

Affinity Credit Union **Annual Report 2020**

# pivoting with agility



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



"It's surreal that a conversation that began 23 years ago was the start of a community partnership that has led to housing more than 2,700 people through homeownership and affordable rentals. Thank you, Affinity!"

—**Laverne Szejvolt, Director of Operations**

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Quint Development Corporation is a non-profit organization focused on strengthening the economic and social well-being of Saskatoon's five core neighbourhoods through a community-based development approach.



2020 was challenging –  
there's no doubt about that  
– but it also gave us a real  
opportunity to live up to our  
vision, mission and values  
as a credit union.

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Mitchell Anderson, Board Chair and Mark Lane, CEO

## From Our Chair and CEO

2020 clearly reaffirmed that change is the only constant in life and business. While we began the year with defined intentions, we were soon forced to pause to address the emerging challenges of the COVID-19 pandemic. As a designated essential service, it was imperative that we be there for you – our members – when you needed us.

Your credit union remained agile in order to adapt to evolving health and economic conditions, and to show leadership to both members and communities in our response. Changes in the economy, from oil price shocks to a sharp reduction in interest rates initiated by the Bank of Canada, were cause for real challenges for many businesses, including our own.

We pivoted our priorities to provide members relief during a difficult time, whether it was in the form of loan payment deferrals, expanding our Contact Centre or reinforcing the benefits of mobile and digital options when in-person visits were restricted. Our top priority during 2020 was to promote the health, safety and well-being of our employees, members and communities.

Our employees responded to the challenges brought on by the pandemic with empathy, resiliency, adaptability and an unwavering commitment to our 140,000+ members. Our Digital Banking team demonstrated Affinity's agility while quickly and seamlessly accommodating government program enrollments, including consumer wage support programs and Canada Emergency Business Account (CEBA) applications.

Our Contact Centre saw call volumes triple in a short period of time over the spring, and our advisors remained available to members, whether in person, virtually or over the phone. The advice our employees provided to members during the pandemic was the underpinning of Affinity delivering on our vision, mission and purpose in 2020.

The financial services industry continues to see change and disruption and you can be assured that your credit union is changing to keep pace. These initiatives are critical to ensure

we to continue meeting the evolving needs of members – in areas of access, convenience and efficiency. To ensure that we remain sustainable for decades to come, we must make strategic business decisions that enable your credit union to successfully adapt to industry and market change.

Over 2020, we determined it best to distribute our presence more evenly in Saskatoon to support our growing membership. After careful consideration and research, we will permanently close our Fairhaven Advice Centre in early 2021. As Saskatoon grows and expands, so must our presence and as such, we'll be opening a new location in the Brighton neighbourhood in Spring 2021.

We've made a number of efforts over the past few years to "futureproof" your credit union. We continue to ensure we are competitive in the areas of rates, products, mobile services and digital access. Additional initiatives have ensured the maturation of regulatory and compliance frameworks, and we are well positioned for changes to be introduced through Payments Modernization and Consumer Directed Finance in Canada. As the landscape continues to evolve, we remain committed to adapting in order to better meet your evolving needs.

In early 2021, you can expect a new online and mobile platform, which will also include a Personal Financial Management (PFM) tool. This will allow you to visualize your entire financial picture by creating and managing budgets, setting goals and viewing spending habits – all while tracking your progress along the way. You can expect more innovation and agility in the years to come.

There's no doubt that 2020 introduced hardships for many sectors and individuals. In spite of the support systems introduced, significant challenges to recover still exist in the months and years ahead for many of our members. Please know your credit union is here for you. Our success is directly reflective of your success and we look forward to working with you!



Mark Lane  
Chief Executive Officer



Mitchell Anderson  
Board Chair



100% owned  
by our

**141,907** members

**789** incredible  
employees

**56** locations in **47** communities

**\$8.1B** managed  
assets

over **15,000** daily active users on  
Affinity Mobile

provided funding to **555** organizations across  
Saskatchewan

over **\$400k** provided to employees for  
educational support, tuition  
reimbursement, training & workshops

**11<sup>th</sup>** largest credit union  
in Canada

“

“I brought my mortgage over to Affinity about two years ago and then shortly after, I was diagnosed with cancer. After my fourth surgery, COVID-19 hit. Affinity helped me defer my payments so I could still eat and pay my other bills. I can't thank them enough. I recommend being an Affinity member to everyone I know!”

— Peggy Dumelie

“

“We are absolutely in this together @Affinity\_CU, we know you're not only still at work, but working harder than ever under extreme circumstance to keep us secure as possible. You're all so very appreciated. Stay safe and take good care of yourselves & families.”



— Amanda  
@Casekins421

## We're Here for You — Our Members

Affinity recognized the financial impact COVID-19 had on our members in 2020, both personal and business. From pay disruptions, school and business closures to illness, the impacts were significant. As your financial partner, we committed to providing flexible solutions to help you through these challenging times. For borrowers, we made mortgage payment relief available of up to six months, along with other loan payment relief options. We wanted members to know that during these uncertain times and always, you could rely on us.

To minimize potential risk to our employees and members, we temporarily restricted access to our advice centres throughout the province and adjusted hours. As an essential service, we ensured our members always had ways of handling their finances.

This included:

- expanding our Contact Centre hours; and
- walking members through online banking, the Affinity Mobile app or Telebanking to show them how to do day-to-day banking in a convenient and safe way

The pandemic made times very difficult for everyone, including small businesses across the country. To support business members with government relief through the Canada Emergency Business Account (CEBA), our Business Advisory Team received over 2,600 applications and approved more than \$94 million in CEBA loans.

We also partnered with Export Development Canada (EDC) to help provide small and medium-sized businesses with the financing they needed during the COVID-19 pandemic as part of the federal government's \$65 billion Business Credit Availability Program (BCAP). This program provided eligible businesses with up to \$6.25 million in credit to cover operational costs, such as payroll and rent.

Thanks to quick action, agility and in some cases, redeployment of duties of our employees, we accomplished the following in 2020:

Loan payment relief provided to **7,289** members

**\$1.34M** in investments under administration

**16%** vs. **9%**  
annualized growth in top 25 CU average

**6,293** members signed up for CRA Direct Deposit through our digital channels

**245,610** calls to our Contact Centre

**35,814** online secure messaging responses through our website and online banking

On average, we experienced around a 3.5-day turnaround from once the member's CEBA application was approved until they received government funding. The best part? Calling our members with the news of their approval! We also assisted roughly 2,500 business members with their CEBA applications to ensure they were taken care of during 2020.



# 2020 Highlights

## Affinity makes #3 on Forbes list of 'World's Best Banks of 2020'

Our unmatched ability to create remarkable experiences for our members gained the attention of Forbes Magazine in 2020! We ranked third among Canadian financial institutions and were among three credit unions making the top 10 list!



This list compiled by Forbes surveyed 40,000 customers around the globe for their opinions on their current and former banking relationships. Financial institutions were rated on general satisfaction and

key attributes including trust, digital services and financial advice.

## Online booking option launch

In early 2020, we launched the Coconut Software online booking tool for our members. With this new option, members can now book an appointment at any advice centre across the province with ease - without even needing to pick up the phone to do it! Once a member makes an appointment, they automatically receive a confirmation email or text message (depending on their preferences) with all the details of their appointment, including what they need to bring with them when they meet with an advisor. And if something comes up and they can't make their appointment, they can cancel or reschedule by using their appointment booking link. Easy!

## Market-Linked GICs have arrived!

We introduced Market-Linked GICs (MLGICs) as a guaranteed investment with lots of growth potential to our members. MLGICs are a unique investment product that offer **principal protection at maturity and a return linked to various underlying assets** including equities, fixed income, commodities and mutual funds.

Features of this product include:

- no fees
- 100% principal guarantee
- low minimum investment of \$500
- returns linked to index performance
- the ability to invest both non-registered and registered GIC products, including TFSA, RRSP and LIRA
- security - your principal investment is covered under the Credit Union Deposit Guarantee Corporation

## Our Commitment to Truth & Reconciliation Calls to Action



On February 6, 2020, our CEO Mark Lane signed an agreement on behalf of Affinity Credit Union to affirm our credit union's commitment to the Truth and Reconciliation Commission's Calls to Action.

As a Prairie Rivers Reconciliation Committee partner, we joined our friends from other organizations to sign the declaration, including Federated Co-operatives Limited, Carlton Trail College, Dakota Dunes Casino, One Arrow First Nation Urban Members, Saskatchewan Health Authority, Royal Canadian Mounted Police and many more!





## People Helping People - The Co-operative Way

The beginning of the pandemic brought with it a lot of negative impact in our communities, whether it was people experiencing job loss or empty shelves at grocery stores. We knew we needed to step in and help in any way that we could. That's why we donated \$25,000 to the Food Banks of Saskatchewan and \$20,000 through the Royal University Hospital Foundation to the COVID-19 Hospital Fund. Both of these donations helped those in need during this uncertain time.

In late 2020, we also donated \$15,000 to the Saskatchewan Inter-Agency Response to COVID-19. This group was formed by more than 50 representatives from community-based organizations and government agencies to address the unique challenges the pandemic caused for programs serving vulnerable residents.



## 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!

	2020	2019
Residential Mortgages	\$2,194,168,816	\$2,181,665,027
Business Loans	\$1,485,739,524	\$1,476,971,403
Agriculture Loans	\$794,954,093	\$752,710,296
Personal Loans	\$500,159,270	\$529,850,963
Other Loans	\$16,128,842	\$17,743,216
<b>Total</b>	<b>\$4,991,150,545</b>	<b>\$4,958,940,905</b>

## 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. The year-over-year decline in impact lending in 2020 is largely attributable to the economic effects caused by the COVID-19 pandemic.

Loan Type	2020		2019	
	Balance	#	Balance	#
Affordable Housing Loans	\$105,919,847	714	\$116,480,139	782
Small Business Loans	\$84,957,761	541	\$114,853,748	700
Restart Loans	\$923,345	575	\$1,539,908	968
Student Loans	\$3,740,786	226	\$3,783,945	294
<b>Total</b>	<b>\$195,541,739</b>	<b>2,056</b>	<b>\$236,657,740</b>	<b>2,744</b>



# Introducing Affinity Wealth Management and Affinity Financial Strategies

New name – same great advice. In late 2020, we launched a project to create a new name and brand for our Wealth division – Affinity Wealth Management and Affinity Financial Strategies.

