

2019

ANNUAL REPORT



Message from the President

On behalf of the Board of Directors, I am extremely pleased with the accomplishments and leadership provided from Cornerstone Credit Union throughout the past year.

I want to thank the Board for the guidance, knowledge and commitment they provide to Cornerstone Credit Union. To the management and all employees, thank you for your ongoing dedication and commitment to make Cornerstone Credit Union the great organization we are today. And to our members, thank you for your continued business and support.

With the Board's direction and leadership, Cornerstone Credit Union has been focused on finding ways to evolve and enhance the advice & service experience for our members. Cornerstone is seen as a leader in the province for collaborating and partnering as we believe there are opportunities for like-minded credit unions to work together in this province to deliver benefits to members better, faster and more cost-effective than we could on our own. We are pleased to announce Cornerstone, Horizon and Plainsview Credit Unions are actively exploring an opportunity to partner together as a single credit union to drive benefits for members, employees and communities. We are currently in the due diligence phase to develop the formal business case which will be presented to the Boards of all three credit unions for approval. Upon that approval, each credit union will begin a formal consultation process with members who will have the final say through a member vote. Stay tuned as this project is moving forward in real time - we look forward to discussing the benefits of this new credit union with all our stakeholders.

As the Board of Directors, our priority is to provide sound governance and risk oversight to our credit union. We receive quarterly reporting from Management and internal auditors. We receive an annual report from both our external auditor and our regulators at Credit Union Deposit Guarantee Corporation (CUDGC) who monitor credit union activity on an ongoing basis. Your Board of Directors are satisfied that Management provides sound financial and risk management over your credit union.

We also believe in the cooperative principle of Member Economic Participation. Given the work done in recent years to build Cornerstone's strong capital position, we were pleased to approve another distribution of member held equity, putting capital back into the hands of our members. It is our plan for this to continue and to explore new forms of member economic participation, provided future profitability and capital will allow us to do so.

Once again, on behalf of the Board of Directors, we thank all our stakeholders for your continued support of Cornerstone Credit Union.

James Knudson
Board President



Message from the CEO

We are pleased to present you with Cornerstone Credit Union's 2019 Annual Report.

As a member-owned credit union, we want to share some highlights from our credit union activities over this past year. Our members and communities are the reason we exist and the focus of all we do! Our goal is to provide the very best experience for our members each and every day. We do this by delivering value-added advice, competitive service offerings, access to skilled advisors and continual investment in technology. The past year was successful as we continued to evolve our member experience model to enhance relationships with our members, implemented processes to streamline both the member and employee experience as well as explored new technology to better serve our members. All the while, we received outstanding satisfaction scores from our members.

This past year also presented challenges. The current state of the economy has a direct impact on the performance of our credit union – household debt is high, the agriculture sector experienced unfavorable weather and trade restrictions affecting exports and our general delinquency rates are higher than we have seen in the past several years. That said, we are not alone as our peers in the industry are experiencing the same challenges. Despite these challenges, Cornerstone's provision for loan losses and delinquency remain well within industry standards and our overall loan portfolio remains sound. We are in the financial advice and service business and continue our focus in helping our members succeed.

We are extremely proud of our overall results in 2019. As your Board President mentioned, we have worked hard to build Cornerstone's strong capital position and we plan to keep it strong while making necessary investments in technology, people development, competitive products and services, as well as member economic participation! We believe the proposed partnership between Cornerstone, Horizon and Plainsview Credit Unions will position us to be more sustainable; better able to leverage opportunities; and manage risks in the ever-changing financial services marketplace.

Our strength and success would not be possible without the support of our key stakeholders. I want to thank the Board for their strong leadership, guidance and support. To our employees, thank you for your contribution to our organization and for ensuring the needs of our members are met and their dreams realized each and every day. Last but not least, thank you to our members, we truly appreciate your business and value an ongoing relationship. We are proud to be your credit union!

I look forward to working with all of you in 2020.

Doug Jones
CEO



**Our most
valuable
asset
is our
people.**

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OUR VISION

To **empower you**
to **succeed in life**
and **business.**



OUR PURPOSE

We help simplify life's financial needs, so you can achieve what matters most. We are the trusted choice; we put people before profits and care about the wellness of our members, employees and communities.

OUR VALUES

MemberFirst - We are about people; we listen to understand each person's story.

Integrity - We can be trusted to do the right thing.

Accountability - We take ownership of our actions and responsibilities

Leadership - We encourage continuous learning and simplifying what we do.

Cooperation - We live the co-operative principles; we genuinely care about you and our communities.



“Our mission is to not simply be in the community, but to be stewards of the community.”



We provide **world-class financial solutions** so our members can achieve more. As a member-owned institution, our members are the focus of everything we do!



OVER
\$150,000

invested back into the communities we serve.

FULLY
GUARANTEED

At Cornerstone Credit Union deposits are fully guaranteed.

24,300

members served

FIFTH LARGEST

credit union in Saskatchewan.

\$1.3 BILLION

in managed assets

\$2.7 MILLION back into the hands of our members ◀◀◀◀◀◀

Your Membership Matters. Being member-owned means our members are at the core of everything we do. We pride ourselves in putting YOU first and banking second. We distributed approximately \$2.7 MILLION back into the hands of our members - \$1.5 million from our existing member-held equity and \$1.2 million to former Global Payment Mastercard holders!

It really does pay to be a member!

DING FREE®

We are part of a credit union network that offers ding free® transactions to our members at any participating credit union ATM in the country surcharge-free.

Branches in 9 SASKATCHEWAN communities

& also provide accessibility at our member's fingertips; whether on the phone, through our mobile app or online banking.

Achieved efficiencies

We achieved efficiencies throughout the year to keep our operating costs in line so that we can continue to provide value to our members every day by offering competitive rates and fees to our members.

CCU employs over
174 local people

MemberFirst

Elevating the member experience at every interaction is the core of what we do. Our members always come first!

4,880 hours

Staff invested this much of their personal time back to their communities

PLUS...

our staff also volunteered countless hours of corporate time in the community *(that's how important it is for us!)*

World-Class Wealth Management!

Our wealth company, Thrive Wealth Management provides our members with access to a team of experts to better serve their wealth needs. Thrive delivers a world class wealth management experience for every stage of life's journey, dedicated to grow our members' wealth!

The BEST of the BEST !

The 2019 Ipsos Financial Service Excellence Awards ranked credit unions first in overall Customer Service Excellence for the 15th consecutive year and first overall for Values My Business, Branch Service Excellence and Live Agent Telephone Banking Excellence among all financial institutions in Canada!

Saskatchewan's TOP EMPLOYERS for 2019

This is the third consecutive year and fourth time Cornerstone achieved this designation. We are proud of this achievement, but what we're really proud of is our people and what they accomplish for our members every day!



Simple banking. Competitive rates. Straightforward advice.

Corporate Structure & Governance



The governance of Cornerstone Credit Union is anchored in the co-operative principle of democratic member control. Cornerstone Credit Union's philosophy on corporate governance is to practice transparency in operations and maintain a professional approach and accountability in dealing with our members. The Credit Union has always focused on maintaining the highest standards by conducting its affairs ethically and lawfully and by sustaining a culture of integrity and professionalism.

MEET OUR BOARD



BOARD OF DIRECTORS

MANDATE AND RESPONSIBILITIES

The Board of Directors of Cornerstone Credit Union is responsible for the strategic oversight, business direction and supervision of management of the Credit Union. In acting in the best interests of the Credit Union and its members, the Board's actions adhere to the standards set out in *The Credit Union Act 1998*; *the Credit Union Regulations, 1999*; Standards of Sound Business Practices; Credit Union bylaws and policy; and other applicable legislation.

