

# ANNUAL REPORT 2022



## TABLE OF CONTENTS

|           |                                     |
|-----------|-------------------------------------|
| <b>3</b>  | Message from the President          |
| <b>4</b>  | Message from the CEO                |
| <b>6</b>  | Purpose, Vision and Values          |
| <b>8</b>  | Cornerstone Credit Union Highlights |
| <b>10</b> | Corporate Structure and Governance  |
| <b>14</b> | Executive Management                |
| <b>16</b> | Management Discussion and Analysis  |
| <b>19</b> | 2022 Performance Measurement        |
| <b>20</b> | 2022 Financial Performance Review   |
| <b>26</b> | Enterprise Risk Management          |
| <b>29</b> | Co-operative Principles             |
| <b>31</b> | Summarized Financial Statements     |

## MESSAGE FROM THE PRESIDENT



On behalf of the Board of Directors, I would like to thank everyone at Cornerstone for the success of 2022. We appreciate the support of members and the work of our employees to have a Credit Union we are all proud of. In addition, I would personally like to convey my appreciation to the Board of Directors for the guidance and vision you have provided to place Cornerstone in a position to be successful in the future.

The last year provided a unique event and a series of challenges for Cornerstone. Just when we had all hoped to see the pandemic come to an end, our organization would experience a first-time event for the Board and many of our employees. We are grateful to the employees for all the long hours and commitment put into managing the cyber incident in June. The impact to members and to our organization was as minimal as possible and resulted in a best-case outcome. We came out of the incident having a better understanding of our information technology environment and a wealth of learnings for the future.

We truly appreciate the members' patience and support throughout as we worked behind the scenes to restore services to members. As a member-owned credit union, you are the reason Cornerstone exists. Such an experience brought focus to the Board to continue what is in the best interest of all our members. The Board is aware that as an organization we need to continue to evolve, change and adapt to what the members need and protect the members' interests in Cornerstone Credit Union.

Despite this challenge, 2022 was a very successful year for Cornerstone as it was a record year in terms of financial performance. On behalf of the Board, I am extremely pleased with the accomplishments and leadership provided from Cornerstone this past year.

Throughout 2022, our focus was and continues to be helping our members, employees, and communities navigate the continued unprecedented challenges of Covid, supply management and technology. The Board has the responsibility to protect you, the members, and the sustainability of Cornerstone. We look forward to many years of continued success for Cornerstone Credit Union.

**Heidi Schofer**  
**Board President**

Contact our Board at [contacttheboard@cornerstonecu.com](mailto:contacttheboard@cornerstonecu.com)

## MESSAGE FROM THE CEO



We are once again proud to provide you, our member-owners, this report highlighting results from the past year at your credit union. 2022 was, once again, extremely busy for everyone at Cornerstone as we continued with our two-year amalgamation plan to unify three legacy credit unions into one. We've continued to evolve all areas of your credit union to keep pace with a fast-changing financial services industry and to respond to significant economic disruption.

At the beginning of 2022 we announced a very challenging but necessary decision to reduce from 23 to 15 branch locations. While that represented over 30% of our locations, it impacted approximately 10% of our members and employees. We appreciated the members and employees who came out to the membership meetings held in the impacted communities and thank the members for your support and understanding as we transitioned your business to another location. These changes have helped strengthen our credit union and allowed us to make important investments to meet the needs and expectations of all members. Despite these changes, Cornerstone continues to maintain the strongest branch presence throughout eastern Saskatchewan amongst any of our competitors.

Like many other Canadian businesses, Cornerstone was impacted by a cybersecurity incident in 2022. Our response was swift and effective in protecting members. We issued a member communication at the completion of our investigation. That information is on page 28 of this report. I want to thank our incredible Cornerstone Crew for their efforts to minimize member impact during that time and I want to assure members the protection of your privacy and information is of the upmost importance to us.

Despite some challenges, Cornerstone enjoyed a very successful year financially. While there were many important activities responsible for this, I would like to highlight a very significant and unique contributor to this success. Through our jointly owned provincial central agency SaskCentral, Saskatchewan credit unions were 84% owners of Concentra Bank "Concentra". To mitigate concentration risk of this investment, SaskCentral initiated the sale of Concentra that officially closed on November 1, 2022. Cornerstone's portion of the 2022 dividends declared from this transaction amounted to \$19.5 million, contributing to the most profitable year in our history. This additional capital positions Cornerstone well to navigate through the ongoing economic disruption and rising cost environment. Given this sale was finalized late in 2022, our management team will be working with the Board of Directors throughout 2023 to set guiding principles for how best to invest this capital in the coming years. A primary principle will be to align any investment with our vision to use our profits to improve the well-being of the members, employees, and communities we serve.

As said, the world continues to experience significant events impacting society and the economy. The lingering supply chain issues from the pandemic and Russia's invasion of Ukraine, have caused inflationary pressure on everything you buy and resulted in a significant increase to interest rates over this past year. The well-being of our members, particularly your financial well-being is at the heart of everything we do at Cornerstone, and we know these issues have impacted many of our members. We are committed to supporting your financial well-being through value added, needs based advice and solutions.

Our new digital banking system continued to evolve in 2022 and despite lots of positive feedback, we know there is still work to do to meet member expectations. With over 80% of transactions done digitally we intend to continue to invest in this critical delivery channel for our members. Cornerstone is well positioned going forward for this investment. Now that most of our merger and right sizing activities are complete, our 2023 plan can focus even more on enhancing both the member and employee experience.

I want to thank our Board of Directors for your continued leadership and guidance. To our employees, the "Cornerstone Crew", thank you for your incredible efforts over this past year and for your continued dedication to our members. I am extremely proud of the teamwork we have at Cornerstone.

To our members, thank you for supporting your credit union. Again, you are at the heart of everything we do, you are the reason we come to work every day. We recognize that rising interest rates and inflation have contributed to more uncertainty for many of you. We are committed to fulfill our purpose to support you through these times and to help you achieve success in life and business!

I am excited to work with all our stakeholders towards continued success at Cornerstone.

**Doug Jones**  
CEO

# WHAT MATTERS TO YOU

# MATTERS HERE



## OUR PURPOSE

To empower you to succeed in life and business.

## OUR VISION

We strive to use our profits to improve the financial well-being of the members, employees and communities we serve.

## 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.



# COMMUNITY INVESTMENT

## MEMBER-OWNED. COMMUNITY-DRIVEN.



# CORNERSTONE CREDIT UNION HIGHLIGHTS

**4th**

Largest credit union in Saskatchewan

**\$2.3<sup>OVER</sup>**

Billion in managed assets

**OVER 37,000**

Members

**271**

Employees helping you to achieve financial success

**80yrs**

Member-owned. Community driven since 1941

## MEMBER OWNED. COMMUNITY DRIVEN

Our members always come first, and our communities are a close second. So, more than giving back, we aim to help our communities grow. We show that we care by supporting events, not-for-profits, charities, groups and projects, and by being actively involved in our communities through volunteer work.



**OVER \$255,000**

invested back into the communities we serve.

## 7,400 Volunteer Hours

Our employees invested over 7,400 hours (*almost double from 2021!*) of their own personal time back into the communities we serve PLUS countless hours of corporate time volunteering in the community (*that's how important it is for us!*)

## REACH OUT. WE'LL BE THERE

Open evenings and Saturdays, our Contact Centre Advisors are here to help you with your needs that go beyond just basic banking. So give us a call – we're here to help.

