commitment to serving our members' best interests. Of course, the final piece to providing a remarkable member experience is embedded in our relationships. The relationships we enjoy with our members is the piece that connects our quality advice, great products and convenient digital offerings into one remarkable experience.

As members gain more and more flexibility to complete transactions from wherever and whenever is most convenient for them, we know they are visiting our advice centres less frequently for those needs and are more likely to visit us to receive expertly tailored advice. As the financial industry evolves, Affinity's employees continue to learn and develop in their careers as they work to be deserving of the role as our members' trusted advisors.

Your credit union has made significant advancements over 2018 in terms of pricing value, enhancements to digital offerings and transitioning our retail presence to be proactive in delivering great financial advice. In 2019, you can look forward to initiatives that further improve our website tools and the Affinity Mobile app. Regina area members will also enjoy increased access with the opening of two new advice centres, with the first located on the corner of Haughton and Prince of Wales and the second on South Albert. For small business and ag members, we intend to provide access to a new suite of services, including payroll processing, which will help meet the need for inclusive and convenient features that complement core banking products. These enhancements and more all contribute toward our ultimate goal of providing our members with a truly remarkable experience.

141,587
members

100%
owned by members

Provided funding to
889
organizations across SK

56
locations
47
communities

$6.9
billion in managed assets

791
employees

Over
10,000
daily active users on
Affinity mobile

8th
largest credit union in Canada

Delivered
115
Each One Teach One Financial Literacy Workshops to 1,592 people

$704,496
provided to employees for educational support, tuition reimbursement, training and workshops

It’s about co-ops helping co-ops!

Renewable Rides

Our Campus in Saskatoon is proud to host Saskatchewan’s first solar-powered vehicle to be part of a carshare program, one of only 160 electric vehicles in the whole province.

The vehicle, a Chevrolet Spark, can be booked as part of the Saskatoon Carshare Co-operative and driven 140 kilometres on a single charge in the summer and about 90 kilometres in the winter.

We’re happy to partner with the Saskatchewan Environmental Society and Saskatoon Carshare Co-operative to support their Renewable Rides project.

This is a wonderful green initiative that aligns with our co-operative values!

2018 HIGHLIGHTS

At the beginning of 2018, we set out with a goal focused around ensuring competitiveness and finding new and improved ways to provide members with a remarkable experience. As you'll see below, we launched a number of exciting new innovations, products and services to help achieve that goal:

Welcome to Porcupine Plain!

The Affinity family welcomed a new addition in 2018 when Porcupine Credit Union joined on January 1! It was a busy time as we migrated banking systems mid-year to provide our newest members with a seamless experience. Everything eventually settled, and we're thrilled to have them as part of the team!

Welcome to our new employees and members!

Expanding Our Contact Centre

To meet our members' growing needs, we vastly expanded the role of the Contact Centre in 2018. Adding to its previous functions, the Contact Centre can now provide members with first-level IT support for our digital offerings, small business support and advice & wealth expertise and a more formalized relationship-focused contact program.

We've also extended the hours each day and introduced a more competitive seven-day week by opening on Sundays. Additionally, main advice centre phone lines have been routed to the Contact Centre, allowing advice centre staff to focus their attention on face-to-face interactions with members.

Collabria Credit Cards

We continue to refine and improve the experience for our members after changing credit card providers to Collabria in 2017. There was a great uptake on new credit cards in 2018, with 2,353 consumer cards and 560 business cards opened for a total of 2,953 cards – quite a difference from 2017 when we issued 1,673 new cards (1,602 consumer and 71 business).

Make Switching Easy with ClickSWITCH™

One of the biggest issues people experience when switching financial institutions is transferring any pre-authorized transactions to their new accounts. To reduce the inconvenience of switching and make it easier for potential members to join Affinity, we've found a way to streamline the process with ClickSWITCH™! ClickSWITCH is an automated account-switching solution that makes transferring recurring direct deposits and automatic payments quick, easy and secure. Although it was only launched in December, ClickSWITCH helped over 40 members complete their switches by the end of 2018.

Helping Members with Restart Loans

While the Restart Loan received a soft launch in November 2017, it was officially made available province-wide in June 2018. The Restart Loan is designed to help our members by providing them with an alternative to short-term payday loans and allows them to borrow between $200 and $2,000 at 17.99% annual interest.

Since the full launch, over 550 Restart Loans have been approved. By the end of 2018, we approved a total of 948 Restart Loans worth $1,480,930.

It's Time to Unbank Yourself

In September 2018, Affinity launched a new branding campaign – Unbank Yourself. The Unbank Yourself campaign is a message supported by the Canadian Credit Union Association (CCUA), and credit unions across Canada are welcome to take part. The purpose of this message is to educate the public on the differences between credit unions and banks.

In true Affinity fashion, we took the message and ran with it. So, while you may notice other credit unions using the tagline "Unbank Yourself", you'll also notice that our advertisements further differentiate Affinity through fun, bold and unique messaging.

Our Commitment to Truth & Reconciliation

First Nations and Métis peoples are a key part of Saskatchewan's vibrant social and economic fabric, and we're committed to walking together.

As part of our commitment to the Truth & Reconciliation Calls to Action, Affinity commissioned a piece of artwork by Indigenous artist Ernie Scoles to recognize treaty territory and the homeland of the Métis and Dakota peoples. This original piece of art is prominently hung inside the main doors at Affinity Campus in Saskatoon and framed prints are proudly showcased in each of our advice centres around the province, reflecting our commitment to continue building our relationships with Indigenous peoples.

On September 24, 2018, Affinity took part in Orange Shirt Day, a day when Indigenous peoples, local governments, businesses, schools and communities participate by wearing orange shirts to help raise awareness of the impacts of residential schools, with the goal of coming together in the spirit of reconciliation and hope for future generations.

Introducing Our Wealth Advisory Team!

This year we launched the Wealth Advisory Team (WAT) as an initiative to provide more proactive outreach and advice to members.

The WAT is comprised of a group of investment specialists situated around Saskatchewan as part of the Contact Centre team. Their purpose is to serve the needs of individual members who are interested in investing, or already have, mutual funds as investments. Many transactions can be completed over the phone to provide members with timely and convenient service.

Overall, the Wealth Advisory Team provides our members with a more efficient avenue to receive high-quality, professional financial advice, without losing that personal touch.

Lending Services

When you're an Affinity member, your money doesn't just sit around – it gets put to work through investments into your community that help your neighbours get loans to buy homes, start businesses, get educated and more! These investments help to drive the Saskatchewan economy forward and help make our province a great place to live!

In 2018 〉 91.6% of member deposits were invested back into our communities as loans.

	2018	2017
Residential Mortgages	$2,113,816,964	$1,982,687,697
Business Loans	$1,321,589,531	$1,209,707,420
Agriculture Loans	$707,427,616	$567,621,447
Personal Loans	$512,125,906	$503,791,281
Other Loans	$15,853,918	$13,500,738
Total	**$4,670,813,935**	**$4,277,308,583**

In 2018, lines of credit were reclassified from "Other Loans" and placed into their relevant categories above. "Other Loans" is now comprised of accrued interest and any foreclosed assets.

Community-Building Loan Programs

We all need someone we can turn to for support. At Affinity, we want to be that support! Our Community-Building Loan Programs help entrepreneurs who are looking to make a social or environmental impact, and have little or no credit history, launch the enterprises they've always dreamed of, and our affordable housing loans help families make the transition from renting to homeownership. These are the loan programs that help to make dreams and opportunities possible in your community.

	2018		2017	
Loan Type	**Balance**	**#**	**Balance**	**#**
Affordable Housing Loans	$38,223,743	256	$39,698,702[1]	286
Non-Profit/Community Loans	$42,576,664	58	$36,621,430	60
Small Business Start-Up Loans	$4,149,230	199	$3,179,823	162
Total	**$84,949,637**	**513**	**$79,499,955**	**508**

[1]Prior to 2018, flexible mortgages were omitted from Affordable Housing Loans reporting. For this year's report, it has been added to the 2017 and 2018 figures.

Wealth Advisory Services

We know the path to a remarkable member experience is built by providing great value, expert advice and robust digital solutions that are easy to access. Tremendous strides were made in 2018, especially within Wealth Advisory Services, which saw the launch of Virtual Wealth online services for members and our Wealth Advisory Team.

Virtual Wealth gives members the ability to quickly and easily set up an investment portfolio online and provides all of the support, tools and resources needed to get started.

Our Wealth Advisory Team is a group of investment specialists situated throughout Saskatchewan that work as part of the Contact Centre. They're able to provide expertly tailored advice to members conveniently over the phone and work collaboratively to ensure members can reach us when it's most convenient for them!

$1.25
billion in member investments under administration

91
comprehensive financial plans completed

13
wealth specialists

3
certified financial planners

100%
of our wealth specialists have either completed or are in the process of completing a professional planning designation

Our Governance

TIER
ONE

Members directly elect delegates to district councils.

TIER
TWO

District council delegates elect directors to the Board.

One thing that makes Affinity different is our two-tiered governance structure.

As an Affinity member, your say is important in determining the delegates and directors who work for you to represent your interests. You can vote for the delegates that represent your region each year by visiting an advice centre or through online banking. If you have a suggestion for Affinity, contact a delegate and let them know about it. You can also submit a resolution for consideration and cast ballots each year at our Annual General Meeting.

In 2018, following member approval at last year's AGM, we completely remapped our governance structure into nine district councils. Eight of these district councils represent geographic regions in Saskatchewan, and our Indigenous District continues to represent the interests of First Nations communities, who are Affinity Credit Union members, across the province.