We've set out to continue delivering remarkable advice to you under a name and brand you recognize. Prior to this launch, we continued to hear from you, our members, that you didn't associate our Wealth business with Affinity Credit Union. That's why we created this new brand to ensure you can easily recognize Affinity Wealth Management and Affinity Financial Strategies as part of our Affinity family.

The leaf, which also connects to the Affinity Credit Union brand (through the chevron notch), represents growth and possibility in relation to your personal wealth journey. It symbolizes the driving force behind Affinity Wealth Management and Affinity Financial Strategies, which is to work together with you to achieve your goals.

2020 marked the first phase of a multi-year project to expand the Affinity Wealth brand. You can expect more to come!



# Governance at Affinity

As an Affinity member, you're also an owner! Your say is important in determining the delegates and directors who work for you to represent your interests. We do this through the process of members electing delegates to district councils and then district council delegates elect directors to the board.

Our members across the province are grouped into geographic districts and each district is represented by a district council. During our election period, you're eligible to vote for the delegates that represent your district. Delegates are Affinity ambassadors who elect directors and provide leadership on allocating community development funds. They can do a lot for you and your community!

## Director Elections

How does it work? The delegates from each district council elect one or more directors to the Affinity Board of Directors based upon the number of members within their district.

The delegate role plays a critical part in the election of a board that'll make decisions in the best interest of the organization. Delegates act as the voice of the members and provide feedback to the board to ensure they're well-informed when making decisions and providing oversight. Collaboration is key!

## Board Responsibilities

The board is accountable to provide oversight and direction for Affinity Credit Union, including the approval of vision and strategy. Affinity's board is committed to achieving the highest standards of corporate governance and overseeing the effectiveness of business operations and the risk management framework.

In 2020, the board met their expectations to discharge their essential duties. Through the execution of their work plan, the board accomplished the following key deliverables:

- responded quickly to the COVID-19 pandemic and provided direction in the successful continuation of member service while ensuring the safety of our members and employees
- continued review of its own effectiveness and adherence to regulatory requirements through the introduction of a revised board committee structure
- commenced work on a detailed review of Affinity's organizational risk framework
- introduced a revised board and committee meeting schedule that allows the timely flow of information from management to the board committees, as well as the appropriate reporting to the board on a quarterly basis
- introduced a simplified director and delegate remuneration package

As we head into 2021, the board remains committed to strong governance processes with plans for a comprehensive governance model review, which will address the new Regulatory Guideline and Prudential Standard for Corporate Governance (CGG) issued in 2020.

## Orientation & Development

The board is committed to the provision of appropriate opportunities for the education and professional development of directors to ensure that the board has the knowledge and skills necessary to fulfill its oversight responsibilities.

Delegates are also provided the opportunity to participate in orientation, mentorship and succession planning. Delegates complete individual development plans that help direct appropriate training opportunities.





**From left to right:** Deirdra Ness (Saskatoon District), Nathaniel Cole (South District), Mitchell Anderson (Saskatoon District & Board Chair), Scott Flavel (South Central District), Debra Chobotuk (Saskatoon District), Bryan Cottenie (East District), Kurt Holfeuer (Saskatoon District), Joseph Rybinski (North West District), Paul Ledoux (Indigenous District), Cindy Anderson (North District). Missing from photo: Wayne Amos (South East District).

## Our Board of Directors

Did you know that Affinity is 100% owned by our members? And that our board is accountable to that membership? This dedicated group of directors 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, in support of Affinity's values and the credit union system as a whole. They're a vital part of our Affinity family!

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, its regulatory requirements and all applicable legislation. Affinity's independent Board of Directors is led by Mitchell Anderson, non-executive Board Chair. The day-to-day management is delegated to Affinity's Chief Executive Officer.

Affinity's Board of Directors approve policies and ensure Affinity operates with integrity, honesty, fairness, professionalism and the highest ethical standards.



# Meeting Attendance

## 2020 Director Meeting Attendance January 1 - December 31, 2020

	Board Meeting	Audit & Risk (Jan-Aug)	Audit & Finance (Sept-Dec)	Conduct Review (Jan-Aug)	Human Resources & Compensation	Governance	Risk (Sept-Dec)	Co-op Values (Jan-Feb)	District Council Meetings
Wayne Amos	2 of 2					1 of 1			3 of 3
Cindy Anderson	12 of 12		1 of 1		5 of 5				3 of 3
Mitchell Anderson*	12 of 12	4 of 4		1 of 1	2 of 2	1 of 1			3 of 3
Debra Chobotuk	12 of 12				3 of 3	4 of 4			3 of 3
Nathaniel Cole	12 of 12					4 of 4	1 of 1	1 of 1	3 of 3
Bryan Cottenie	12 of 12	4 of 4	1 of 1	1 of 1					3 of 3
Scott Flavel*	12 of 12	4 of 4	1 of 1	1 of 1	3 of 3	3 of 3	1 of 1	1 of 1	3 of 3
Kurt Holfeuer	12 of 12	4 of 4		1 of 1			1 of 1		3 of 3
Milton Kerpan	5 of 6					1 of 1			N/A
Paul Ledoux	11 of 12				2 of 2			1 of 1	3 of 3
Deirdra Ness	12 of 12	4 of 4	1 of 1	1 of 1		1 of 1			3 of 3
Joe Rybinski	2 of 2				2 of 2		1 of 1		3 of 3
Dannie Wreford	9 of 10					3 of 3			3 of 3
Pauline Ziehl Grimsrud	9 of 10				2 of 3			1 of 1	N/A

\*Board Chair: Scott Flavel - January to August 2020; Mitchell Anderson - September to December 2020. The AGM and Board Reorganization were deferred from April to September due to the COVID-19 pandemic.



### Remembering former Board Director, Milton Kerpan

Milton Kerpan was a proud member of our Affinity family. Unfortunately, he passed away on December 29, 2020 after a courageous battle with cancer. He served as a Board Director from 2001 to March 2020. He actively participated in many significant decisions through work on various committees and the Board. Milt was committed to enhancing our member experience, as well as ensuring the long-term sustainability of the credit union. It was always evident that Milt had a genuine desire to do what was best and right for our members and the credit union.

Milt's love of his community and the people in it was obvious by the countless hours he spent volunteering in Watson and area. He served each volunteer role with commitment, compassion and dedication. If there was an opportunity to improve his community, Milt was all over it. His lighthearted, positive and caring attitude will be missed by the many who were privileged to cross paths with Milt over the years.



## Board Committees

Board committees were restructured in 2020 in support of Affinity's commitment to good governance and to help the board fulfill its oversight responsibilities. The mandates of these revised committees were captured in new Terms of Reference which were expanded to incorporate the necessary provisions to support Affinity's governing and operating environments and risk profile. The committee restructure focused on the delegation of authority from the board to the standing committees to allow the board to dedicate their time to strategy.

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 Terms of Reference, 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 Terms of Reference and 2020 work plans.

Board Committee	Board Committee Members	Responsibilities
Audit and Finance	Cindy Anderson Bryan Cottenie Scott Flavel (Chair) Deirdra Ness	Ensures Affinity adheres to an effective control framework for the protection of members' assets. The framework is to provide reasonable assurance that the credit union operates in a manner that adheres to required financial control and reporting standards.
Risk	Nathaniel Cole Scott Flavel Kurt Holfeuer (Chair) Joe Rybinski	Responsible for providing effective oversight of the credit union's risk management framework, legal and regulatory compliance framework. Serves as the credit union's Conduct Review Committee which oversees adherence to the principles of ethical conduct and responsible business behavior.
Human Resources & Compensation	Cindy Anderson Mitchell Anderson (Chair) Paul Ledoux Joe Rybinski	Oversees the compensation strategy and human resource policy framework. Undertakes effective performance management and succession planning for the Chief Executive Officer.
Governance	Wayne Amos Deb Chobotuk (Chair) Nathaniel Cole Deirdra Ness	Oversees the corporate governance framework including the credit union's delegate framework.

The Co-operative Values Committee (CVC) was disbanded in 2020 as a standing committee of the board and the functions performed by CVC were redistributed. The provisions relating to oversight of the delegate model have been incorporated into the Governance Committee Terms of Reference. The functions related to ensuring an interface between the credit union and members were incorporated into the Terms of Reference for the district councils. A key part of the delegate role is being the 'voice of their communities' which provides a perfect fit for ensuring the ongoing focus on our connection with members.



# Our District Council Delegates

Our delegates work hard in their communities – all while being brand ambassadors! They actively put our values into action and connect Affinity to our members and our members back to us.

These are your Affinity district council delegates as of December 31, 2020.

## **Saskatoon District**

Audra Krueger  
Charity Beres  
Davida Bentham  
Debra Chobotuk  
Deirdra Ness  
Erica Poulin  
Hilary Gough  
Jasmin Carlton  
Jo Custead  
Kelley Moore  
Kurt Holfueuer  
Mitchell Anderson  
Victoria Morris

## **Indigenous District**

David D. Cote  
**The Key First Nation**  
Damon Delorme  
**Cowessess First Nation**  
Lois Standing  
**Wahpeton Dakota Nation**  
Michael Bob  
**Kahkewistahaw First Nation**  
Paul Ledoux  
**Muskeg Lake Cree Nation**  
Terrance Okemow  
**Lucky Man Cree Nation**  
Wayne Thomas  
**Kinistin Saulteaux Nation**

## **North District**

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

## **North East District**

Cindy Porter  
Gailmarie Anderson  
Jennifer Puetz  
Jordan Eggerman  
Larry Spratt  
Lynn Pederson  
Stephanie Gerwing

## **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  
Nathaniel Cole  
Sherry Wolf  
Virginia Wilkinson

## **South Central District**

Barry Croshaw  
Debbie Olesen  
Fay Puckett  
Grant Greenshields  
Kelvin Schapansky  
Mike Heinrich  
Owen Sebastian  
Patricia Isherwood  
Scott Flavel  
Richard Goulet

## **South East District**

Cameron Nordin  
Dennis Bode  
Duane Chipley  
Dyon Stadnick  
Garry Lafrentz  
Paulette Howard  
Wayne Amos