The Board directs the affairs of the Credit Union and maintains policies which are responsive to their needs and the needs of the Credit Union for sound operations.

The key roles of the Board include formulation of strategic business plans; setting goals, evaluating the performance of the CEO; approving corporate vision, purpose, and values; monitoring corporate performance against strategic business plans; oversight of operations; ensuring compliance with laws and regulations; keeping members informed regarding plans, strategies and performance of the Credit Union; and other important matters. During the financial year 2019, the Board of Directors held seven meetings.

GOVERNANCE PRACTICES

Promoting a successful, healthy credit union is accomplished through processes of good governance. Corporate governance involves a set of relationships between a credit union's board, senior management, members and other stakeholders. Effective corporate governance practices are essential to achieving and maintaining the trust and confidence of credit union members, the public and other stakeholders. Cornerstone Credit Union's governance practices are assessed periodically by internal and external auditors and the credit union system regulator (CUDGC).

BOARD COMPOSITION

The Board is comprised of twelve individuals elected via a hybrid governance model with 9 directors elected by district and 3 representing the membership At-Large. Terms are three years in duration. In accordance with the bylaws, the Governance Committee is responsible for the nomination process and election of directors. We use an electronic voting process, allowing members to cast their vote from any location via our website. Election results are confirmed at the Annual General Meeting.

The Board of Directors elected for the terms and districts in 2019, as set forth in the Credit Union bylaws are as follows:

District One – Archerwill / Rose Valley / Tisdale

Bonnie Derkatz-Olson
Leanne Huvenaars
James Knudson

District Two – Ituna / Kelliher / Wynyard

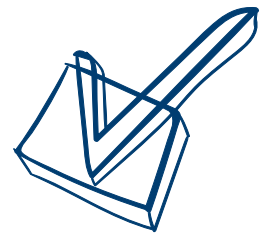
Robert Ross
Harold Sigfusson

District Three – Yorkton / Theodore / Saltcoats

Nicole Campbell
Cheryl Denesowych
Larry Malinowski
Jack Powell

At-large

Lonnie Kaal
Tom McIntyre
Edie Tarasoff



EVALUATION

The Board of Directors conducts an evaluation bi-annually to assess the effectiveness of board operations. A formal evaluation was conducted in late 2018.

DIRECTOR TRAINING

It is the policy of the Board of Directors to provide opportunities for personal and professional self-development of the board members. Cornerstone Credit Union has a director development policy in place that pertains to the training, education, and development of directors. This may be obtained by attending meetings, conferences and educational sessions that will provide training and understanding of both broad and technical issues, which will assist board members in fulfilling their role and responsibilities as directors. Formal personal development plans are put in place for each director to provide guidance on training and development opportunities that will enhance their ability to fulfill their role as a director.

BOARD COMMITTEES

The responsibilities of the Board of a modern financial services organization involve an ever-growing list of duties. Cornerstone Credit Union maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of the Credit Union.

Cornerstone Credit Union has four standing committees to assist in fulfilling board responsibilities:

- The **Audit and Risk Committee**, which met four times in 2019, is comprised of six members from the Board At-Large. The purpose of the Audit and Risk Committee is to ensure an independent review of the Credit Union's operation on areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls and adherence to requirements of *The Credit Union Act, 1998, The Credit Union Regulations, 1999, The Credit Union Insurance Business Regulations*, and the Standards of Sound Business Practice. This committee provides oversight for the Credit Union's enterprise risk and regulatory compliance management frameworks and policies.
- The **Governance Committee**, which met four times in 2019, is comprised of five members from the Board At-Large. The purpose of the Governance Committee is to ensure that an

appropriate governance system is in place through corporate governance policies, the nominations and election process, the board committees' structure, and board assessment and development processes.

- The **Conduct Review Committee**, which met one time in 2019, is comprised of five members from the Board At-Large. The purpose of the Conduct Review Committee is to ensure that all proposed related party transactions with the Credit Union are fair to the Credit Union and that best judgment is exercised in all matters of related party relationships. This also includes approving the Code of Conduct annually.
- The **HR / Executive Committee**, which met twice in 2019, is comprised of the President, the Vice-President, and two elected Board members At-Large. The purpose of the HR / Executive Committee is to assist the Board of Directors in discharging its oversight responsibilities relating to board stewardship; employment and performance management of the CEO; succession planning for the CEO and the Executive Management team; organizational culture and compensation; as well as assist with extended decision making authority to act in the capacity of and on behalf of the Board of Directors in times of emergency or if the business continuity plan is activated.

Director	Board Meetings	Committee Meetings
Nicole Campbell	7 of 7 (100%)	6 of 6 (100%)
Cheryl Denesowych	5 of 7 (71%)	4 of 6 (67%)
Bonnie Derkatz-Olson <i>Conduct Review Chair</i>	6 of 7 (86%)	4 of 4 (100%)
Leanne Huvenaars <i>Governance Chair</i>	6 of 7 (86%)	4 of 4 (100%)
Lonnie Kaal <i>Audit & Risk Chair</i>	6 of 7 (86%)	4 of 4 (100%)
James Knudson <i>Board of Directors Chair</i>	7 of 7 (100%)	Ex Officio - 8 of 8 (100%)
Larry Malinowski <i>Board of Directors Vice-Chair</i>	7 of 7 (100%)	7 of 7 (100%)
Tom McIntyre	7 of 7 (100%)	4 of 4 (100%)
Jack Powell	7 of 7 (100%)	5 of 5 (100%)
Robert Ross (Joined board April 2019)	4 of 5 (80%)	1 of 2 (50%)
Orest Shular (Retired April 2019)	1 of 1 (100%)	2 of 2 (100%)
Harold Sigfusson	6 of 7 (86%)	4 of 4 (100%)
Edie Tarasoff	7 of 7 (100%)	4 of 4 (100%)

(NOTE: Re-organization of committees took place in April of 2019.)



**We're
in your
corner**

**Simple banking.
Competitive rates.
Straightforward advice.**
Cornerstone Credit Union!



EXECUTIVE MANAGEMENT

Cornerstone Credit Union has an experienced executive management team. Executive management are responsible to oversee the operations of the Credit Union within the context of strategies and policies approved by the board, and for developing processes that identify, measure, monitor and control risks. Management reports performance in key areas to the board on a regular basis.

Cornerstone Credit Union has four standing management oversight committees, to assist in management of risks and operations of the Credit Union.

The **Asset Liability Management Committee (ALCO)** is comprised of executive management and senior management of Cornerstone. The ALCO is responsible for understanding and monitoring liquidity risk,

interest rate risk, credit exposure and overall balance sheet structure of the Credit Union. The committee ensures balance sheet activities and measures are within acceptable limits including, but not necessarily limited to capital adequacy; lending and investment limits; liquidity risks; and interest rate risk. Furthermore, the committee sets and approves balance sheet operational strategies with a focus on achieving financial targets, managing market and liquidity risk and optimizing the use of capital. ALCO met four times in 2019.