## 85,000 CALLS

Our Contact Centre supported over 85,000 calls in 2022 PLUS many emails, chats and voicemails.

## OUR ROOTS ARE CLOSE TO YOURS.

We are proud of our agricultural roots and have solutions available to support your growing world. Let's cultivate ideas to help you grow.



## YOU ARE OUR CORNERSTONE

The advice and solutions we offer are tailored to your goals and needs because you're our most important stakeholder.



# CORNERSTONE CREDIT UNION HIGHLIGHTS

We put our  
**MEMBERS FIRST**

**BANK YOUR WAY  
ANYTIME. ANYWHERE.**

We have ways to bank that will fit you just right – whether that’s in person, online, through our app, or over the phone. We’ve got you covered.



**DEPOSITS FULLY  
GUARANTEED**

With 100% guaranteed deposits, not only is your money always protected, it also stays in your community.

**HERE FOR YOU THROUGH EVERY MILESTONE**

From your first bank account, to saving for school, to your mortgage, and into retirement – our advice and solutions carry you through your entire financial life.

We promise to listen to your wants and needs and always do our best to offer solutions that work no matter how big or small your goal may be.



**FOR EVERY STAGE OF LIFE'S JOURNEY**

Thrive Wealth Management, our wealth management partner, is a Saskatchewan, credit union-owned company that provides you with realistic advice. Thrive helps you focus on your future goals and tailored solutions that are unique to your personal situation. The Thrive team can help you with wealth and complex planning, such as:

- Investment and Retirement Planning
- Estate and Legacy Planning
- Farm and Business Succession Planning



**Saskatchewan's  
Top Employer**

For the sixth consecutive year Cornerstone has been named one of Saskatchewan's Top Employers. While this is another feather in our hat, we strive to always be a great place to work, so we can do better work for our members.

**The Best of  
the Best!**

Canadian credit unions continue to be number one in customer service, according to the 2022 Ipsos Financial Service Excellence Awards. Credit unions were also winners in *Financial Planning and Advice*, *Branch Service Excellence*, *Online Banking Excellence*, *Live Agent Telephone Banking Excellence*, and *Values My Business*.

## CORPORATE STRUCTURE & GOVERNANCE

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

### MEET OUR BOARD



Heidi Schofer



Nicole Campbell



Cheryl Denesowych



Leanne Huvenaars



Sue Kearns



James Knudson



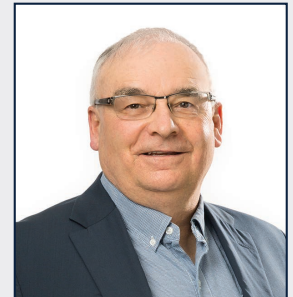
Shelby Larose



Robert Ross



Edie Tarasoff



Tim Taylor



Blair Van Caesele



Lyle Weichel

#### IN MEMORY - Jack Powell

Jack was a devoted director of Cornerstone Credit Union's board for 25 years. He was a passionate director and he was very proud to have reached this milestone on the board. Jack stepped down before the end of his term due to illness and passed away in 2022.

Cornerstone shares in the loss of Jack with his wife Carrie, sisters, children, grandchildren, extended family and many close friends.



# BOARD OF DIRECTORS

## 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, executive 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 - Credit Union Deposit Guarantee Corporation (CUDGC).

## BOARD OF DIRECTORS

The Board of Directors of Cornerstone are 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*; Cornerstone 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 the Board's needs and the needs of the Credit Union for sound operations.

The key roles of the Board include formulation of strategic plans; setting goals, evaluating the performance of the CEO; approving corporate vision, purpose, and values; monitoring corporate performance against strategic 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. The Board met six times in 2022.

The Board for Cornerstone Credit Union is comprised of twelve members, with regional representation through three districts.

### DISTRICT 1 - TISDALE, ROSE VALLEY, WYNYARD, KELLIHER, ITUNA, YORKTON

- James Knudson** - Vice Chair; Chair - People & Governance
- Robert Ross**
- Leanne Huvenaars**
- Edie Tarasoff** - Chair - Conduct Review
- Nicole Campbell**
- Cheryl Denesowych**

### DISTRICT 2 - EMERALD PARK, INDIAN HEAD, KIPLING, MONTMARTRE, VIBANK, ARCOLA

- Shelby LaRose**
- Sue Kearns**
- Lyle Weichel** - Chair - Risk

### DISTRICT 3 - GRENFELL, MELVILLE, WOLSELEY

- Blair Van Caesele** - Chair - Finance & Audit
- Heidi Schofer** - Board Chair & President
- Tim Taylor**

## EVALUATION

The Board of Directors conducts an evaluation bi-annually to assess the effectiveness of board operations. A formal evaluation was conducted in 2022, by Andres Consulting.

## DIRECTOR TRAINING

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 provide training and understanding of both broad and technical issues. 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

### Finance & Audit Committee

The Finance & Audit Committee ensures 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 regulatory requirements. The committee seeks assurance that management has implemented appropriate internal control procedures, and procedures are maintained, reviewed, evaluated, and approved. The Finance & Audit Committee met four times in 2022.

### Risk Committee

The Risk Committee is responsible to ensure that the Credit Union's enterprise risk management framework and risk appetite is appropriate to optimize liquidity, market, credit, legal and regulatory, operational, and strategic risk for the protection and creation of shareholder value. The committee reviews management's assessment of material risks associated with the Credit Union's businesses and operations and reviews the implementation by management of systems

to manage these risks. The Risk Committee met four times in 2022.

### People & Governance Committee

The People & Governance Committee is established to support the Board of Directors in providing effective oversight of critical people management practices and strategies, ensuring an appropriate governance system is in place and that governance practices evolve with the needs of the Credit Union. The People & Governance Committee met four times in 2022.

### Conduct Review Committee

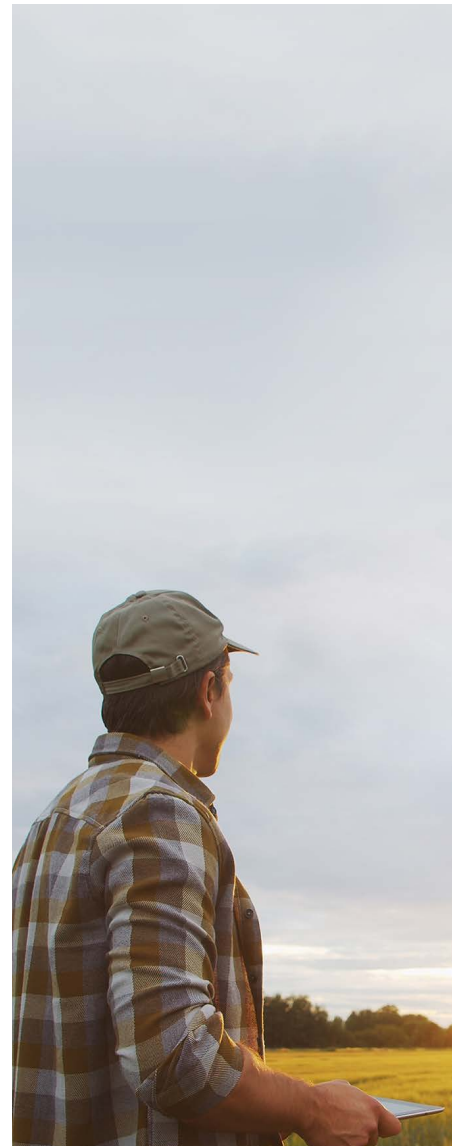
The Conduct Review Committee is established to ensure that all proposed related party transactions with the Credit Union are fair to the Credit Union and that the related party relationship has not affected the exercise of best judgment of the Credit Union. The Conduct Review Committee met twice in 2022.