## Director and Delegate Pay

2020 Board Director Per Diems		
Board Director	Total Per Diems	Dates Served as a Director in 2020
Cindy Anderson	\$9,763.34	January 1 to December 31, 2020
Mitchell Anderson, Board Chair (Sept-Dec)	\$19,508.36	January 1 to December 31, 2020
Debra Chobotuk	\$10,191.68	January 1 to December 31, 2020
Nathaniel Cole	\$9,733.34	January 1 to December 31, 2020
Bryan Cottenie	\$8,318.34	January 1 to December 31, 2020
Scott Flavel, Board Chair (Jan-Aug)	\$30,778.38	January 1 to December 31, 2020
Kurt Holfueur	\$9,206.68	January 1 to December 31, 2020
Paul Ledoux	\$10,658.34	January 1 to December 31, 2020
Deirdra Ness	\$9,908.34	January 1 to December 31, 2020
Dannie Wreford	\$5,385.00	January 1 to August 31, 2020
Pauline Ziehl-Grimsrud	\$4,570.00	January 1 to August 31, 2020
Milton Kerpan	\$4,370.00	January 1 to April 30, 2020
Wayne Amos	\$3,948.34	September 1 to December 31, 2020
Joe Rybinski	\$4,448.34	September 1 to December 31, 2020
<b>Total 2020 Director Per Diems</b>	<b>\$140,788.48</b>	

Director and Delegate Remuneration	2020 Totals
Director Per Diems	\$140,788.48
Delegate Per Diems	\$84,949.52
Director and Delegate expenses (includes all meals, accommodation, mileage and training)	\$49,610.00





**From left to right:** Louis Cho, EVP Member Experience; Heather Sully, EVP Human Resources; Michael Elchuk, EVP & Chief Information Officer; Mark Lane, CEO; Nilesh Kavia, EVP Strategy Execution & Operations; Lise de Moissac, EVP & Chief Financial Officer, Corina Farbacher, EVP Chief Governance & Risk Officer; Richard Schwan, EVP Advisory Services

## Our Executive Team

Our focus is always on what's best for you – our members. As an Executive Leadership Team, we're committed to leading by example. We demonstrate Affinity's values by chairing committees across the province and participating in community initiatives that seek to build a better world for you and generations to come.

The COVID-19 pandemic made for a challenging and turbulent year for everyone across the globe. It was a time of realization; including that working together was imperative to handling the ripple effects of the pandemic. As a member, you can be assured that your credit union will be there for you – not only during an economic downturn but any time you need us. You let us know that and much more in 2020 through our Voice of Member (VOM) Program – an online forum that allows us to collect feedback directly from members.

A few statistics from 2020 to note include:

- 34,395 member satisfaction surveys were completed by members online, in our advice centres or through our Contact Centre – **nearly 3 times the volume in 2019!**

- Of the surveys conducted in advice centres and our Contact Centre, 86% included positive feedback – **up 11% from 2019.**
- Of the surveys conducted online, 80% included positive feedback – **a 15% increase from 2019.**

It's through your feedback that we're able to drive strategy and tactical improvements that positively impact your experience going forward.

We'd like to thank Myrna Hewitt (former EVP Member Experience) for her years of service and wish her all the best in retirement.

Did you know that when you choose Affinity, you're supporting local? We put your deposits to work by reinvesting back into the community through loans provided to fellow members. During a year like 2020 when our economy took a hard hit, it's more important than ever to help out our neighbours and friends. Together, we can get Saskatchewan's economic engine roaring again while also creating a positive impact on our communities.



# Executive Pay

Affinity’s executive pay packages are designed to entice and retain talented, high-integrity leaders, while maintaining alignment with desired external market positioning. Performance-based metrics found in the Affinity Balanced Scorecard determine a portion of the compensation our Executive Team receives each year.

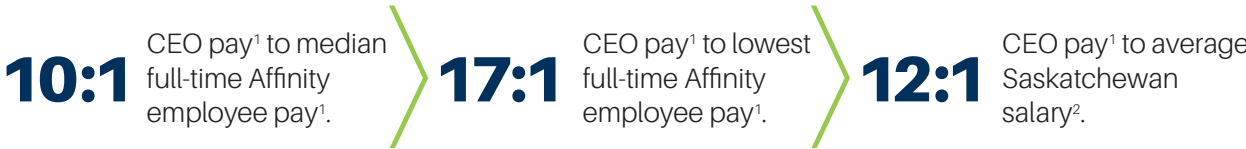
The information on this page can help provide context to how we compensate our Executive Team and how we arrive at executive pay that’s reasonable and fair.

2020 Executive Leadership Compensation				
	Salary	Variable Pay*	Benefits	Total
CEO	\$461,608	\$273,292	\$137,227	\$872,127
Executive Team**	\$1,596,232	\$523,501	\$202,670	\$2,322,403
<b>TOTAL</b>	<b>\$2,057,840</b>	<b>\$796,793</b>	<b>\$339,897</b>	<b>\$3,194,530</b>

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 based on when these amounts were actually paid.

\*\*Includes active and departed members of the Executive Team throughout 2020.



<sup>1</sup>Salary plus variable pay

<sup>2</sup>October 2020 average SK weekly earnings (annualized): \$56,695. Source: Saskatchewan Government website.

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

## Working at Affinity



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, equity 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.

	2020	2019	2018
Employees in Urban Locations	59%	58%	56%
Employees in Rural Locations	41%	42%	44%
Positions Filled Internally	58.1%	74.2%	77.9%
Voluntary Turnover	5.4%	5.3%	7.0%
New Hires of Indigenous Ancestry	1.5%	7.1%	5.7%
New Hires from Diversity Groups	29%	25.5%	19.4%
Complaints of Discrimination	0	0	0
Average Age of Managers	43.9	43.9	44.2
Female Managers	59.4%	59.5%	60.3%
Male Managers	40.6%	40.5%	39.7%
Average Age of Non-Management Employees	41.8	41.6	41.1
Female Non-Management Employees	85.5%	86.8%	88.1%
Male Non-Management Employees	14.5%	13.2%	11.9%
Unionized Employees	20%	19.8%	19.2%
Educational Support, Tuition Reimbursement, Training and Workshops	\$439,392.97	\$1,000,622.48	\$704,496.82



# Supporting Our Employees During the Pandemic

As we continued to navigate the global pandemic in our workplace during 2020, we provided our employees with ongoing support systems to help them cope with the many day-to-day challenges arising from stressful and uncertain times. As an organization, we recognized the importance of helping our employees in feeling supported as they managed the ongoing struggles of work, family, community and personal responsibilities. Like our members, at times our employees were juggling a lot at once!

Through the pandemic we worked very closely with many of our employees as we jointly navigated the ever-changing situation. These conversations included situations arising from childcare and family responsibilities as schools shut down, as well as the concern of the ongoing health and safety of our employees in the workplace.

Throughout the year, we reinforced and encouraged our employees to utilize the many different benefits program offerings available, such as our confidential Employee Assistance Program (EAP) and our newly launched Telemedicine/Virtual Health offering: Dialogue. This new offering was launched earlier than planned, to provide employees with access to remote health services and medical professionals, 24 hours a day. This was a welcomed option by our employees!

In addition, we targeted our efforts in 2020 on the mental health of our employees. We launched a mental wellness campaign in October that covered topics such as nutrition, healthy workplaces, meditation and physical activities for wellness. Throughout the bulk of 2020, we also distributed "Wednesday Wellness" articles and resources to both our employees and leaders, to raise awareness of the importance of mental wellness. The topics explored through these weekly communications focused on areas such as how to work remotely, effective communications, leading during a crisis and mental health.

Lastly, we fully recognized that our employees were facing a great deal of compounding stressors arising from the pandemic. We encouraged our employees to use their vacation time as an opportunity to rest, prioritize selfcare and help balance and recover from the juggling of home and work responsibilities.



## Donations, Sponsorships and Scholarships

**\$1.34**  
MILLION DONATED

**3.5%**  
POST-TAX PROFITS

**555**  
ORGANIZATIONS/INITIATIVES  
ACROSS SASKATCHEWAN

Thank you to our members for making these community investments possible! While it was a difficult year for many, and funding was lower than previous years due to the effects of the pandemic, we were still able to work together to make a difference in Saskatchewan communities.

Funding by Program						
Program	2020		2019		2018	
	Amount	#	Amount	#	Amount	#
District Council Community Development Funding	\$346,673	111	\$1,280,377	217	\$858,818	177
Community Spirit Fund - Employee and Delegate Directed	\$150,600	753	\$165,000	825	\$166,600	833
Corporate and Advice Centre Donations and Sponsorships	\$767,000	135	\$1,214,127	269	\$645,641	251
Youth Scholarships and Awards	\$75,000	48	\$80,000	80	\$80,000	80
<b>Total</b>	<b>\$1,339,273</b>	<b>1,047</b>	<b>\$2,739,504</b>	<b>1,391</b>	<b>\$1,751,059</b>	<b>1,341</b>

2020 Funding Allocations by District		
	Total Funding	
	2020	2019
East District	\$65,720	\$114,027
North District	\$63,711	\$170,422
North East District	\$66,883	\$141,683
North West District	\$52,956	\$137,614
Saskatoon District	\$491,134	\$863,598
South District	\$338,169	\$431,253
South Central District	\$52,776	\$126,413
South East District	\$76,124	\$317,195
Indigenous District	\$15,000	\$30,000
Province-Wide Initiatives	\$116,800	\$407,299
<b>Total</b>	<b>\$1,339,273</b>	<b>\$2,739,504</b>



# Inclusivity at Affinity

Inclusivity is one of our key principles at Affinity. Not only does it assist in driving our decision-making process, it also helps us achieve our vision of building a better world. Throughout the year, our employees partake in various events that promote inclusivity in our community. Although the events in the last three quarters of the year looked different due to regulations where we couldn't gather, we still made our commitment known.

## Saskatoon 2020 Virtual Pride Parade

We love participating in the annual Saskatoon Pride Parade! While we couldn't march in person in June 2020, we were honoured to march virtually with our local LGBTQ2S community and other supportive organizations.

We've been a long-time funder of organizations providing support for the LGBTQ2S community. In 2019, we invested in OUTSaskatoon's expansion campaign, ensuring that support services were accessible and in a new space that would allow them to enhance current programs and services.

Our commitment and pride will continue to expand, and we look forward to being a part of it with you!



Our Westview Advice Centre employees showing their true colours for Pride Month!

## Tampon Tuesday

How does a group of male Affinity employees overcome their fear of buying tampons, pads and pantliners to support Tampon Tuesday? They band together and go to the nearest drugstore to purchase as many as they can hold. There's obviously strength in numbers because

after this trip to the drugstore happened, the number of menstrual hygiene products in the donation bin more than doubled!

