embracing opportunity

Affinity Credit Union **Annual Report 2019**

Contents

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.

We love that Affinity is local, member-owned and we're not paying profits to shareholders. They're in our community and they give back to our community.

—Russ Neufeld, owner of Neufeld Sand & Gravel

Mark Lane, CEO and Scott Flavel, Board Chair

Our ultimate goal is that members value the relationship they have with their credit union, so we want to ensure every interaction they have with us is remarkable & memorable.

From Our Chair and CEO

With the close of 2019, we reflect on a year of progress, discovery and a continued commitment to our purpose of serving in the best interests of more than 142,000 valued Affinity members. Whether members choose to visit one of our advice centres, connect with an advisor in our Contact Centre or take advantage of our digital banking solutions, our goal is to ensure that each and every interaction with your credit union is seamless, convenient and remarkable.

Understanding and anticipating our members' needs is paramount to providing personalized advice and solutions. As your financial partner, our attention remains focused on these central needs in building strong relationships, while also offering access to convenient and trusted digital solutions, as well as great value through highly competitive rates.

We exist because of and for our members and as such obtaining member feedback is of the upmost importance. In 2019, members told us they need and want increased access to digital banking options, while also seeking continued in-person financial advice at our advice centres.

Increasingly, advice centres have become less about a place to do financial transactions and more about engaging financial advice. This shift has led us to create a design for advice centres that supports an environment where members and advisors can connect, collaborate and consult in a welcoming, open and fluid space. These new, well-appointed layouts offer a shared community workspace and free Wi-Fi so our members can come in to work on their own or meet with others.

In 2019, we relocated our Hill Avenue Advice Centre to a new location on Albert Street South in Regina. We also opened the new Prince of Wales Advice Centre in the east, and members can now choose to do business from any one of our locations in Regina. We also renovated our Stonebridge Advice Centre in Saskatoon incorporating our new design which allows us to better serve our members' needs from that location.

In 2020, our Regina Rochdale and Melfort Advice Centres will be getting similar facelifts to follow the new design.

Based on member feedback, we're developing an enhanced user experience on our online banking platforms and mobile app this coming year. This includes introducing a personal financial management tool to track transactions, help with budgeting and make saving easy.

Our members can continue to expect improvements to products, pricing and technology in 2020. We understand the importance of having access to trusted, personalized and professional advice, and as such, we'll continue to increase the skill level and expertise of our advisors to meet the needs of our members.

As a part of their strategic planning role, the board and executive team are continually reviewing trends and developments in the financial services industry. Initiatives, such as Payments Modernization and Open Banking, are expected to introduce more change and opportunity in the next few years, and our preparation will ensure our credit union remains competitive and relevant for many years to come.

Mark Lane
Chief Executive Officer

Scott Flavel
Board Chair

100%
owned by our
142,944
members

802
incredible
employees

provided funding for
879
organizations across SK

57
locations in
47
communities

$7.3 billion
in managed assets

over
12,000
daily active users on
Affinity Mobile

delivered
147 Each One Teach One
financial literacy workshops to
1,908 people

over
$1,000,000
provided to employees for educational support, tuition reimbursement, training & workshops

9th
largest credit union in
Canada

Shared Stories: Harold Chapman

We had the pleasure of working with Harold Chapman on our 'Shared Stories' video in 2019 to hear his story. Harold has been an active credit union member for the past 65 years. At the age of 102, he has seen firsthand why credit unions are essential for Saskatchewan.

In the video, Harold speaks about how his family dealt with the depression and the devastating effects of credit not being available to farmers or small business owners. Those able to get credit experienced mortgage rates upwards of 50 percent. People decided to come up with a better solution for themselves and their communities by creating credit unions. This is a firsthand account of the economic aftermath of the Great Depression and the rise of credit unions in Saskatchewan. Through credit unions, people could take care of each other instead of relying on banks.

Harold's story reminds us of the importance of an organization designed to serve its members—not shareholders—and inspires us to continue providing a better, fairer alternative to banks. We're rooted in the past, designed by our founding and current members to ensure we continue to serve the well-being of our members and communities. What happens in the next chapter of the story lies within each one of us.

Check out our Shared Stories video on YouTube to watch the full version of Harold talking about the importance of co-operatives.

2019 HIGHLIGHTS

Co-op Merit Award

We were honoured to receive the Co-operative Enterprise Award at the Saskatchewan Co-operative Merit Awards in Regina for our Restart Loan. The Restart Loan is helping break the cycle of predatory payday loans by assisting those who are struggling with debt or credit challenges or who use expensive payday loans because they have limited financial options. The Restart Loan's fees are significantly less than traditional payday loans and it's the first of its kind in Saskatchewan.

Touch ID® & Face ID® now available

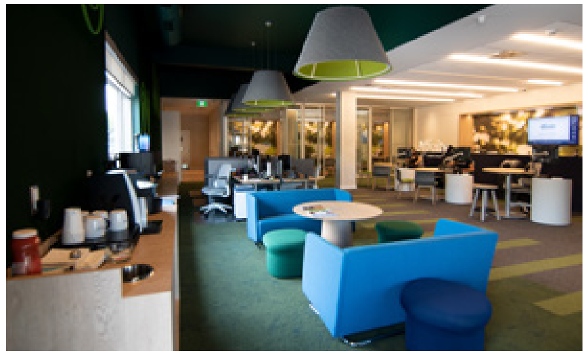
In March, we released an update to the Affinity Mobile app that allowed members to use secure facial recognition or their fingerprint to login to their Apple® and Android™ devices.

With this new feature, members can now access their Affinity Mobile account without needing to enter their Personal Access Code (PAC). That means quick, easy access to all your banking needs!

Introducing Google Pay™!

Affinity welcomed another mobile payment option for members in 2019, to go alongside Apple Pay® for iOS™ users in delivering Google Pay™ for Android™ users.

Google Pay™ is a fast and simple way to pay on websites, apps and in stores. It protects members' payment information with multiple layers of security and makes it easy to store tickets or cash in on rewards – all from one convenient place. Affinity members now have an additional way to make purchases outside of cash, debit and credit cards.



Grand openings of Prince of Wales, South Albert and Stonebridge

In 2019, we relocated our Hill Avenue Advice Centre to a new location on Albert Street in Regina. Later in the year, we opened our Prince of Wales Advice Centre to extend convenience for our members in the east end of Regina. We also renovated our Stonebridge Advice Centre in Saskatoon following our new design which allows us to better serve our members' needs from that location. These new locations offer extended hours, 24/7 ATMs and an open-concept community workspace.

The Restart Loan effect

To kick off Financial Literacy Month, we held an event at our new Prince of Wales Advice Centre in Regina to give an update on the Restart Loan's positive impact. Members and media were introduced to Alysia Johnson, a mother of three, who accessed the Restart Loan earlier in 2019 after years of paying outrageous fees to payday lenders.

"The Restart Loan played a critical role in helping me actually pay down what I had borrowed. By not incurring the exorbitant fees, I was able to break out of the debt cycle and get back on my feet," said Johnson.

Demand for the Restart Loan has exceeded expectations. A total of 1921 individuals have accessed more than $3 million through the loan since its inception.

A Restart Loan at Affinity of $200 paid off in two weeks, would cost $1.38 at 17.99% annual interest. In contrast, a $200 loan through a payday lender paid off in the same time period, could cost as much as $34 in fees, which would be the equivalent of 442% annual interest.

Our Commitment to Truth & Reconciliation

nehiyawak Language Experience

In July 2019, Affinity sponsored the nehiyawak Language Experience, a week-long program that focuses on awareness and revitalizing the Cree language through land-based education. Since it's early beginnings, the nehiyawak language experience organization has grown in all kinds of ways, from awareness to engagement that's consistent throughout our province and beyond. The program now has six master level teachers involved in instruction, specializing in various second language methodologies.

The focus of the experience is to produce authentic speaking, thinking and feeling in the language of Cree in a natural environment, the outdoors. It's because of our ancestors, grandparents and language warriors that our language exists to today.

Oskayak

On February 14, Affinity's Campus was privileged to host students from Oskayak High School. The students are recognized leaders in their school and were selected to participate in a workshop led by the Students Commission of Canada to provide them with the necessary skills to organize and host a Mental Health Awareness Day.

Upon arriving at Affinity, the students were led on a guided tour of the building, met CEO Mark Lane, heard from our HR team about career opportunities and learned about what we do at Affinity! They enjoyed a catered lunch from one of our members and enjoyed being able to experience Affinity's space.