| DIRECTOR  | BOARD MEETINGS | COMMITTEE MEETINGS |
|---|----------------|--------------------|
| Bonnie Biden <i>(Retired in April)</i>            | 1 of 1 (100%)  | 1 of 1 (100%)      |
| Nicole Campbell                                   | 5 of 5 (100%)  | 4 of 4 (100%)      |
| Cheryl Denesowych <i>(Appointed in September)</i> | 1 of 1 (100%)  | 1 of 1 (100%)      |
| Leanne Huvenaars                                  | 4 of 5 (80%)   | 5 of 5 (100%)      |
| Sue Kearns <i>(Elected in April)</i>              | 4 of 4 (100%)  | 4 of 4 (100%)      |
| James Knudson                                     | 4 of 5 (80%)   | 6 of 6 (100%)      |
| Shelby LaRose                                     | 5 of 5 (100%)  | 5 of 5 (100%)      |
| Larry Malinowski <i>(Retired in April)</i>        | 1 of 1 (100%)  | 1 of 1 (100%)      |
| Jack Powell <i>(Stepped down in September)</i>    | 4 of 4 (100%)  | 3 of 3 (100%)      |
| Robert Ross <i>(Elected in April)</i>             | 3 of 4 (75%)   | 3 of 4 (75%)       |
| Heidi Schofer                                     | 5 of 5 (100%)  | 14 of 14 (100%)    |
| Edie Tarasoff                                     | 5 of 5 (100%)  | 6 of 6 (100%)      |
| Tim Taylor  | 4 of 5 (80%)   | 4 of 4 (100%)      |
| Blair Van Caesele                                 | 5 of 5 (100%)  | 4 of 4 (100%)      |
| Lyle Weichel                                      | 4 of 5 (80%)   | 4 of 4 (100%)      |

# WE BELIEVE IN LONG-TERM RELATIONSHIPS.

Whether you're just starting to plan and save, or counting down the days, our team of advisors can offer you advice, solutions, and services to make the most of your post-work years.

## GO STEADY WITH US.



## EXECUTIVE MANAGEMENT

Cornerstone Credit Union has an experienced executive management team that is 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. This team reports performance in key areas to the Board of Directors on a regular basis.



**Doug Jones**  
Chief Executive Officer



**Jodi Chambers**  
Chief Strategy & Innovation Officer



**Leigh Dunn**  
Chief Risk Officer

Cornerstone Credit Union has two 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 actualization of the balance sheet with the goal of optimizing the use of capital to ensure both the short and long-term health of the Credit Union. In managing these responsibilities, ALCO will consider the risk environment in which the Credit Union operates and recommend strategies to ensure Cornerstone effectively manages within its risk tolerances, especially in the areas of balance sheet mix, interest rate risk (IRR), liquidity risk and capital adequacy.

The **Enterprise Risk Management Committee (ERMCO)** is comprised of executive management, and senior management of Cornerstone. ERMCO assesses and reviews risk appetite in context to the desired risk culture and implements appropriate changes to operational policies and procedures consistent with the intent of the Board of Directors. This process ensures that risks encountered are properly identified, measured, monitored, and reported to the Board of Directors. ERMCO is responsible for monitoring the internal and external environments to ensure that the Credit Union's exposure to risk is understood and minimized if required. Cornerstone is not only exposed to risks it knowingly accepts, it must also be prepared to respond to unforeseen risks as they emerge, while focusing on optimizing returns within acceptable risk levels.



**Bryan Furber**  
Chief Financial Officer



**Corvyn Neufeld**  
Chief People &  
Governance Officer



**Murray Yeadon**  
Chief Operations &  
Member Experience Officer

## MANAGEMENT DISCUSSION AND ANALYSIS FOR 2022

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, 2022, 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, 2022 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). In some cases, 2020 and 2019 prior year comparatives have been derived by management's internal consolidation of the three individual entities' results in order to provide more relevant information. When this is the case, it will be clearly indicated throughout the document. 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.

The jury is still out on whether Canada will experience a recession in 2023, but it is almost certain that there will be a slowdown as the lagging impacts of COVID-19 and the Russia Ukraine war work their way through the economy. Two of the biggest challenges that businesses will face in the future are the labour shortages which will continue to impact wages and balancing supply with demand. Although businesses have gotten creative in overcoming bottlenecks and diversifying supply chains, it is a constant process to adapt to constantly changing demand levels.

The Bank of Canada was aggressive with their rate hikes in 2022 (a total increase of 4.25% between March 2022 and January 2023) in an attempt to combat inflation, but it is expected that they will sit back in 2023 with rates remaining flat throughout the remainder of year before starting to decline in 2024. This, in addition to soaring energy and food prices, will place pressure on borrower's household income next year. However there is still a high level of household savings in Canada and we experienced high commodity prices in 2022 which has contributed to

the resiliency that we are seeing in Canada's economy and may help to insulate Saskatchewan from some of the impact from the anticipated economic downturn.

Canada's inflation rate fell to 6.3% in December 2022 and the Bank of Canada feels their approach to increasing interest rates will curb inflation to 3% by the middle of 2023 with a goal of reducing it to their target of 2% by 2024. In terms of growth, Canada's GDP (gross domestic product) is expected to drop to between 1% and 1.5% as opposed to the world GDP projection of 2.9%. However, Saskatchewan may be able to outperform the rest of Canada as we are on track to expand our provincial economy by supplying resources that are currently limited by the Russia Ukraine war. Our manufacturing, mining and oil, and agricultural industries are booming, however, we do hold higher than average household debt levels than many other provinces, so we may be more sensitive to the rate hikes which will eventually filter into our provincial economy.

With unprecedented revenues recorded in 2022 (due to a number of factors that will be discussed in the financial performance section), Cornerstone is extremely well capitalized. As always, we are actively monitoring and managing our interest rate risk, liquidity risk, and controlling operating costs in these times of great uncertainty. We feel that we are well positioned to weather a short-term downturn in the economy and will be undergoing a comprehensive review of capital investment in 2023 to help set us up to be a stronger, member focused organization in the future.



## 2022 OPERATIONAL REVIEW

Cornerstone Credit Union is a full-service financial institution that is owned and led by you, our members. The advice and solutions we offer are driven by your goals and needs because you are our most important stakeholder. It's the reason our doors opened over 80 years ago, and why more than 37,000 people continue to choose us today.

Cornerstone is strategically focused on improving the lives of our members. Our purpose is to empower you to succeed in life and business. Our vision is to use our profits to improve the financial well-being of the members, employees, and communities we serve. 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.

Being a member-owned institution means we take pride in putting our members first. We remain committed to continuing to evolve and enhance the member experience. 2022 marked the end of our 2-year merger implementation journey with our primary focus and commitment of better serving our members. We continued to see many benefits for members, employees, and communities. Having a larger asset base allows us to be more competitive on our pricing for products and services, provide more opportunities for our employees, we are better positioned to weather the storm during economic downturns, and have the ability to invest in the necessary technology to remain competitive in today's market.