We donated a total of 157 boxes to the Tampon Tuesday Event & Collection Drive in Saskatoon on March 10 – an initiative that addresses the need for all to have access to necessary menstrual hygiene products. All products collected were donated to local food banks and community organizations that support people dealing with period poverty.



Tampon Tuesday raises awareness around period poverty and the fact that menstrual hygiene products are one of the most requested, yet least donated, items at food banks. Our employees pitched in to help this cause!

## Orange Shirt Day

Orange Shirt Day is an opportunity to raise awareness and create meaningful conversations around the effects of Residential Schools. This is a day to remember that this era caused individual, family and community inter-generational impacts and that we all have a part in the journey to Truth and Reconciliation.

At Affinity, we're committed to the Truth & Reconciliation Commission's Calls to Action. We asked all of our employees and the public to join us in raising awareness of the meaning behind Orange Shirt Day on September 30 and to acknowledge that Every Child Matters.

As part of our TRC journey, we engaged a large group of employees in a 10-day challenge to learn and share about Reconciliation and Indigenous cultures. The purpose of this was to take actions beyond the orange shirt to engage employees in real conversations about reconciliation.





## Apart but Still Connected

In an effort to comply with government recommendations to reduce travel and ensure physical distancing, many of our employees and members saw an increase of video conference calls over in-person visits in 2020. We also recognized that some of our members may not have felt safe coming into our advice centres during this time, so we reassured them with options to call our Contact Centre and use our digital channels. While we missed seeing our members' smiling faces in person, we were able to still remain connected to ensure they received the financial advice and assistance they needed.

### Research of Work-Related Travel

In 2020, Affinity employees and elected officials drove approximately 69% less than they did in the previous year. This decreased travel is largely as a result of the pandemic however, we're continuously on our journey to decrease our greenhouse gas emissions.

	2020	2019
Distance Driven	407,121 km	1,321,836 km
Greenhouse Gas Emissions	104 tonnes <sup>1</sup>	367 tonnes <sup>1</sup>

<sup>1</sup>Based on fuel consumption of 9 km per litre.



### Our members are helping Affinity go green!

**68,385** Affinity members chose to receive e-statements instead of a paper account statement in 2020. That's almost a **10%** increase from 2019 and a **20%** increase from 2018!



# Our Focus Areas and Financial Literacy

## 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 - especially during a difficult year like 2020! The following places are where we focused a lot of our efforts in 2020.



## Each One Teach One Financial Literacy Workshops

Although the pandemic took away the option for in-person workshops in 2020, we still managed to make the most of it and utilize video conference call workshops once everyone started settling into the new normal.

	2020	2019
Workshops Delivered	35	147
Persons Attending EOTO Presentations	423	1,908
Communities Reached	10	19
Certified EOTO Trainers	55	57



## 1 Community Spirit Fund Easy Button

Every year, we give our employees and elected officials the option to direct \$200 to a charity or community organization of their choosing - we call this the Community Spirit Fund.

With the increasing demands needed in our community due to the pandemic, our employees and elected officials wanted to know what they could do to help - so we made it easy for them!

It was our mission to support three areas of emergent provincial needs with this easy button:

- food security - ensuring that people in Saskatchewan have access to safe and nutritious food
- shelters - ensuring that vulnerable and at-risk populations in Saskatchewan have safe places to sleep and live, free from harm and violence
- mental health services - ensuring that people in Saskatchewan have access to mental health supports and services during a time of increased need

When our employees and elected officials chose the easy button option, our Community team distributed the funds accordingly on their behalf to an organization in need during the COVID-19 pandemic.



Thanks to our members, we were able to partner with organizations to support some pretty amazing community initiatives in our province. These organizations share our commitment to build a better world for everyone, every day. They're making a positive impact in their communities and making a difference in the lives of those who need it.

Here's just a few stories that demonstrate how together, we achieve more.

# We're in this

## 2 Repair Café

At Affinity, we know that it's up to all of us to take care of this planet, which is why initiatives such as Waste Reduction Week are near and dear to our hearts. As part of this week, we sponsored a Virtual Repair Café, a one-day event, where knowledgeable volunteers came together to offer advice on how to fix items from the comfort of home. The goal of the event was to promote a culture of repair and reuse to encourage people to think twice before recycling or sending things to the landfill.



Textile Tuesday was hosted by the Saskatchewan Waste Reduction Council, every Tuesday in October, to help make masks for people who couldn't afford their own. We were delighted to be a part of an event that found unique ways to help the larger community during a pandemic while also having a positive impact on the environment.

## 3 Ignite a Little Sparkle Holiday Campaign



We partnered with Big Brothers Big Sisters (BBBS) of Saskatoon and Area for the Ignite a Little Sparkle holiday campaign in 2020.

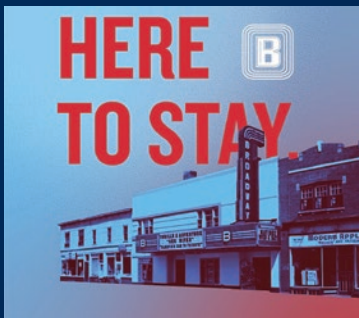
The purpose of this campaign was to raise funds and awareness around the need to ignite potential in children and youth in our community by matching a little mentee with a big mentor. Between November 30 and January 3, a total of \$19,614 was raised and 12 new volunteer applications poured in!



# together

## 4 #BroadwayHereToStay

In 2019, the Broadway Theatre in Saskatoon hosted more than 80,000 people at films, concerts, weddings, community meetings and hundreds of other events. 2020 was a very different story.



The community-owned theatre needed to look ahead to a future after COVID-19, but to make it there they set out to ask for support from the community. That's when the #BroadwayHereToStay campaign was launched and Affinity partnered with the Kinsmen Club of Saskatoon and Strata Development to make it happen! We matched the first \$40,000 in public donations received between October 15 and 30.

When all was said and done, the final amount raised for the Broadway Theatre was \$163,820! Not even a pandemic can slow down people coming together to support local businesses!

## 5 Matching campaigns

### Jim Pattison Children's Hospital Radiothon

Affinity matched donations up to \$10,000 for the Jim Pattison Children's Hospital Radiothon in support of Nixon and River's miracle story! Nixon was born 16 weeks early at only 1 lb. 8 oz. and was intubated for 12 weeks. After four and a half months of fighting, Nixon was finally able to go home. He is now almost four years old and happy, healthy and thriving.



Nixon's little brother, River, was born in November 2019, at 10 days late, but was sent to the NICU following birth where doctors discovered he was hypotonic, meaning he had low muscle tone. He required further medical testing and stayed in the NICU for 10 days. Today, River is growing normally and is learning lots from his big brother but will still require visits to Jim Pattison Children's Hospital Foundation as he grows.

Over the course of the two-day radiothon, \$641,157 was raised by the people of Saskatchewan.



## 6 Hope the Hippo

Prince Albert's non-profit childcare service Hope's Home decided to get creative and come up with a new, socially distanced fundraiser in 2020 called 'Hope the Hippo'.



During the course of the fundraiser, Hope the Hippo was delivered to different houses across the city, spending time in front lawns until a donation was made. The fundraiser ran from November 23 to December 23. For a donation of \$50, the hippo moved to another and a donation of \$100 allowed people to choose which lawn Hope the Hippo moved to next. A \$200 donation meant it wouldn't come back to your lawn and \$500 granted the person or business a special social media shoutout. Fun and for a good cause? We knew we had to participate! We matched all donations for this fundraiser up to \$25,000. A total of \$58,350 was raised.



# Management Discussion and Analysis

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## Economic Overview

Economic activity was expected to decline by almost 6% in 2020. This represented more than a 7% decline year over year and the most severe annual contraction since the early 1930's. A strong recovery from COVID-19 in early summer was replaced by a surge of cases and corresponding government imposed restrictions later in the year. However, Canada and the US could very well compete for the top growth spot among the G7 cohort for 2020. The Canadian government and the Bank of Canada responded to the pandemic by introducing significant stimulus packages for individuals and businesses, and lowering interest rates by 1.5%.

During 2020, businesses were reluctant to invest capital due to the pandemic. The longer the crisis dragged on, the slower capital could accumulate, and weakened Canada's growth capacity. The number of exporting enterprises continued to increase throughout 2020 with the biggest gains coming from manufacturing, professional, scientific and technical services, and transportation and warehousing. In addition to the US, the number of firms exporting to the United Kingdom increased as a result of more manufacturing exporters. More firms also exported to China and India.

The CPI was up 1% year over year with shelter costs contributing to the most increased items at 1.5%. The pandemic encouraged Canadians to stay and spend money at home. Housing markets across the country continued to show impressive strength, as sales and prices held firm in the final months of the year. This was countered by gasoline prices that fell almost 12%, with international and domestic demand remaining low.

The labour market continued to recoup jobs that were lost at the start of the pandemic, although activity remained highly uneven across different sectors and groups of workers. Within the service sector, hospitality jobs were at risk while transportation and warehousing

employment showed steady gains. Early success in controlling the spread of the virus allowed for a sturdier recovery during the summer months, while strong labour market policies such as paid vacation and six months of unpaid leave for employees impacted by COVID-19, kept Canadians engaged with their employer through the pandemic. Canada regained over 80% of jobs lost during March and April by November. These gains were erased in December as a second wave descended on most provinces. The sources of weakness were accommodation and food services, information, culture and recreation and other personal services. That said, this recession is certainly not typical as the goods sector continued to add jobs in December with manufacturing leading the way.

The pandemic accelerated digitization and automation, both of which were crucial in allowing industries to adjust to the COVID-19 shock. The ongoing crisis also acted as a catalyst for innovation and altered consumer behavior which opened up new digital opportunities for retail, financial, telecom, healthcare and automotive services.

By the end of the year, markets were buoyed by the US election result and the promise of multiple vaccines being available globally.

In Saskatchewan, the economy contracted by almost 5%. This was the province's sharpest economic downturn since the financial crisis over a decade ago but quite mild compared to the contraction seen in other provinces. Saskatchewan's tourist sector was a minor share of the province's overall economy and this was counteracted by the difficulties in its natural resources sectors going into 2020. Potash and the energy sector comprise one third and the outlook for both was weak entering the year.

From a trade perspective, real exports declined by almost 6% and this was the worst performance in three decades. The pandemic hurt export opportunities for most industries in the province, and the energy sector was hardest hit. Net debt



and net debt per capita were of the lowest in the country. By the end of the year, Saskatchewan's pandemic cases were one of the worst by capita in Canada. At the same time, Saskatchewan experienced one of the lowest unemployment rates in Canada.