Calls to Action

Affinity supported other Co-operatives in their journey towards Reconciliation by sponsoring the Saskatchewan Co-operative Association's (SCA) workshop, "Engaging Co-operatives in Adopting the TRC's Calls to Action". A total of 73 co-operative employees and elected officials from across Saskatchewan attended the session. Mark Lane's presentation about Affinity's journey of Reconciliation was well received, and several credit union representatives engaged with Mark to ask deeper questions and provide support for Affinity's efforts!

New Welcome Decal

In 2019, we introduced a welcome decal on the doors of our advice centres. This decal displays our belief that there's strength in diversity and we want our members to feel that they'll always be treated with respect.

The decal includes:

- 13 languages – some of the most commonly spoken languages in Saskatchewan and our Indigenous languages;
- The rainbow Pride flag to represent the lesbian, gay, bisexual, transgender and queer (LGBTQ) community.
- The pastel pallet to represent the Transgender Pride Flag; and
- Two feathers to represent two-spirit people. Two-spirit refers to a person who identifies as having both a masculine and feminine spirit and is celebrated by some Indigenous cultures.

Lending Services

When you're an Affinity member, your money doesn't just sit around – it gets put to work through investments back into your community. Member deposits are our primary funding source 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!

	2019	2018
Residential Mortgages	$2,181,665,027	$2,113,816,964
Business Loans	$1,476,971,403	$1,321,589,531
Agriculture Loans	$752,710,296	$707,427,616
Personal Loans	$529,850,963	$512,125,906
Other Loans	$17,743,216	$15,853,918
Total	**$4,958,940,905**	**$4,670,813,935**

Impact Lending

Making a difference in our communities and lending a helping hand is very important to us at Affinity. Providing assistance to those who have little or no credit history, affordable housing loans or making that small business dream a reality – we're here to help.

In 2019, we altered how we define impact lending. The main impacts of the change include the following:

- Focus on balances funded in the current year as opposed to cumulative outstanding balances.
- Broader definition of Entry Level housing, which includes all housing purchased under the average MLS housing price in Saskatchewan.
- Broader definition of small business loans, including loans funded under the Canada Small Business Financing Program (CSBFP) and all other commercial loans under a $1 million threshold.
- Focus on consumer proof points, including the Restart Loan and educational loans.

	2019		2018	
Loan Type	**Balance**	**#**	**Balance**	**#**
Affordable Housing Loans	$116,480,139	782	$135,985,880	881
Small Business Loans	$114,853,748	700	$81,521,045	603
Restart Loans	$1,539,908	968	$921,280	539
Student Loans	$3,783,945	294	$5,446,857	316
Total	**$236,657,740**	**2,744**	**$223,875,062**	**2,339**

Wealth Strategy Options

We know members want multiple ways to invest – so we built a team that can offer them choices. Our Wealth Strategies Team is comprised of talented investment, insurance and financial planning specialists. From beginner investors to advanced portfolios and planning needs, we provide advice and support, while looking out for our members' best interest.

For our members that want someone by their side, we've got their backs. And we offer wealth advice in five unique ways to customize the experience for each member and go with the route they're most comfortable with – whether that be traditional or digital.

Traditional

Advice over the phone at 1-866-272-2521

Our Wealth Advisory Team provides members with convenient and personalized investment advice.

Face-to-face advice

Our Wealth Specialists provide in-depth advice on a broad range of investment solutions, including mutual funds, portfolio management and financial planning.

Customized Wealth Management

Our Investment Advisors, through Credential Financial Strategies, have access to stocks, bonds and mutual funds needed to create a comprehensive investment plan.

Digital

VirtualWealth.ca

VirtualWealth™ uses specialized software to choose investments tailored to our members' needs based on their goals and chosen investment tolerances. Investments are automated and monitored with regular re-balancing.

Qtrade.ca

Qtrade Investor, voted Canada's best online broker, allows members to self-manage their investments online or through the mobile app. Members get access to the tools they need to execute trades on their own and manage their own portfolio.

Governance at Affinity

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. It's a unique governance structure which connects our members to our co-operative roots. As an Affinity member, your say is important in determining the delegates and directors who work for you to represent your interests.

Affinity's members across the province are grouped into geographic districts. You can vote for the delegates that represent your district. Each district is represented by a district council, which then elects one or more directors to the Affinity Board of Directors based upon the number of members within their district.

A key part of the delegate role is the election of a board that will make decisions in the best interest of the organization. Delegates are the 'voice of the members' and provide feedback to the board to ensure they're well-informed when making decisions and providing oversight. They're also Affinity ambassadors and provide leadership on allocating community investment funds.

Effective Representation

Affinity is committed to the provision of ongoing opportunities for the education and professional development of elected officials to ensure that the governance body has the knowledge and skills necessary to fulfill its oversight responsibilities.

Board Responsibilities

The board is accountable for the Credit Union's strategy, risk management framework, senior management oversight and internal controls. The board has met their expectations to discharge these essential duties. Through the execution of their 2019 work plan, the board was committed to good corporate governance and accomplished the following key deliverables:

- Advanced Affinity's journey of Reconciliation in support of the Truth and Reconciliation Calls to Action.
- Implemented compliance to the new regulatory requirements associated with being designated a provincial systemically important financial institution (P-SIFI).
- Implemented a peer-assessment process into the regularly scheduled board evaluation cycle. This self-assessment addressed the role of the board, the role of the chair, and committee performance.

Board Committees

The board as a whole is responsible for all work undertaken on its behalf by committees. The board holds committees accountable for assisting them in fulfilling their corporate governance responsibilities by ensuring appropriate oversight over committee work. This is done through approval of committee mandates, appointment of committee members, and ensuring that the required technical skills and competencies are present at individual committee levels. The board committees have discharged their duties as outlined in their mandates and work plans.

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, supporting the co-operative movement and the credit union system as a whole.

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

12	9	9	1
BOARD MEMBERS	GRADUATES OF THE CREDIT UNION DIRECTOR ACHIEVEMENT (CUDA) PROGRAM	ATTAINED A CERTIFIED CREDIT UNION DIRECTOR (CCD) DESIGNATION	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.

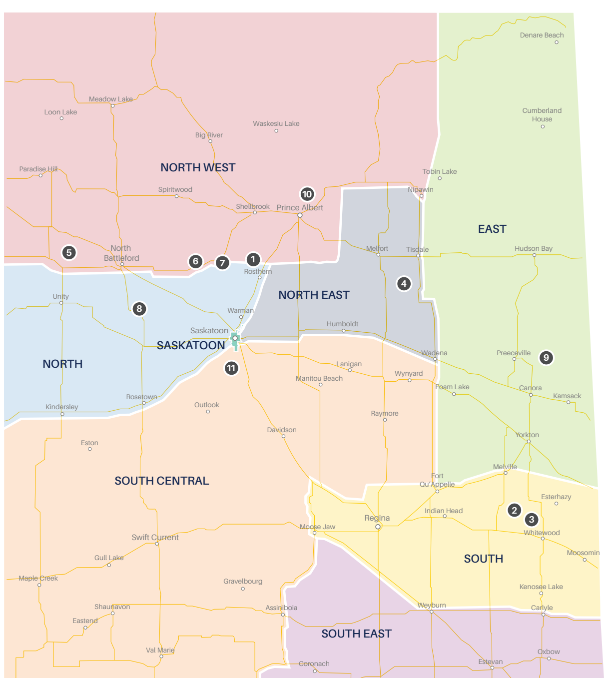
Affinity's Board of Directors approves policies, and our management team ensures Affinity operates with integrity, honesty, fairness, professionalism and the highest ethical standards.