Avoiding Conflicts of Interest

To manage situations where the interests of delegates and directors could potentially interfere with Affinity's interests, every elected Affinity official:

- Signs a conflict of interest declaration each year
- Discloses any potential conflicts on district council, Board and committee meeting agendas

Effective Representation

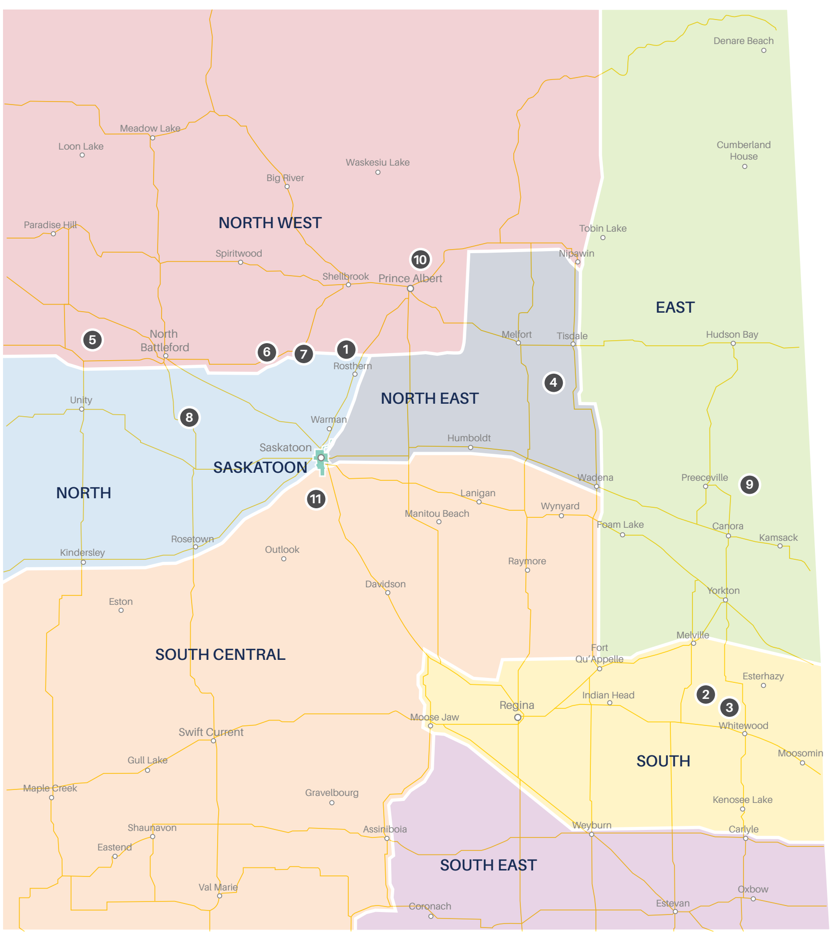
Becoming an Affinity delegate or director is a big step. To help transition to their new roles, our elected officials receive training to help them fully participate in Affinity's governance. This includes an orientation program for newly elected officials and the opportunity to participate in a series of learning events and recommended courses.

Board Committees

Directors and delegates are expected to prepare for, attend and contribute to all meetings and keep proceedings confidential. Affinity has five Board committees that meet throughout the year and regularly submit recommendations to the Board of Directors.

Board Committee	Attendees	Responsibilities
Audit and Risk	Board Chair, four directors	Oversees risk management and integrity of financial reporting.
Conduct Review	Board Chair, four directors	Oversees conduct and ethical business standards.
Human Resources	Board Chair, three directors	Oversees compensation strategy, executive succession planning and other human resource functions. Leads evaluation of the Chief Executive Officer's performance and pay.
Governance Committee	Board Chair, four directors, four delegates	Oversees corporate governance.
Co-operative Values Committee	Board Chair, four directors, one delegate from each district, one Affinity employee	Ensures Affinity stays dedicated to its co-operative values and traditions and maintains progressive corporate social responsibility policies.

District Council Map



INDIGENOUS DISTRICT MEMBERS

1. Beardy's & Okemasis' Cree Nation
2. Cowessess First Nation
3. Kahkewistahaw First Nation
4. Kinistin Saulteaux Nation
5. Little Pine First Nation
6. Lucky Man Cree Nation
7. Muskeg Lake Cree Nation
8. Red Pheasant Cree Nation
9. The Key First Nation
10. Wahpeton Dakota Nation
11. Whitecap Dakota First Nation

Back, left to right: Nathaniel Cole (South District), Milton Kerpan (North East District), Scott Flavel (South Central District), Kurt Holfeuer (Saskatoon District), Dannie Wreford (North West District), Pauline Ziehl Grimsrud (South East District) **Middle, left to right:** Deirdra Ness (Saskatoon District), Cindy Anderson (North District), Bryan Cottenie (East District), Paul Ledoux (Indigenous District) **Front, left to right:** Mitchell Anderson (Saskatoon District), Debra Chobotuk (Saskatoon District)

Our Board of Directors

Affinity is 100% owned by our members, and our Board is accountable to that membership. This dedicated group of stakeholders drive where Affinity is headed and what we need to do to get there. They also keep us grounded in our commitment to putting our members first and to supporting the co-operative movement and the credit union system.

Affinity's independent, 12-member Board of Directors is led by Scott Flavel, its non-executive Board Chair.

12
BOARD MEMBERS

9
GRADUATES OF THE CREDIT UNION DIRECTOR ACHIEVEMENT (CUDA) PROGRAM

6
ATTAINED A CERTIFIED CREDIT UNION DIRECTOR (CCD) DESIGNATION

1
DIRECTOR HAS A PROFESSIONAL DIRECTOR (PRO.DIR) CERTIFICATION

All Board members have a fiduciary responsibility to Affinity and follow the standards set out in the Credit Union Act 1998, the Standards of Sound Business Practice and other applicable legislation. The day-to-day management is delegated to Affinity's Chief Executive Officer.

Affinity's Board of Directors approves policies, and our management team ensures Affinity operates with integrity, honesty, fairness, professionalism and the highest ethical standards.

Meeting Attendance

2018 Board & Board Committee Meeting Attendance							
		Committee Membership and Attendance January 1 – December 31, 2018					
Board Directors	Board Meeting	Audit and Risk	Conduct Review	Human Resources	Governance	Co-operative Values	District Council Meetings
Wayne Amos	4 of 4			1 of 1			
Cindy Anderson	6 of 7			3 of 3			4 of 4
Gailmarie Anderson	3 of 4					1 of 1	
Mitchell Anderson	9 of 11	8 of 8	2 of 2				5 of 5
Ed Cechanowicz	4 of 4	2 of 2					
Duane Chipley	4 of 4				1 of 1		
Debra Chobotuk	10 of 11				5 of 5	3 of 3	5 of 5
Nathaniel Cole	7 of 7				4 of 4	3 of 3	5 of 5
Bryan Cottenie	7 of 7	6 of 6	2 of 2				4 of 4
Cadmus Delorme	0 of 4						
Scott Flavel*	11 of 11	8 of 8	2 of 2	4 of 4	5 of 5	4 of 4	4 of 4
Lois Herback	4 of 4				1 of 1		
Kurt Holfeuer	11 of 11	8 of 8	1 of 2				5 of 5
Audrey Horkoff	4 of 4	2 of 2					
Evelyn Kasahoff	3 of 4				1 of 1		
Milton Kerpan	11 of 11			1 of 1	4 of 4		4 of 4
Paul Ledoux	10 of 11			3 of 3		4 of 4	5 of 5
Victoria Morris	4 of 4					1 of 1	
Deirdra Ness	11 of 11	7 of 8	2 of 2				5 of 5
Hugh Sampson	4 of 4			1 of 1			
Owen Sebastian	4 of 4			1 of 1			
Norman Sheehan	4 of 4			1 of 1			
Dannie Wreford	11 of 11				5 of 5		4 of 4
Vanda Wutzke	3 of 4	1 of 2					
Pauline Ziehl Grimsrud	10 of 11			2 of 3		4 of 4	4 of 4

*Board Chair

Due to the implementation of governance model changes in April 2018, there was a reduction in the number of Board Directors from 22 to 12.

Our District Council Delegates

These are your Affinity district council delegates.

Each district council has an active nominating committee that encourages qualified Affinity members to run for positions.

Our delegates work hard in their communities and keep us connected to our members!

North District

Cindy Anderson[*]
Henry Dyck
Jill Curren
Peggy Walker
Terry Hinz
Reg Pauls

North East District

Don Bohay
Gailmarie Anderson
Garry I. Loehr
Jennifer Puetz
Lynn Pederson
Milton Kerpan[*]
Stephanie Gerwing

Saskatoon District

Davida Bentham
Debra Chobotuk[*]
Deirdra Ness[*]
Doug Knowles
Gayl Basler
Jasmin Carlton
Jo Custead
Kelley Moore
Kurt Holfeuer[*]
Mitchell Anderson[*]
Sheryl Hilash
Victoria Morris

North West District

Dannie Wreford[*]
Joseph Rybinski
Karl Panas
Nick Trofimuk
Stephanie Gosselin
Tina Stene

East District

Audrey Horkoff
Bryan Cottenie[*]
Darryl Siwak
Jackie Grisdale
Janice Dease
Jason Harbor
Joseph Kozakewich
Linda Bourque
Margaret Rudychuk
Rosalie Daisley

South District

Betty Ann Schiefner
Bryan T. Leier
Jean Dufresne
Joyce Fraser
Martin (Marty) Lelliott
Nathaniel Cole[*]
Sherry Wolf

Indigenous District

David D. Cote – The Key First Nation
Bonnie Lavallee – Cowessess First Nation
Chief Clinton Wuttunee – Red Pheasant Cree Nation
Cy Standing – Wahpeton Dakota Nation
Ivan Severight – Kinistin Saulteaux Nation
Leighanne Gardipy – Beardy's & Okemasis' Cree Nation
Michael Bob – Kahkewistahaw First Nation
Paul Ledoux – Muskeg Lake Cree Nation[*]
Terrance Okemow – Lucky Man Cree Nation
Kristen Buffalo – Whitecap Dakota First Nation

South Central District

Debbie Olesen
Gerald Munholland
Grant Greenshields
Kelvin Schapansky
Mike Heinrich
Owen Sebastian
Patricia Isherwood
Sara Trenouth
Scott Flavel[**]
Richard Goulet

South East District

Cameron Nordin
Dennis Bode
Duane Chipley
Dyon Stadnick
Garry Lafrentz
Pauline Ziehl Grimsrud[*]
Wayne Amos

[*] **Board Director**
[**] **Board Chair**

Director and Delegate Pay

Director and Delegate Remuneration	2018 Totals
Director Per Diems and Honorariums	$179,347.70
Delegate Per Diems and Honorariums	$116,971.00
Director and Delegate Expenses (includes all meals, accommodation, mileage and training)	$238,434.00

[1]Per diems include payments for training sessions as well as delegate, director and committee meetings held in 2018. Directors don't always sit on the Board for a full year. Board elections are held in March, which can lead to changes in Board membership midway through a calendar year.

