



CORNERSTONE CREDIT UNION
ANNUAL REPORT

2023



TABLE OF CONTENTS

- 2** About Cornerstone
- 3** Co-operative Principles
- 4** Message from the Board Chair & CEO
- 6** Working at Cornerstone
- 7** Community Investment Highlights
- 8** 2023 Highlights
- 10** Corporate Structure & Governance
- 14** Executive Management
- 16** Management Discussion & Analysis for 2023
- 19** 2023 Performance Measurement
- 20** 2023 Financial Performance Review
- 26** Enterprise Risk Management
- 29** Summarized Financial Statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

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.

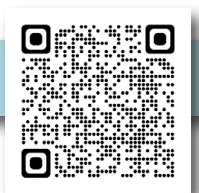
The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By promoting responsible governance and prudent management of capital, liquidity and guaranteeing deposits, the Corporation contributes to confidence in Saskatchewan PRFIs.

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.

CREDIT UNION MARKET CODE

Cornerstone Credit Union and its employees have always been 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.

LEARN MORE



ABOUT CORNERSTONE

We are a full-service financial institution, located in Saskatchewan, that's owned and led by you, our members. The advice and solutions we offer are driven by your goals and needs because you're our most important stakeholder. It's the reason our doors opened over 80 years ago, and why more than 36,000 people continue to choose us today.

Our members always come first. This member-first philosophy is at the core of all we do. Whether it's in our branches, over the phone, on our website, at community events or from your mobile phones, whatever you need, we'll meet you there.

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.

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

You're our Cornerstone. As your goals and needs evolve, so do our services – because you're the reason we're here.

We're in tune with your needs. That means we don't simply listen. We go out of our way to develop plans that set you up for success.

You'll never have to worry whether you're on the right track, because our employees are members too – motivated and equipped to empower you with sound advice.

You can have total confidence—that your voice is being heard, your future is secure, and every cent of our profits goes toward serving you. Because as a member-owner, you're the cornerstone we keep coming back to.



CO-OPERATIVE PRINCIPLES

As a true co-operative financial institution, we put our values into practice by following the **7 co-operative principles**. This sets credit unions' apart from all other financial institutions, strengthens the community and benefits you too!



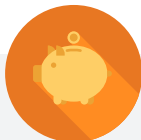
Voluntary and Open Membership

What it means to you: No matter what your financial situation looks like, the door is open, without gender, social, racial, political or religious discrimination.



Democratic Member Control

What it means to you: You help call the shots by electing a board of directors. One member equals one vote. This is local democracy in action.



Member Economic Participation

What it means to you: Better rates, lower fees, and services that benefit the entire credit union. The more that members participate, the more there is to go around.



Autonomy and Independence

What it means to you: As a financial co-operative, your credit union is controlled by real members like you, instead of outside shareholders.



Education, Training and Information

What it means to you: Access to financial literacy tools and resources. Credit unions believe that education contributes to personal growth.



Co-operation Among Co-operatives

What it means to you: Your credit union strengthens the co-operative movement by partnering with organizations that share the same important values.



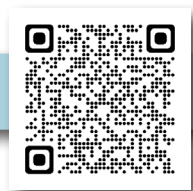
Concern for Community

What it means to you: Knowing that your day-to-day banking translates into benefits for charities, local businesses, and the entire community.

The International Co-operative Alliance is the caretaker of the internationally accepted co-operative principles.

Scan the code to read the full principles.

LEARN MORE



MESSAGE FROM THE PRESIDENT



On behalf of the Board of Directors, I would like to thank everyone at Cornerstone for the success of 2023. To our members, you can be confident knowing that your Board of Directors is responsible for acting in your best interest because you are the reason we are here. Our top priorities as a Board remain the same for our organization – to continue to evolve, change and adapt to what our members need. Most importantly, our role is to protect the members' interests in Cornerstone Credit Union.

As member-owners ourselves, our Board has the same vision as you – to have a strong, community-minded financial institution that cares about its members and the communities that we live in. In June, Cornerstone hosted community barbecues in each of our communities. Board members were volunteering along with our employees, the CCU Crew. This gave directors a chance to connect with our members. We thank you for coming out and showing your support for these events. Over \$18,000 was raised for local causes and initiatives that matter to you.