The **Information Technology Governance Committee (ITGC)** is comprised of all executive management and IT Leadership. The ITGC plans, approves, prioritizes, and directs Cornerstone Credit Union's information technology (IT) initiatives to ensure that internal and external customer needs and expectations for IT

Corvyn Neufeld
VP People & Governance



Lori Walsh
VP Marketing & Communications



Doug Jones
Chief Executive Officer



solutions are met, IT risks are identified and mitigated, and best value is secured as measured by functionality, efficiency, timing, and cost to meet both business and IT needs. The IT Governance Committee met five times in 2019.

The **Executive Credit Committee (ECC)** is comprised of executive management, credit risk and senior lending management. The ECC is responsible for understanding the Credit Union’s credit risk and for monitoring and oversight of the Credit Union’s policies and risk tolerance levels for credit including, but not limited to, delinquency, portfolio mix, leases, write-offs, credit profiling, loan analysis and loan approvals. As part of its mandate, the ECC reviews, assesses and approves, declines or defers certain credit applications. The ECC is responsible for approving, monitoring, and assessing the effectiveness of ongoing strategies related to loan growth, portfolio mix, and credit risk management and

reviewing and discussing environmental conditions impacting the financial position and performance of the Credit Union, specific to lending including; economic conditions, interest rate outlook, competition, market conditions and market intelligence. The ECC reviews and approves strategies for effective loan portfolio management and provides recommendations to ALCO. The Executive Credit Committee met four times in 2019.

Regulatory Compliance Management (RCM) is a framework for effective governance, management, and monitoring of all regulatory compliance expectations for Cornerstone Credit Union. This framework appoints the executive management team and senior risk and compliance employees to develop the framework and an annual work plan that includes regularly scheduled meetings and reporting to ARCO and the board at-large. The Regulatory and Compliance Management committee met four times in 2019.

Jodi Chambers
VP Strategy & Technology

Bryan Furber
VP Finance & Risk

Carissa Yaholnitsky
Executive & Governance Coordinator

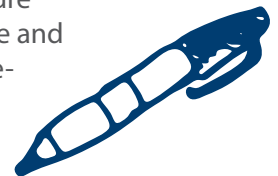
Murray Yeadon
VP Retail Services



Management Discussion and Analysis

This Management Discussion & Analysis (MD&A) is presented to enable readers to assess material changes in the financial condition and operating results of Cornerstone Credit Union (the Credit Union) for the year ended December 31, 2019, compared with prior years. This MD&A is prepared in conjunction with the Consolidated Financial Statements and related notes for the year ended December 31, 2019 and should be read together. Unless otherwise indicated, all amounts are expressed in Canadian dollars and have been primarily derived from the Credit Union's annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS). Management is responsible for the underlying reliability of the information included in this MD&A and for the controls systems and procedures that help to ensure that reliability.

This MD&A may contain future-looking statements concerning Cornerstone Credit Union's future strategies. These statements involve uncertainties in relation to prevailing economic, legislative and regulatory conditions at the time of writing. Therefore, actual results may differ from the future-looking statements contained in this discussion.



OUR BUSINESS ENVIRONMENT

Although Cornerstone Credit Union is focused on serving the needs of its members in Saskatchewan, the economic and business conditions in Canada and abroad can impact the trading area of the Credit Union and its financial position. National and international economic conditions can impact currency rates, interest rates, and monetary policy of the Bank of Canada. These factors, combined with fluctuations in capital markets and competition, can impact the market share and price for the Credit Union's products and services and, in turn, affect its performance.

Canada's economic outlook for 2020 is improving slightly as the real estate market and residential investment are expected to gain ground slowly. The major challenges remain global uncertainty, trade tensions and difficulties in the oil sector. After a year of stable interest rates, mortgage rates began to fall mid-year. The Bank of Canada is expected to hold the key interest rate at 1.75% through 2020, as it also anticipates a recovery in the country's economy. The debt load of Canadian households remains very high, while the savings rate is down in a number of provinces. The Bank of Canada may be more likely to have reluctance to cut rates due to the possibility of worsening the financial situation in households.

In the United States the consumer confidence will continue to be the primary driver of growth throughout 2020. The labor market continues to expand, with positive job growth and a historically low unemployment rate. The

U.S. Federal Reserve delivered three consecutive rate cuts since summer 2019 to mitigate the risks arising from the global slowdown. It is unlikely the Federal Reserve will deliver further rate cuts in 2020 however uncertainty lies in the U.S. China conflict and upcoming elections.

2019 was a tough economic year in Saskatchewan. Trade actions affected some of the main exports of canola and soybeans. Market access issues hampered the oil and gas sector for both exports and investment intentions. The outlook shows a slow bounce back in activity. Stronger potash output will offset trade uncertainty as well as weakness in the oil sector. The provincial economy is expected to grow 1.2% in 2020 after a weak showing of 0.6% in 2019. The labor market has been the bright spot for the economy in 2019, with employment up 1.7%, a 6-year high. Despite average wage gains, consumer-related activity has been weak. Saskatchewan's housing market is forecast to stabilize after high inventories weighed on prices in 2019.

We expect to see continued economic challenges related to the combination of high household debt, slowing wage growth which will create some stress for debt serviceability in all sectors (consumer, ag and commercial). We expect competitive pressure to remain or increase for both deposit and lower risk loan business. We do anticipate a small decrease to interest rates and stable margins resulting in adequate profitability. Capital levels are expected to remain strong; at or above what would be considered adequate.

OPERATIONAL REVIEW <<<

Cornerstone Credit Union provides world-class financial solutions so our members can achieve more. As a member-owned institution, our members are the focus of everything we do.

Cornerstone is strategically focused on improving the lives of our members and as such we conducted an exercise with our employees to develop a new vision, purpose and values to better reflect our organization today. Our new vision is to empower you to succeed in life and business. Our purpose is we help simplify life's financial needs, so you can achieve what matters most. We are the trusted choice; we put people before profits and care about the wellness of our members, employees and communities. We value MemberFirst, integrity, accountability, leadership and cooperation. These values reflect who we are as a credit union and guide us in our interactions every day.

Member-held equity is one of the ways in which our members have helped build Cornerstone Credit Union's capital base to ensure a stable and viable credit union. In 2019, approximately \$1.5 million was paid back into the hands of our members from our existing member-held equity. This was the second year of a member equity distribution; our long-term capital strategy includes a phased approach to pay out all remaining member-held equity over a 7- or 8-year period.

Being a member-owned institution means our members are at the centre of everything we do. We take pride in putting our members first. In 2019, there were changes to our card offering as the GLOBAL PAYMENT Mastercard (GPC) program was terminated. This change was unexpected and disappointing to many members. Cornerstone made every effort to support our members through this change and we went above and beyond by offering a full cash payout on any unredeemed CHOICE REWARDS associated with their GPC card as it was the right decision for our members!

Approximately \$1.2 million was paid to our former Global Payment Mastercard holders. Between the GPC payout and the member-held equity payment, a total of \$2.7 million was paid back to our members in 2019!

Cornerstone is committed to continue to evolve and enhance the service experience for our members. A focus for 2019 was to explore ways we can better serve our members. We believe system partnerships are needed as working collaboratively with other like-minded credit unions often provides the ability to deliver benefits to members better, faster and more cost-effective than we could on our own.

Cornerstone, Horizon and Plainsview Credit Unions are actively exploring an opportunity to partner together as a single credit union to drive benefits for members, employees and communities. The shared vision of the three credit union partners is a new credit union that is operationally competitive and differentiated through its commitment to member wellbeing via trusted advice and service as well as concern for community. A new credit union will be more sustainable and better able to leverage opportunities and manage risks in the ever-changing financial services marketplace.