2018 Board Director Per Diems and Honorariums

Board Director	Total Per Diems	Dates Served as a Director in 2018[1]
Wayne Amos	$2,490.00	January 1 to April 18, 2018
Cindy Anderson	$7,385.00	April 18 to December 31, 2018
Gailmarie Anderson	$3,905.00	January 1 to April 18, 2018
Mitchell Anderson	$14,345.00	January 1 to December 31, 2018
Ed Cechanowicz	$2,390.00	January 1 to April 18, 2018
Duane Chipley	$2,190.00	January 1 to April 18, 2018
Debra Chobotuk	$10,775.00	January 1 to December 31, 2018
Nathaniel Cole	$10,575.00	April 18 to December 31, 2018
Bryan Cottenie	$8,535.00	April 18, to December 31, 2018
Cadmus Delorme	$1,000.00	January 1 to March 19, 2018
Scott Flavel, Board Chair	$36,881.70	January 1 to December 31, 2019
Lois Herback	$2,990.00	January 1 to April 18, 2018
Kurt Holfeuer	$11,850.00	January 1 to December 31, 2018
Audrey Horkoff	$2,615.00	January 1 to April 18, 2018
Evelyn Kasahoff	$1,250.00	January 1 to April 18, 2018
Milton Kerpan	$8,371.00	January 1 to December 31, 2018
Paul Ledoux	$8,895.00	January 1 to December 31, 2018
Victoria Morris	$2,095.00	January 1 to April 18, 2018
Deirdra Ness	$13,635.00	January 1 to December 31, 2018
Hugh Sampson	$1,845.00	January 1 to April 18, 2018
Owen Sebastian	$2,270.00	January 1 to April 18, 2018
Norman Sheehan	$2,470.00	January 1 to April 18, 2018
Dannie Wreford	$8,020.00	January 1 to December 31, 2018
Vanda Wutzke	$1,900.00	January 1 to April 18, 2018
Pauline Ziehl Grimsrud	$10,670.00	January 1 to December 31, 2018
Total 2018 Director Per Diems	**$179,347.70**	

From left to right: Myrna Hewitt, EVP Member Experience; Nilesh Kavia, EVP Strategy Execution and Operations; Lise de Moissac, EVP and CFO; Michael Elchuk, EVP and CIO; Mark Lane, CEO; Pat Brothers, EVP Human Resources; Richard Schwan, EVP Advisory Services; Ken Harding, EVP Governance and Risk

Our Executive Team

Our Executive Team supports strategy development with the Board of Directors and lays the ground work for all the things we do for our members. Their experience and expertise steer us forward, and they set the stage for the uncompromising member service and advice we look to deliver every day.

As a member, you're the top priority for our credit union and the top priority for our Executive Team. As such, our executives take every opportunity they can to hear from and engage with our members and other stakeholders. This includes employees, other co-operatives, business people, government officials and community members.

We're more than a place to go for your banking needs – we're a part of your community. That means getting involved in community events, giving back to the communities we serve and meeting members on their terms. For us at Affinity, banking is the tool we use to build a better world for everyone, every day.

Executive Pay

Affinity's executive pay packages are designed to entice and retain talented, high-integrity leaders without being excessive. Performance-based metrics found in the Affinity Balanced Scorecard determine a portion of the compensation our Executive Team receives each year.

The information on this page can help provide context to how we compensate our Executive Team and how we arrive at executive pay that's reasonable and fair.

2018 Executive Leadership Compensation

	Salary	Variable Pay*	Benefits	Total
CEO	$428,040	$103,520	$54,513	$586,073
Executive Team**	$1,456,241	$177,173	$192,962	$1,826,376
TOTAL	**$1,884,281**	**$280,693**	**$247,475**	**$2,412,450**

All values are rounded to nearest dollar.

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

**Includes active and departed members of the Executive Team throughout 2018.

8:1 CEO pay[1] to median full-time Affinity employee earnings.

14:1 CEO pay[1] to lowest full-time Affinity employee earnings.

10:1 CEO pay[1] to average Saskatchewan salary[2].

[1]Salary plus variable pay.

[2]October 2018 average SK weekly wage (annualized): $53,520. Source: Statistics Canada.

Working at Affinity

791 EMPLOYEES

658 FULL TIME

133 PART TIME

Affinity members reside in regions all over the province and are part of many different cultures, backgrounds and perspectives. In order to provide such a diverse group with a remarkable experience, our employees are ideally just as diverse as our members.

Our diversity sets the stage for an Affinity that's open, honest, inclusive and committed – an Affinity that's ready to exceed member expectations every chance we get. We build that diversity in many ways, including our hiring practices, the educational opportunities available to our employees and in our openness to new and different ideas.

	2018	2017	2016
Employees in Urban Locations	56%	56%	54%
Employees in Rural Locations	44%	44%	46%
Positions Filled Internally	77.9%	84.8%	77.0%
Voluntary Turnover	7.0%	8.9%	7.0%
New Hires of Indigenous Ancestry	5.7%	12.5%	12.7%
New Hires from Diversity Groups	19.4%	16.7%	28.6%
Complaints of Discrimination	0	0	0
Average Age of Managers	44.2	44.2	46
Female Managers	60.3%	64.2%	66.2%
Male Managers	39.7%	35.8%	33.8%
Average Age of Non-Management Employees	41.1	41.8	41.3
Female Non-Management Employees	88.1%	90.2%	91.3%
Male Non-Management Employees	11.9%	9.8%	8.7%
Unionized Employees	19.2%	20.1%	20.7%
Educational Support, Tuition Reimbursement, Training and Workshops	$704,496	$604,959	$511,404

Myrna Hewitt, EVP Member Experience, unveiling the AffinityPlex in Regina at Evraz Place on August 29, 2018

Supporting Saskatchewan

On August 29, 2018, Affinity Credit Union and Regina Exhibition Association Limited (REAL) announced a multi-year partnership, which saw the EventPlex at Evraz Place renamed to AffinityPlex.

This strategic partnership will help REAL, a non-profit operator, budget for needed upgrades and maintenance to this key community-focused facility.

"This partnership means that we can keep pricing low, keep rental hours reasonable and upgrade our facilities," said REAL CEO Tim Reid.

It will also greatly benefit patrons visiting the AffinityPlex.

"It allows us to make sure that the end user doesn't see a massive price increase to pay for future maintenance. For us, this is a huge win," Reid added.

For Affinity, this partnership fit perfectly within our values while increasing our brand awareness in Regina.

"Because of the important role the AffinityPlex plays in the lives of Regina residents, supporting it in improving its environmental footprint and enabling the longer-term use of the facility was a really great fit for us," said Myrna Hewitt, Affinity's EVP of Member Experience.

Donations, Sponsorships and Scholarships

$1.75
MILLION DONATED

6%
PRE-TAX PROFITS

889
ORGANIZATIONS/INITIATIVES ACROSS SASKATCHEWAN

It's entirely thanks to the increasing loyalty of our members that we're able to make these investments, impact communities and build a better world for everyone, every day.

Funding by Program

	2018		2017		2016	
Program	Amount	#	Amount	#	Amount	#
District Council Community Development Funding	$858,818	177	$969,402	252	$1,085,650	264
Community Spirit Fund – Employee and Delegate Directed	$166,600	833	$171,000	855	$188,600	943
Corporate and Advice Centre Donations and Sponsorships	$645,641	251	$806,669	399	$908,883	286
Youth Scholarships	$80,000	80	$109,000	114	$109,000	114
Total	**$1,751,059**	**1,341**	**$2,056,071**	**1,620**	**$2,292,133**	**1,607**

Porcupine Plain Zamboni

First impressions are important!

When we merged with Porcupine Credit Union on January 1, 2018, we wanted to be sure we put our best foot forward.

As we updated the exterior of the credit union, we also wanted to place signage around Porcupine Plain to show our commitment and enthusiasm for being part of the community. This included new signage as you enter Porcupine Plain and around the community rink. We also gave the Zamboni a much-needed makeover – and now affectionately refer to it as the Hamboni.


Orange Shirt Day

On September 28, 2018, Affinity celebrated Orange Shirt Day at all our advice centres across the province. Each employee was given an orange t-shirt with the slogan “Every Child Matters.”

Orange Shirt Day is an annual event based on the story of a residential school survivor, Phyllis (Jack) Webstad, who told the story of her first day at St. Joseph Mission Residential School, when she was stripped of her clothing upon arrival at just six years of age. This included her brand-new orange shirt, which was purchased for her by her grandmother – never to be worn again.