The shift from members performing transactions in-branch to using digital channels, along with changing expectations towards value-added advice, forces us to regularly review the way we deliver service. In 2022, Cornerstone made the difficult decision to reduce from 23 to 15 branches. These decisions are not something we take lightly. Member information meetings were held in each community, and we spent a considerable amount of time working with impacted members to ensure a seamless transition to the new service paradigm. While we have reduced the number of physical branches, we remain committed to supporting our members and these communities. Banking is changing and as the landscape continues to change, we must adapt our service model to remain competitive and sustainable into the future.

Members' needs are constantly changing. Members are looking for more convenient ways to bank and receive proactive advice. We continue to evolve and enhance our digital banking platform. In 2022, our mobile app was updated with a simplified design to improve member experience where members can view all their accounts upon sign in and perform most-common transactions in a few taps. We continue to evolve our advice and service delivery model to strengthen relationships with members through implementing new or

simpler processes to enhance the member experience.

Included in our offerings is our partner, Thrive Wealth Management (Thrive). Thrive is a local, credit union-owned company, that gives members access to a team of dedicated experts for all their wealth and complex services including investment and retirement planning, estate and legacy planning, farm and business succession planning, and wealth protection. Thrive shares the values of the Credit Union while providing the professional expertise you deserve. They provide realistic advice, with a focus on your future goals and tailor solutions that are unique to your personal situation.

Our members always come first, and our communities are important too. So, more than giving back, we aim to help our communities grow. By choosing to bank with Cornerstone you're also choosing to give back and support the community and causes that matter to you. We take pride in contributing to the betterment of our communities through donations, sponsorships, and volunteering. Cornerstone invested over \$255,000 back into our communities in 2022 by supporting local events, groups, and organizations. This included our Project Cornerstone Program funding \$75,000 – a new single-year high. During the past year, many community groups, events, and initiatives were focused on getting back on their feet again following the pandemic, and Cornerstone was glad to do our part to assist!

Community involvement is rooted in our organization and culture. Our employees showed their commitment to our communities by volunteering over 7,400 hours of their personal time – almost double the amount of volunteer hours in 2021. In addition, employees volunteered countless hours of corporate time locally as well.

Showing leadership in our communities is a priority for us, and that includes showing leadership as a local employer. Our employees are our greatest asset. 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 2022. Saskatchewan's Top Employer is a special designation that recognizes Saskatchewan employers that lead their industries in offering exceptional places to work. This is the sixth consecutive year, and seventh time Cornerstone has received this designation. 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.

## 2022 OPERATIONAL REVIEW (Cont.)

Financially, Cornerstone had a very successful year and one of the best financial years in history. While there were many internal tactics that contributed such as branch restructure, strong loan growth, and effective expense management, we were materially impacted by the sale of Concentra Bank which was a significant financial contribution to Saskatchewan credit unions. From that sale, Cornerstone received a \$19.5 million dividend from SaskCentral representing our share of the Concentra sale proceeds. This had a direct impact on profitability and ultimately strengthens our capital position. This positions us well for the future, as with surplus capital, we can continue to make the strategic investments required to remain competitive and relevant to our members well into the future.

Although there was much success for our Credit Union in 2022, it did not come without challenges. Like many other Canadian businesses, Cornerstone Credit Union was impacted by a cybersecurity incident. On June 8, 2022, a managed services provider that offers a range of information technology and related services to Cornerstone was impacted by a cybersecurity incident. The provider took immediate action to block the incident and to assess what information may have been compromised.

Out of an abundance of caution, Cornerstone also launched an investigation into the incident. The investigation confirmed that key systems to access member accounts,

such as our core banking system and digital banking, as well as communication systems such as email, were unaffected. The investigation also determined that there was no evidence that any personal information was misused as a result of the incident. We have implemented additional security measures since the incident and continue our commitment to the privacy and security of all members to further protect your information. We are profoundly grateful for the understanding shown by our members. We thank you for your trust and support.

While 2022 was a successful year for Cornerstone Credit Union, we know there are challenges ahead. 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 a potential recession are issues we continue to face. We will continue to focus on controlling operating costs and finding efficiencies – so we can reinvest in other areas of our organization for the benefit of our members. Cornerstone has a strategic focus to continue to evolve our business model to remain competitive. We feel that we are well positioned to weather a short-term downturn in the economy and will continue to invest in technology, expertise, along with competitive solutions to provide additional value to our members. Our goal is to position ourselves to be a stronger, member focused organization in the future.



# 2022 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 pillars: Knowledgeable & Engaged People; MemberFirst Experience & Expertise; Financially Sustainable; Digitally Focused and Enterprise Risk Management.

## 2022 BALANCED SCORECARD

| Strategic Pillars                  | Strategic Themes                                     | Performance Measures  | Goal               | Results     |
|------------------------------------|--|---|--------------------|-------------|
| Knowledgeable & Engaged People     | Positive Employee Experience & Improved Productivity | • Cornerstone culture (1-5 employee survey)                         | 3.75               | 3.54        |
|                                    |  | • Employee experience (1-5 employee survey)                         | 3.75               | 4.00        |
|                                    |  | • Productivity - Revenue per FTE                                    | Industry Benchmark | Stretch     |
|                                    |  | • Productivity – Loans + deposits per employee                      | \$10.9M            | \$11.77M    |
| MemberFirst Experience & Expertise | Empowers Members to Succeed                          | • Wallet Share - % of members with a wealth management relationship | 10.00%             | 9.60%       |
|                                    |  | • Loan growth   | 5.68%              | 6.62%       |
|                                    |  | • Overall member satisfaction (member survey 1-10)                  | 7.00               | 7.62        |
|                                    |  | • Member Advice - Impact on financial well-being                    | 42.00%             | 5.45%       |
|                                    |  | • Member Advice - Short and long-term plans                         | 48.00%             | 13.63%      |
| Financially Sustainable            | Stability of Capital                                 | • Profitability - Return on Average Assets                          | 0.40%              | 1.76%       |
|                                    |  | • Non-interest Expenses   | 2.25%              | 2.17%       |
|                                    |  | • Total Capital to Risk Weighted Assets                             | 14.89%             | 15.93%      |
| Digitally Focused                  | Effective Alignment and Integration                  | • Data & analytics  | Subjective         | Achieve     |
|                                    |  | • Customer relationship management (CRM)                            | Subjective         | Stretch     |
|                                    |  | • Enterprise content management (ECM)                               | Subjective         | Outstanding |
| Enterprise Risk Management         | Acceptable Risk Tolerance                            | • Delinquency   | 2.00%              | 0.66%       |
|                                    |  | • Audit results & risk monitor performance                          | Satisfactory       | Achieve     |
|                                    |  | • Risk performance  | Subjective         | Stretch     |

# 2022 Financial Performance Review

## GROWTH

Cornerstone Credit Union ended December 31, 2022 with on book assets of \$1.91 billion compared to \$1.85 billion in 2021, representing growth of 3.24%.