The next step of the partnership is a due diligence process to build the formal business case. Once the business case is finalized, it will be reviewed for approval by the Board of Directors of each of the three credit unions. Once the business case is approved by the partner Boards, each credit union will begin a formal consultation process with their members. The final approval will be a vote by members of each participating credit union to approve a resolution as recommended by their Boards of Directors.

For more information on the proposed partnership visit bettertogetherinsk.com.

OPERATIONAL REVIEW CONT'D <<<

While there have been many changes for Cornerstone throughout the past year, one thing remains constant and that is our commitment to our communities. We take pride in contributing to the betterment of our communities through donations, sponsorships, and volunteering. In 2019, Cornerstone invested approximately \$150,000 to our communities by supporting hundreds of local events, groups and organizations. Community involvement is engrained in our organization and our culture. Our staff are leaders in their communities as they volunteered over 4,880 hours of their own personal time. Plus, there were countless hours of corporate time used to volunteer locally as well.

We don't just show leadership in our communities – we are dedicated to show leadership as an employer as well. We genuinely care about the well-being of our employees and have an ongoing commitment to deliver programs and benefits that meet their needs. We strive to be an employer of choice and were recognized as one of Saskatchewan's Top Employers for 2019. This is the third consecutive year and fourth time Cornerstone received this designation. Saskatchewan's Top Employer is a special designation that recognizes Saskatchewan employers that lead their industries in offering exceptional places to work.

We believe a critical element for a high performing organization is to have happy, engaged and satisfied employees. Cornerstone provides a combination of traditional and flexible health plans, significant investments in training and education as well as flexible hours and alternative work options that support a work life balance – all which directly impact employee engagement and satisfaction.

While there was much success for our credit union in 2019, it did not come without challenges. The financial performance of our credit union is directly impacted by what is going on around us; the economic and business climate in Saskatchewan and abroad, heightened competition, new market entrants and the low margin environment are issues we continue to face. We expect to see continued economic challenges so we need to continue to focus on finding improved efficiencies – ways to do things that will save time, money or resources that can be reinvested in other areas of our organization for the benefit of our members. As a result, Cornerstone Credit Union has a strategic focus to continue to evolve our business model to remain competitive and to develop innovative solutions to better serve our members.



2019 Performance Measurement

Cornerstone Credit Union uses a balanced scorecard framework to measure and monitor our progress towards achieving our strategic objectives. The scorecard utilizes both financial and non-financial measures along five strategic themes: Knowledgeable & Engaged People; MemberFirst Experience & Expertise; Financially Profitable & Sustainable; Enterprise Risk Management; and Delivery Focused & Technology Driven.

2019 BALANCED SCORECARD

	Strategic Themes	Performance Measures	Actual	Target
Knowledgeable & Engaged People – The Cornerstone Team	• Skilled, knowledgeable and confident people.	• Employee Engagement Survey	63%	69% Canadian Average
	• Make a meaningful contribution to the lives of our members and staff through education, opportunity and compassion.	• Learning & Development (training hours per employee)	38.55 hrs	30.0 hrs
	• Support our communities through leadership, helping hands and economic stewardship.	• Community Involvement (Total employee volunteer hours)	4,889	4,500
MemberFirst Experience & Expertise	• Differentiation... Why Cornerstone?	• Net Promoter Score	#1 in province Outstanding Result	Top 3 in province
	• Through meaningful interactions and proactive advice and solutions; Cornerstone is viewed as a capable and expert financial institution.	• Asset Growth	2.98%	5.5%
	• We understand each member is unique and deliver a MemberFirst experience through any channel.	• % of Members in a Wealth Management Relationship	10.39%	11.00%
Financially Profitable & Sustainable; Enterprise Risk Management	• Fiscal sustainability through profitable growth	• Operating Return on Average Assets	0.65%	0.78%
		• Non-Interest Expenses	2.47%	2.55%
		• Total Capital to Risk Weighted Assets	13.51%	12.92%
	• Effective and efficient.	• Efficiency Ratio	75.97%	74.80%
	• Manage risk and compliance to ensure we are a stable and reputable organization.	• Delinquency	1.92%	<1.25%
	• Audit Results	Acceptable	Acceptable	
Delivery Focused & Technology Driven	• We are agile and flexible; we serve members where, when and how they want.	• Project Management	Stretch	Achieve
	• Integrated and streamlined solutions and processes	• Business Transformation Programs	Achieve plus	Achieve
	• Strategic partnerships, system and national initiatives	• Implement Technology Solutions	Achieve plus	Achieve

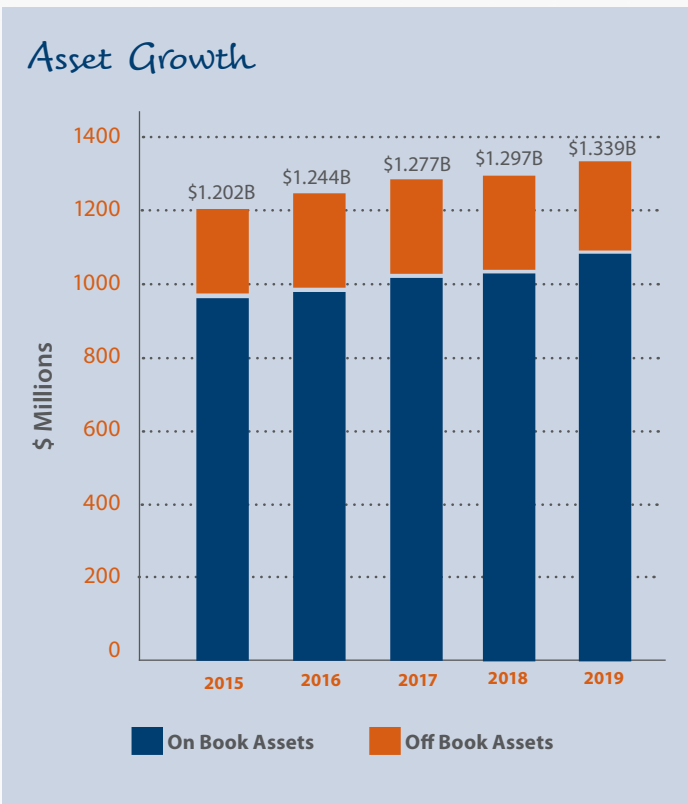
(Actual calculations are performed by using internal financial reporting.)

2019 Financial Performance Review

GROWTH ←

Cornerstone Credit Union ended December 31, 2019 with on book assets of \$1.068 billion compared to \$1.039 billion in 2018, representing growth of 2.78%.

Total assets under administration by the Credit Union at December 31, 2019 were approximately \$1.34 billion, representing annual growth of approximately 3.25%. This includes on book assets, wealth management assets and interest rate swaps. Off book wealth management assets increased at an annual rate of 3.90% to \$226 million and the notional value of interest rate swaps was increased by \$5 million to \$45 million. As part of its interest rate risk management processes, Cornerstone routinely considers when and if additional swaps should be added.