2023 was a very successful year for Cornerstone, as it was another strong year in terms of financial performance. Balancing our financial performance with the changes we see happening outside our Credit Union is a challenge. On behalf of the Board, I am pleased with the accomplishments and leadership provided by Cornerstone this past year. We have a strong group of leaders that have a united and vested interest in a successful credit union because Directors are our members and members are our Directors.

On behalf of the Board of Directors, I would like to thank the employees and management of our Credit Union for their dedication and success in 2023. The devotion and commitment of the Cornerstone Crew to the members does not go unnoticed. Thank you to our members for your continued loyalty and support. Finally, I would personally like to convey my appreciation to my fellow Board of Directors for the guidance and vision you have provided to place Cornerstone in a position to be successful in the future.

Heidi Schofer
Board Chair and President

Contact our Board at contacttheboard@cornerstonecu.com

MESSAGE FROM THE CEO



We are once again proud to provide you, our member-owners, this annual report highlighting results from the past year at your Credit Union. 2023 was another very busy, but productive year for Cornerstone. Coming out of the past few years that included a pandemic and merger, 2023 provided more stability that allowed us to focus on investments and activities necessary to meet member expectations for advice and service how, when, and where you want. We understand that proactive, needs-based advice is more important now than ever to our members, given the ongoing economic challenges with increased interest rates and cost of living driven from inflation. Aligned to our member experience goals, we increased our volume of proactive member contact in 2023 and implemented a new financial advice process we call the “MemberFirst Review”. MemberFirst is part of our values – We are about people; we listen to understand each person’s story. This MemberFirst Review allows our members to tell their story so we can provide holistic advice on their financial journey. We continually work to improve our ability to meet or exceed member expectations and are proud to see positive trends within our member satisfaction survey results in 2023.

Inflation and rising costs from needed investments continue to impact our Credit Union. While there was some improvement to our digital banking platform in 2023, that investment will be ongoing, and we will continue to work with our supplier to improve your experience. We continue to partner with prairie credit unions on payments modernization investments aligned to industry requirements from Payments Canada. This industry wide initiative will ultimately provide consumers with “real-time” payment or movement of money capabilities. These requirements come at a significant increased cost to your Credit Union.

Despite rising costs of additional investments in new skill sets and technology, our efforts from merger and branch restructuring over these past few years have allowed Cornerstone to enjoy another successful year financially and position us well for the future. Our 2023 results include strong growth in assets under management of 7.08% and profitability above budget at 0.52%. Along with effective cost control resulted in keeping our expense ratio below budget as well, finishing at 2.13% as a percentage of total assets.

The world continues to experience significant events impacting society and the economy, including ongoing conflicts in Ukraine and Gaza. Closer to home, we know increased cost of living, including borrowing costs from rising rates, bring added stress to many people in our communities. The well-being of our members, particularly your financial well-being, is at the heart of everything we do at Cornerstone. The advice and solutions we offer are driven by your goals and needs because you are our most important stakeholder. Let’s set you up for financial success. Please contact your advisor or call us to book an appointment.

We are proud of our support for communities. We have the largest branch presence of any financial institution throughout rural eastern Saskatchewan, and we employ over 280 people throughout that same region, more than any other financial institution. We are proud of our employees we call our Cornerstone Crew, who invest thousands of volunteer hours to their communities. We put people before profits by contributing significantly through donations and sponsorships. We are particularly proud of the initiative known as “Project Cornerstone”. This initiative helps communities finish capital projects, and we are proud to announce a commitment of \$100,000 to Project Cornerstone again for 2024.

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 and your community. 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

WORKING AT CORNERSTONE

We are among the five largest credit unions in Saskatchewan with 282 employees and 15 branches throughout eastern Saskatchewan. We serve members on the traditional lands referred to as Treaty 4 and Treaty 6 Territories – the original lands of many First Nations and the traditional homeland of the Metis Nation.

Working at Cornerstone is more than just a job – it's an opportunity to be part of a family. We work together to solve problems and every one of us plays a role in making this a great place to work. By being a great place to work, we can do better work for our members.