Total assets under administration by the Credit Union at December 31, 2022 were approximately \$2.29 billion, up from the prior year total of \$2.26 billion, representing annual growth of approximately 1.61%. This includes on book assets, wealth management assets and interest rate swaps. Off book wealth management assets totaled approximately \$371.23 million which represents a decline of 5.93% from prior year balance of \$394.61 million (these totals include Q-Trade assets for Cornerstone members that were not previously reported in 2021). The notional value of interest rate swaps remained at \$15 million in 2022 as no swaps

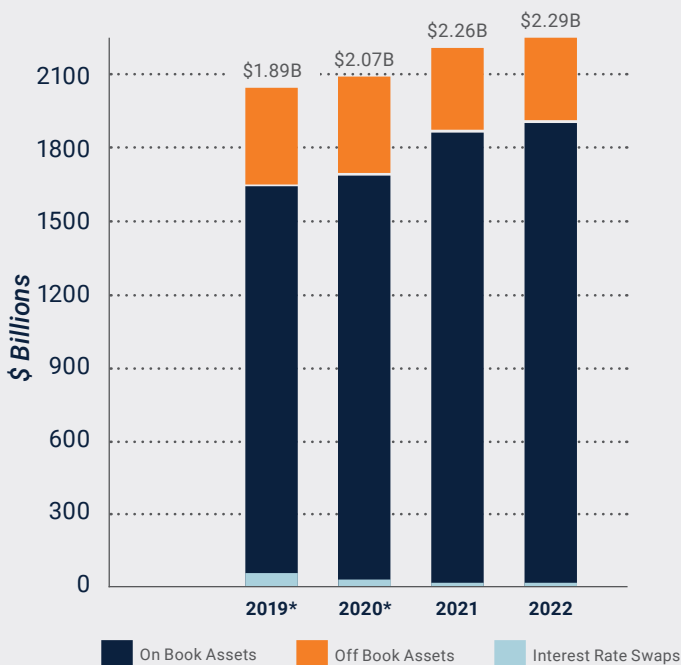
matured or were purchased during the year. As part of its interest rate risk management processes, Cornerstone routinely considers when and if additional swaps should be added.

## DEPOSIT GROWTH

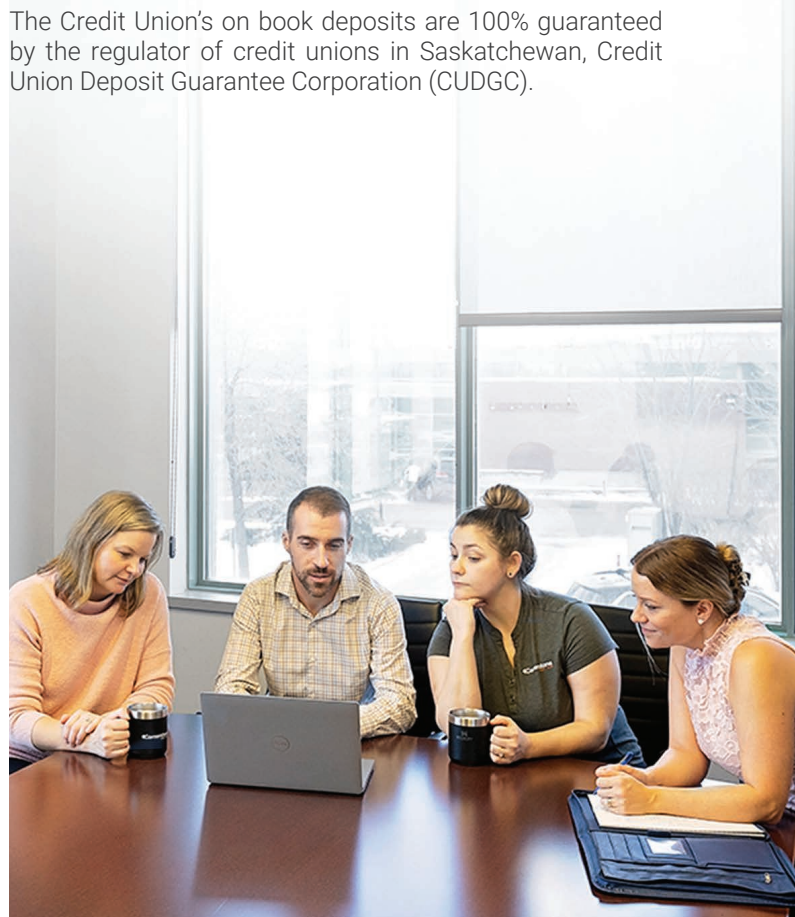
The Credit Union's liabilities consist primarily of member deposits. Deposits totaled \$1.71 billion at December 31, 2022, an increase of approximately \$26.49 million from prior year. As anticipated, deposit growth waned in 2022 coming in at a modest 1.46% when compared to prior year growth of 5.56%. Contrary to 2021, with the rise in interest rates, member behavior has shifted the growth to term deposits which will increase our cost of funds causing a negative impact on interest margin into the future.

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

### Asset Growth



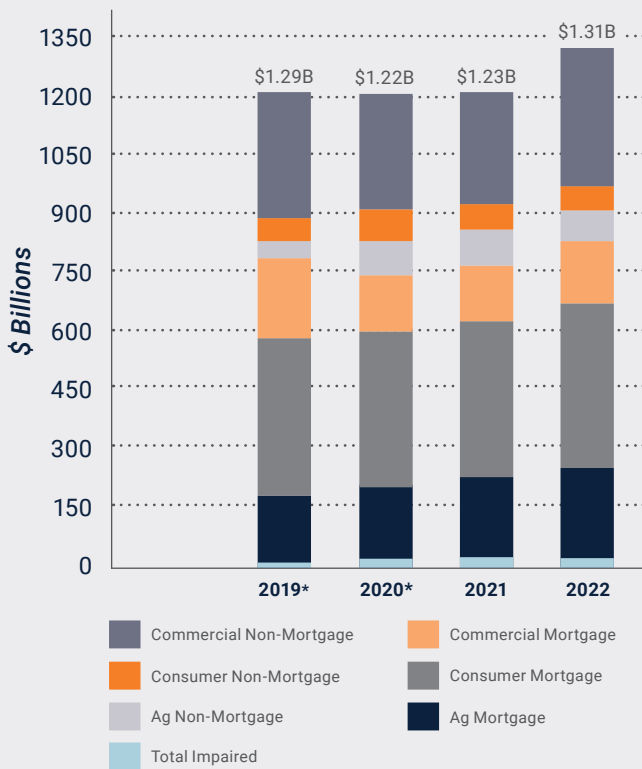
\* Historical results are based on consolidated numbers by management for all three legacy credit unions.



## LOAN GROWTH

Accounting for just over 68% of total on book assets, loans amounted to \$1.31 billion at December 31, 2022, an increase of \$77.11 million or approximately 6.26% over 2021. The following illustrations show the breakdown of our internally consolidated total performing and non-performing loan portfolio by sector.

### Consolidated Loans by Sector



\* Historical results are based on consolidated numbers by management for all three legacy credit unions.