Meeting Attendance

2019 Director Meeting Attendance January 1 - December 31, 2019							
	Board Meeting	Audit and Risk	Conduct Review	Human Resources	Governance	Co-operative Values	District Council Meetings
Cindy Anderson	9 of 10			3 of 4			4 of 4
Mitchell Anderson	10 of 10	8 of 9	1 of 1				5 of 5
Debra Chobotuk	10 of 10				4 of 4	1 of 1	4 of 5
Nathaniel Cole	10 of 10				4 of 4	4 of 4	5 of 5
Bryan Cottenie	10 of 10	9 of 9	1 of 1				4 of 4
Scott Flavel*	10 of 10	9 of 9	1 of 1	4 of 4	4 of 4	4 of 4	4 of 4
Kurt Holfeuer	10 of 10	9 of 9	1 of 1				5 of 5
Milton Kerpan	10 of 10				4 of 4		4 of 4
Paul Ledoux	8 of 10			1 of 1		3 of 4	4 of 4
Deirdra Ness	10 of 10	9 of 9	1 of 1				5 of 5
Dannie Wreford	9 of 10				3 of 4		4 of 4
Pauline Ziehl Grimsrud	9 of 10			4 of 4		4 of 4	4 of 4

*Board Chair

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

Board Committee	Board Committee Members	Responsibilities
Audit and Risk	Mitchell Anderson - Director/Chair Deirdra Ness - Director/Vice-Chair Bryan Cottenie - Director Kurt Holfeuer - Director Scott Flavel - Ex-officio	Oversees the risk management and regulatory compliance frameworks. Ensures Affinity adheres to required financial control and reporting standards.
Conduct Review	Mitchell Anderson - Director/Chair Deirdra Ness - Director/Vice-Chair Bryan Cottenie - Director Kurt Holfeuer - Director Scott Flavel - Ex-officio	Oversees adherence to the principles of ethical conduct and responsible business behavior.
Human Resources	Scott Flavel - Committee Chair Cindy Anderson - Director/Vice-Chair Debra Chobotuk - Director Pauline Ziehl Grimsrud - Director	Oversees compensation strategy and an effective human resource policy framework. Undertakes effective performance management of the Chief Executive Officer.
Governance	Milton Kerpan - Director/Chair Debra Chobotuk - Director/Vice-Chair Nathaniel Cole - Director Dannie Wreford - Director Scott Flavel - Ex-officio	Oversees the corporate governance framework including the credit union's delegate governance structure.
Co-operative Values	Pauline Ziehl Grimsrud - Director/Chair Nathaniel Cole - Director Paul Ledoux - Director Scott Flavel - Ex-officio	Ensures Affinity stays dedicated to its co-operative values and traditions and maintains progressive corporate social responsibility policies.

Our District Council Delegates

These are your Affinity district council delegates as of December 31, 2019.

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*
Daved Meakin
Jill Curren
Katrina Regier
Peggy Walker
Sue Culbert
Terry Hinz

North East District

Gailmarie Anderson
Garry I. Loehr
Jennifer Puetz
Lynn Pederson
Milton Kerpan*
Stephanie Gerwing

Saskatoon District

Charity Beres
Davida Bentham
Debra Chobotuk*
Deirdra Ness*
Gayl Basler
Hilary Gough
Jasmin Carlton
Jo Custead
Kelley Moore
Kurt Holfeuer*
Mitchell Anderson*
Victoria Morris

North West District

Charlene Tebbutt
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
Jeanne Eriksen
Joyce Fraser
Martin (Marty) Lelliott
Nathaniel Cole*
Sherry Wolf

Indigenous District

David D. Cote – The Key First Nation
Damon Delorme – Cowessess First Nation
Chief Clinton Wuttunee – Red Pheasant Cree Nation
Cy Standing – Wahpeton Dakota Nation
Wayne Thomas – 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
Fay Puckett
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	2019 Totals
Director Per Diems and Honorariums	$164,916.00
Delegate Per Diems and Honorariums	$117,845.00
Director and Delegate Expenses (includes all meals, accommodation, mileage and training)	$207,290.00

[1]Per diems include payments for training sessions as well as delegate, director and committee meetings held in 2019.

2019 Board Director Per Diems and Honorariums

Board Director	**Total Per Diems**	**Dates Served as a Director in 2019[1]**
Cindy Anderson	$9,960.00	January 1 to December 31, 2019
Mitchell Anderson	$18,470.00	January 1 to December 31, 2019
Debra Chobotuk	$11,120.00	January 1 to December 31, 2019
Nathaniel Cole	$12,810.00	January 1 to December 31, 2019
Bryan Cottenie	$13,870.00	January 1 to December 31, 2019
Scott Flavel, Board Chair	$36,836.00	January 1 to December 31, 2019
Kurt Holfeuer	$10,745.00	January 1 to December 31, 2019
Milton Kerpan	$11,735.00	January 1 to December 31, 2019
Paul Ledoux	$6,375.00	January 1 to December 31, 2019
Deirdra Ness	$12,240.00	January 1 to December 31, 2019
Dannie Wreford	$7,970.00	January 1 to December 31, 2019
Pauline Ziehl Grimsrud	$12,785.00	January 1 to December 31, 2019
Total 2019 Director Per Diems	**$164,916.00**	

From left to right: Nilesh Kavia, EVP Strategy Execution and Operations; Lise de Moissac, EVP and CFO; Mark Lane, CEO; Corina Farbacher, EVP Chief Governance & Risk Officer; Myrna Hewitt, EVP Member Experience; Michael Elchuk, EVP and CIO; Richard Schwan, EVP Advisory Services; Heather Sully, EVP Human Resources

Our Executive Team

As a member, you're the top priority for our credit union and the top priority for our Executive Leadership 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.

2019 marked the first full year of reporting of our Voice of Member (VOM) program – an online form that allows us to collect feedback directly from members and use it to drive strategy and tactics to improve our members' experience going forward.

A few noteworthy statistics from our VOM program in 2019 include:

- 12,387 surveys were conducted online or in our advice centres or Contact Centre.
- Of those surveys, 71% included positive feedback.
- Affinity received a Member Advocacy Score of 62.4% - a top quantile result!

We'd like to thank Pat Brothers (former EVP Human Resources) and Ken Harding (former EVP Chief Governance & Risk Officer) for their years of service and wish them all the best in retirement.

We're more than a place to go for your banking needs and financial advice – 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. At Affinity, we want to build a better world by improving the lives of people right here at home – in Saskatchewan.

Executive Pay

Affinity's executive compensation packages are designed to attract and retain highly skilled and integral leaders without being excessive. Performance-based metrics found in the Affinity Balanced Scorecard determine a portion of the compensation our Executive Leadership Team receives each year.

The information on this page can help put some context to how we compensate our Executive Leadership Team and how we decide on executive pay that is reasonable and fair.

2019 Executive Leadership Compensation				
	Salary	Variable Pay*	Benefits	Total
CEO	$443,347	$207,040	$128,781	$779,168
Executive Team**	$1,445,493	$296,800	$204,917	$1,947,210
TOTAL	**$1,888,840**	**$503,840**	**$333,698**	**$2,726,378**

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 2019.

9:1 CEO pay[1] to median full-time Affinity employee earnings.

17:1 CEO pay[1] to lowest full-time Affinity employee earnings.

11:1 CEO pay[1] to average Saskatchewan salary[2].

[1]Salary plus variable pay.

[2]October 2019 average SK weekly wage (annualized): $54,462. Source: Saskatchewan government website.

Note: All values in this ratio section are rounded to the nearest whole value (no decimal places).

Working at Affinity

802 EMPLOYEES

664 FULL TIME

138 PART TIME

Caring and engaged employees lead to happy members. At Affinity, we've created a culture that's engaging, vibrant and focused on building a better world for everyone. And by everyone, we mean everyone.

Our members and employees represent regions all over the province and are part of many different cultures, backgrounds and perspectives. Our diversity and inclusivity has become the foundation for innovation and culture amongst our employees and flows all the way through to the remarkable member experience.

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.

	2019	2018	2017
Employees in Urban Locations	58%	56%	56%
Employees in Rural Locations	42%	44%	44%
Positions Filled Internally	74.2%	77.9%	84.8%
Voluntary Turnover	5.3%	7.0%	8.9%
New Hires of Indigenous Ancestry	7.1%	5.7%	12.5%
New Hires from Diversity Groups	25.5%	19.4%	16.7%
Complaints of Discrimination	0	0	0
Average Age of Managers	43.9	44.2	44.2
Female Managers	59.5%	60.3%	64.2%
Male Managers	40.5%	39.7%	35.8%
Average Age of Non-Management Employees	41.6	41.1	41.8
Female Non-Management Employees	86.8%	88.1%	90.2%
Male Non-Management Employees	13.2%	11.9%	9.8%
Unionized Employees	19.8%	19.2%	20.1%
Educational Support, Tuition Reimbursement, Training and Workshops	$1,000,622	$704,496	$604,959





Engaging Employees

In the fall of 2019, we launched our biennial employee engagement survey. This survey is conducted by a third-party vendor that specializes in employee engagement. A total of **89%** of employees participated in the survey – which is a fantastic response rate.