Today, Orange Shirt Day creates an opportunity for meaningful discussions about the impacts of residential schools and the legacy left behind. It sets the stage for anti-racism and anti-bullying policies and is a chance for First Nations people, local governments, schools and communities to come together in the spirit of reconciliation and hope for the generations of children to come.

Funding by District

	Total Funding	
	2018	2017*
North District	$99,550	$88,464
Saskatoon District	$613,412	$677,316
South District	$151,959	$145,303
South Central District	$82,808	$137,440
North West District	$82,345	$143,438
North East District	$90,585	$83,995
East District	$83,193	$44,031
South East District	$168,214	$221,841
Indigenous District	$26,950	$14,000
Province-Wide Initiatives	$120,925	$220,245
Total	**$1,519,941**	**$1,776,071**

*2017 figures have been adjusted from last year’s report to fit into the new regions of 2018.

Our Funding Focus

To ensure our community investment funding has the greatest impact possible, we focus our donations and sponsorships in four specific areas:

1. Building Community Assets and Facilities
2. Economic Self-Reliance
3. Environmental Sustainability
4. Local Economic Development

In 2018 〉 93% of our district council and corporate funding was invested in initiatives that fall into one of these four categories.

Funding by Focus Area		
Strategic Focus Area	**2018**	**2017**
Building Community Assets and Facilities	$697,923	$857,346
Economic Self-Reliance	$532,001	$259,891
Environmental Sustainability	$63,890	$139,204
Local Economic Development	$120,210	$67,457
Total	**$1,414,023**	**$1,323,898**

Our members are helping Affinity go green!

57,728 Affinity members choose to receive e-statements instead of a paper account statement.

That's a **17%** increase from 2017.

Work-Related Travel

In 2018, Affinity employees and elected officials drove 12% fewer kilometres than they did in the previous year.

	2018	2017
Distance Driven	1,212,723 km	1,384,846 km
Greenhouse Gas Emissions	337 tonnes[1]	385 tonnes[1]

[1]Based on fuel consumption of 9 km per litre.

More on Our Focus Areas

Building Community Assets and Facilities

Buildings, equipment and infrastructure are cornerstones for our community. The curling rink, library, daycare and playground are all places where we come together as a community. They provide the setting and the backdrop for our lives and that's one of the many reasons we think it's important to support these projects. Here's a snapshot of the places we supported in 2018:

Economic Self-Reliance

Each One Teach One Financial Literacy Workshops	2018	2017
Workshops Delivered	115	83
Persons Attending EOTO Presentations	1,592	1,521
Communities Reached	19	14
Certified EOTO Trainers	55	46

Organizations, events and initiatives that fall within this focus area create employment opportunities and improve educational outcomes for vulnerable populations. Financial literacy, poverty reduction and combating social exclusion can all be included in this category.

Environmental Sustainability

Affinity contributes to a greener world by incorporating energy efficiency and recycling programs into our everyday operations. We also provide financial support so community organizations can introduce environmental programs and strategies at their facilities. The AffinityPlex sponsorship will allow the facility to be equipped with new water fountains and LED lights, drastically reducing the facility's operating cost and environmental footprint in the process!

Local Economic Development

Affinity only succeeds when our province thrives and, for that reason, we do everything we can to facilitate economic development. Partnering with members, community organizations and initiatives helps us make this positive change. The Saskatchewan Co-operative Association, Saskatoon Regional Economic Development Authority (SREDA) and Saskatchewan Young Ag Entrepreneurs are just a few of the organizations we partnered with in 2018.

Encouraging Environmental Sustainability at Food Truck Wars

In 2018, Affinity partnered with the Saskatchewan Waste Reduction Council (SWRC) and Food Truck Wars to increase the environmental sustainability of the event by bringing it as close to zero-waste as possible. Held from July 27-29, 2018, in Saskatoon, Food Truck Wars was visited by an estimated 25,000 people and included 23 food vendors, a street market and a stage with contests and entertainment.

Affinity sponsored the Zero Waste Pilot Project, while the SWRC developed food vendor guidelines requiring all vendor food and packaging to be either recycled or composted. The SWRC also sourced compostable packaging of various types and provided vendors with a list of providers.

The Zero Waste Zone was operated by Affinity employees who volunteered their time, which also included attending a zero-waste training course delivered by the SWRC prior to the event. Our employee volunteers helped guests at the event properly dispose of their waste into either compost, recycling or landfill bins.

Approximately 78% of the waste created by Food Truck Wars was diverted away from landfills for composting or recycling.

We're All Humboldt Broncos

Following the Humboldt Broncos' devastating bus crash on April 6, 2018, Affinity employees joined the rest of the province in mourning. On April 12, 2018, employees across the province donned jerseys to show support for the Humboldt Broncos and their families.

Management Discussion and Analysis

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Economic Overview

The Canadian economy achieved growth of 2%, down significantly from the 2017 result (3%). The driving forces behind this result were the lack of oil price recovery, the fading of the child benefit payment and absence of supportive financial conditions.

The three prime interest rate increases in January, July and October held the pace of credit growth to levels not experienced since 1983 and cut consumer spending almost in half to 2%. This impacted associated automotive and housing sectors. Vehicle sales and housing starts were down by 2.8% and 3.2% respectively. The introduction of B-20 Residential Mortgage Underwriting Practices and Procedures further curtailed the housing industry and added to an oversupply of units in the marketplace.

Oil producers stockpiled supply while they waited for a solution to appear. The price discounts or "differentials" that had mainly affected heavy oil spread to light oil, upgraded synthetic oil and crude oil as pipeline space tightened. In reaction, some companies were prepared to grow their crude-by-rail exports to keep product moving and provide much-needed production room. Overall, discounts for Canadian vs. U.S. product were almost four times the typical difference.

The USMCA, which will replace NAFTA, added digital trade and financial services chapters, which outlined new restrictions and the removal of some barriers to business. The USMCA included a provision with "non-market" economies, namely China, requiring disclosure of negotiations and agreement text at least 30 days before signing. A process to terminate the USMCA was a part of this, allowing for a modified bilateral agreement to replace it, which would exclude the party entering a new trade agreement with a "non-market economy" country. Some believed this would impact the existing bilateral trade negotiations between Canada and China.

On the plus side, exports continued to benefit from a depressed currency relative to the U.S. dollar. The federal government continued to spend, despite a bulging budget deficit. Canadian business showed positive intentions to spend and hire, and this was reflected through employment levels nearing a 40-year low.

In Saskatchewan, the economy continued to trail the national average for the fifth straight year. GDP for the province at 1.5% did not compare to the 2% national growth, and a number of factors were at play. Our economy felt the weak uranium sector and the deterioration in oil price conditions. This was somewhat counterbalanced by rising potash production, strength in manufacturing and a better harvest than expected.

Saskatchewan was exposed to the elevated oil discounts, but not to the same extent as Alberta. This was due to Alberta's mandatory production curtailment plan. Canadian uranium was subjected to new tariffs and quotas through the USMCA. An indefinite extension of production halts at McArthur River uranium mine weakened the outlook for one of the province's key commodities.

Year-over-year potash production was up and the global outlook for the sector improved, with supply tightening and demand increasing. Manufacturing sales were also up year over year, as sales of wood, metal and food were strong. In the agricultural sector, prices for wheat, peas and flax increased and decreased for lentils and canola. Hog prices were depressed in 2018, and cattle prices were relatively unchanged. A late harvest and dry conditions did not significantly impact yields, and more harvested acres propped up results. Overall, farm vehicle sales were down from the 2017 results.

In contrast to the national decline, the province's unemployment rate rose from 5.4% to 6.0%. Net migration out to other provinces was more than offset by positive international migration into Saskatchewan and an increase in landed immigrant workers. Overall, the population change increase was less than 4,000. Retail spending was only up marginally and Saskatchewan remained one of the most oversupplied housing markets in Canada.

At Affinity, we experienced a number of business impacts within Saskatchewan from the broader economy. Three unbudgeted prime rate increases provided the opportunity to continue to return better rates for loans and deposits to members. Our loan growth was a result of winning the business of existing and new members. We continued to experience higher levels of delinquency and provisioning across all loan portfolios as borrower repayment ability and underlying security values became more stressed.

Financial Highlights

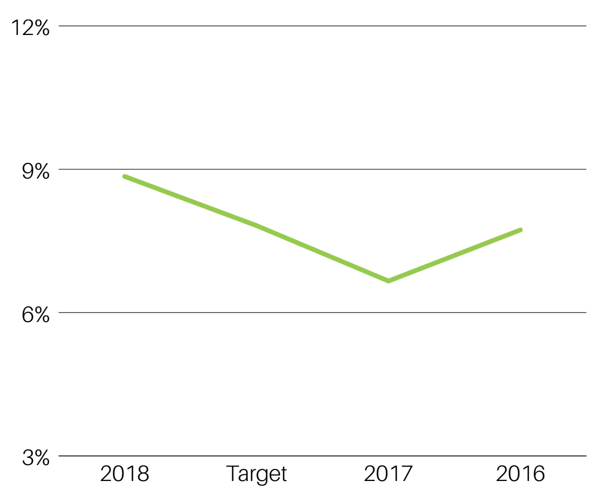
Affinity continued to follow a disciplined approach to planning and budgeting to prepare for the 2018 fiscal year. Board and Management continued execution of the strategic plan – spanning several years – to solidly place Affinity in the broader financial, wealth and insurance marketplace. Strategy formulation considered our unique risk profile at the time as well as emerging risks to these industries. Once strategy was set, a complementary capital plan was developed. The capital plan focused on capital adequacy and performance, and which growth scenarios would best leverage both. The capital plan was approved by the Board mid-year in 2017 and became the basis for the 2018 Annual Plan targets for growth, efficiency, capital and return on equity (ROE).