## INVESTMENTS

Investments totaled \$487.14 million at December 31, 2022, a decrease of \$25.46 million or 4.97% from 2021. The decrease in investment balance is a result of loan growth outpacing deposit growth in 2022 which was a deliberate tactic to improve net interest margin. The majority of the Credit Union’s investments are held with SaskCentral or Centra Bank (now a wholly owned subsidiary of EQ Bank). However we have been diversifying our investment portfolio by placing more investments into other highly rated financial institutions through deposit brokers in order to increase margin and manage our concentration limits. Credit unions are required by CUDGC to maintain an amount equal to 10% of their member deposit liabilities on deposit

with SaskCentral for the Provincial Liquidity program. 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 0.66% of loans at December 31, 2022, a 0.29% decrease when compared to the prior year. This level is very comparable to the average level 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 replaced 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 2022.



## 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, 2022

| YEAR  | RESIDENTIAL MORTGAGES |         |           |       | HOME EQUITY LINES OF CREDIT |          |
|-------|-----------------------|---------|-----------|-------|-----------------------------|----------|
|       | INSURED**             |         | UNINSURED |       | TOTAL                       |          |
| 2022* | \$142,827             | 31.5%   | \$311,298 | 68.5% | \$454,125                   | \$27,067 |
| 2021* | \$140,279             | \$31.3% | \$307,469 | 68.7% | \$447,748                   | \$25,058 |

Thousands of Canadian Dollars, except percentage amounts

\* Some estimates were required for HELOC numbers due to a change in process.

\*\* 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.

## 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, 2022<br>AMORTIZATION PERIOD | 2022           |       | 2021           |       |
|--|----------------|-------|----------------|-------|
|  | \$000 CDN      | %     | \$000 CDN      | %     |
| <= 15 yrs                                      | 33,749         | 7.4%  | 36,810         | 8.2%  |
| > 15 yrs, <= 25 yrs                            | 265,663        | 58.5% | 269,505        | 60.2% |
| > 25 yrs                                       | 154,713        | 34.1% | 141,433        | 31.6% |
|  | <b>454,125</b> |       | <b>447,748</b> |       |



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 2021:

|                                 | 2022*     |       | 2021*     |       |
|---------------------------------|-----------|-------|-----------|-------|
|                                 | \$000 CDN | LTV%  | \$000 CDN | LTV%  |
| Uninsured residential mortgages | 55,448    | 57.2% | 80,861    | 61.1% |
| Home equity lines of credit     | 5,718     | 76.9% | 5,295     | 57.1% |

\* Some estimates were required for HELOC numbers due to a change in process.

## 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, 2022, the ratio was 71.63%. The Credit Union targets a range of 50% to 110% for this measure. Throughout 2022, loan demand was easily funded by deposits from Credit Union members or investment maturities. However the Credit Union does maintain a line of credit with SaskCentral to help manage clearing and settlement fluctuations and/or unforeseen funding needs. At December 31, 2022 the credit facility was not in use.

CUDGC also sets liquidity standards which 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 (OSFI).

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 155.38% at December 31, 2022. 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. In this unprecedented time of extremely high liquidity throughout the entire financial system, we have been working hard to keep our LCR within optimal levels so that we are balancing the liquidity risk associated with the high level of member demand deposits with the need to earn a better return on surplus funds and achieve the best net interest margin possible.

With the strong desire to increase our loan to asset ratio, we continue to monitor our LCR, Operating Liquidity Ratio and our investment portfolio to ensure we remain able to meet member loan demand opportunities and regulatory requirements.

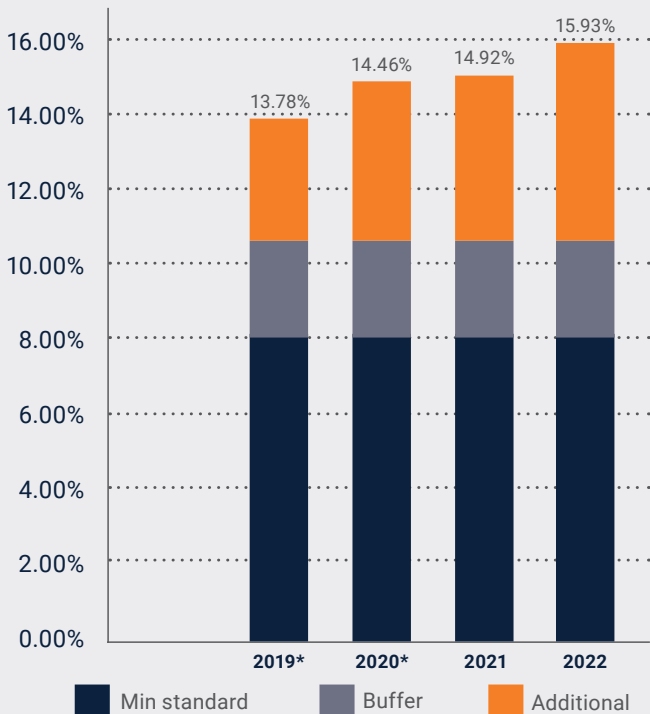
## CAPITAL MANAGEMENT

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.

Cornerstone exceeded the statutory requirements with both a common eligible tier 1 capital ratio and total tier 1 capital ratio of 15.56% for 2022, compared with 14.11% for 2021, and a total eligible capital ratio of 15.93% in 2022 compared with 14.89% in 2021. The improvement in these risk weighted capital measures is mostly a result of the sale of Concentra to EQ bank, although significant market value adjustments on our other investments and a large recovery on a foreclosed property also contributed. As a result, our capital leverage ratio also increased to 9.45% in 2022 from 8.27% in 2021. 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 2022 ICAAP suggests that it would be prudent to hold an additional 1.84% of capital above the regulatory minimum plus buffer, for a total eligible capital ratio of 14.60% (vs. our 15.93%). Cornerstone currently holds 1.34% 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 or as new risks emerge.

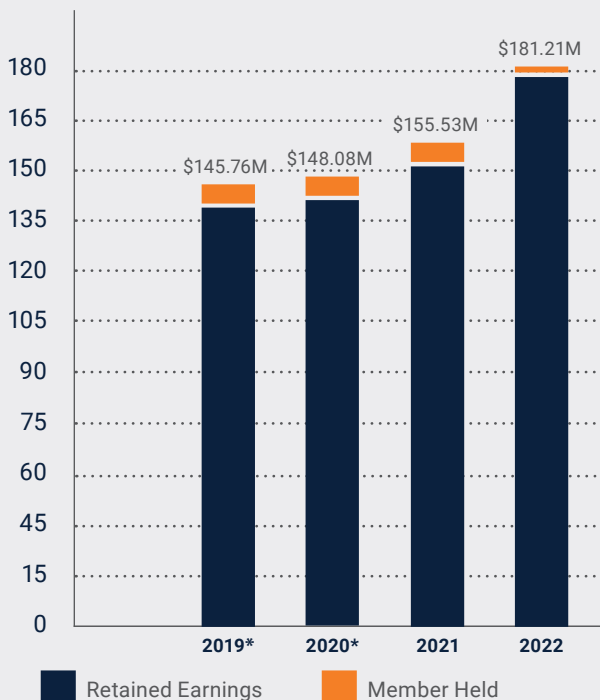
## 2022 Capital Measures



\* Historical results are based on consolidated numbers by management for all three legacy credit unions.

## Retained Earnings

(Including Contributed Surplus & Member Held Equity)



\* Historical results are based on consolidated numbers by management for all three legacy credit unions.

Cornerstone Credit Union manages capital in accordance with its capital management plan and Board approved 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 within the guidelines of 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.