Our overall employee engagement score was **82%**, reflecting a **21% increase** from our score in 2017. The increase is a result of our efforts in multiple areas. We're confident that our focus on leadership excellence programming, continued learning and development opportunities offered to our employees, increased communication and improving our organizational processes have had a positive impact to the increase in our scoring.

Research shows one impact of highly engaged employees is higher levels of member service thus resulting in having a positive impact in providing a remarkable member experience.

Going forward, feedback from this survey will be used to develop strategies to enhance our position as a leader in Canada's financial services sector.

Donations, Sponsorships and Scholarships

$2.74
MILLION DONATED

7%
POST-TAX PROFITS

879
ORGANIZATIONS/INITIATIVES ACROSS SASKATCHEWAN

It's entirely thanks to the 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

	2019		2018		2017	
Program	Amount	#	Amount	#	Amount	#
District Council Community Development Funding	$1,280,377	217	$858,818	177	$969,402	252
Community Spirit Fund – Employee and Delegate Directed	$165,000	825	$166,600	833	$177,000	855
Corporate and Advice Centre Donations and Sponsorships	$1,214,127	269	$645,641	251	$806,669	399
Youth Scholarships	$80,000	80	$80,000	80	$109,000	114
Total	**$2,739,504**	**1,391**	**$1,751,059**	**1,341**	**$2,056,071**	**1,620**

Feature: Lunch & Learn Sessions

In 2019, we held multiple lunch and learn sessions for our employees either in person at our Campus location or via Skype. These sessions were a part of our 'Living our Values' series, which tackled important issues that promoted diversity and inclusion at Affinity.

These sessions included:

- **Newcomers to Canada and the challenges they face** – presented by the Saskatoon Open Door Society
- **Building inclusivity: a lunch and learn on the LGBTQ2S and inclusivity practices** – presented by OutSaskatoon
- **The scope and future of Reconciliation in Saskatchewan** – presented by the Office of the Treaty Commissioner
- **Be a ConnectR: One woman's journey towards Reconciliation** – presented by Carrie Katherine

Affinity's Support of the LGBTQ2S+ Community

We know that members of the LGBTQ2S+ community face significant discrimination and many barriers. That's why it's so important to show the community our support.

Affinity has been a long -time funder of organizations providing support for the LGBTQ2S+ community. In 2019, we invested in OUTSaskatoon's expansion campaign, supported the Prairie Lily Curling Bonspiel (a bonspiel for those identifying as LGBTQ2S+) and sponsored Spark Your Pride, a day long celebration of the richness of LGBTQ2S+ lives.

In addition to supporting these programs, Affinity participated in the annual Pride Parade hosted by the Saskatoon Diversity Network. Despite the rainy weather, a large group of Affinity employees, delegates, and their families and friends proudly marched in solidarity with the LGBTQ2S+ community waving our giant rainbow coloured Affinity flags! We also recognize how important it is for members of the LGBTQ2S+ community to feel welcome and supported in all of Affinity's spaces, so we asked OUTSaskatoon to provide Lunch and Learn sessions to our employees focused on building awareness and inclusivity practices. In 2020, our commitment to the LGBTQ2S+ community will continue and expand. We are committed to offering additional programming and opportunities for our employees to connect with the community.

2019 Funding Allocations by District

	Total Funding	
	2019	2018
North District	$170,422	$99,550
Saskatoon District	$863,598	$613,412
South District	$431,253	$151,959
South Central District	$126,413	$82,808
North West District	$137,614	$82,345
North East District	$141,683	$90,585
East District	$114,027	$83,193
South East District	$317,195	$168,214
Indigenous District	$30,000	$26,950
Province-Wide Initiatives	$407,299	$352,043
Total	**$2,739,504**	**$1,751,059**

Our Community 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. Social & Financial Inclusion
3. Environmental Sustainability
4. Local Economic Development

Funding by Focus Area

Strategic Focus Area	2019	2018
Building Community Assets and Facilities	$1,206,423	$697,923
Social & Financial Inclusion	$692,729	$532,001
Environmental Sustainability	$127,299	$63,890
Local Economic Development	$130,500	$120,210
Total	**$2,156,951**	**$1,414,023**

Our members are helping Affinity go green!

63,889 Affinity members choose to receive e-statements instead of a paper account statement.

That's a **10%** increase from 2018. And did we mention this year's annual report is printed on **100%** recycled paper?

Research of Work-Related Travel

In 2019, Affinity employees and elected officials drove 9% more kilometres than they did in the previous year.

	2019	2018
Distance Driven	1,321,836 km	1,212,723 km
Greenhouse Gas Emissions	367 tonnes[1]	337 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 2019:

Social & Financial Inclusion

Each One Teach One Financial Literacy Workshops	2019	2018
Workshops Delivered	147	115
Persons Attending EOTO Presentations	1,908	1,592
Communities Reached	19	19
Certified EOTO Trainers	57	55

Affinity supports improved educational achievement and life skills for youth – especially in vulnerable populations. We work to reduce and prevent poverty while supporting opportunities for low-income families and individuals. Building financial literacy, skills and knowledge for the people of Saskatchewan is a priority for us.

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 2019.

Rock Your Roots

Affinity was once again a proud sponsor of the Rock Your Roots walk for Reconciliation. Affinity was represented by employees and a few of our very own board members and delegates! The theme for 2019's walk was Re-igniting the Fire—a reminder that we cannot delegate Reconciliation to others. Affinity was also proud to have a group of employees sporting their Affinity gear and carry branded flags, one of which was our brand-new pride flag!

There was an announced crowd of over 5,000 people in 2019, larger than it ever has been. The significance of gathering so many people for events like this, is to promote Reconciliation, raise awareness in our community and give everyone a chance to come together and learn just what Reconciliation is all about and why it's so important to be embraced by everyone. Affinity participates in this initiative, as Reconciliation aligns with our vision of building a better world for everyone, every day.

Rock Your Roots starts off the day with a pipe ceremony, then leads into the grand entry and proceeds to the walk. Once the walk concludes, Rock Your Roots provides a public lunch to attendees, hosts local vendors with handmade items for purchase and activities for children. The event and activities of the day bring in many children from schools across Saskatoon, and many people who are interested in learning about Reconciliation.

Community Spirit Fund

Davidson employees shine a CU Day light on Rett Syndrome!
From left to right: Dianne Schollar, Kim Williams, Karen Diebel, Krista Allan, Dusty Manz, Renee Schmiedge, and Marie Nadeau.

Giving back to our community isn't just something we do, it's who we are!

Our employees volunteer on boards, lead community projects and volunteer at events across Saskatchewan. Employees volunteer during their free time, but they also get engaged during work time. We have many opportunities for employees to help with events and organizations we support across Saskatchewan, and every year they have a paid day to volunteer in their community.

Thanks to our members, in 2019 we've provided over $2.5 million in funding to local initiatives throughout the province. On top of that, we've given $165,000 through our Community Spirit Fund - a program that allows employees and elected officials to each direct $200 to a charity, cause or initiative of their choice.

Do you want to know how big of a difference this money makes to local organizations? Let's ask the community of Davidson!

On October 17, 2019, the Davidson Advice Centre employees supported a young Affinity member by dedicating their Credit Union Day to Rett Syndrome Awareness Day. The employees purchased purple RS Awareness t-shirts though the Davidson school, hung posters and decorated the advice centre in purple balloons and streamers. They brought awareness to this cause by selling lightbulbs, and 100% of the proceeds went to the Saskatchewan Rett Syndrome Association, along with a silver collection, coffee and cookies.

Build a Better World Scholarship Winners

At Affinity, we believe in building a better world for everyone, so we want to pass that passion on to our younger members. Each spring we give out a $1,000 Build a Better World Scholarship to 30 young people starting their post-secondary education in the fall. Yolande Smith Hanson, as pictured below, received a Build a Better World Scholarship in 2019 and is now pursuing her Bachelor of Arts and Science at McGill University in Montreal, Quebec.

Waste reduction programming

Many people at the Food Truck Wars in Saskatoon joined together to ensure compost and recyclable material went into the right bins at Affinity's Zero Waste Zone!

As a part of Affinity's commitment to sustainability, we've developed Zero Wast programming for summer events. In 2019, we worked in partnership with the Saskatchewan Waste Reduction Council to divert an average of 86% of waste away from landfills for five popular summer festivals.