Agricultural exports performed well as a strong demand for food since the pandemic began resulted in higher prices for key Saskatchewan crops, such as canola. Export values of crops were up year over year, and this helped to offset some of the weakness in the energy and potash industries. Barley and canola average prices showed solid gains, and this was offset by a drop in prices for beef. The value of farmland and buildings continued the upward trend of the past several years to end the year with a 4.2% increase.

Harvest was 99% complete before the end of October and the five-year average would have been 88%. Favourable harvest weather throughout the fall allowed for above-average crop quality in 2020. Producers had few rain delays throughout harvest which allowed them to combine most of the crop in good condition. Crop yields varied throughout the province and were moisture dependent. Overall provincial yields were average with both extreme surpluses or lack of moisture in particular regions. Dry conditions caused a shortfall of winter feed and lower standing water levels in sloughs and dugouts in some areas.

At Affinity, we experienced a number of COVID-19 impacts. Very early in the year, the Bank of Canada reacted to the pandemic by dropping prime rate by 150 basis points, which was 125 basis points more than our forecast. The change placed a tremendous amount of pressure on margin and equity return. In spite of not having the benefit of a higher rate environment, Affinity continued on a path of providing near top of market rates to members for loans and deposits, and delivered a variety of innovations to enhance service or strengthen our foundation. Through surplus financing, we were able to grow the balance sheet to levels not expected until 2022. Our members were

very cautious with their excess liquidity and this caused manageable levels of loan delinquency and a higher organic deposit base.

Affinity participated in a variety of assistance programs during the year. Loan Payment Relief was provided in three phases and we had over 7,000 applications from businesses and individuals. We also advanced funding under the Canada Emergency Business Account Lending program to almost 2,000 business members.

## Financial Highlights

Affinity followed a disciplined approach to planning and budgeting to prepare for the 2020 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 considered our unique risk profile and included emerging risks inherent in these industries. Once strategy was set, a complementary capital plan was developed. The capital plan focused on capital adequacy and performance, and which growth scenarios would best leverage both. The capital plan was approved by the Board mid-year in 2019 and became the basis for the 2020 annual plan targets for growth, efficiency, capital and return on equity (ROE).

The goal for 2020 was to grow by 7.42%, achieve an efficiency ratio of 66.02%, and produce an ROE that mimicked growth. Our 2019 growth result was lower at 5.23% and when the 2020 budget was set, we realized it would be a stretch given a recovering economy. Our confidence in our salesforce and our strong capital position caused us to set high growth targets.

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

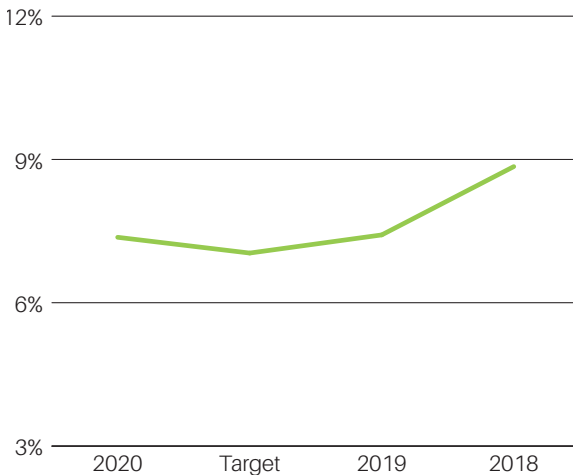


heightened loan losses from some of our credit exposures.

The efficiency ratio had shown marked improvement since 2014 and the intent was to continue the trend. The long-term efficiency target was 66-69% and we budgeted for 66% to reflect the second year of operations with a completed organizational redesign.

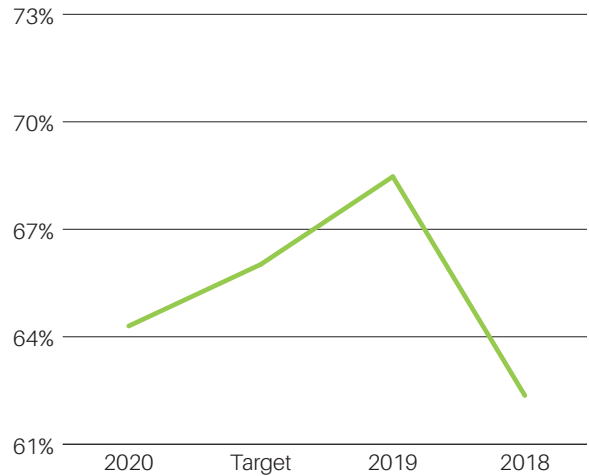
Highlights represent the consolidated results for the controlled operations of the Credit Union including its wholly owned subsidiary companies: insurance, employee services, investments, student loan administration and holding company.

### Return on Member Equity



The Credit Union achieved an ROE of 7.37%. 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 throughout the year causing a strain on margin revenues. At the same time, we faced competitive market pricing, significant decreases 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 a pandemic and recovering economy.

### Efficiency Ratio



The target for the efficiency ratio was 66.02% and the organization achieved 64.30%. This metric measured the cost to revenue spend.

There were a variety of contributors to the efficiency result. The net interest margin in dollars was \$1.6 million more than the prior year. Although the balance sheet grew by more than 9%, we were disadvantaged by the 150-basis point drop in prime rate and much lower levels of loan growth.

From a non-margin revenue perspective, we exceeded budget through more than expected service fees, dividends and insurance agency revenues.

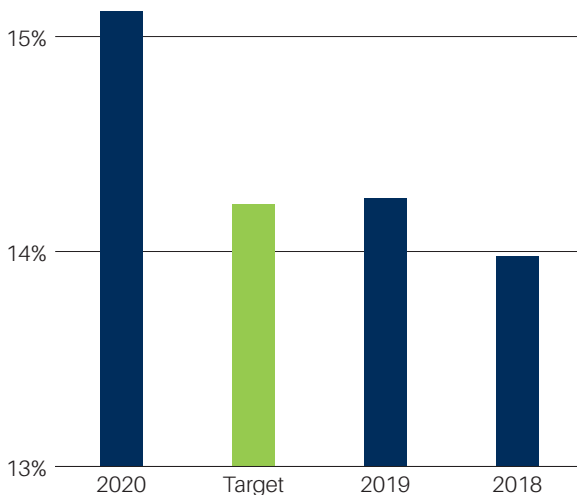
From a cost perspective, we were under budget in all broad expense categories and the year end result reflected our cost control efforts in reaction to the pandemic.

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 2020, Affinity continued to offer unique products for members in need of financial services and offered a variety of programming to counter the impacts of COVID-19. We continued to offer both the Restart Loan and Micro Loan, both of which were unique in the marketplace. Our community partnerships, which were centered around sustainable, economic and environmental development stayed strong. By the end of the first quarter, we chose to cut back on dollars spent similar to other discretionary expenditures as a means of adding to our financial strength. 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, 85.17 cents was lent out in 2020. Typically, this ratio is above 90% but we experienced less loan demand and instead invested deposit dollars not needed for lending. 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.

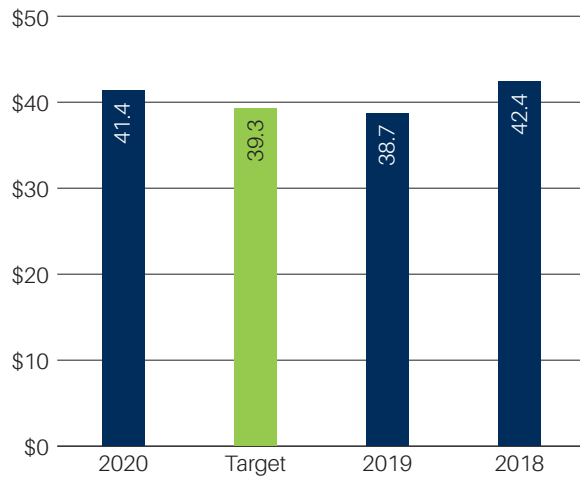
#### Total Capital/Risk-Weighted Assets



Affinity's capital position continued to improve in 2020, through strong operating results. The target was 14.22% and we achieved 15.12%.

## Operating Summary

#### Comprehensive Income (\$ millions)

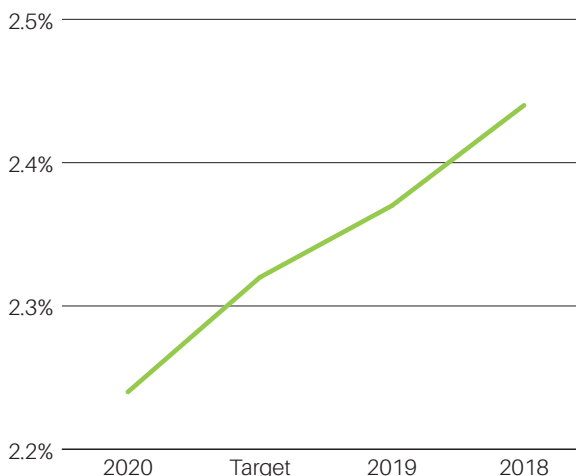


Comprehensive income was \$2.69 million more than 2019. Net interest margin was up by \$1.58 million, impacted by a larger balance sheet and the repricing of financial instruments at a lower rate than anticipated. Provision for credit losses was up by \$4.74 million. 2020 included several specific delinquent commercial loans, as well as year-over-year increases in general provisioning. Non-interest revenue was up by \$2.31 million through higher returns from investees, higher service fees, and higher insurance agency revenues. Included in this increase were holding and realized investment gains which were also up by \$952,000. Operating expenses decreased by \$5.26 million. The overall net income result was better than budget by \$2.08 million.



## Net Interest Margin

### Net Interest Margin



Net interest margin represented 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. In 2019 when rates were flat, we continued with our competitive pricing.

The 2020 budget called for two small 15-basis point rate decreases at the end of 2019. What occurred was a 150-basis point drop prior to the end of the first quarter. In spite of the follow-on margin pressure, we chose to follow the competitive rate field. We had no difficulty in growing the deposit base as members were cautious with their own spending. At the same time, we were unable to grow our loan base by more than 1%. Deposit financing was invested rather than being lent out, causing more margin compression. We were 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 2020, our margin was 2.24%, a 13 basis point drop from 2019 and 8 basis points less than our plan. The balance sheet mix and the higher weighting in investments had a large impact on the margin dollars we were able to generate.