With the large, unexpected influx of Capital in 2022, the management team will be carefully analyzing our position in relation to our future forecast and will be presenting a business case to our Board of Directors in 2023 with recommendations on how to best invest its surplus capital.

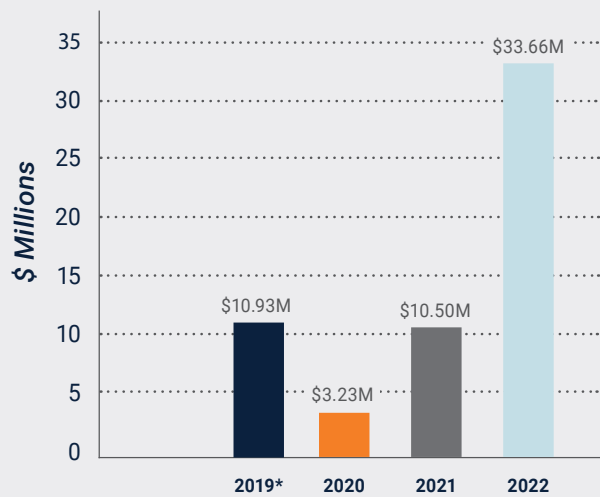




## PROFITABILITY

Profitability in 2022 was greatly impacted by improved net interest margin due mainly from the sale of Concentra to EQ Bank and the positive market value adjustments on our investments. Income before tax allocations for the year was \$33.66 million in comparison to \$10.50 million in 2021. For 2022 our return on assets (ROA) before income tax and other allocations was 1.76%, compared to 0.57% in 2021. Without the Concentra dividend, our 2022 ROA would have been 0.72%.

### Income Before Allocations



\* Historical results are based on consolidated numbers by management for all three legacy credit unions.

## GROSS FINANCIAL MARGIN

Includes total interest revenue less total interest expense. For 2022, financial margin was 3.48% compared to 2.41% in 2021.

The Credit Union's profitability is highly dependent on interest margin. The Credit Union is now asset-sensitive, which ultimately means that profitability will improve as interest rates rise. As discussed above, interest rates are expected to flatten out in 2023 and then begin to decline in 2024. With 2022 having significant one-time windfalls that significantly improved margin and with the current mix of our balance sheet and timing of our assets and liabilities repricing, the Credit Union expects its interest margin to have a large reduction in 2023 to more historically average results and then begin to steadily improve in 2024 and beyond.

## OTHER INCOME

Includes fixed asset revenue, commissions, service charges and other revenue. Non-interest revenue ended 2022 at \$13.61 million compared to \$9.64 million in 2021. As a percentage of assets, non-interest revenue increased

to 0.56% in 2022 from 0.54% in 2021 mostly as a result of insurance proceeds related to an insurance claim. Operating expenses would have been equally impacted with the expenses being recorded in appropriate expense categories. The Credit Union anticipates that 2023 non-interest revenue will decrease back down to approximately 0.50% in 2023 without the contributions of insurance proceeds.

## OPERATING EXPENSES

Includes various operating expenses such as personnel, occupancy, security, governance, community development and general business and the prior year comparisons consider the combined individual entity results. Operating expenses ended 2022 at \$41.47 million compared to \$39.61 million in 2021. As a percentage of assets, 2022 came in at 2.17% versus 2.16% in 2021. Holding operating expenses fairly flat as a percentage of assets in 2023 was a significant accomplishment given the inflationary pressures that we have been seeing and was in large part due to the savings that we realized by right sizing our branches. In terms of dollars, general business had the most material increase in 2022 of \$1.20 million or 10.81% over the prior year, followed by personnel which increased by \$609.25 thousand or 2.54%. Both expense categories would have included additional expenses related to an insurance claim which was mostly offset by insurance proceeds as mentioned in non-interest revenue above. Personnel expenses are expected to increase in the future as part of strategic initiatives to attract and retain talent as well as to invest in our people through business transformation initiatives and general business costs are also expected to increase significantly in 2023 due to inflationary pressures. Member security costs increased in 2022 as a function of growth and are expected to increase marginally in 2023 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 were up approximately \$54 thousand or 22.31% in 2022 as the organization returned to a more normal post COVID-19 operating environment. 2022 occupancy costs decreased slightly from 2021 coming in at \$2.82 million vs \$2.94 million in 2021. Cornerstone will continue to focus on reducing operating expenses to bring us more in line with our peers and to offset continued pressure on interest margins related to competition and our desire to maintain competitive rates and fees for our members.

## INCOME TAX EXPENSE

The increase in income taxes in 2022 was not entirely correlated with the increase in net income due to favorable tax considerations on the SaskCentral dividend revenue from the sale of Concentra to EQ Bank recognized in 2022. The tax rate for 2022 was approximately 10% of earnings as compared to 26% in 2021. We anticipate the tax rate to be back up to approximately 26% of earnings in 2023.

# Enterprise Risk Management

The Credit Union is committed to creating a supported environment that encourages risk-informed decision-making that is balanced with innovation as we explore and develop opportunities, resolve issues, and improve the way we work to achieve business objectives. The purpose of enterprise risk management (ERM) is to provide intelligence for decisions towards the benefit of the organization with risk / reward optimization to support success and the achievement of:

- Strategic & business objectives
- Financial goals; and
- Managing risks to provide efficiency results

For Enterprise Risk Management to be successful the following principles, structure and accountabilities are implemented.

**Guiding principles:** **1** Risk management creates value **2** Risk management is an integral part of all organization processes **3** Risk management is part of decision making **4** Risk management explicitly addresses uncertainty **5** Risk management is systematic, structured, and timely **6** Risk management is based on the best available information **7** Risk management is tailored **8** Risk management takes human and cultural factors into account **9** Risk management is transparent and inclusive **10** Risk management is dynamic, iterative, and responsive to change **11** Risk management facilitates continual improvement in the organization **12** Risk management will be supported by and the responsibility of everyone in the organization, beginning with the Board and Senior Management

## ROLES AND ACCOUNTABILITIES

### Board of Directors

The Board of Directors have the responsibility for the oversight of risk management within the Credit Union. They are responsible for setting risk levels and policies, including risk appetite, framework, and strategies to ensure that risk exposures remain appropriate and prudent.

### Board Risk Committee

The Board Risk Committee will assist in giving the Board the information and feedback that they require

to effectively fulfill their oversight responsibilities. This includes:

- Reviewing management’s identification of the significant risks of the Credit Union in accordance with the risk policy;
- Overseeing the application of ERM practices; and
- On-going identification of emerging risks

This committee reports ERM effectiveness to the Board quarterly.

### Management

While management of risks is owned by operational leaders, oversight and assurance of risk management is the responsibility of Chief Risk Officer (CRO) and the ERM committee (ERMCO). The ERMCO is responsible for:

- Overseeing the use of the Credit Union’s integrated risk management framework in all key decisions and business processes;
- Ensuring that key risks/opportunities assigned are monitored and reported; and
- Supporting an overall risk-intelligent culture in the Credit Union.

Reporting is done quarterly by the CRO to the Board Risk Committee.

### Employees

It is the responsibility of all employees to proactively engage internal stakeholders in identifying, documenting, and escalating risks and opportunities using the delegated authority structure of the Credit Union. Employees are also tasked with being aware of the significant corporate, branch and business unit risks/opportunities and applying resources to support a risk intelligent culture within the Credit Union.