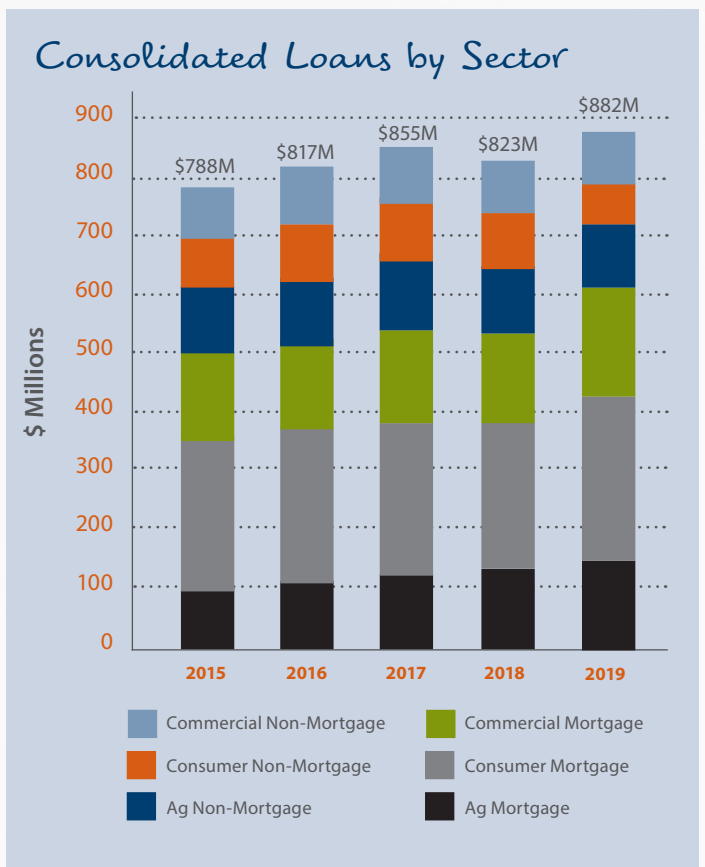
DEPOSIT GROWTH ←

The Credit Union's liabilities consist primarily of member deposits. Deposits totaled \$959 million at December 31, 2019, an increase of approximately 3.38% from prior year. With a slower economy and extreme competition for deposits, deposit growth for 2019 was 3.38% compared to forecast at 4.83%. We did manage to help our depositors shift from lower yielding demand or savings products to higher yielding investment or term deposits.

The Credit Union's on book deposits are 100% guaranteed by the regulator of credit unions in Saskatchewan, Credit Union Deposit Guarantee Corporation (CUDGC).

LOAN GROWTH ←

Accounting for 82.58% of total on book assets, loans amounted to \$882 million at December 31, 2019; an increase of \$59 million or approximately 7.22% over 2019. The following illustrations show the breakdown of our total loan portfolio by sector.



INVESTMENTS ←

Investments totaled \$138 million at December 31, 2019, a decrease of \$31 million or -18.49% from prior year. The investment balance was decreased as a result of the increase in the loan balances throughout the year. The majority of the Credit Union's investments are held with SaskCentral or Concentra Bank (a credit union company). Credit unions are required by CUDGC to maintain on deposit with SaskCentral for the Provincial Liquidity program an amount equal to 10% of their member deposit liabilities. In addition to these Statutory Liquidity Investments, the Credit Union maintains a high quality, liquid pool of investments to satisfy payment obligations and protect against unforeseen liquidity events.

CREDIT QUALITY ←

As a credit granting organization, credit quality is a key risk management area of Cornerstone Credit Union. The Credit Union's standard credit quality measures continue to remain strong. Delinquency greater than 90 days was 1.92% of loans at December 31, 2019, a 0.17% increase from the prior year. Although delinquency increased slightly for the Credit Union in 2019, this level compares favorably to levels experienced by credit granting organizations and our peer credit union group in Saskatchewan.

The Credit Union monitors its exposure to potential credit losses and maintains both 12-month and lifetime expected credit losses as required by IFRS 9. IFRS 9 replaces IAS 39 with a forward-looking expected credit loss model which requires more timely recognition of losses expected to occur over the contractual life of any loan. In measuring the 12-month and lifetime expected credit losses (specific and collective allowances), management makes assumptions about, security valuations, prepayments, the timing and extent of missed payments or default events. In addition, management makes assumptions and estimates about the impact that future events may have on the historical data used to measure expected credit losses. 12-month expected credit losses are reviewed regularly by examining the individual loans and estimating the likelihood of realizing the full carrying value. Lifetime expected credit losses are calculated from data in the loan portfolio such as credit quality, delinquency, historical performance and industry economic outlook. The quality of the credit portfolio was also confirmed by both internal and external audit processes conducted in 2019.



RESIDENTIAL MORTGAGES AND HOME EQUITY LINES OF CREDIT (HELOC)

Residential mortgages and home equity lines of credit are secured by residential properties. The following table presents a breakdown by category:

As of December 31

YEAR	RESIDENTIAL MORTGAGES				HOME EQUITY LINES OF CREDIT	
	INSURED *		UNINSURED		TOTAL	TOTAL
2019	\$82,203	30.7%	\$185,423	69.3%	\$267,626	\$11,157
2018	\$81,067	\$30.7%	\$183,335	69.3%	\$264,402	\$13,248

Thousands of Canadian Dollars, except percentage amounts

* Insured residential mortgages are mortgages whereby our exposure to default is mitigated by insurance through the Canada Mortgage and Housing Corporation (CMHC) or other private mortgage default insurers.

Home equity lines of credit are uninsured and are reported within the personal lines of credit category.

RESIDENTIAL MORTGAGE PORTFOLIO BY AMORTIZATION PERIOD

The following table provides a summary of the percentage of residential mortgages that fall within the remaining amortization periods, based upon current customer payment amounts:

As of December 31

AMORTIZATION PERIOD	2019		2018	
	\$000 CDN	%	\$000 CDN	%
<= 15 yrs	26,149	9.8%	25,357	9.6%
> 15 yrs, <= 25 yrs	161,771	60.4%	166,927	63.1%
> 25 yrs	79,706	29.8%	72,118	27.3%
	267,626		264,402	



As the residential mortgage portfolio is secured by residential properties, which are subject to a decrease in market value in an economic downturn, the Credit Union ensures prudent practices surrounding security, including maximum LTV ratios consistent with regulatory guidelines for residential mortgages (80%) and HELOC's (65%). Individual maximum LTV ratios are determined based on a risk assessment of the mortgage or HELOC.

NEWLY ORIGINATED UNINSURED RESIDENTIAL MORTGAGES AND HOME EQUITY LINES OF CREDIT

The following presents the approved amount and related average loan-to-value (LTV) ratio for uninsured residential mortgages and home equity lines of credit originated in 2019:

	2019		2018	
	\$000 CDN	LTV%	\$000 CDN	LTV%
Uninsured residential mortgages	25,826	54.1%	27,873	58.2%
Home equity lines of credit	803	59.0%	1,200	54.9%

LIQUIDITY ←

One of Cornerstone Credit Union's primary objectives is to prudently manage liquidity to ensure that the Credit Union is able to generate or obtain sufficient cash or cash equivalents in a timely manner and at a reasonable price to meet commitments as they come due, even under stressed conditions.

The Credit Union maintains a liquidity plan in support of its liquidity policy and regulatory guidance. The liquidity plan undergoes regular reviews and is approved by the Board of Directors. As per the plan, the Credit Union maintains a stock of high-quality liquid assets while regularly measuring and monitoring its available liquidity and performs stress tests to identify sources of potential liquidity strain. The Credit Union also maintains external borrowing facilities to complement its liquidity management process.

The Credit Union's liquidity is measured by an operating liquidity ratio which considers projected cash inflows as a percentage of projected cash outflows. At December 31, 2019, the ratio was 55.97%; for 2018 fiscal year end it was 75.84%. The Credit Union targets a range of 50% to 110% for this measure. Throughout 2019, loan demand was funded by deposits from Credit Union members. The Credit Union maintains a line of credit with SaskCentral to help manage clearing and settlement and unforeseen funding needs. At December 31, 2019 the credit facility was in use by \$2.12 million.