We're so much more than the friendly faces you see in our branches plus, all of our decisions are made locally!

WHAT OUR EMPLOYEES SAY ABOUT WORKING AT CORNERSTONE

“*"I'm not afraid to fail because I'm encouraged to grow." - Anna S*

"We are a supportive work community; always cheering each other on. I love working in a positive and encouraging environment." - Rhonda L

"My work family inspires me to be the best version of my professional self." - Dorothy S”

6,984 HOURS OF LEARNING AND DEVELOPMENT IN 2023

We focus on the skills and capabilities of our employees to reach their highest potential in their current roles.

SK TOP EMPLOYER FOR 7TH CONSECUTIVE YEAR

We strive to be an employer of choice and were once again recognized as one of Saskatchewan's Top Employers, which is a special designation that recognizes Saskatchewan employers that lead their industries in offering exceptional places to work. 2023 is the seventh consecutive year, and eighth time Cornerstone has received this designation. While we are very proud to be named one of Saskatchewan's Top Employers - we're most proud of our people.

11 EMPLOYEES CERTIFIED IN MENTAL HEALTH FIRST AID

We encourage and support our employee's personal well-being and quality of life, including mental health. We're here for one another because we're not just co-workers – we're family.

Our employees are our greatest assets and inspire us to greater heights.



COMMUNITY INVESTMENT HIGHLIGHTS



2023 HIGHLIGHTS

ONE OF THE
5
LARGEST
CREDIT UNIONS IN
SASKATCHEWAN


OVER
\$2.4 BILLION
IN MANAGED
ASSETS

OVER
36,000
MEMBERS


282
EMPLOYEES
HELPING YOU
ACHIEVE FINANCIAL
SUCCESS


82 YEARS
SERVING MEMBERS
SINCE 1941

15 BRANCHES
ACROSS
SASKATCHEWAN -
OPEN 5 DAYS A WEEK



#1
FASTEST GROWING
CU IN COMPARISON
WITH OUR PEERS

OVER
\$280,000
INVESTED BACK
INTO THE
COMMUNITIES WE
SERVE

OVER **\$20,000**
DONATED TO
CHARITABLE CAUSES



OVER **\$18,000**
RAISED FOR LOCAL
CAUSES THROUGH OUR
COMMUNITY BBQs

\$100,000
PROJECT
CORNERSTONE



OVER **\$5,000**
AWARDED IN
SCHOLARSHIPS

7,122
VOLUNTEER
HOURS
FROM OUR
EMPLOYEES


17 FINANCIAL
SERVICES ADVISORS IN
OUR CONTACT CENTRE

WE ARE LOCAL & IN OUR
COMMUNITIES SERVING
YOU OVER THE PHONE


85,000
CALLS
TO OUR CONTACT
CENTRE


30 SECONDS
AVERAGE WAIT TIME
FOR CALLERS

OVER 20,000
DIGITAL BANKING
USERS



SASKATCHEWAN'S
TOP EMPLOYERS
7th CONSECUTIVE
YEAR

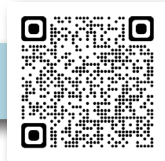
INVESTMENT
IN RURAL
AGRIFOODTECH


Here for you through every milestone. From your first bank account, to saving for school, to your mortgage, and into retirement – our products and services carry you through your entire financial journey.

Wealth management for everyday life. Our financial partner, Thrive Wealth Management shares the same values as us and are experts in wealth management offering best-in-class wealth management products and services.

Appointment booking made easy. Members can now book an appointment online in minutes!