Loan revenues were behind budget by \$18.59 million. The variance was a factor of volumes and rate. In all lending categories we were unable to meet targets throughout the year and at the same time, loans were originated or renewed at a much lower rate than expected. Of the overall negative variance to budget, one third came from the consumer portfolio, which made up slightly more than half of our loan balance. Investment revenues were over budget by \$386,000. Surplus investments throughout the year caused volumes to exceed budget but investment rates were much lower than expected. We had a \$583,000 positive variance for our returns from venture capital investments.

Overall deposit cost was under budget by \$11.70 million. Nominee deposit cost was \$1.19 million over budget. We increased the use of the channel for a portion of the year causing volumes to exceed expectations. Organic deposit cost was under budget by \$12.90 million. Members had a higher preference for liquid high interest savings or demand accounts during 2020: a reaction to uncertainty with markets, employment and financial support programs. These products cost the credit union less than term deposits. At the same time, rates were much lower than expected across all products. Similar to loans, we maintained very competitive pricing throughout the year.

### Provision for Credit Losses

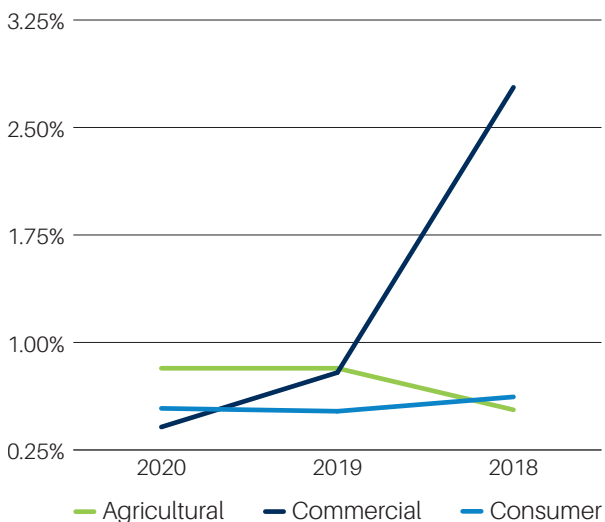
The 2020 budget for credit loss provisioning considered the 2019 experience where we saw the impacts of a less than fully recovered Saskatchewan economy. We had not factored in the impact of a pandemic on economic factors, loan write-offs, and changes to the risk rating of our loan portfolio. All factors influenced loan provisioning and in addition, we chose to reflect a further factor for the impact that government support programs and loan deferrals would have, if no longer available to our borrowers.



The overall provision was over budget by \$1.99 million. Of the \$13.89 million in cost, \$10.78 million was generated by net general provisioning (Stage 1 and Stage 2). Stage 1 increased as overall loan balances increased and forward-looking factors worsened. Stage 2 increased through an increase to overall loan balances, a worsening of forward-looking factors, and a management overlay for particular industries and underlying security values. Stage 3 specific provisioning made up the difference of \$3.11 million. 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 14 basis points since 2019 and we ended the year with delinquency greater than 90 days at .50% of average loans. The commercial and agricultural portfolios decreased by 38 and 28 basis points respectively, and the consumer portfolio increased by 2 basis points. 2020 loan delinquency of \$25.20 million was 6.79 million lower than the 2019 amount.

#### Loan Delinquency



#### Other Income

Other Income was over budget by \$4.35 million. This category of income included 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 \$1.78 million. Our credit union investments returned \$721,000 more than what was budgeted, and we had a remaining positive variance for service fee income and an accrual for the Canada Emergency Wage Subsidy. Diversification revenues exceeded budget by \$1.14 million and this was largely due to better than expected provider volume bonuses. Realized gains on investment were ahead of budget by \$145,000 and this was the net variance from overall foreign exchange losses and gains on our venture capital portfolio. Unrealized gains were \$319,000 over budget. Substantial mark to market positive variances for our swap portfolio were offset by venture capital declines in value. Affinity continued to value a diversified business model. Investments in venture capital, insurance agencies and wealth platforms subsidized the revenues earned from traditional financial intermediation.

#### Operating Expenses

Affinity's operating expenses at \$122.32 million were \$5.26 million less than 2019 and \$4.63 million less than budget. The organization reacted quickly to the pandemic's probable impact on margin and provisioning by reviewing all costs and reducing or eliminating unnecessary expenditures. This had an impact on all cost categories. As well and over time, Affinity has intentionally reduced its cost structure as a way of becoming more efficient and passing along savings to members as better service and better rates. 2020 marked a year where we grew the balance sheet by more than \$500 million with a corresponding decline in cost. At the same time, we delivered on a number of process and technological improvements that either improved service to members or allowed for a better support process behind the scenes.

Personnel expenses were under budget by \$2.64 million. There were positive variances throughout the category including salaries and benefits for all groups and reduced spending for training, travel, conferencing, meals, and staff



loan interest rebated. Occupancy cost was under budget by \$327,000. Less than expected spending for rent and building depreciation was partially offset by higher costs for building supplies related to the pandemic response. Member security costs were \$79,000 under budget due to slightly less premiums for the deposit guarantee than expected. General Business costs were under budget by \$186,000. Member loyalty points, computer, marketing, and community development costs were under budget and this was offset by more cost than expected for the write off of a wealth subsidiary intangible and loan collection fees. Organizational costs were under budget by \$1.39 million. Half of this variance was due to lower community development disbursements in 2020. This category covered all governance related expenditures.

Comprehensive Income of \$41.36 million represented a very strong bottom line considering the further provisioning for credit losses and a very depressed interest rate environment. We were able to absorb these factors, and at the same time provided rates that made us notable in the marketplace, continued to innovate, and added considerably to our capital position with a strong return on member equity.

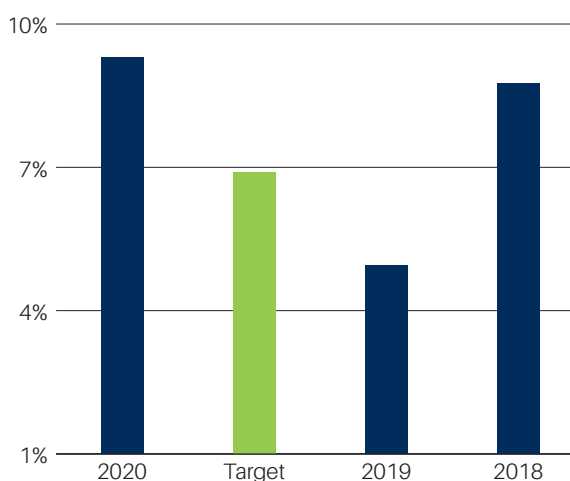
## Financial Position Summary

The 2020 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 7-9% growth. We were confident that in spite of a sluggish economy, our sales team would be able achieve higher levels of growth and we set our target at 7.42%.

We grew the balance sheet by 9.09% or \$542 million. This was nearly double the 2019 growth amount of \$296 million. The growth came through equal deposit financing throughout the first three quarters and then maintained for the fourth quarter. Loan demand did not keep pace and caused high levels of excess liquidity and investing activity. At year end, we continued to stockpile surplus cash and expected to deploy it through increased lending demand in 2021.

### Deposits

#### Deposit Growth



We cannot provide loans to members without adequate financing. Our primary plan for financing was member deposits supplemented by retained earnings. We achieved 9.30% in total deposit growth and this was comprised of increases to both organic and nominee deposits. Our goal for organic growth was 6.25% and we achieved 11.18%. We reached our organic budget goal by early summer and continued to grow this portfolio throughout the remainder of the year. The nominee portfolio was allowed to partially run off and we chose to not meet our budget target in this category to compensate for the organic overgrowth.

Organic deposits were over budget by \$85.86 million. Excluding accrued interest, demand deposits were over budget by \$337.52 million, term deposits were under budget by \$227.92 million, and registered products were under budget by \$25.14 million. Affinity was

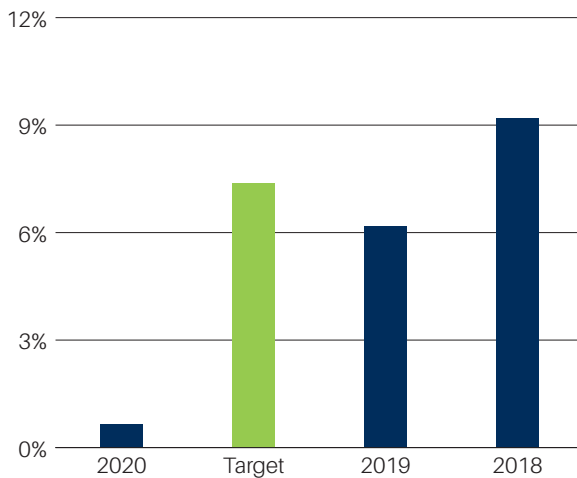


not alone in its deposit growth outcome. The Canadian financial institution industry experienced record high levels of excess liquidity. We remained cautious with our approach to pricing and offered very competitive rates throughout the year.

The nominee channel was under budget by \$73.79 million. We had several nominee deposit relationships and chose to make less use of this avenue of financing as organic growth was so robust. Deposits sourced through the nominee channels tended to be from large institutions.

## Loans

### Loan Growth



Loans made up over 76.72% of Affinity's asset base and this was 6.43% lower than the 2019 result of 83.15%. Being closer to 83% lent out is our preference as it creates a higher level of profitability from our asset base. Loan growth for 2020 was .65% and this did not meet the 7.37% budget expectation. In dollars, loans were \$335.82 million under budget.

The following information excludes accrued interest. We did not achieve strong growth in any of our portfolios and this was a constant throughout the year. Consumer loans, including mortgages, were under budget by \$170.56 million. Commercial loans and mortgages were under budget by \$72.81 million and agricultural loans were under budget by \$31.52 million. Lines of Credit were under budget by \$53.77 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 2020, we purchased \$10.54 million of commercial loans and repurchased \$7.27 million of commercial mortgages that were previously sold.

## Capital and Liquidity Management

### Capital Monitoring and Management

As a financial institution, Affinity was required to have an adequate level of capital in reserve to mitigate risk. Our regulator, Credit Union Deposit Guarantee Corporation (CUDGC) measured member capital as a percentage of risk weighted assets. CUDGC's minimum requirement was 11.5% which aligned with our P-SIFI (Provincially Systemically Important Financial Institution) designation. Because the measure was based on assets, capital needed to increase as the balance sheet grew. We needed additional capital if we considered expansion, either within our traditional business lines or through diversification. The measure was also based on member retained capital and its growth was dependent upon generating strong operating results.