During 2016, CUDGC introduced liquidity standards which would require all Saskatchewan credit unions to meet liquidity coverage ratios calculated in approximately the same format as is required by the Office of the Superintendent of Financial Institutions for Canada. These standards came into effect for years starting on January 1, 2017.

The Liquidity Coverage Ratio (LCR), which is an indicator of our level of high-quality liquid assets sufficient to cover at least 100% of our stressed cash requirements over the next 30 days, was 167.57% at December 31, 2019. This continues to exceed our regulatory minimum.

Since the introduction of an LCR as a regulatory liquidity measure, we have gained experience and comfort in measuring and managing our LCR. This measure is primarily a 30-calendar day stress scenario and therefore is managed on a monthly basis. We were successful in our strategy to increase our loan to asset ratio throughout 2019 and are forecasting similar levels in 2020 therefore

anticipate our liquidity measures to remain adequate and stable going forward. We continue to carefully manage our loan to asset ratio, LCR, Operating Liquidity Ratio and our investment portfolio to ensure we remain able to meet member loan demand and revised regulatory requirements.

CAPITAL MANAGEMENT ←

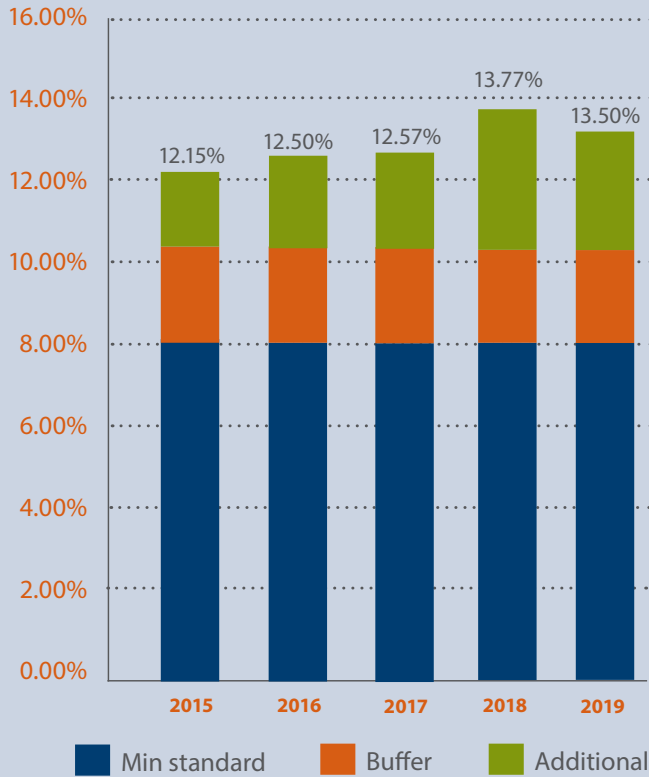
One of the primary measures of financial strength of any financial institution is its capital position. Credit unions measure capital adequacy using both risk-weighted and leverage tests.

Credit unions operate in a highly regulated environment where CUDGC sets regulatory guidelines to which credit unions must adhere. The standard segregates between two types of capital – tier 1 and tier 2, with tier 1 capital being the primary capital and having the highest quality. The standards require that each credit union hold a minimum common equity tier 1 capital ratio of 7.00% of risk weighted assets, a total tier 1 capital ratio of 8.50% of risk weighted assets and a total eligible capital ratio of 10.50% of risk weighted assets. In addition, credit unions are currently required to maintain a minimum ratio of 5.00% for total eligible capital (eligible capital divided by total assets), with total assets adjusted for deductions from capital and the addition of certain off-balance sheet items.

In 2019, Cornerstone exceeded the statutory requirements with both a common eligible tier 1 capital ratio and total tier 1 capital ratio of 12.61%, compared with 12.60% in 2018, a total eligible capital ratio of 13.50% compared with 13.77% in 2018 and a capital leverage ratio of 9.14% compared with 9.07% in 2018. In addition to the standards prescribed by CUDGC, the Credit Union also undertakes an internal capital adequacy assessment process (ICAAP) quarterly. The ICAAP helps credit unions determine the amount of capital they should hold for their specific risk profiles. Cornerstone's December 2019 ICAAP suggests that it would be prudent to hold an additional 2.28% of capital above the regulatory minimum plus buffer, for a total eligible capital ratio of 12.78% (vs. our 13.50%). Cornerstone currently holds 0.72% more capital than our ICAAP would suggest is appropriate based on our current risks. The additional capital suggested by ICAAP will continue to change as Cornerstone's book of business changes.

Cornerstone Credit Union manages capital in accordance with its capital management plan and Board approved

2019 Capital Measures

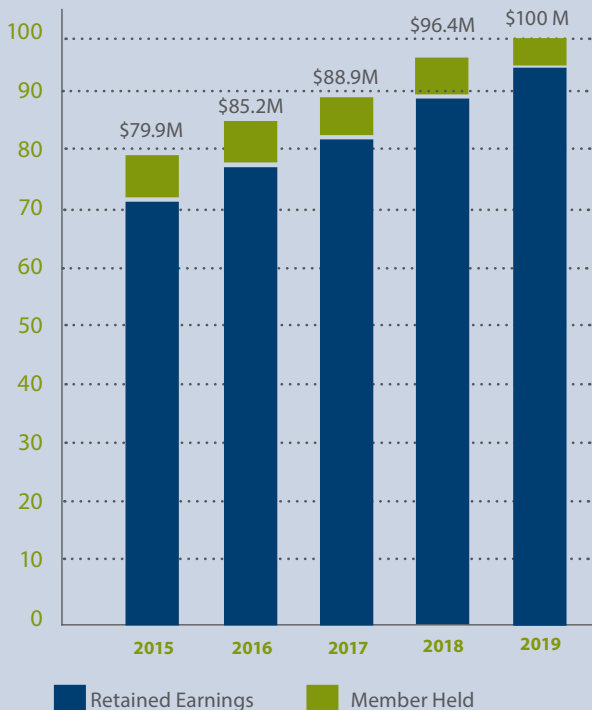


capital policies, both of which are reviewed on a regular basis. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. Capital is managed in accordance with the capital plan with a goal to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans and signal financial strength.

The Credit Union relies on profitability to grow its capital position and holds the majority of its total capital in retained earnings. Both balance sheet growth and profitability affect the Credit Union's capital ratios. The Credit Union retains its annual earnings in order to meet its capital objectives as outlined in its capital plan. Member equity accounts resulting from prior period income distributions are included in the determination of capital adequacy as tier 2 capital. As part of the Credit Union's capital plan and desire to reduce reliance on member held equity over the next several years, Cornerstone distributed approximately \$1.5 million in member held equity to members in 2019.