LEARN MORE



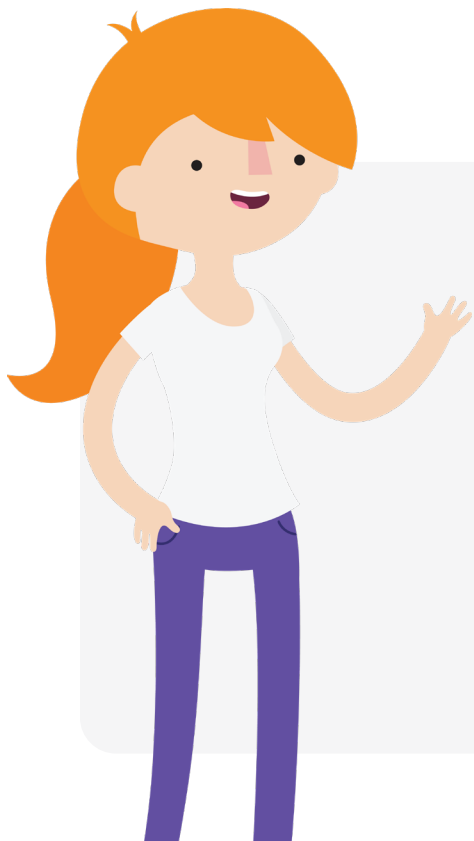
Investing in AgriFoodTech Industry. Eastern Saskatchewan has the potential to be a leader in agricultural innovation. That's why we are investing in the development of a rural ag-tech ecosystem focused on agriculture, food, and technology (AgriFoodTech).

We believe in long-term relationships.

Quotes from members on their experience at CCU:

- "Stacey and Kaely are very helpful and friendly and easy to talk to. They help me and walk me through everything I need. I love dealing with them. Thank you for good service that they provide."
- "Always a great experience! We received help with investments and even got me set up with a credit card! Love coming here!"
- "Brenda is fantastic to deal with! Knowledgeable and thorough."
- "Justin's awesome! His service was quick and efficient. And he was clear and straightforward in his explanations."

From dreaming to doing. We'll help you get there.



LEARN MORE



FINANCIAL LITERACY

Explaining money is our thing! We've started a Financial Literacy Program that is designed to empower students with essential life skills for something we all have to deal with – money.

We aim to make financial literacy informative – and most importantly – FUN! We bring interactive activities, real-life scenarios, and a passion for presentation to our community's classrooms.

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.

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 five times in 2023.

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

District 1 – encompasses Ituna, Kelliher, Rose Valley, Tisdale, Wynyard, Yorkton

District 2 – encompasses Arcola, Emerald Park, Indian Head, Kipling, Montmartre, Vibank

District 3 – encompasses Grenfell, Melville, Wolseley

OUR BOARD OF DIRECTORS



HEIDI SCHOFER Board Chair & President

Director Since: 2004

Term Expiry: 2024

Representative of District 3



LYLE WEICHEL Vice Chair

CHAIR OF RISK COMMITTEE
Director Since: 2016
Term Expiry: 2024
Representative of District 2



NICOLE CAMPBELL

Director Since: 2014
Term Expiry: 2025
Representative of District 1



SUE KEARNS

Director Since: 2019
Term Expiry: 2025
Representative of District 2



TY KEHRIG

Director Since: 2023
Term Expiry: 2026
Representative of District 1



JAMES KNUDSON

CHAIR OF PEOPLE & GOVERNANCE COMMITTEE
Director Since: 2001
Term Expiry: 2024
Representative of District 1



SHELBY LAROSE

Director Since: 2019
Term Expiry: 2026
Representative of District 2



ROBERT ROSS

Director Since: 2019
Term Expiry: 2024
Representative of District 1



EDIE TARASOFF

CHAIR OF CONDUCT REVIEW COMMITTEE
Director Since: 2018
Term Expiry: 2025
Representative of District 1



TIM TAYLOR

Director Since: 1996
Term Expiry: 2026
Representative of District 3



BLAIR VAN CAESELE

CHAIR OF FINANCE & AUDIT COMMITTEE
Director Since: 2019
Term Expiry: 2025
Representative of District 3

BYLAWS

Cornerstone's Board of Directors & Management is recommending adoption of revised bylaws to move to an At Large representation model. In this model, members of the board of directors are elected by the whole membership. There are no restrictions or limitations on where those directors come from or who they represent. The revised bylaws will be posted in advance of the 2024 Annual General Meeting for member voting.

As Cornerstone Credit Union continues to grow, so does the need for a diverse board with skills, background, and experience to oversee the evolution of Cornerstone and the credit union system in general. Board independence and accountability is more important now than ever with the competitive environment and pace of change. The At Large model will provide the opportunity to elect qualified candidates with diverse experiences, competencies, and skills, from a wide pool without geographic restrictions.