In 2020, Affinity was guided by the capital plan that was developed and approved in 2019. 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 2020. 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 2020, Affinity's capital to risk weighted assets was 15.12%, considerably higher than the 2020 minimum requirement.

### **Internal Capital Adequacy Assessment Process (ICAAP)**

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

### **Liquidity Management**

Affinity operated within a framework of 13 Liquidity Principles that were issued by CUDGC. The principles covered 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 2020 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.

During 2020, Affinity more than exceeded a comfortable cash position. Due to the pandemic and the resulting decrease in consumer spending, our deposit growth in dollars was excessive to our lending needs and much of this growth was set aside in excess liquidity. 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 2020, we kept these facilities available and largely unused. We also had three available nominee deposit relationships with minimum use and for the first time, tested a securitization vehicle with a \$5.2 million pool of residential mortgages.

In 2020, Affinity refreshed its Liquidity Contingency Funding Plan, which now included new liquidity trigger metrics for recovery and resolution planning. As part of the P-SIFI process, the Liquidity Contingency Funding Plan was a component of a broader Recovery Plan and Assessment Criteria Framework.

## **Outlook**

Canadians will be anxious to see what 2021 has in store. Numerous vaccine suppliers and a US Biden victory have fueled markets. Post inauguration announcements around pipeline development will impact both markets and employment.



Employment in Saskatchewan is expected to rise by almost 5%. The construction sector, potash investment, and strong residential activity will support the province's labour market. Gains in employment should accommodate a 4.5% increase in household spending and consumption. Saving patterns are expected to continue until full post-pandemic is achieved in 2022.

Real exports should rebound by almost 5% but this is contingent on capitalizing from additional pipeline capacity and the potash sector investments. Rising demand from emerging markets will lead to improving export growth for Saskatchewan's mineral sector.

The agricultural sector will continue to contribute to export gains; farmers will benefit from the Canada-United States-Mexico Agreement, and from the recent trade liberalization with the European Union and the Asia-Pacific region. Moisture conditions will be much of a concern for Ag producers as fall precipitation was minimal or below average. Significant precipitation is needed over the winter to replenish moisture levels in the soil and dugouts.

The province is expected to carry a deficit through to 2024 and be back in a surplus position after that. This, of course depends on our ability to recover from the year-end pandemic resurgence.

### **The Canadian Banking Industry**

The outlook for Canadian banks remains stable for 2021. We can expect short term rates to mirror the US while Canada will experience a more depressed 10-year treasury yield. The federal government has announced further wage subsidies for Canadians and support for hard hit industries. The support will coincide with vaccination efforts and help to curtail financial institution credit delinquency. It's possible that a portion of the 2020 allowance overlay will be reversed in 2021.

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 curtailed discretionary spending in 2020 and plan to continue this practice during 2021. We will place a high emphasis on keeping pace with technology trends in the sector. Our 2021 plan includes a number of initiatives that improve our internal processes and service to members. We plan to extend top market pricing to members for deposits and loans and have no expectation that interest rates will increase through the balance of the year. This will be afforded through balance sheet growth, cost control and diversification of our revenue base.

## **Risk Management**

### **Overview**

As a financial institution, Affinity is inherently exposed to a broad number of risks. Our Enterprise Risk Management Framework contains our material risk categories and outlines our risk philosophy and risk governance. Affinity's Enterprise Risk Management program actively identifies, measures, monitors, manages and reports risk exposures.

The material risk categories reflect the significant risks that could impact the successful achievement of our business objectives. As a financial institution, our material risk categories are consistent with our industry: strategic, credit, operational, market, liquidity, and legal and regulatory.

Our Internal Capital Adequacy Assessment Process (ICAAP) ensures we have sufficient capital levels to support our risk profile and continue to maintain a strong capital base.

### **Top and Emerging Risks**

The declaration of the global pandemic was the top risk faced by Affinity in 2020 impacting the majority of material risk categories. The pandemic significantly impacted the economy, which had the potential to impact the quality of our lending portfolios and achievement of our strategic objectives.



Affinity continued to carefully manage its risks including capital and liquidity while balancing profitability, growth, and efficiency through the unprecedented times faced in 2020.

### Risk Reporting

Quarterly, management assessed and reported key risks to the Board based on their potential to impact the successful achievement of business objectives.

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

#### Strategic Risk:

Strategic risk is the risk of loss arising from the inability to adapt to changes in the business environment to meet the needs and expectations of members and other stakeholders, as we fulfilled strategic and annual plans.

Strategic risk remained within risk appetite but on watch due to uncertainties from the pandemic and the subsequent impacts on the economy. Growth targets were achieved with the exception of loan targets and progress was made implementing cultural alignment changes. We continued to monitor the environment in 2020 and managed changes in an ever-evolving technological world and pandemic-restricted economy.

#### Credit Risk:

Credit risk is the risk of loss arising from a counterparty's inability or unwillingness to meet contractual obligations.

Credit risk management was enhanced in 2020 to manage the impacts from COVID-19 on the economy and our members. Aligned with our vision and purpose to support our members and communities, Affinity worked diligently with borrowers of all sizes to assist them through hardships, while recognizing that industries were impacted differently. The full extent of the impacts from the pandemic to the credit risk portfolio are still unknown at this time as we wait for the economy to recover

A substantial portion of our credit portfolio is invested in residential mortgages, including Home Equity Lines of Credit (HELOC). Prudent underwriting practices are aligned to ensure our default risk remained within risk appetite during prolonged economic downturns. In addition, we actively offered problem resolution to our members experiencing financial difficulties.

At December 31, a significant component of the Credit Union's loan portfolio was residential mortgages with a gross carrying value of \$2,195,787 (2019 \$2,183,257). The following table provides a breakdown between insured (including those insured by both CMHC and Genworth) and uninsured mortgages.

In Thousands of Dollars	2020		2019	
	Insured	Uninsured	Insured	Uninsured
Residential Mortgages	\$728,938	\$1,466,849	\$741,381	\$1,441,876
	33.2%	66.8%	34.0%	66.0%



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

Credit Union Deposit Guarantee Corporation, mortgage insurers and internal management committees directed the establishment of the various amortization periods. At December 31, 2020, the maximum residential mortgage amortization was 30 years (select mortgages have a lower maximum).

At December 31, 2020, 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.

2020						
Original Amortization Period	Under 20 yrs	20 - 24 yrs	25 - 29 yrs	30 - 34 yrs	35 yrs+	Revolving
By Outstanding Balance	7.7%	7.8%	45.4%	24.7%	4.5%	9.8%
By Count	13.4%	7.8%	31.7%	14.8%	3.3%	29.0%

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%

In addition, the Credit Union established maximum loan to value ratios on its residential mortgage portfolio with conventional mortgages not exceeding 80% loan to value (LTV), and the HELOC portion of the mortgage not exceeding 65% LTV. The average LTV for uninsured residential mortgages originated and acquired in the 2020 year was 63.73% (2019: 61.54%).

**Operational Risk:**

Operational risk is the risk of loss arising from problems, failures or inefficiencies in the performance or controls of business functions or processes.

Operational risk is inherent in all activities within the Credit Union. The risk of disruptions to operations due to the pandemic was a major focus for the Credit Union in 2020. The risk was assessed as high throughout 2020 reflecting

the potential operational disruption of the pandemic. However, as of December 31, 2020, the risk was assessed as moderate due to the successful implementation of action plans to address the risk evidenced by minimal disruptions to service level delivery.

**Legal and Regulatory Risk:**

Legal and regulatory risk is risk of loss arising from non-compliance with governing laws and regulations or failure to meet legal obligations.

Similar to prior years, in 2020, Affinity operated in a fast changing, heavily regulated environment. Appropriate policy, procedures, training, internal oversight functions and Code of Conduct ensured we were successful in meeting regulatory obligations.

As a provincially systemically important financial institution, Affinity is held to a higher standard of regulatory rigor.



### ***Liquidity Risk:***

Liquidity risk is the risk of loss arising from inability to meet current and future demands on cash in a timely manner and at reasonable prices.

Affinity prudently managed liquidity to ensure it was sufficiently available to meet its obligations. Strategies are in place to manage liquidity levels to include borrowing facilities with SaskCentral and other financial institutions, deposit gathering programs and a program to facilitate the sale of assets.

The Credit Union maintained sufficient levels of unencumbered high quality liquid assets as prescribed by the Credit Union Regulations 1999 and the Standards of Sound Business Practices established by Credit Union Deposit Guarantee.

Management, through its Asset Liability Committee (ALCO), reviewed liquidity risk and liquidity position. Quarterly, an operating liquidity report is provided to the Board of Directors.

### ***Market Risk:***

Market risk is the risk of loss arising from the decrease 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.

Affinity actively managed its market risk by modeling interest rate change impacts to minimize interest margin volatility. ALCO reviewed interest rate simulation reports and recommended strategies such as derivatives to manage interest rate risk. Derivatives are limited to interest rate swaps, forward rate agreements, caps and floors, and purchased interest rate options. Interest rate strategies were limited to activities permitted under the Credit Union Act, Regulations and Standards of Sound Business Practices.

### **Risk Philosophy**

Affinity Credit Union balanced 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**

The Board of Directors, supported by the detailed work of the Risk Committee, provided oversight to the risk program by approving the risk policy, risk framework and risk appetite according to a regular cycle. Management provides formal reporting on key risk levels, emerging trends, economic and competitive strategic implications to the Board.

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 made 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 Chief Risk Officer has executive accountability for the design, implementation and effectiveness of the enterprise risk program. The risk function worked in concert with other elements within the management and control structure, including compliance and internal audit to promote transparency and contribute to risk informed decision-making.



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

#### ***Management Committees:***

The Strategic Risk Committee (SRCO) includes all members of executive management and is attended by the Chief Internal Auditor. This group evaluates and monitors key risks with a dual focus on alignment with risk appetite and implications for business success.

In addition, SRCO establishes and monitors the risk register and risk mitigation activities according to an established protocol and schedule.

The Asset Liability Committee (ALCO) provides high-level oversight and forward-looking direction to balance sheet management within risk appetite, tolerance levels and policy. It reviews economic trends, interest rate forecasts, investment portfolio risk and performance, liquidity, foreign exchange exposures, and capital adequacy. In addition, ALCO recommends balance sheet strategies to SRCO, and approves and monitors balance sheet risk management tactics.