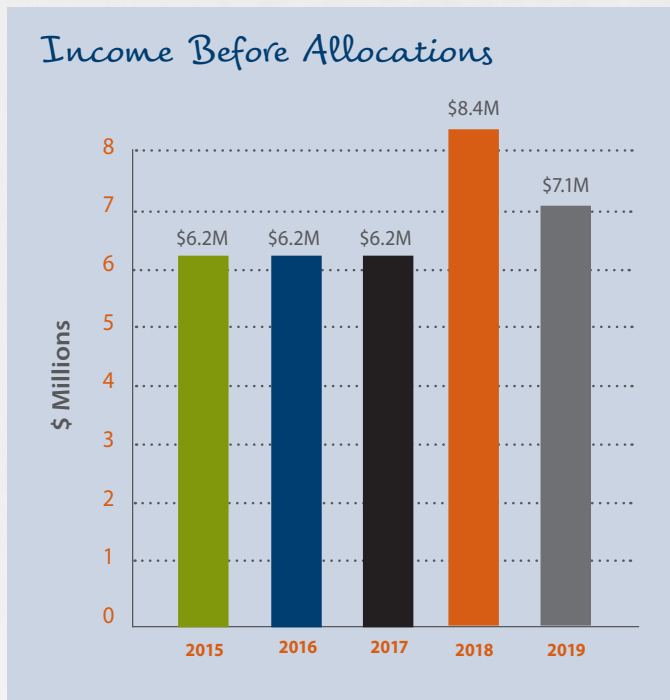
Retained Earnings

(Including Contributed Surplus & Member Held Equity)



PROFITABILITY ←

Income before allocations (income tax & member patronage) and other comprehensive income for the year was \$7.1 million in comparison to \$8.4 million in 2018. For 2019 our return on assets before income tax and other allocations was 0.66%, compared to 0.81% in 2018.



GROSS FINANCIAL MARGIN ←

Includes total interest revenue less total interest expense. For 2019, financial margin was 2.74% compared to 2.98% in 2018.

The Credit Union's profitability is largely dependent on interest margin. The Credit Union continues to be asset-sensitive, which ultimately means that profitability will increase as interest rates rise. As discussed above, interest rates are expected to remain the same or decline throughout 2020 and as such the Credit Union expects its interest margin to reduce slightly.

OTHER INCOME ←

Includes fixed asset revenue, commissions and service charges. Non-interest revenue ended 2019 at \$6.0 million compared to \$6.4 million in 2018. As a percentage of assets, non-interest revenue decreased to 0.57% in 2019 from 0.62% in 2018. The Credit Union anticipates that 2020 non-interest revenue will decrease slightly in comparison to 2019.

OPERATING EXPENSES ←

Includes various operating expenses such as personnel, occupancy, security, governance, community development and general business. Operating expenses ended 2019 at 2.51% of assets or \$26.85 million compared to 2.61% of assets or \$27.08 million in 2018. Personnel costs increased by 3.60% over the prior year. Salary levels increased for cost of living adjustments and profitability results did trigger a strategic incentive program payment. Personnel expenses are expected to increase in 2020 as part of strategic initiatives to invest in our people through business transformation initiatives. Member security costs increased slightly as a function of growth and are expected to increase marginally in 2020 for the same reason. As deposits and membership grow, the fees assessed to ensure the overall health of the Saskatchewan credit union system also grows. Organization costs increased slightly in 2019. 2019 occupancy costs increased slightly from 2018. General business costs decreased -8.70% in 2019 as a result of reduction of expenses in the latter half of the year and prior year rewards accruals. Cornerstone expects general business costs to decrease in 2020 as well due to an overall reduction of expenses initiative.

INCOME TAX EXPENSE ←

The 2013 federal budget removed a special deduction for credit unions over a five-year phase in period for current taxes payable. The impact will be to increase the Credit Union's tax rate over that five-year period. Therefore, a higher percentage of earnings were expensed as tax in 2019 than in prior years. The 2017 provincial budget removed the credit union deduction over a three-year phase in period. Therefore, a higher percentage of earnings will be expensed as tax in 2018 to 2020.

**We'll
tell it
to you
straight**

Enterprise Risk Management

Each year Cornerstone Credit Union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our members and communities now and in the future. This process is called enterprise risk management (ERM) and is mandated by CUDGC as a requirement of all credit unions in Saskatchewan.

As a financial institution, Cornerstone Credit Union is exposed to a variety of risk. Risk is the downside that exists in almost every component of the Credit Union's activities. Risk represents the potential negative impact to the Credit Union's ability to achieve important goals. Risk can also cause financial loss and harm to a credit union's reputation. Managing, or appropriately balancing, risk with business opportunities is the top priority for the Board of Directors and Management of Cornerstone Credit Union. Building sound policies and operational processes, risk-based audit practices and capital and liquidity management strategies, all supported by strong human resources, is the heart of our strategic objectives.

The Credit Union's primary risk offset is its capital position. An adequate capital position allows the Credit Union to absorb unexpected losses, implement long term strategic plans and signal financial strength. The capital position of the Credit Union can be impacted by high levels of growth, low profitability or losses incurred in any of the key risk areas identified below.

The Credit Union maintains a capital management plan and establishes capital policies to ensure capital adequacy is maintained. Capital measures are regularly reported to and reviewed by the Asset Liability Management Committee (ALCO), the Audit and Risk Committee (ARCO) and the Board of Directors. Annual and long-term operating forecasts are developed and reviewed regularly with results stress tested and compared to capital plans and policies to ensure proactive management and capital planning is ongoing. The Credit Union's operations undergo regular independent assessment through external audit, internal audit and regulatory reviews to ensure that key risks are being mitigated and any potential impacts to capital are reported accordingly.

The following key risk categories form part of the Credit Union's overall ERM approach:

CREDIT RISK ←

Cornerstone Credit Union is exposed to credit risk, which is the risk of financial loss resulting from a borrower or counterparty's inability to meet its obligations. Due to the relative size of our internal loan portfolio, the majority of this risk derives from our direct lending activities. We are also exposed to credit risk through our holdings of investment securities, derivatives and purchased loans (credit product purchased, but not administered by the Credit Union).

Lending and credit risk management is performed in accordance with approved policies, procedures, standards and controls. The Executive Credit

Committee oversees credit risk exposure and management. Risk concentration limits have been designed to reflect our risk tolerance. Surplus liquidity is invested in accordance with investment policy and regulatory approved investment criteria. Credit risk is further mitigated through in-depth and ongoing training of loans personnel and independent adjudication of larger, potentially higher risk loan applications and regular monitoring and reporting.

The Credit Union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to Management directly and the Board of Directors through the ARCO.

LIQUIDITY RISK ←

Liquidity risk is the risk of having insufficient cash resources or equivalents to meet demand for loans or depletion of deposits. Liquidity risk arises from general funding activities and through managing assets and liabilities. The Credit Union's liquidity risk management strategies seek to maintain sufficient liquid resources to continually fund our balance sheet commitments and to ensure we can meet the day to day cash needs and growing loan demands of our members.

Liquidity risk management requirements are defined by policies and regulatory standards and limits. The ALCO and the Corporate Finance team oversee liquidity risk exposure and management.

Cornerstone's liquidity risk management framework operates under approved policies and processes. We monitor actual and anticipated inflows and outflows of funds daily. We assess the adequacy of liquidity using potential outflow modeling and stress testing and report results to management monthly and to the Board of Directors quarterly through the ARCO. We hold a portfolio of liquid assets and have established borrowing facilities with SaskCentral. We also research, make recommendations, and acquire alternative sources of funding when appropriate.

MARKET RISK ←

Market risk is the risk that financial position or earnings will be adversely affected by changes in market conditions such as interest and foreign exchange rates. Cornerstone's market risk arises primarily from movements in interest rates.