Upon member approval, we will transition to the At Large model over a 3-year period, as director’s terms expire to ensure board continuity and prevent significant board turnover.

EVALUATION

The Board of Directors conducts evaluations annually to assess the effectiveness of board operations. A formal evaluation was conducted in 2023, 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 2023.

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 2023.

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 2023.

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 four times in 2023.

2023 MEETING ATTENDANCE

	Board Meetings	Committee Meetings
Nicole Campbell	4 of 5 (80%)	4 of 4 (100%)
Cheryl Denesowych <i>(term expired April 2023)</i>	1 of 1 (100%)	1 of 1 (100%)
Leanne Huvenaars <i>(resigned September 2023)</i>	4 of 4 (100%)	3 of 3 (100%)
Sue Kearns	5 of 5 (100%)	8 of 8 (100%)
Ty Kehrig <i>(elected April 2023)</i>	4 of 4 (100%)	4 of 4 (100%)
James Knudson	5 of 5 (100%)	8 of 8 (100%)
Shelby LaRose	5 of 5 (100%)	4 of 4 (100%)
Robert Ross	5 of 5 (100%)	6 of 8 (75%)
Heidi Schofer	5 of 5 (100%)	16 of 16 (100%)
Edie Tarasoff	5 of 5 (100%)	8 of 8 (100%)
Tim Taylor	5 of 5 (100%)	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%)



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.

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.

Doug Jones

Chief Executive Officer



Jodi Chambers
Chief Strategy
& Innovation Officer



Leigh Dunn
Chief Risk Officer



Bryan Furber
Chief Financial Officer



Corvyn Neufeld
Chief People &
Governance Officer



Murray Yeadon
Chief Operations &
Member Experience Officer

MANAGEMENT DISCUSSION AND ANALYSIS FOR 2023

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, 2023, 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, 2023 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. Globally, there continues to be geopolitical unrest. 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.

Global GDP growth has slowed, and this is expected to continue in 2024. This has likely been impacted by higher interest rates and inflation influencing consumer buying power. Housing markets have softened but may pick up as interest rates fall. It is estimated that Canadians require 15% of their after-tax earnings to service debt and grocery costs are increasing by 7% year over year. The latest information available on stats Canada reports that the Canadian household savings rate has declined from 14% in 2021 Q1 to 2.9% in 2023 Q1. Some experts are predicting that this could lead to a mild to moderate recession throughout 2024. Canada's saving grace appears to be our population growth which should fuel demand; however, this is likely also distorting key performance indicators like unemployment rates.

The Bank of Canada continued to increase rates in 2023 with the overnight rate reaching its high point of 5.0% in July. Since then, interest rates have stabilized, and all indications are that it will begin to decline mid-2024. Canada's inflation rate is expected to decline in 2024 but is likely to remain above the target range of 2% until

at least 2025. The December 2023 inflation rate came in at 3.4% and the Canadian GDP rate was pretty much flat. After strong growth in 2022, Saskatchewan fell to being one of the lowest growth provinces in 2023 as we were greatly impacted by drought and the downturn in the potash industry. However, 2024 is looking more promising with BHP announcing their stage 2 expansion in the Jansen potash project.

With unprecedented revenues recorded in 2022, Cornerstone began 2023 extremely well capitalized. We were successful in improving our balance sheet leverage throughout 2023 resulting in higher risk assets being held, and consequently the utilization of surplus capital happened at a slightly more accelerated rate than was anticipated. 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 still well positioned to weather a short-term downturn in the economy and are in a position to handle the increased costs (due to inflationary pressures) and investments that are necessary to continue to build a stronger, member focused organization.

2023 OPERATIONAL REVIEW

As a member-owned institution, your needs, your goals, and your voice are what matters most to us.

You are our foundation. With this at the forefront of our decision-making, the following took place in 2023.

Updated branch hours. With some of our branches being in close proximity to each other, we wanted to bring consistency to our branch hours for an improved member experience. Most of our branches now have

hours of operation opening either at 9:00am or 9:30am and closing at 4:30pm, with closing extended to 5:00pm on Fridays.