- The Saskatchewan Marathon - **88%** waste diversion
- The Saskatoon Children's Festival - **86%** waste diversion
- Community Day at the Saskatoon Zoo - **96%** waste diversion
- Saskatoon Food Truck Wars - **93%** waste diversion
- Nutrien Fireworks Festival - **67%** waste diversion

Management Discussion and Analysis

Economic Overview

The growth of the Canadian economy in 2019 approximated that of the prior year at almost 2%. In relation to our Group of Seven cohort, Canada enjoyed one of the highest growth outcomes while posting the lowest net debt to GDP. The budgetary deficit reflected the investment sentiments of the federal government. This investment contributed to the strong and growing economy. Labour markets tightened during the period and reflected some of the lowest levels of unemployment in a decade. More Canadians were feeling confident to voluntarily change jobs which pushed consumer wage growth expectations. The responses on household finance, credit and home prices helped to reaffirm the drivers of the overall pickup in the Canadian housing markets, though were partly offset by rate increases and the application of B-20. The CPI held at the 2% level, which is the Bank of Canada's target rate. About 60% of the CPI basket grew at a rate of 2% or higher and this included food and fuel. This was the highest price growth since 2012.

With inflation at 2%, the Bank of Canada did not move the prime rate of interest throughout the year. This was a departure from the three separate increases in 2018 and the predictions of the financial institution community for 2019. With slower growth numbers in the last quarter of the year and a softening of the manufacturing and wholesale sectors, there was speculation that the key rate would actually be reduced as early as December.

Business sentiment was largely positive except in the Prairies, where challenges in the energy sector spread to other sectors in the region. Foreign demand continued to lift export prospects, most notably in the US where slightly recovered growth caused demand to pick up. Many firms focused their investments on efforts to increase efficiency, particularly in technology. Businesses operating at capacity cited labour related constraints as the main obstacle to scaling up.

2019 was a challenging year for the potash sector, with weather-related output issues, a US-China trade war, and stockpiling of product by China impeding growth in the industry. The number of oil and gas bankruptcies in the US and Canada increased by 50% over 2018. The impact was not limited to production companies as service company bankruptcies also doubled. Overall, activity plunged to 2015/2016 levels and reinvestment dwindled as companies instead chose to buy back under-valued shares, pay dividends and pay down debt.

Global growth slowed to 3% in 2019. Even though The International Monetary Fund would typically declare a recession at growth of less than 3%, one was not called. The slowdown can be attributed largely to the trade war and the redefinition of previously established trade rules. The widescale reaction was economic easing by more than 21 central banks. The US expansion was in its 10th year and growth was robust in 2019 as the labour market continued to expand and consumer confidence hikes continued. The U.S. Federal Reserve delivered three consecutive rate cuts since the summer of 2019 to mitigate risks arising from the global slowdown. Business confidence began to wane with the start of the U.S China conflict and late year investments in the United States were limited.

In Saskatchewan, the economy continued to trail the national average for the sixth straight year. We were able to tread water amid the ongoing friction from the commodity industries and subpar consumer spending. Labour markets were more positive, and hiring was led by manufacturing and service industries. The unemployment rate at 5.4% declined by .7% from prior year levels. The tighter labour market accommodated a late year increase in household demand.

Early in 2019, the Saskatchewan Potash Production Tax Credit was no longer available, removing a valuable incentive to fertilizer producers. Unexpected weakness in the global and U.S. demand caused a temporary shutdown of three of the province's potash mines in early fall. The oil and gas sector continued to be hit by growing global uncertainty and reduced investment. The indefinite closure of McArthur River mine dampened the outlook for uranium.

The provincial crop harvest was 93% completed and crop yields varied greatly across the province, mainly due to the extremely dry conditions in the spring and summer. The growing season for most crops was highly impacted by more rain during seeding and harvest periods, along with greater potential for floods and droughts. Many producers continued to plant canola even though China's action to limit canola seed imports had not been lifted. Cattle prices were up year over year in 2019 and hog prices recovered after the emergence of swine fever in China.

At Affinity, we experienced a number of business impacts within Saskatchewan from the broader economy. The two budgeted increases to prime rate did not materialize and this put pressure on margin and equity returns. In spite of not having the benefit of rate increases, Affinity continued a path of providing near top of market rates to members for loans and deposits and continued with a variety of innovations to enhance service or strengthen our foundation. We were able to achieve growth levels that were equal or higher than our credit union industry peers and we experienced lower than expected levels of delinquency and provisioning across all loan portfolios as borrower ability to repay somewhat improved.

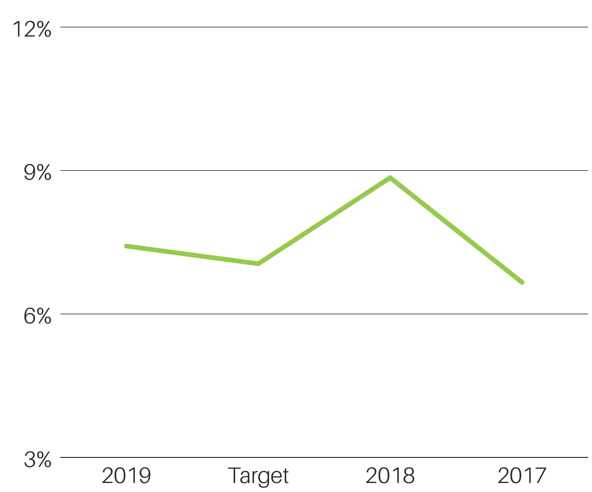
Financial Highlights

Affinity followed a disciplined approach to planning and budgeting to prepare for the 2019 fiscal year. The Board's strategic plan spans several years with the goal of solidly placing Affinity in the broader financial, wealth and insurance marketplace. Strategy formulation considers our unique risk profile and includes emerging risks inherent in these industries. Once strategy is set, a complementary capital plan is developed. The capital plan focuses on capital adequacy and performance, and which growth scenarios will best leverage both. The capital plan was approved by the Board mid-year in 2018 and became the basis for the 2019 annual plan targets for growth, efficiency, capital and return on equity (ROE).

The goal for 2019 was to grow by 7%, achieve an efficiency ratio of 68%, and produce an ROE that mimicked growth. Our 2018 growth result was comparable at 7.12% excluding the impact of a $100 million partnership with Porcupine Credit Union. 7% organic growth was a stretch target given the slowdown in the Saskatchewan economy; however, we were one year post organizational redesign and felt that aggressive growth would be achievable.

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 68% to reflect the first year of operations with a completed organizational redesign.

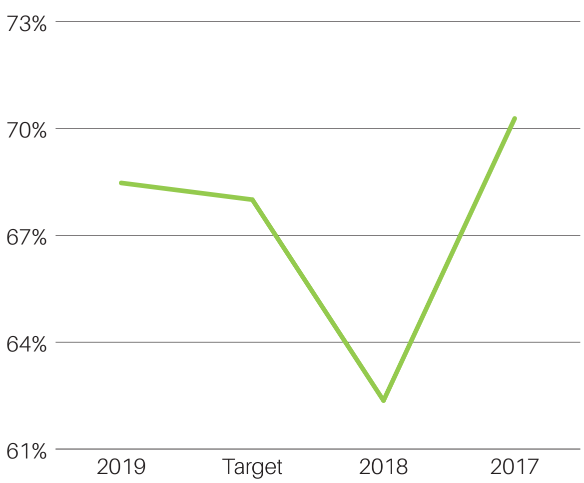
Return on Member Equity



Highlights represent the consolidated results for the controlled operations of the Credit Union including its wholly-owned subsidiary companies: insurance, employee services, investments, software and holding company.

The Credit Union achieved an ROE of 7.42%. There were a number of competing forces within this result. We diligently managed costs and enjoyed higher levels of non-interest income. Strong loan 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, no increases to interest rates 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 68.0% and the organization achieved 68.47%. 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 $5.35 million more than the prior year. We continued to benefit from the five interest rate increases over the past two years as our balance sheet grew and continued to reprice. This positive effect plateaued as two 2019 budgeted interest rate increases did not materialize.

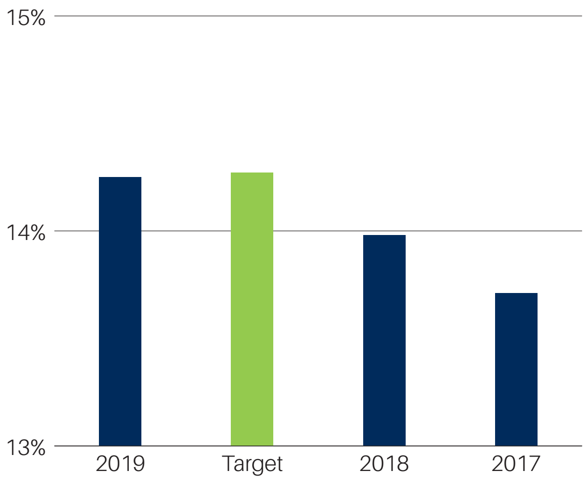
From a non margin revenue perspective, we exceeded budget through increased dividends from one credit union investee company and better that expected insurance agency revenues.