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’s or counterparty’s inability to meet its obligations. Due to the relative size of our internal loan portfolio, much 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).

## CREDIT RISK (Cont.)

Lending and credit risk management is performed in accordance with approved policies, procedures, standards, and controls. ERMCO oversees credit risk exposure and management. Risk concentration limits have been designed to reflect our risk tolerance. 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 ERMO and the Board of Directors through the Board Risk Committee.

## 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 requirements are defined by policies and regulatory standards and limits. ERMCO maintains oversight of liquidity risk and reviews quarterly with reporting to the Board of Directors through the Board Risk Committee.

Actual management of Liquidity risk is completed by the Asset Liability Committee (ALCO) and the Finance Team. 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 ALCO and to the Board of Directors quarterly through the Finance and Audit Committee. 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.

Similar to liquidity risk, oversight of market risk is conducted by ERMCO and the Board of Directors through the Board risk committee while management of the risk is completed by ALCO. Regularly reporting of market risk management is provided to Board of Directors through the Finance and Audit Committee. 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. 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. Reporting is completed quarterly to ERMCO as well as the Board Risk Committee and Board of Directors.



## 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 using 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. Reporting is completed quarterly to ERMCO as well as the Board of Directors through the Board Risk Committee.

## REGULATORY RISK

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. A compliance team is in place to continuously assess and manage regulatory risk. We also undergo regular reviews by internal and external audit and numerous regulatory bodies. Reporting is completed quarterly to ERMCO as well as the Board of Directors through the Board Risk Committee.

## CYBERSECURITY RISK

Cybersecurity risk encompasses the loss of confidentiality, integrity, or availability of information, data and other systems and reflects the potential adverse impacts to organizational operations.

Cornerstone Credit Union has policies, procedures, and

reviews to prepare us for a cybersecurity incident and to comply with laws and regulations.

### Summary of recent cybersecurity incident

Like many other Canadian businesses, Cornerstone Credit Union was impacted by a cybersecurity incident in 2022. On June 8, 2022, a managed services provider that offers a range of information technology and related services to Cornerstone notified Credit Union management that they had experienced a cybersecurity incident. The provider confirmed that they took immediate action to block the incident and had begun investigating to assess what information may have been compromised.

Out of an abundance of caution, Cornerstone also launched an investigation into the incident and engaged leading cybersecurity experts to support the investigation and our response. The investigation confirmed that key systems to access member accounts, such as our core banking system and digital banking, as well as communication systems such as email, were unaffected. The investigation also determined that there was no evidence that any personal information was misused as a result of the incident.

Given the immediate and comprehensive actions taken, Cornerstone considered the risk to impacted individuals to be low. However, as a precautionary measure, Cornerstone provided notification to members and offered complimentary identity theft and credit monitoring to any individuals with concerns. Cornerstone also alerted law enforcement, appropriate privacy commissioners, and other organizations to assist with mitigating any risks.

Cornerstone has also implemented additional security measures since the incident and continues its commitment to the privacy and security of all members.

## Summary

As we reflect on the year past, we are proud of the accomplishments of Cornerstone Credit Union in 2022. It was a challenging year as we worked through a major technology disruption and an unprecedented rising rate environment while still growing into our recently merged organization. Our main focus was and as always is Cornerstone's unwavering commitment to serve the changing needs and expectations of our members. Despite the challenges encountered in 2022, we had a record year in terms of profitability and achieved success by growing our organization, expanding the advice, competitive solutions, 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 the commitment and dedication put forth over the past year. To our members, you are the reason we exist, and we appreciate the continued support you provide to Cornerstone Credit Union. We are proud to be your credit union and look forward to serving you in the future!

## Credit Union Market Code

Cornerstone Credit Union is committed to delivering a high quality of service to members and customers. The Credit Union Market Code, jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee Corporation, builds on this commitment. The Market Code identifies the market practice standards and how the Credit Union subscribes to the standards. 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.

For more information on our Market Code, visit our website.

## 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. The Corporation is also 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 responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation's web site at [www.cudgc.sk.ca](http://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, 2022, 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, 2022.

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 March 2, 2023.

### 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

March 2, 2023

*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](http://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) | 2022             | 2021             |
|----------------------------------|------------------|------------------|
| <b>Assets</b>                    |                  |                  |
| Cash and cash equivalents        | 64,052           | 74,983           |
| Investments                      | 487,142          | 512,597          |
| Member loans receivable          | 1,309,149        | 1,232,037        |
| Other assets                     | 25,696           | 6,010            |
| Property, plant and equipment    | 18,507           | 19,307           |
| Intangible assets                | 711              | 913              |
|                                  | <b>1,905,257</b> | <b>1,845,847</b> |
| <b>Liabilities</b>               |                  |                  |
| Member deposits                  | 1,707,357        | 1,680,870        |
| Other liabilities                | 16,691           | 9,449            |
| Membership shares                | 150              | 4,723            |
|                                  | <b>1,724,198</b> | <b>1,695,042</b> |
| <b>Members' equity</b>           |                  |                  |
| Retained earnings                | 132,570          | 102,316          |
| Contributed surplus              | 48,489           | 48,489           |
|                                  | <b>181,059</b>   | <b>150,805</b>   |
|                                  | <b>1,905,257</b> | <b>1,845,847</b> |

*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)    | 2022   | 2021   |
|--|--------|--------|
| Interest income                          | 82,667 | 54,878 |
| Interest expense                         | 16,226 | 10,496 |
| Gross financial margin                   | 66,441 | 44,382 |
| Provision for impaired loans             | 4,926  | 3,909  |
| Net financial margin                     | 61,515 | 40,473 |
| Other income                             | 13,614 | 9,640  |
| Net interest and other income            | 75,129 | 50,113 |
| Operating expenses                       | 41,471 | 39,610 |
| Income before provision for income taxes | 33,658 | 10,503 |
| Provision for income taxes               | 3,404  | 2,758  |
| Total comprehensive income               | 30,254 | 7,745  |

*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<br>Earnings | Contributed<br>Surplus | Total          |
|---|----------------------|------------------------|----------------|
| Balance December 31, 2020                               | 94,571               | 2,379                  | 96,950         |
| Comprehensive income for the year                       | 7,745                | -                      | 7,745          |
| Contributed surplus resulting from business combination | -                    | 46,110                 | 46,110         |
| Balance December 31, 2021                               | 102,316              | 48,489                 | 150,805        |
| <b>Comprehensive income for the year</b>                | <b>30,254</b>        | <b>-</b>               | <b>30,254</b>  |
| <b>Balance December 31, 2022</b>                        | <b>132,570</b>       | <b>48,489</b>          | <b>181,059</b> |

*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)                      | 2022     | 2021     |
|--|----------|----------|
| Cash flows provided by (used for) the following activities |          |          |
| Operating activities                                       | (39,777) | 73,232   |
| Financing activities                                       | (4,573)  | (89)     |
| Investing activities                                       | 33,419   | (71,852) |
| Increase (decrease) in cash resources                      | (10,931) | 1,291    |
| Cash resources, beginning of year                          | 74,983   | 73,692   |
| Cash resources, end of year                                | 64,052   | 74,983   |

*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, 2022

**Basis of the summary consolidated financial statements:**

Management has prepared the summary consolidated financial statements from the December 31, 2022 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](http://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.