The goal for 2018 was to grow by 7%, achieve an efficiency ratio of less than 70%, and produce an ROE that mimicked growth. For all measures we excluded the positive impact of our partnership with Porcupine Credit Union that became effective on January 1, 2018. Our 2017 growth results were at a 10-year low of 1.91%. Seven percent organic growth would be a stretch target, given the slowdown in the Saskatchewan economy and the relative newness of our organizational redesign.

Affinity's return on equity had exceeded asset growth over the last several years, allowing capital to grow and position us well to capture market share. At the same time, the Credit Union had supported a number of efficiency plays to support better rates and fees for members and to support operating results that included heightened loan losses from some of our credit exposures. The efficiency ratio had shown marked improvement since 2014, and the intent was to continue the trend. The long-term efficiency target was 67-70%, and we budgeted for 69% to reflect the finalization of our organizational redesign costs, which spanned both 2017 and 2018.

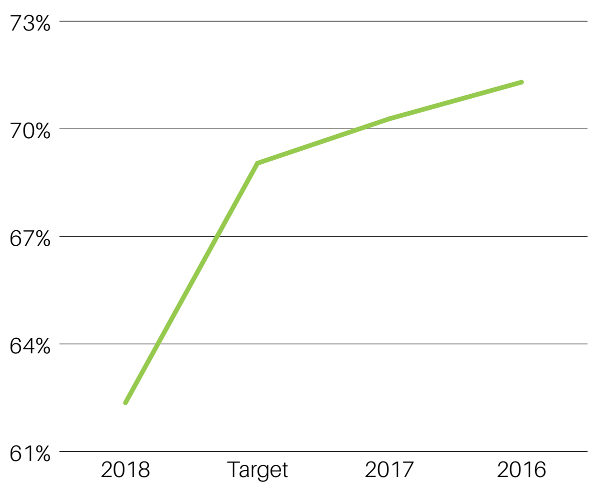
The highlights represent the consolidated results for the controlled operations of the Credit Union, including its wholly-owned subsidiary companies: insurance, property, employee services, investments, student loan administration and holding company. The actual results include the partnership with Porcupine Credit Union, although the narrative will include our results without the benefit of the partnership and against a budget that called for measures of organic performance.

Return on Member Equity



The Credit Union achieved an ROE of 8.85%. The result excluding the partnership was 8.78% against a budget expectation of 7.79%. There were a number of competing forces within this result. We diligently managed costs and enjoyed higher levels of non-interest income. Strong growth did not materialize until the latter half of the year, causing a strain on margin revenues. At the same time, we faced competitive market pricing and significant provisioning for credit losses. We were pleased with the ROE overall, as it reflected the resiliency of our operations against external pressures.

Efficiency Ratio



The target for the efficiency ratio was 69.04%, and the organization achieved 62.36%. This metric measures the cost to revenue spend.

There were a variety of contributors to the efficiency result. The net interest margin in dollars was $6.7 million more than the prior year. We began taking advantage of the five interest rate increases over the past two years as our balance sheet grew and continued to reprice. Our budget for 2018 did not anticipate any interest rate increases.

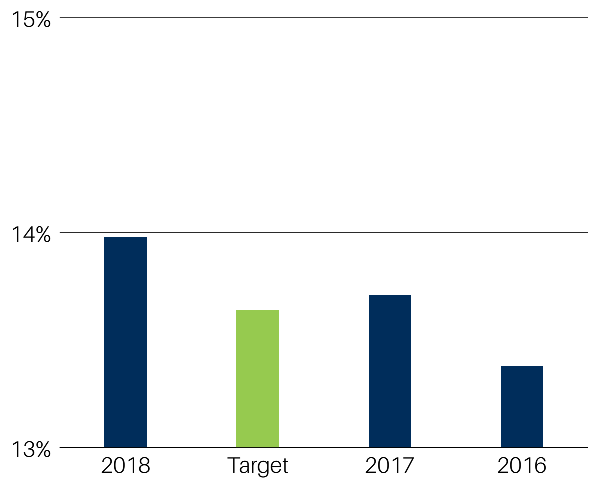
From a non-margin revenue perspective, we received unexpected dividend returns from two credit union investee companies. Had this not occurred, the efficiency ratio would have been 64.28%. At the same time, our investment in venture capital brought both realized and unrealized gains that exceeded budget. We also generated stronger revenues from our insurance agencies and our wealth management business than anticipated.

From a cost perspective, our greatest efficiency came from personnel expenses. The average staff complement was 52 fewer full-time equivalent positions than were budgeted, and there were unplanned timing lags to fill vacancies throughout the year. The savings from personnel more than offset a large accrual for the points liability on one of our card products.

The Credit Union's past and current efforts to be more efficient have allowed for very competitive loan and deposit rates for members. We are better able to afford innovation in our service delivery model across all channels. Our aim is to continue to take market share from our competitors through providing a remarkable experience that is backed up by strong rates and member-centric innovation.

In 2018, Affinity continued to use finance to help businesses and individuals in our communities prosper. Two examples were the Restart and Small Business Loans. These offerings were unique in the marketplace and specifically designed to appeal to members in need of financial services. Our community partnerships were designed around sustainable economic, social and environmental development. Our localness was also inherent in the composition of our balance sheet. Our financing came exclusively from deposits and retained earnings. For each dollar deposited, 96.1 cents were lent out in 2018. The Credit Union continued to be a necessary part of the economic thread that is woven through the Saskatchewan landscape.

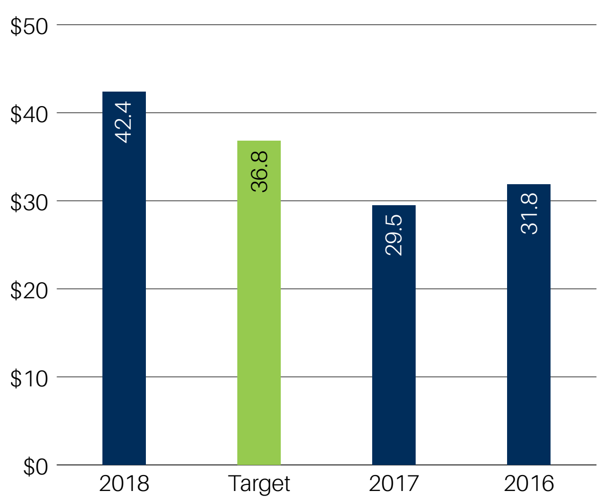
Total Capital/Risk-Weighted Assets



Affinity's capital position continued to improve in 2018 through a smaller-than-expected capital base and strong operating results. The target was 13.64%, and we achieved 13.98%.

Operating Summary

Comprehensive Income ($ millions)

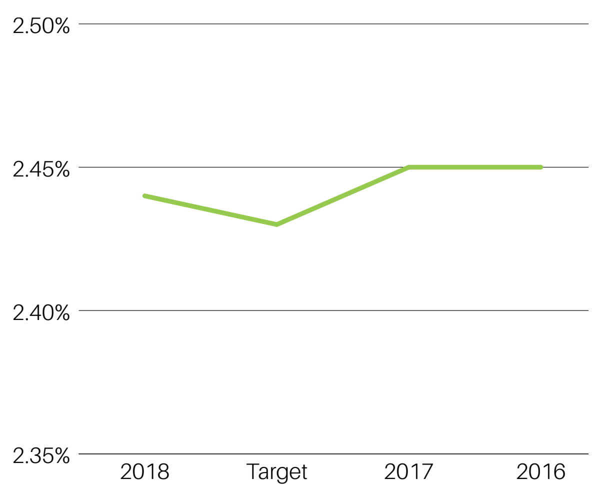


Comprehensive income was $12.9 million more than 2017. Net interest margin was up by $6.7 million, impacted by a larger balance sheet and the repricing of financial instruments at a higher rate of interest. Provision for credit losses was up by $4.3 million. The implementation of IFRS 9 increased general provisions for credit losses, and the stress in the oil and gas markets caused continued specific provisioning. Non-interest revenue was up by $14.7 million through excess returns from investees as well as strong revenues from insurance and wealth management. Operating expenses stayed constant year over year. The overall result exceeded the budget for Comprehensive Income by $5.5 million.

Net Interest Margin

Net interest margin represents our net earnings from loans, investments and deposits. Over the last several operating periods, we've intentionally maintained a competitive rate offering. As interest rates increased over 2017 and 2018, we chose not to retain the surplus profit but instead return the excess back to members with lower loan rates and higher deposit rates.

Net Interest Margin



The budget did not contemplate the three prime rate increases in 2018. The budget also did not contemplate the heightened competition for deposit funding in the marketplace. By the end of 2018, our margin % exceeded our plan by 1 basis point. The pace and extent of balance sheet growth had a large impact on the margin dollars we were able to generate.

Loan revenues were ahead of budget by $3.7 million. We had more growth in the agricultural and consumer portfolios due to higher-than-expected rates and volumes. The commercial loan portfolio was behind budget, as growth was slow in the first half of the year. Investment revenues were behind budget by $817 thousand. This portfolio was more than $100 million under budget on average for the entire year, and this caused a drop in returns. At the same time, rates were much better than budget, and the impact of a higher yield offset half of the negative volume variance.

Deposit cost was over budget by $5.3 million. Nominee deposit cost was under budget by $1.6 million. We ended the year with $81 million less in nominee deposits than expected, and lower volumes gave rise to lower cost. Organic deposit cost was over budget by $6.9 million. We maintained lower-than-expected volumes throughout 2018 but were pricing at or above market for existing renewals and new growth.