From a cost perspective, we lost ground with our personnel expenses through more than expected salaries and benefits, though somewhat made up for this with lower general business costs.

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

In 2019, Affinity continued to use finance to help businesses and individuals in our communities prosper. We continued to expand our Restart and Micro Loan programs, both unique in the marketplace and created 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, 92.50 cents were lent out in 2019. The Credit Union continued to be relevant to the many communities served and this was made evident through metrics around brand awareness and market share.

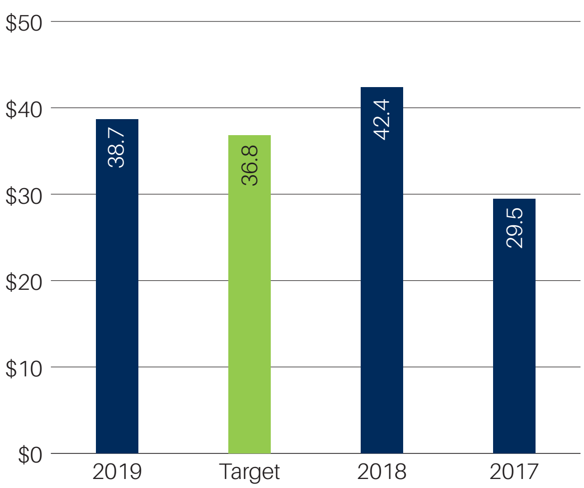
Total Capital/Risk-Weighted Assets



Affinity's capital position continued to improve in 2019, through a smaller than expected balance sheet and strong operating results. The target was 14.27% and we achieved 14.25%.

Operating Summary

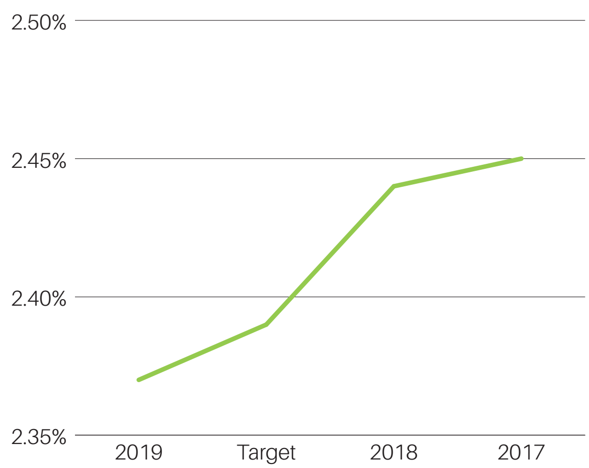
Comprehensive Income ($ millions)



Comprehensive income was $3.69 million less than 2018. Net interest margin was up by $5.35 million, impacted by a larger balance sheet and the repricing of financial instruments at a higher rate of interest. Provision for credit losses was down by $10.10 million. 2018 included the implementation of IFRS 9 and the spike in general provisioning that accompanied it. At the same time, our year over year provisions for specific loans abated as the economy began to stabilize. Non-interest revenue was down by $3.52 million through lower returns from investees. Holding and realized investment gains were down by $7.65 million. Operating expenses increased by $7.76 million. The overall net income result was better than budget by $1.83 million.

Net Interest Margin

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 through lower loan rates and higher deposit rates.

The 2019 budget called for two additional interest rate increases which did not occur. The budget did contemplate the heightened competition for deposit funding and loans in the market place. We were able to be closely aligned to the market throughout the year and offered a variety of specials and campaigns to increase our business with new and existing members. By the end of 2019, our margin was 2.37%, short of our plan by 2 basis points. The pace and extent of balance sheet growth had a large impact on the margin dollars we were able to generate.

Loan revenues were behind budget by $6.81 million. The variance is a factor of volumes and rate. We did not lose margin overall from volumes even though the ag, consumer and commercial portfolios each grew at a different pace throughout the year. We did lose margin from rates as the repricing of loans at higher rates did not offset the overall impact of budgeted rate increases that did not materialize. Investment revenues were over budget by $1.11 million. For the first half of the year when lending activity was slow, excess liquidity was invested putting our volumes over budget. At the same time, we received more income distributions from our interests in a variety of venture capital investments than was planned in the budget.

Deposit cost was under budget by $4.86 million. Nominee deposit cost was over budget by $363 thousand as the use of this channel exceeded our plan by $54 million. Organic deposit cost was under budget by $5.22 million. We maintained higher than expected volumes throughout 2019 but rates were lower than our plan even with aggressive market-based pricing.

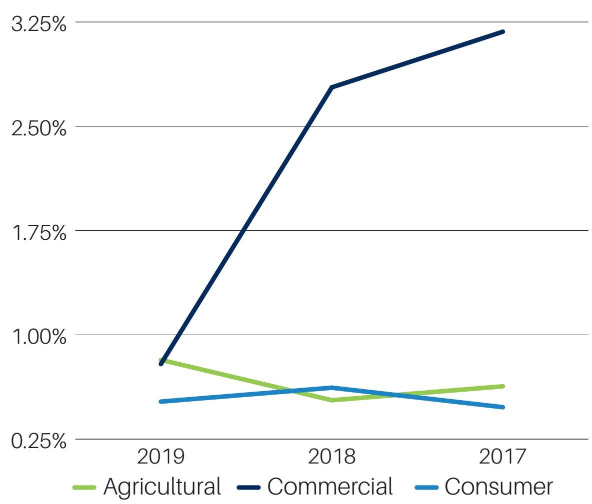
Provision for Credit Losses

The 2019 budget for credit loss provisioning considered the 2017 and 2018 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 related 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. Our plan for the 2019 year contemplated similar general provisioning and lower levels of specific delinquency.

The overall provision was under budget by $1.72 million. Of the $9.16 million in cost, $252 thousand was generated by net general provisioning (Stage 1 and Stage 2). Stage 1 increased as overall loan balances increased and loss given default increased through our more recent write off history. Stage 2 decreased as one large credit became specifically delinquent over 90 days and was reclassified to the specific category. A further loan had a security value upgrade and was reclassified to Stage 1. Stage 1 and 2 are also impacted by economic indicators that, on a consolidated basis, stayed relatively constant year over year. Stage 3 specific provisioning made up the difference of $8.81 million in cost. This category was impacted by previously doubtful loans where security values had further eroded, and provisioning for several new exposures.

Affinity's overall credit quality improved by 54 basis points since 2018 and we ended the year with delinquency greater than 90 days at .64% of average loans. The consumer and commercial loan portfolios decreased by 10 and 199 basis points respectively, and the agricultural portfolio increased by 29 basis points. In dollar terms, 2019 loan delinquency of $31.99 million was $13 million lower than the 2018 amount.

Loan Delinquency



Other Income

Other Income was over budget by $1.95 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.

Financial intermediation revenues exceeded the plan target by $2.25 million. Our credit union investments returned $379 thousand more than what was budgeted and this included a positive variance to budget for insurance agencies of $591 thousand. Venture capital investment disposals triggered realized gains that were ahead of plan by $3.04 million, while mark to market adjustments in this category were under budget by $4.69 million. 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 offerings like service fees, and loan and deposit rates.

Revenues for wealth product brokerage approximated 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 and 2019 as another necessary facet to our remarkable member experience.

Operating Expenses

Affinity's operating expenses at $127.57 million were $7.76 million more than 2018 and $939 thousand more than the 2019 budget. Our focus on cost control continued to be successful and we managed to grow the balance sheet by a further $296 million without a significant 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 over budget by $2.53 million. The variance came from more than expected salaries and benefits, particularly the variable pay component. We had underestimated the 2018 expense causing some of that cost to be allocated to the current year. At the same time, we accrued more than what was budgeted for the 2019 variable payout to staff. Year over year personnel costs were up by $7.28 million. We reclassified $4.73 million in 2019 from a general business category, filled an additional 47 positions year over year, and provided an average of 3% range adjustments and 1.5% cost of living increases. These items accounted for most of the change.

Member Security and Occupancy costs were at budget. General business costs were under budget by $1.27 million. We did not use our full budget for equipment and software depreciation, consulting, software purchases, or card loyalty points. Organizational costs were under budget by $146 thousand and this category covers all governance related expenditures.