The Credit Union employs comprehensive management processes around our market exposures and risk-taking activities. We have defined policy around numerous risk measures which we actively monitor and upon which

we regularly report to the ALCO, the ARCO, the Board of Directors and system regulators. We employ dynamic modeling and income simulation for scenario and stress testing based on changes in interest rates. We implement mitigation strategies, including the use of interest rate swaps, where and when deemed necessary to strategically manage risks.

STRATEGIC RISK ←

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, product obsolescence or resource allocation will impede the ability of the Credit Union to meet its business objectives. The Credit Union has formal planning processes which result in a strategic business plan and a balanced scorecard that focus on strategic objectives. The Credit Union also uses a comprehensive reporting process to monitor performance relative to plans.

OPERATIONAL RISK ←

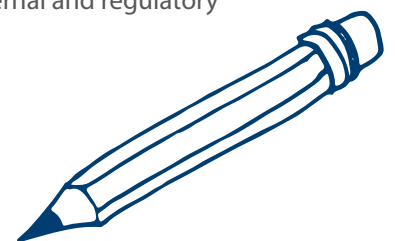
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposure to this risk arises from deficiencies in internal controls or employee integrity, technology failures, human error or natural disasters.

Operational risk is managed through the use of policies and procedures, controls and monitoring. The Credit Union mitigates operational risk through internal audit programs, business continuity planning, appropriate insurance coverage and secure technology solutions.

LEGAL AND REGULATORY RISK ←

Legal and regulatory risk is the risk of loss arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards.

Cornerstone Credit Union operates in a heavily regulated environment. Our structure, policies, and procedures aid us in complying with laws and regulations. Compliance managers are in place to manage and report on compliance on a regular basis. We also undergo regular review by internal, external and regulatory audit.



SUMMARY ← - - - -

As we reflect on 2019, it was a challenging year and we are proud of the accomplishments of Cornerstone Credit Union. While our primary focus is on serving the changing needs of our members, the reality is the economic and business conditions we face have an impact to the performance of our Credit Union. Despite the challenges encountered throughout the past year, we achieved success by growing our organization, expanding the advice and service delivery to our members, improving technology and finding efficiencies that could be reinvested back into our organization for the benefit of our members. We continue our commitment to grow and evolve our organization for the benefit of all stakeholders of Cornerstone Credit Union.

Thank you to our Board of Directors and employees for your continued dedication and commitment to our credit union over the past year. And to our members, we thank you for continued support. We are proud to be your credit union and look forward to serving your needs in the future.



Credit Union Market Code

Cornerstone Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- ✓ Complaint handling, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of Cornerstone Credit Union.
- ✓ Fair sales by outlining the roles and relationship of staff to all members/clients and in accordance with the financial services agreement.
- ✓ Financial planning process to advise members/clients on the risks and benefits associated with financial planning services.
- ✓ Privacy to protect the interests of those who do business with Cornerstone Credit Union. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- ✓ Professional standards to preserve a positive image of Cornerstone Credit Union among our members, clients and communities.
- ✓ Capital management to ensure our capital structure aligns with our risk philosophy.
- ✓ Financial reporting to adhere to business and industry standards.
- ✓ Governance practices to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of Cornerstone Credit Union.
- ✓ Risk management to ensure all risks are measured and managed in an acceptable fashion.



Co-operative Principles

As a true co-operative financial institution, Cornerstone Credit Union acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with

the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or “PRFIs”. The Corporation is mandated through provincial legislation, The Credit Union Act, 1998 and The Credit Union Central of Saskatchewan Act, 2016 in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

For more information about the Corporation’s regulatory and deposit protection responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation’s web site at www.cudgc.sk.ca.



Summarized Financial Statements

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Cornerstone Credit Union Financial Group Limited:

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2019, and the summary consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Cornerstone Credit Union Financial Group Limited (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements, in accordance with the basis described in the Note.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 18, 2020.

Management's Responsibility for the Summary Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Saskatoon, Saskatchewan

February 18, 2020

MNP LLP

Chartered Professional Accountants



Full financial statements can be obtained upon request from any branch of Cornerstone Credit Union or by visiting cornerstonecu.com

Summary consolidated statement of financial position

Cornerstone Credit Union Financial Group Limited
Summary consolidated statement of financial position

As at December 31 (\$ thousands)	2019	2018
Assets		
Cash and cash equivalents	30,642	29,600
Investments	137,735	168,973
Member loans receivable	882,044	822,664
Other assets	5,055	4,264
Property, plant and equipment	12,320	13,245
Intangible assets	274	436
	1,068,070	1,039,182
Liabilities		
Line of Credit	2,123	-
Member deposits	958,511	927,168
Securitization debt	3,056	7,396
Other liabilities	4,122	8,242
Membership shares	4,978	6,690
	972,790	949,496
Members' equity		
Retained earnings	92,901	87,307
Contributed surplus	2,379	2,379
	95,280	89,686
	1,068,070	1,039,182

A full set of audited consolidated financial statements is available from the Credit Union.

Summary consolidated statement of comprehensive income

Cornerstone Credit Union Financial Group Limited Summary consolidated statement of comprehensive income

Year Ended December 31 (\$ thousands)	2019	2018
Interest income	42,857	42,033
Interest expense	13,639	11,014
Gross financial margin	29,218	31,019
Provision for impaired loans	1,396	1,928
Net financial margin	27,822	29,091
Other income	6,080	6,419
Net interest and other income	33,902	35,510
Operating expenses	26,850	27,082
Income before income taxes	7,052	8,428
Provision for income taxes	1,458	1,479
Comprehensive income	5,594	6,949

A full set of audited consolidated financial statements is available from the Credit Union.

Summary consolidated statement of changes in members' equity

Cornerstone Credit Union Financial Group Limited Summary consolidated statement of changes in members' equity

Year Ended December 31 (\$ thousands)

	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance December 31, 2017	79,646	2,379	(956)	81,069
Comprehensive income	6,949	-	-	6,949
IFRS 9 transition adjustments	712	-	956	1,668
Balance December 31, 2018	87,307	2,379	-	89,686
Comprehensive income	5,594	-	-	5,594
Balance December 31, 2019	92,901	2,379	-	95,280

A full set of audited consolidated financial statements is available from the Credit Union.

Summary consolidated statement of cash flows

Cornerstone Credit Union Financial Group Limited Summary consolidated statement of cash flows

Year Ended December 31 (\$ thousands)	2019	2018
Cash flows provided by (used for) the following activities:		
Operating activities	5,125	11,396
Financing activities	23,968	26,824
Investing activities	(30,174)	(16,343)
Increase (decrease) in cash resources	(1,081)	21,877
Cash resources, beginning of year	29,600	7,723
Cash resources, end of year	28,519	29,600

A full set of audited consolidated financial statements is available from the Credit Union.

Note to the summary consolidated financial statements

Cornerstone Credit Union Financial Group Limited Note to the summary consolidated financial statements *For the Year Ended December 31, 2019*

Basis of the summary consolidated financial statements:

Management has prepared the summary consolidated financial statements from the December 31, 2019 audited consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards (IFRS). The audited consolidated financial statements can be obtained at the Cornerstone Credit Union Financial Group Limited branches or online at www.cornerstonecu.com. The detailed notes included in the audited consolidated financial statements are not included in these summary consolidated financial statements.

The criteria developed by management for the preparation of the summary consolidated financial statements is as follows: that the information included in the summary consolidated financial statements is in agreement with the related information in the complete consolidated financial statements, and that the summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete consolidated financial statements, including the notes thereto, in all material respects.

A full set of audited consolidated financial statements is available from the Credit Union.