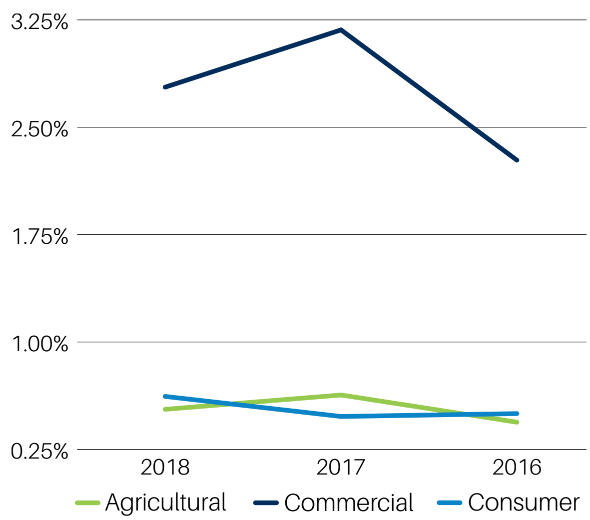
Provision for Credit Losses

The 2018 budget for credit loss provisioning was based on the 2016 and 2017 experience where we saw the impact of low oil and gas prices on the broader economy and on several of our commercial credit exposures in that industry. 2018 was also the year for IFRS 9 implementation, and the standard impacted the way in which we measured our general exposure from declines in credit quality.

Overall, provision was over budget by $10.98 million. Of the $19.3 million in cost, $5.5 million was generated by Stage 1 and Stage 2 provisioning. Loss given default increased through our more recent write-off history. At the same time, we measured an increase in probability of default and a downgrade of forward-looking key economic indicators. Stage 2 was also impacted by an increase in credit rating for some of our commercial and agriculture exposures. Stage 3 specific provisioning made up the difference of $13.8 million in cost. Over the course of the year, we experienced a decline in security value for loans previously allowed for. At the same time, we created allowances and provisioning against a number of new delinquent loans in 2018.

Affinity's overall credit quality improved by 3 basis points since 2017, and we ended the year at 1.18% of average loans. The consumer loan portfolio reflected a 14 basis point increase, and our agricultural and commercial portfolios showed declines of 10 and 40 basis points respectively. In dollar terms, 2018 loan delinquency of $45.8 million was $5.7 million lower than the 2017 amount.

Loan Delinquency



Other Income

Other Income was over budget by $15.1 million. This category of income includes all non-interest returns from investees, revenues from the insurance and wealth brokerage businesses and fees associated with financial intermediation.

Our investees returned more in 2018 through a number of avenues: Credit Union investments provided a dividend that was $5.7 million more than expectation, our investment in a number of venture capital funds returned an additional unplanned $7.6 million through disposals and mark-to-market adjustments and investment in insurance agencies produced revenues $300 thousand in excess of budget. Over a number of years, we have invested in a variety of diversification vehicles. Our success in these areas improved our efficiency ratio, allowing us to better compete on core issues like service fees and loan and deposit rates.

Revenues for wealth product brokerage were also $463 thousand ahead of budget. We expect to be able to post higher levels of revenues from our wealth advisory services in the coming years. We have shifted significant focus to this area in 2018 as another necessary facet to our business strategy.

Operating Expenses

Affinity's operating expenses at $119.8 million were $124 thousand less than 2017 and $4.8 million less than budget. Our focus on cost control continued to be successful and we managed to grow the balance sheet by a further $474 million without a corresponding increase to expense. At the same time, we delivered on a number of process and technological improvements that either improved service to members or allowed for a better support process behind the scenes.

Personnel expenses were under budget by $4.8 million. The variance came from less-than-expected salaries and benefits. Our budget anticipated a staff complement of 715 full-time equivalents, and our actual average complement was 663. We also saved cost when there were hiring delays for vacant positions. Given the restructuring costs of 2017 and 2018, both of the foregoing factors were very hard to predict during the budget process. Personnel cost was less than the 2017 amount by $3.1 million. Both Member Security costs and Occupancy costs were at budget. General Business expense exceeded budget by $310 thousand. We spent less than expected for technology and consulting, but this was more than offset by a large accrual adjustment to our Choice Reward points for one of our card products. Organizational costs were under budget by $65 thousand, and this category covers all governance-related expenditures.

Other Comprehensive Income of $42.4 million represented a very strong bottom line considering the further provisioning for credit losses and the implementation of IFRS 9. We were able to weather these costs, and at the same time provided rates that made us notable in the market place, continued to innovate and added considerably to our capital position with a strong return on member equity.

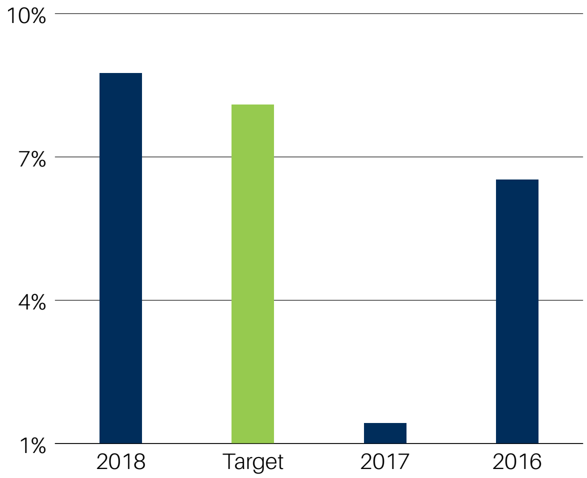
Financial Position Summary

The 2018 Affinity Capital Plan set out an appropriate level of balance sheet growth for the Credit Union. We determined optimum growth by testing a variety of scenarios against desired performance (ROE and efficiency) and desired capital levels. We also considered Affinity's placement in the market and how the broader market was performing. The scenario that best leveraged capital, and caused us to achieve efficiency progress and a strong ROE, was 6-8% growth. Because of the sluggish economy, our Annual Plan called for 6.02% balance sheet growth (excluding the incoming assets from the Porcupine partnership). We expected that this would be a stretch after posting growth of 1.91% in 2017, a result that came at a time when the organization was very focused on completing a redesign of our business and many employees were moved to new roles. However, the weak growth of 2017 further strengthened our capital position and created a very strong foundation for solid growth in 2018.

We grew the balance sheet by 9.12% or $473 million in 2018. $99 million of this growth came from the partnership with Porcupine Credit Union. Without this partnership, our result would have been 7.12% or $374 million, which exceeded our organic growth target of 6.02%. The first two quarters of the year were slow, followed by more momentum in the latter half of the year, particularly with our commercial book of business. Loan demand was almost matched against growth of deposit dollars, allowing for a comfortable liquidity position by year-end.

Deposits

Deposit Growth



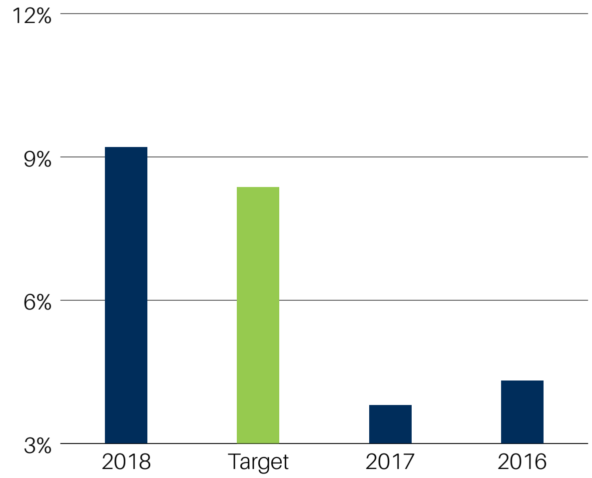
We cannot grow loans to members without adequate financing. Our primary plan for financing was member deposits supplemented by retained earnings. We achieved 8.75% deposit growth, and this included deposits from Porcupine of $92 million and $107 million in nominee deposit growth. Without these items, simple organic growth of our deposit base was 4.39% and our organic budget goal for the year was 5.09%.

Organic deposits were under budget by $103 million. Demand deposits were under budget by $27.4 million, term deposits were under budget by $69.4 million and registered products were under budget by $6.2 million. Affinity was not alone in its deposit growth focus. We faced unprecedented competition from the marketplace and had to rely on price and aggressive outreach to secure the 2018 result.

The nominee channel was under budget by $34.1 million. We have several nominee deposit relationships and made use of this avenue of financing to support loan growth when organic deposit growth fell short. Deposits sourced here tended to be large institutional deposits from both within and outside of Saskatchewan.

Loans

Loan Growth



Loans made up over 82% of Affinity's asset base. Loan growth for 2018 was 9.20% and this included $102 million from the Porcupine partnership. Without this additional loan portfolio, organic growth would have been 6.84% against an organic budget of 5.94%. In dollars, loans were $32 million over budget.

We achieved strong growth in the agricultural portfolio throughout 2018 and ended the year $42.5 million over budget. Consumer growth was slow in the first quarter, and then gained momentum for the remainder of the year. We were $34 million over budget in this portfolio. The commercial book of business did not appreciably grow until the latter half of the year, and our ending position was $5 million over budget.

Affinity had the opportunity to sell loans to third parties as a means of managing liquidity or managing the size of our borrower relationships. In 2018, we were not experiencing excessively high loan demand and liquidity was more than adequate. For these reasons, we did not sell loans. Instead, we purchased back $4.8 million of loans previously sold, and we purchased $29.9 million in loans from other credit unions. By adding loans from these two additional sources, we were able to generate additional loan interest. At the end of the year we had on-balance sheet loans of $4.7 billion.

Capital and Liquidity Management

Capital Monitoring and Management

As a financial institution, Affinity is required to have an adequate level of capital in reserve to mitigate risk. Our regulator, Credit Union Deposit Guarantee Corporation (CUDGC), measures member capital as a percentage of risk-weighted assets. CUDGC's minimum requirement was 10.5% in 2018. Because the measure is based on assets, capital needs to increase as the balance sheet grows. We will need additional capital if we consider expansion, either within our traditional business lines or through diversification. The measure is also based on member-retained capital, and capital growth is dependent upon generating strong operating results.