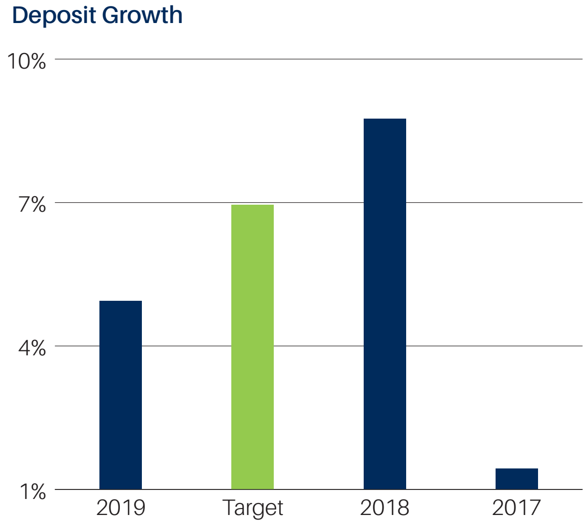
Comprehensive Income of $38.67 million represented a very strong bottom line considering the further provisioning for credit losses and static interest rate environment. We were able to absorb these factors, and at the same time provided rates that made us notable in the market place, continued to innovate, and added considerably to our capital position with a strong return on member equity.

Financial Position Summary

The 2019 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 and ROE progress, was 7-8% growth. With support from the organizational redesign that had been completed in 2018, we felt we could aim for growth of 7.05% in spite of the sluggish economy.

We grew the balance sheet by 5.23% or $296 million, considerably less than the prior year's pre-partnership growth of $374 million. Growth in the first two quarters of 2019 was robust and then as financing fell off, surplus liquidity was used to fund loan demand over the remainder of the year. Overall loan demand out paced deposit supply, and the liquidity position at the end of the year tightened.

Deposits

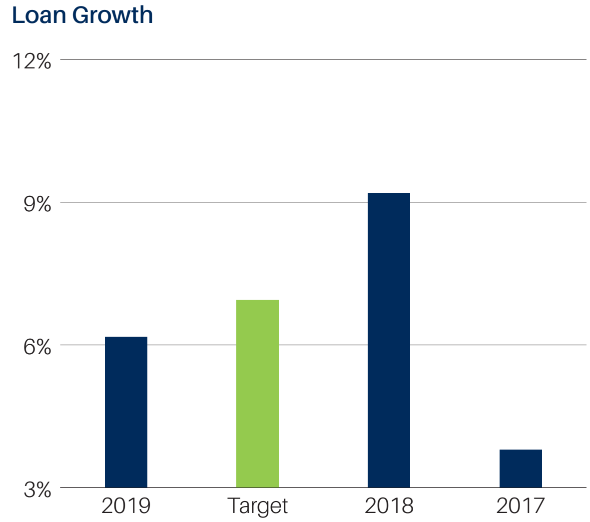


We cannot provide loans to members without adequate financing. Our primary plan for financing was member deposits supplemented by retained earnings. We achieved 4.94% in total deposit growth and this was comprised of increases to both organic and nominee deposits. Our goal for organic growth was 4.81% and we achieved 2.12%. Over the first half of the year, we had reached our goal, but we experienced the runoff of several large deposits in the second half of 2019.

Organic deposits were under budget by $126.69 million. Excluding accrued interest, demand deposits were under budget by $119.64 million, term deposits were under budget by $35.97 million, and registered products were over budget by $19.81 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 2019 result.

The nominee channel was over budget by $53.35 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 from large institutions.

Loans



Loans made up over 83% of Affinity's asset base, .80% higher than the previous year. Loan growth for 2019 was 6.17%. In dollars, loans were $9.69 million under budget.

The following information excludes accrued interest. We achieved strong commercial growth in the last half of 2019 and ended the year $53.75 million over budget. Consumer growth was constant over the first three quarters and then slowed in Q4 to end the year $7.76 million under budget. The agricultural portfolio grew continuously throughout the year and was under budget by $8.70 million. Lines of were under budget by $26.64 million.

Affinity had the opportunity to buy and/or sell loans to third parties as a means of managing liquidity or managing the size of our borrower relationships. In 2019, 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 $1.48 million in loans previously sold, and we purchased $39.99 million in new loans from other credit unions. By adding loans from these two additional sources, we were able to generate additional loan interest income. At the end of the year we had on-balance sheet loans of $4.96 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 is now 11.5% which aligns with our P-SIFI (Provincially Systemically Important Financial Institution) designation for 2019. Because the measure is based on assets, capital needs to increase as the balance sheet grows. We 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 its growth is dependent upon generating strong operating results.

In 2019, Affinity was guided by the capital plan that was developed and approved in 2018. In that plan, we evaluated Affinity's internal Economic Capital requirement and compared it to the regulatory minimum of 11.5%. Our intent was to hold a 1% buffer over the greater of those two amounts throughout 2019. 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 prudent 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 11.5%, meaning that inclusive of a buffer, we had to maintain an Affinity minimum of 12.5%.

At the end of 2019, Affinity's capital to risk weighted assets was 14.25%, considerably higher than the 2019 minimum requirement.

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 2019 included the constant monitoring of current, near and long 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 100% 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 110% throughout the year.

Throughout 2019, 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 were 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 2019, we kept these facilities available and largely unused. We also ended the year with three available 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 2019 and went unused, as our aim was to continue to grow our balance sheet and leverage our capital position.

In 2019, 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 energy sector will continue to present a challenge for Saskatchewan in 2020. Prices will remain deflated as global issues cause oil demand to be low. At the same time, major potash producers in the province are expected to decrease output in response to weak demands globally and the Chinese import bans. Stagnant crop prices and an abundance of stockpiles will reduce cash receipts for farmers, and this is only exacerbated by the Chinese canola import restrictions. Weather disruptions that seem to be more common will also layer on downside risk to the sector. At the same time, if forecasts call for a further 15% decline in China's pork production, this gap in supply will cause an increase to their imports. On a more positive note, Saskatchewan enjoys a healthy surplus over the budget estimates and has the second lowest net debt to GDP burden in Canada. 2019 was thought to have been the baseline for low growth. With the emergence of COVID-19 and the related plunge of market prices and interest rates, both domestic and global growth is now at risk for 2020.

The Canadian Banking Industry

The outlook for Canadian banks remains stable for 2020. We can expect weaker commercial growth and lower capital markets activity due to continued trade related uncertainty and a softer global environment. Recent years' investment in digital transformation, efficiency gains, and increased capacity to generate fees well position Canada's banking sector to handle these challenges. We can expect to see more partnerships with FinTechs and more challenge from BigTechs like Google and Amazon. The continued depression of interest rates and increased credit loss exposures will cause the sector to find efficiencies in processes, infrastructure and labour force. Maintaining returns to investors will be a continued focus. Affinity has increased its emphasis on efficiency gains through process improvements, and redesigns of our advice centre networks and organizational structure. At the same time, we continue to place a high emphasis on keeping pace with technology trends in the sector. Our 2020 plan includes a number of initiatives that improve our internal processes and service to members.

The B-20 stress test imposed in 2018 across the sector for mortgage origination is being reviewed by the Office of the Superintendent of Financial Institutions (OSFI) as related key risks, including Canadian Household indebtedness, stays high. This and the focus on global vulnerabilities may cause OSFI to impose a further amount of high-quality capital. At Affinity, we have little access to capital except through retained earnings. Our financial position reflects a strong capital buffer against P-SIFI regulatory requirements and the risks inherent in the marketplace. We expect to incur credit losses comparable to 2019 and this outcome will not erode our capital position.

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 risks. 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 our key risk areas are common to our industry: strategic, credit, operational, regulatory and legal and market. We protect and leverage our reputation and maintain a strong focus on capital and liquidity.

Top and Emerging Risk

Amid fierce competition and a challenging economy, top risks for 2019 included profitable growth, technology innovation and security, key partnerships, and credit.

Growth and profitability targets were achieved within risk appetite ; however, credit losses and risk levels in the commercial portfolio were higher than target.

Affinity continues to carefully manage capital and liquidity and balance profitability, growth and efficiency.

Risk Reporting:

Response activities are in place for key risks:

Strategic and Operational:

In 2019, we made good progress achieving growth targets and implementing changes to strengthen cultural alignment. We continue to monitor and manage the environment in an ever-evolving technological world.