The Credit Risk Committee (CRCO) assesses historical and emerging credit risk by reviewing internal reporting and environmental scanning. 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 (ORCO) comprises cross functional subject matter experts. ORCO members identify, discuss and seek to remedy current and emerging operational risk issues. 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.

#### **Risk Tools**

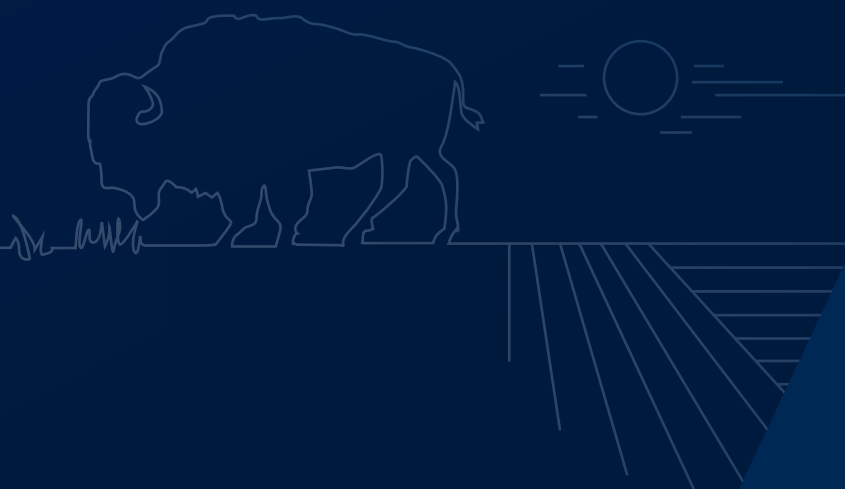
The organization employs a variety of specific tools to manage its key risks, including policy and procedure, risk identification and assessment, stress testing, risk measurement, monitoring, and reporting.



# Summary Consolidated Financial Information

*for the year ended December 31, 2020*

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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 these financial statements 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 Finance Committee, which is composed entirely of independent directors.

This Committee reviews our consolidated financial information and recommends them to the Board for approval. Other key responsibilities of the Audit and Finance 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 Finance 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 Finance Committee and Board, have performed an independent audit of the consolidated financial statements. The auditors have full and unrestricted access to the Audit and Finance Committee to discuss their audit and related findings.



Mark Lane  
Chief Executive Officer



Lise de Moissac  
Executive Vice President  
and Chief Financial Officer

Saskatoon, Saskatchewan  
March 15, 2021



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

	<b>2020</b> <b>(Note 1)</b>	2019 (Note 1)
<b>Assets</b>		
Cash and cash equivalents	<b>58,243</b>	27,320
Financial investments	<b>1,340,688</b>	864,808
Loans	<b>4,991,151</b>	4,958,941
Other assets	<b>115,512</b>	112,690
Total Assets	<b><u>6,505,594</u></b>	<u>5,963,759</u>
<b>Liabilities</b>		
Deposits	<b>5,860,039</b>	5,361,292
Other liabilities	<b>63,469</b>	61,736
Total Liabilities	<b><u>5,923,508</u></b>	<u>5,423,028</u>
<b>Equity</b>		
Retained earnings	<b><u>582,086</u></b>	<u>540,731</u>
Total Equity	<b><u>582,086</u></b>	<u>540,731</u>
Total Liabilities and Equity	<b><u>6,505,594</u></b>	<u>5,963,759</u>

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

**Approved by the Board**

*Lise de Loussac*

..... CFO

*Matthew Adams*

..... Director



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

	2020 (Note 1)	2019 (Note 1)
Interest income		
Loans	188,496	196,045
Investments	19,664	19,976
	<u>208,160</u>	<u>216,021</u>
Interest expense		
Deposits	68,482	77,917
Borrowings	115	118
	<u>68,597</u>	<u>78,035</u>
Net interest	139,563	137,986
Provision for credit losses	13,891	9,156
Net interest income after provision for credit losses	<u>125,672</u>	<u>128,830</u>
Other income	50,650	48,336
Net interest and other income	<u>176,322</u>	<u>177,166</u>
Operating expenses		
Personnel	73,556	76,633
General business	31,996	32,870
Occupancy	10,723	10,560
Organizational	1,346	3,037
Security	4,695	4,473
	<u>122,316</u>	<u>127,573</u>
Income before income tax	<u>54,006</u>	49,593
Provision for income taxes	12,651	10,925
<b>Net and comprehensive income</b>	<u><u>41,355</u></u>	<u><u>38,668</u></u>

*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 \$)**

	2020 (Note 1)	2019 (Note 1)
<b>Retained earnings, beginning of year</b>	<b>540,731</b>	502,063
Net income	<u>41,355</u>	<u>38,668</u>
<b>Retained earnings, end of year</b>	<u><b>582,086</b></u>	<u>540,731</u>

*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 \$)**

	<b>2020</b>	2019
	<b>(Note 1)</b>	(Note 1)
<b>Cash flows from (used in) operating activities</b>		
Net income	<b>41,355</b>	38,668
Adjustments to operating cash flows	<b>(109,996)</b>	(113,021)
Changes in operating assets and liabilities	<b>463,986</b>	(63,719)
Cash interest received	<b>205,714</b>	214,541
Cash interest paid	<b>(72,133)</b>	(71,296)
Cash income taxes paid	<b>(5,501)</b>	(19,878)
	<b>523,425</b>	(14,705)
<b>Cash flows from (used in) investing activities</b>		
Proceeds from investments	<b>196,314</b>	196,293
Purchases of investments	<b>(663,705)</b>	(203,446)
Net cash and cash equivalents acquired through business combinations	<b>(9,529)</b>	-
Purchase of non-financial assets	<b>8</b>	(8,825)
Proceeds from disposal of non-financial assets	<b>(476,912)</b>	159
	<b>(15,819)</b>	(15,819)
<b>Cash flows from (used in) financing activities</b>		
Other liabilities	<b>9</b>	9
Use of line of credit	<b>(8,320)</b>	8,320
Sale of loans	<b>-</b>	6,003
Repurchase of loans	<b>(7,277)</b>	(1,484)
	<b>(15,588)</b>	12,848
Net increase in cash and cash equivalents	<b>30,925</b>	(17,676)
Net foreign exchange difference on cash held	<b>(2)</b>	71
Cash and cash equivalents, beginning of year	<b>27,320</b>	44,925
<b>Cash and cash equivalents, end of year</b>	<b>58,243</b>	27,320

*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, 2020**

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

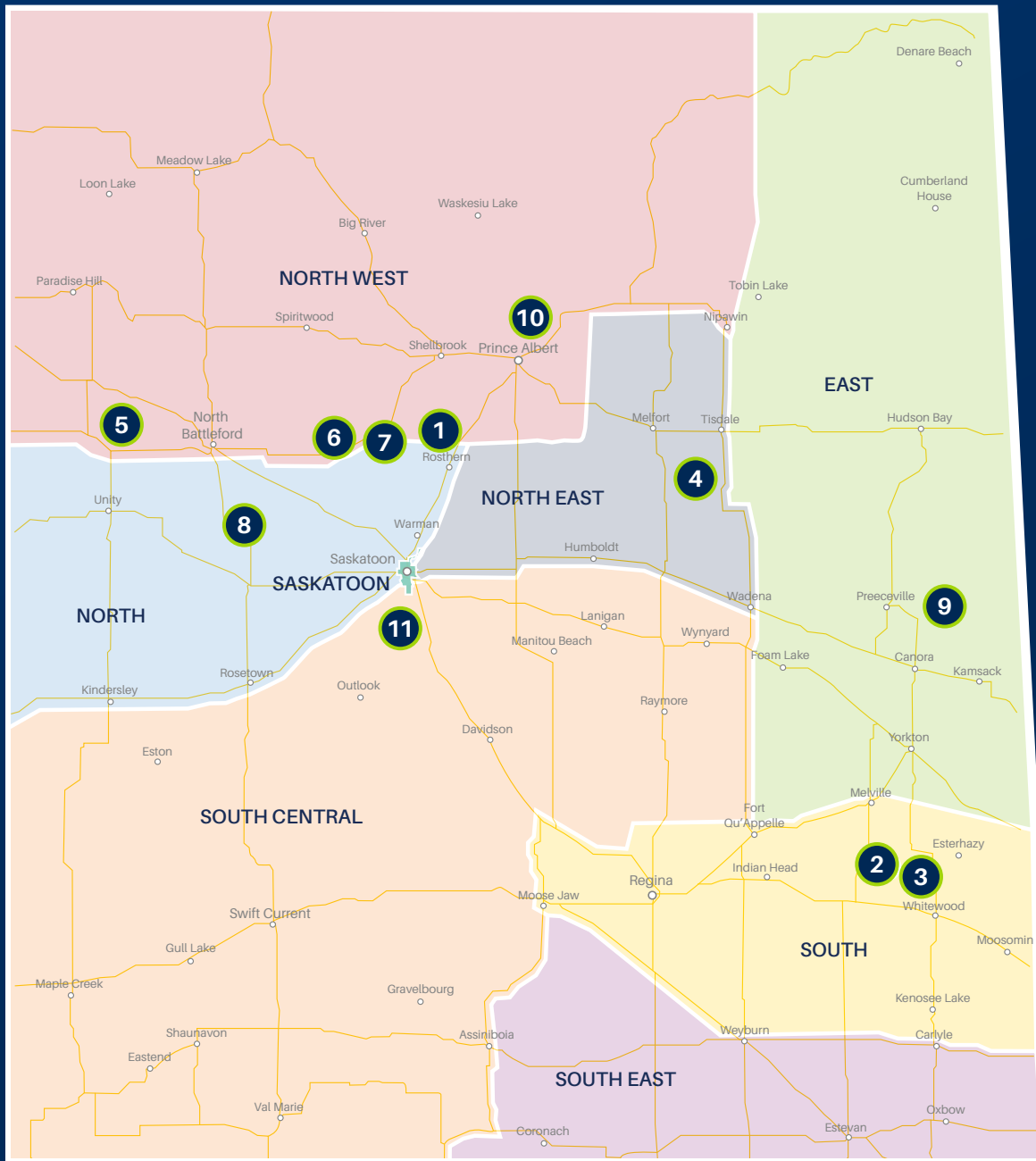
The criteria applied by management in the preparation of these summary consolidated financial statements are as follows:

- a) The content in the summary consolidated financial information is derived from the Credit Union's December 31, 2020 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>



# District Council Map



## Indigenous District Members

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







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