In 2018, Affinity was guided by the capital plan that was developed and approved in 2017. In that plan, we evaluated Affinity's internal Economic Capital requirement and compared it to the regulatory minimum of 10.5%. Our intent was to hold a 2% buffer over the greater of those two amounts throughout 2018. Through research and comparison to the industry, we arrived at suitable measures for performance, specifically return on equity and operating efficiency. We tested a number of growth scenarios to arrive at a range that would push performance and optimize capital levels.

We monitored our capital position on a regular basis. We forecasted changes in our business model against capital adequacy to ensure we were making the right business decisions. We continually adjusted the capital required for existing and emerging risks to ensure that our internal capital requirement was not exceeding the regulatory minimum. For all measurement dates, Affinity's Economic Capital requirement was lower than the CUDGC regulatory minimum of 10.5%, meaning that inclusive of a buffer, we had to maintain an Affinity minimum of 12.5%.

At the end of 2018, Affinity's capital to risk-weighted assets was 13.98%, considerably higher than the 2018 minimum requirement.

In 2018, CUDGC designated Affinity as a Provincially Systemically Important Financial Institution (P-SIFI). As a result, our regulator will raise their minimum capital requirement to 11.5% and would consider a further 1% buffer to this amount to be adequate as an institutional minimum. Affinity has considered this change during the preparation of the capital plan refresh that will be in effect for 2019.

Internal Capital Adequacy Assessment Process (ICAAP)

Affinity follows an Internal Capital Adequacy Assessment Process (ICAAP) in order to arrive at our Economic Capital requirement. ICAAP is embedded as a key component of Affinity's Enterprise Risk Framework. We consider the mitigation strategies around key risks, and then evaluate the impact to capital for any residual risk threats. This becomes our base Economic Capital. We then stress each risk for remote but plausible scenarios and add additional stress capital to the Economic base. Risks are refreshed quarterly and the residual risk is evaluated on the same basis.

Liquidity Management

Affinity operates within a framework of 13 Liquidity Principles that are issued by CUDGC. The principles cover all facets of liquidity management: the initial setting of Board risk appetite, daily liquidity management, establishing appropriate debt facilities, interaction with third-party liquidity providers, regular reporting and crisis identification, management and resolution.

Liquidity management during 2018 included the constant monitoring of current, near and far term expected cash positions to ensure that Affinity could satisfy its cash demands. The Board and management set targets of necessary operating surplus liquidity over a one-year timeline that provided a generous liquidity buffer to withstand the stress of unusual events and contemplated current expected cash flow. Intermediate targets were also established to force action long before any critical shortfalls would occur. Our Regulator also required that Affinity exceed a 90% target for a liquidity coverage ratio that included carrying an inventory of high-quality liquid assets. We were able to exceed the Board's risk appetite of 100% throughout the year.

Throughout 2018, Affinity maintained a comfortable cash position. Our deposit growth in dollars closely offset the growth in loans, leaving a measure of surplus investments as a liquidity cushion. Our operating liquidity policy was exceeded in all time intervals within a 12-month period.

Because our balance sheet strategies are underpinned by financing, we had arranged for a number of backup debt facilities in addition to raising deposits. We carried a line of credit and had access to a commercial paper program with Credit Union Central of Saskatchewan (SaskCentral) and maintained one additional debt facility with an alternate financial institution. Throughout 2018, we kept these facilities available and largely unused. We also ended the year with three nominee deposit relationships.

A further liquidity source included leveraging our existing balance sheet through loan securitizations. Securitization transactions are a form of borrowing against our existing loan base. We only expected to use this service during the year where warranted by a lack of liquidity. Finally, we had the option to sell loans to raise cash and continue lending. This was our last liquidity resort in 2018 and went unused, as our aim was to continue to grow our balance sheet and leverage our capital position.

In 2018, Affinity refreshed its Liquidity Contingency Funding Plan, which included the identification of an extreme liquidity event and how the Credit Union would respond through balance sheet management tactics and appropriate responses to key stakeholders.

As part of the P-SIFI process, the Liquidity Contingency Funding Plan will become a component of a broader Recovery Plan and Assessment Criteria Framework.

Outlook

The Saskatchewan economy can expect lower growth in 2019. Weakness in oil prices coupled with a sustained and bleak outlook for uranium are contributors. There will be two offsetting factors: demand for potash should stay sufficiently strong if the global economy continues to expand, and if normal growing conditions exist, continued productivity will be experienced in the agricultural sector.

The Mortgage Market

The mortgage market has been impacted by rising rates and tighter underwriting regulation. The broader impact of the braking in the residential mortgage market will be felt in the broader economy. If mortgage growth slows, so too does consumer spending and commercial mortgage and loan business. Saskatchewan remains one of the most oversupplied housing markets across provinces and it could take a further two years before it regains some traction.

The 2019 budget anticipated that our growth in a tough market would come from our ability to win business from other financial institutions rather than relying on growth in the economy to support growth in our loan portfolio. We have been positioning ourselves to compete head-on with the market from a rate and product perspective.

Oil and Gas Prices

Continued loan loss provisions at higher-than-normal levels are expected if low oil prices persist. This is aggravated by the adoption of IFRS 9 and the resulting increases to the general provisions (Stages 1 and 2) that financial institutions were able to avoid in 2016 before the standard took effect. The provisions as a percentage of loans will also increase as loan portfolios see little or no growth in the next two years. Many national financial institutions have reacted by reducing their oil and gas exposure either directly, or with supporting services like the hospitality sector.

In 2018, Affinity reduced its exposure to the hospitality sector, as this is where we had increased levels of provisioning. We still expect higher-than-historical levels of provisioning over the next two years. Our best reaction will be to preserve income through cost control and by exercising caution when we re-evaluate non-margin revenue sources and diversification strategies.

Efficiency Ratio Improvement

Canadian banks have done a good job of placing a high degree of importance on the operating efficiency ratio as an earnings driver. This has been particularly important over the last 10 years of low interest rates and continues today when there will be an inevitable slowdown in bank growth and increased provisioning.

To be positioned for resilience, Affinity has worked diligently to move the efficiency measure, and we are now able to compete on value. Value also comes from investment in the business, and as we have controlled cost, so too have we invested in many IT-related initiatives, and innovation in general.

Capital Levels

If the market concerns turn into a reality, strong financial industry capital levels will be a useful attribute. There are two factors that have contributed:

- Canada's banks carry excess Tier 1 Capital buffers
- Balance sheet equity growth has outpaced balanced sheet asset growth since the last crisis

The regulatory minimum for total capital as a % of risk-weighted assets is 10.5%. The big six Canadian banks carry on average a 4% buffer over this amount. As at December 31, 2018, Affinity carried an excess of 3.48% or $125.9 million, providing for a measure of loss absorbency. We would have the ability to weather >6 years of loan loss provisioning based on the 2018 results with this buffer.

Risk Management

Overview

In the course of delivering financial services to members in the province of Saskatchewan, Affinity actively manages a variety of risks common to financial institutions. The Board of Directors, supported by the detailed work of the Audit and Risk Committee (ARCO), approves the risk policy, reviews and approves the risk framework and risk appetite according to a regular cycle. The Board and ARCO receive a formal quarterly risk report, which provides information about economic and competitive conditions, key risk levels and trends relative to the approved risk appetite, business implications, management responses and emerging risk factors. Risk factors are taken into account in living out our values and implementing strategy to fulfill business objectives.

Committed to the delivery of a remarkable member experience with focus on safeguarding and ultimately increasing value for the organization and its members, Affinity identifies and assesses risks from the perspective of their potential to impact achievement of our objectives. As a financial institution, we protect and leverage our reputation and maintain a strong focus on capital and liquidity. Our key risk focus areas are common to our industry: credit, market, liquidity, strategic, customer, operational, regulatory and legal. We understand that the potential to impact reputation is embedded in all key risk areas, business conditions and lines of business.

Top and Emerging Risk

As 2018 closes, Board and management continue to focus on strengthening the appeal of the product offering and enhancing the service experience. Top risks include: maintaining growth amid fierce competition and implementing changes to better align our organizational culture as well as our investments in technology with our strategic focus on delivering a remarkable member experience. On a positive note, growth strengthened during the second half of 2018 and progress was noted in aligning culture and technology. Amid ongoing economic challenges in Saskatchewan throughout 2018, management closely monitored the performance of the credit portfolio and noted a rise in risk levels in the commercial portfolio toward the end of 2018. Affinity carefully manages capital and liquidity and balances the interplay of growth, efficiency and return.

Risk Reporting

Key risks are defined, assessed and reported to the Board each quarter based on their potential to impact the successful achievement of business objectives. Key risks are those fundamental to all financial institutions: credit, market and liquidity as well as those within the other mentioned risk areas rated by management as high or moderate-high.

Response activities are in place for key risks:

Strategic and Customer:

In 2018, Affinity made good progress achieving growth targets and implementing changes to strengthen cultural alignment. Attention continues to be focused on increasing wallet share and further developing digital capability and capacity.

Credit:

Delinquency edged upward throughout 2018 in the face of rising interest rates, economic challenges and cyclical competitive factors in the agriculture and resource sectors. Both delinquency and write-offs remained within risk appetite targets throughout 2018 and are similar to levels experienced by our Saskatchewan credit union peer group.

A substantial portion of our credit portfolio is invested in residential mortgages, including Home Equity Lines of Credit (HELOC). Although the economic downturn in Saskatchewan has impacted employment and immigration levels and resulted in a flattening of home values, we have prudent underwriting practices in place and offer active problem resolution when our members experience difficulty. Although it is possible continued downward pressure on home prices and employment could result in an increase in delinquency and write-offs, our prudent practices will help us to maintain default risk within risk appetite in the event of a prolonged economic downturn.