Credit:

Credit risk was heightened in 2019 in the face of economic challenges, geopolitical trade issues and cyclical competitive factors. Despite heightened risk, we continued diligence in working with borrowers of all sizes.

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, immigration levels and resulted in a flattening of home values, we have in place prudent underwriting practices 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 $2,183,257 (2018 - $2,114,635). The following table provides a breakdown between insured (including those insured by both CMHC and Genworth) and uninsured mortgages:

In Thousands of Dollars	2019		2018	
	Insured	Uninsured	Insured	Uninsured
Residential Mortgages	$741,381	$1,441,876	$716,665	$1,397,970
	34.0%	66.0%	33.9%	66.1%

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, 2019, 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.

2019						
Original Amortization Period	Under 20 yrs	20 - 24 yrs	25 - 29 yrs	30 - 34 yrs	35 yrs+	Revolving
By Outstanding Balance	7.8%	8.1%	42.3%	25.2%	5.6%	11.1%
By Count	13.9%	8.1%	29.2%	15.1%	3.9%	29.9%

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%

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 2019 year was 61.54% (2018 – 61.1%).

Other core risks:

Other core financial institution balance sheet risks include liquidity, market, and capital that are monitored and controlled through policy, procedure, controls, and stress testing and are regularly reviewed by both management and the Asset Liability Committee.

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 supports the Board in understanding our key risks and activities to manage them. Starting with the Board and Audit and Risk Committee, the vision and purpose are fostered at all levels of the organization through our executive risk owners, risk coordinators, and management level risk governance committees.

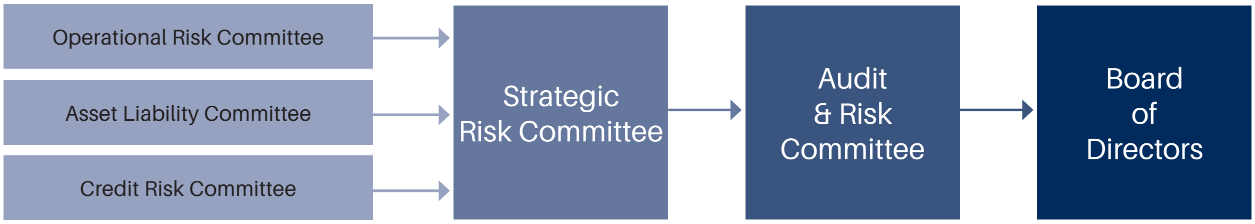
Under the direction of the CEO and guided by the leadership of executive risk owners, business units are accountable for understanding and managing the risks related to their business activities. As such they make judgments and decisions to deliver appropriate business plans and manage risk levels within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

Reporting to the CEO, the Corporate Secretary and Chief Risk Officer 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, and key risk policies and limits. The quarterly risk report to the Board is a summary of the status, direction, and projected trend of key risks relative to approved risk appetite, business implications and risk mitigation activities. The report also comments on economic conditions and emerging risks. The Board receives a risk analysis to support decision-making, such as the approval of the business plan and 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 (SRCO) includes 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. It reviews and evaluates key risk levels relative to the Board approved risk appetite and discusses potential implications to the successful achievement of strategic and annual plans on a quarterly basis. Further it establishes and monitors the risk register and risk mitigation activities according to an established protocol. The risk register is refreshed no less than annually through a series of interviews culminating in a SRCO workshop.

The Asset Liability Committee provides high-level oversight and forward-looking 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, recommends balance sheet strategies to SRCO and monitors their implementation, and approves and monitors balance sheet risk management tactics.

The Credit Risk Committee assesses historical and emerging credit risk through regular review of internal reporting and environmental surveillance. The committee assesses new areas of opportunity and recommends actions to SRCO to manage risks within approved tolerances while supporting planned growth and profitability objectives.

The Operational Risk Committee employs a combination of dialogue and case studies to increase awareness and identify and recommend solutions to cross-functional operational risk challenges. Further, it identifies and promotes opportunities to improve service to members, create an operational risk-aware culture, contribute to operational improvements, and foster cross functional synergy.

The Risk Framework

• **Government** • **Regulators**	• Provide legislation • Set regulatory standards • Conduct examinations
• **Senior Management** • **Control Functions** • **Management Risk Committees**	• Establish risk culture and program • Monitor, manage and report key risks • Ensure adequacy of compliance and controls
• **Board of Directors** • **Audit & Risk Committee**	• Set objectives • Approve risk framework, philosophy, appetite and policy • Oversee key risks
• **Business Operations**	• Identify opportunities • Take and manage risks to deliver services

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 to meet the needs and expectations of members and other stakeholders as we fulfill our strategic and annual plans.
Credit Risk	Counterparty inability or unwillingness to meet contractual obligations.
Operational Risk (sub-categories: efficiency, technology, people, process)	Problems, failures, or inefficiencies in the performance or controls of business functions or processes.
Regulatory and Legal Risk	Non-compliance with governing laws and regulations or failure to meet legal obligations.
Liquidity Risk	Inability to meet current and future demands on cash in a timely manner and at reasonable prices.
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.

Summary Consolidated Financial Information

for the year ended December 31, 2019

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
February 28, 2020

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

	2019 (Note 1)	2018 (Note 1)
Assets		
Cash and cash equivalents	**27,320**	44,925
Financial investments	**864,808**	854,943
Loans	**4,958,941**	4,670,814
Other assets	**112,690**	96,873
Total Assets	**5,963,759**	5,667,555
Liabilities		
Deposits	**5,361,292**	5,108,860
Other liabilities	**61,736**	56,632
Total Liabilities	**5,423,028**	5,165,492
Equity		
Retained earnings	**540,731**	502,063
Total Equity	**540,731**	502,063
Total Liabilities and Equity	**5,963,759**	5,667,555

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

Approved by the Board

Lise de Moissac

.... **CFO**

Scott Flavel

.... **Director**

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

	2019 (Note 1)	2018 (Note 1)
Interest income		
Loans	**196,045**	176,532
Investments	**19,976**	14,459
	216,021	190,991
Interest expense		
Deposits	**77,917**	58,275
Borrowings	**118**	80
	78,035	58,355
Net interest	**137,986**	132,636
Provision for credit losses	**9,156**	19,251
Net interest income after provision for credit losses	**128,830**	113,385
Other income	**48,336**	59,511
Net interest and other income	**177,166**	172,896
Operating Expenses		
Personnel	**76,633**	69,357
General business	**32,870**	33,579
Occupancy	**10,560**	9,939
Organizational	**3,037**	2,699
Security	**4,473**	4,244
	127,573	119,818
Profit before income tax	**49,593**	53,078
Provision for income taxes	**10,925**	10,716
Total comprehensive income	**38,668**	42,362

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 $)

	2019 (Note 1)				
	Retained earnings including contributed surplus	**Accumulated other comprehensive income**	**Equity attributable to owners**	**Non controlling interest**	**Total equity**
Balance, beginning of year	**502,063**	**-**	**502,063**	**-**	**502,063**
Total profit	**38,668**	**-**	**38,668**	**-**	**38,668**
Balance, end of year	**540,731**	**-**	**540,731**	**-**	**540,731**

	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 NCI's instruments 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

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 $)

	2019	2018
	(Note 1)	(Note 1)
Cash flows from (used in) operating activities		
Total profit	**38,668**	42,362
Adjustments to operating cash flows	**(113,021)**	(111,138)
Changes in operating assets and liabilities	**(63,719)**	(13,921)
Cash interest received	**214,541**	188,164
Cash interest paid	**(71,296)**	(50,595)
Cash income taxes paid	**(19,878)**	(9,941)
	(14,705)	44,931
Cash flows from (used in) investing activities		
Proceeds from investments	**196,293**	148,319
Purchases of investments	**(203,446)**	(189,253)
Net cash and cash equivalents acquired through business combinations	**-**	2,470
Purchase of non-financial assets	**(8,825)**	(2,708)
Proceeds from disposal of non-financial assets	**159**	1,913
	(15,819)	(39,259)
Cash flows from (used in) financing activities		
Other liabilities	**9**	(27)
Use of line of credit	**8,320**	-
Sale of loans	**6,003**	-
Repurchase of loans	**(1,484)**	(4,819)
	12,848	(4,846)
Net increase (decrease) in cash and cash equivalents	**(17,676)**	826
Net foreign exchange difference on cash held	**71**	116
Cash and cash equivalents, beginning of year	**44,925**	43,983
Cash and cash equivalents, end of year	**27,320**	44,925

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, 2019

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, 2019 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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