At December 31, a significant component of the Credit Union's loan portfolio was residential mortgages with a gross carrying value of $2,114,635 (2017 – $1,983,463). The following table provides a breakdown between insured (including those insured by both CMHC and Genworth) and uninsured mortgages:

In Thousands of Dollars	2018		2017	
	Insured	Uninsured	Insured	Uninsured
Residential Mortgages	$716,665	$1,397,970	$674,933	$1,308,530
	33.9%	66.1%	34.0%	66.0%

The Credit Union has established policies and procedures that set out maximum amortization periods for residential mortgage loans, depending on the loan product.

These amortization periods have varied with changes directed by Credit Union Deposit Guarantee Corporation, mortgage insurers and internal management committees. At December 31, the maximum amortization on any residential mortgage was 30 years (select mortgages have a lower maximum). Residential mortgage portfolios with shorter amortizations tend to have credit risk that declines faster than mortgage portfolios with longer amortizations.

At December 31, 2018, the Credit Union's residential portfolio had original amortizations as outlined in the table below. Portfolio percentages are shown for both current outstanding balance and count.

2018						
Original Amortization Period	**Under 20 yrs**	**20 - 24 yrs**	**25 - 29 yrs**	**30 - 34 yrs**	**35 yrs+**	**Revolving**
By Outstanding Balance	7.4%	13.2%	40.1%	24.8%	6.6%	7.9%
By Count	15.6%	8.9%	30.7%	16.1%	4.9%	23.8%

2017						
Original Amortization Period	**Under 20 yrs**	**20 - 24 yrs**	**25 - 29 yrs**	**30 - 34 yrs**	**35 yrs+**	**Revolving**
By Outstanding Balance	8.0%	14.2%	41.3%	21.9%	5.8%	8.8%
By Count	20.1%	8.9%	29.6%	13.3%	4.0%	24.1%

Similarly, the Credit Union has set out maximum loan-to-value ratios on its residential mortgage portfolio. According to procedure, a conventional mortgage will not exceed 80% loan to value (LTV), and the HELOC portion of the mortgage will not exceed 65% LTV. The average LTV for uninsured residential mortgages originated and acquired in the 2018 year was 61.1% (2017 – 63.3%).

Other Core Risks:

Other core financial institution balance sheet risk areas include liquidity, market and regulatory, including capital. These risks are monitored and controlled through policy, procedure, controls and stress testing and are regularly reviewed by both management and the Asset Liability Committee. Throughout 2018, these risks were maintained at low levels 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 and the outcome of negotiations of trade agreements, regulatory and legislative developments, fraud and security, technological developments and cyber-security, changing demographics and market trends, and the activities and results of competitors.

Risk Philosophy

Affinity Credit Union balances risk and reward to meet goals for our 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 and attended by the Chief Internal Auditor, evaluates and monitors key risks with a dual focus on alignment with risk appetite and implications for business success. On a quarterly basis, key risks are assessed and the risk register is monitored by executive risk owners. The risk register is refreshed no less than annually through a series of interviews culminating in a SRCO workshop.

Under the direction of the CEO and guided by the leadership of executive risk owners, business units are accountable for understanding and managing the risks related to their business activities. As such, they make judgments and decisions to deliver appropriate business plans and manage risk levels within 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 units are accountable to manage 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 as well as 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 strategic implementation plan. 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 for top risks of 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 regularly reviews economic and competitive factors and portfolio performance. It recommends credit strategies, operating policies and tactics within the Board-approved risk appetite and policy to support planned growth and profitability objectives.

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, risk process and tools. It provides policy direction to the organization, influences the risk culture and helps key stakeholders feel confident 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 includes 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, 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 Information

for the year ended December 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying summary consolidated financial information for Affinity Credit Union was 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.

The summary consolidated financial information was 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 the financial information conform to international reporting standards (IFRS).

Financial and operating data elsewhere in the annual report are consistent with this financial information. In discharging our responsibility for the integrity and fairness of the summary consolidated financial information 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 information and recommends it 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 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. 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
March 1, 2019

Affinity Credit Union
Summary Consolidated Statement of Financial Position
As at December 31 (in thousands of CDN $)

	2018	2017
	(Note 1)	(Note 1)
Assets		
Cash and cash equivalents	**44,925**	43,983
Financial investments	**854,943**	773,545
Loans	**4,670,814**	4,277,309
Other assets	**96,873**	99,195
Total Assets	**5,667,555**	5,194,032
Liabilities		
Deposits	**5,108,860**	4,697,980
Other liabilities	**56,632**	41,245
Total Liabilities	**5,165,492**	4,739,225
Equity		
Retained earnings	**502,063**	451,643
Accumulated other comprehensive income	**-**	2,816
Equity attributable to owners	**502,063**	454,459
Non-controlling interest	**-**	348
Total Equity	**502,063**	454,807
Total Liabilities and Equity	**5,667,555**	5,194,032

The accompanying note is an integral part of the summary consolidated financial information.

Approved by the Board

.... **CFO**

.... **Director**

Affinity Credit Union
Summary Consolidated Statement of Comprehensive Income
Year ended December 31 (in thousands of CDN $)

	2018	2017
	(Note 1)	(Note 1)
Interest income		
Loans	**176,532**	156,319
Investments	**14,459**	13,994
	190,991	170,313
Interest expense		
Deposits	**58,275**	44,324
Borrowings	**80**	94
	58,355	44,418
Net interest	**132,636**	125,895
Provision for credit losses	**19,251**	14,938
Net interest income after provision for credit losses	**113,385**	110,957
Other income	**59,511**	44,767
Net interest and other income	**172,896**	155,724
Operating Expenses		
Personnel	**69,357**	72,531
General business	**33,579**	30,671
Occupancy	**9,939**	9,311
Organizational	**2,699**	3,347
Security	**4,244**	4,082
	119,818	119,942
Profit before income tax	**53,078**	35,782
Provision for income taxes	**10,716**	6,201
Profit	**42,362**	29,581
Other comprehensive income (loss)	**-**	(120)
Total comprehensive income	**42,362**	29,461

The accompanying note is an integral part of the summary consolidated financial information.

Affinity Credit Union
Summary Consolidated Statement of Changes in Equity
Year ended December 31 (in thousands of CDN $)

2018 (Note 1)

	Retained earnings including contributed surplus	Accumulated other comprehensive income	Equity attributable to owners	Non controlling interest	Total equity
Balance, beginning of year	**451,643**	**2,816**	**454,459**	**348**	**454,807**
Addition to contributed surplus	**6,999**	**-**	**6,999**	**-**	**6,999**
Total profit	**42,362**	**-**	**42,362**	**-**	**42,362**
Acquisition of non-controlling interest without a change in control	**348**	**-**	**348**	**(348)**	**-**
Impact of adopting IFRS 9 at January 1, 2018	**711**	**(2,816)**	**(2,105)**	**-**	**(2,105)**
Balance, end of year	**502,063**	**-**	**502,063**	**-**	**502,063**

2017 (Note 1)

	Retained earnings including contributed surplus	Accumulated other comprehensive income	Equity attributable to owners	Non controlling interest	Total equity
Balance, beginning of year	422,865	3,000	425,865	(519)	425,346
Total profit	29,581	-	29,581	-	29,581
Other comprehensive income (loss), net of tax	64	(184)	(120)	-	(120)
Acquisition of non-controlling interest without a change in control	(867)	-	(867)	867	-
Balance, end of year	451,643	2,816	454,459	348	454,807

The accompanying note is an integral part of the summary consolidated financial information.

Affinity Credit Union
Summary Consolidated Statement of Cash Flows
Year ended December 31 (in thousands of CDN $)

	2018	2017
	(Note 1)	(Note 1)
Cash flows from (used in) operating activities		
Total profit	**42,362**	29,581
Adjustments to operating cash flows	**(111,138)**	(96,749)
Changes in operating assets and liabilities	**(13,921)**	(81,885)
Cash interest received	**188,164**	169,467
Cash interest paid	**(50,595)**	(46,426)
Cash income taxes paid	**(9,941)**	(7,118)
	44,931	(33,130)
Cash flows from (used in) investing activities		
Proceeds from investments	**148,319**	227,390
Purchases of investments	**(189,253)**	(172,039)
Net cash and cash equivalents acquired through business combinations	**2,470**	-
Purchase of non-financial assets	**(2,708)**	(2,128)
Proceeds from disposal of non-financial assets	**1,913**	403
	(39,259)	53,626
Cash flows from (used in) financing activities		
Other liabilities	**(27)**	(586)
Sale of loans	**-**	4,046
Repurchase of loans	**(4,819)**	(22,755)
	(4,846)	(19,295)
Net increase in cash and cash equivalents	**826**	1,201
Net foreign exchange difference on cash held	**116**	(23)
Cash and cash equivalents, beginning of year	**43,983**	42,805
Cash and cash equivalents, end of year	**44,925**	43,983

The accompanying note is an integral part of the summary consolidated financial information.

Affinity Credit Union
Note to the Summary Consolidated Financial Information
December 31, 2018

1. Basis of the summary consolidated financial information

The criteria applied by management in the preparation of the summary consolidated financial information is as follows:

a) The content in the summary consolidated financial information is derived from the Credit Union's December 31, 2018 audited consolidated financial statements (the "Audited Financial Statements"); and

b) The Audited Financial Statements can be obtained at any Affinity Credit Union Advice Centre or on-line at: https://www.affinitycu.ca/meet-affinity/how-we-re-governed/our-democratic-process/annual-reports-and-bylaws

Affinity
Credit Union

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