For those that can't make it to the branch during these hours, we have our Cornerstone Contact Centre – serving our members in the evenings and on Saturdays. Advisors in our Contact Centre are all local – and can provide you with the same level of service you've come to expect at your local branch. We know your time is precious, and we're proud to say that the average wait time was under 30 seconds in 2023!

Investing in Rural AgriFoodTech. Eastern Saskatchewan has the potential to be a leader in agricultural innovation. That's why we are investing in the development of a rural startup ecosystem focused on agriculture, food, and technology (AgriFoodTech).

Currently, resources and activity for new AgriFoodTech businesses are largely concentrated in Saskatoon and Regina. Cornerstone plans to develop a rural innovation hub in Eastern Saskatchewan after consulting with ag producers and agribusiness throughout the region.

The initial step in our plan was the hiring of a Director, Rural Tech Activation. We were successful in hiring for this position in late 2023, and this initiative will officially kick off in 2024.

Improving member experience through enhanced digital functionality. In 2023, the Debit Card Management feature was added to mobile apps and online banking. This feature allows members the ability to lock and unlock their debit card at their convenience. There were eight mobile app updates, most of these being bug fixes and to improve the performance and enhance stability of iOS and/or the Android app.

Cutting edge and easy to use technology when and where you need it are important to you. We know there have been challenges with digital banking performance and we are committed to improve the overall experience with our digital banking platform. We thank you for your feedback and suggestions on how we can improve in this area. We take your feedback to heart and will continue to strive to offer the best digital solutions to help you bank with ease.

Improving member experience through proactive needs-based advice and solutions. Aligned to our member experience goals, we increased our volume of

proactive member contact in 2023 and implemented a new financial advice process we call the "MemberFirst Review". MemberFirst is part of our values – We are about people; we listen to understand each person's story. This MemberFirst Review allows our members to tell their story so we can provide holistic advice to assist on their financial journey. We will continually work to improve our ability to meet or exceed member expectations and are proud to see positive trends within our member satisfaction survey results in 2023.

We also introduced online booking to our members in the last quarter of 2023. Members can now book an appointment online with their advisor, making it more convenient with booking and scheduling it when it works for you. You'll also get reminders of your appointments, and have the ability to reschedule or cancel an appointment.

We also continue to work on improving and/or simplifying our processes to enhance the member experience.

Member-owned and community driven.

By choosing to bank with Cornerstone, you're also choosing to give back and support the community and causes that matter to you. 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.

In 2023, we invested over \$280,000 back into our communities through sponsorships and donations. This total includes our funding to our major community investment program – Project Cornerstone. 2023 was a milestone year for Project Cornerstone, making an even bigger impact in our communities. With an abundance of deserving projects needing support in our region, we increased the total funding amount to \$100,000 - a new single-year high. Our 2023 recipients were:

- Theodore & District Recreation Board – awarded \$45,000 for upgrades to the Rec Complex.
- Town of Arcola – awarded \$25,000 to renovate and upgrade the kitchens in the Prairie Place Complex.
- Rose Valley & District Complex – awarded \$12,000 to install LED lighting, repair the boards around the ice surface and for safety upgrades.
- Melville Curling Club – awarded \$10,000 for upgrades to the curling club lobby and to install LED lighting.
- Yorkton Minor Hockey – awarded \$8,000 to contribute to the expansion of a dressing room at the Kinsmen Arena.

Member-owned and community driven (cont'd).

The number and quality of applications received for Project Cornerstone continue to amaze our selection committee, and it is always a difficult decision in the selection. We encourage our community groups and organizations to continue to apply if still needing funding to complete your project, as well as new project applications!

Community involvement is rooted in our organization and culture. Our employees showed this commitment with over 7,100 hours of volunteer time to local community groups, organizations, and events. In addition, employees volunteered countless hours of corporate time locally as well.

Profitable Growth. Financially, Cornerstone had another successful year, positioning us well for the future.

As we prepare for 2024, 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.



2023

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 based on our 2023 strategic imperatives which includes a focus on Building our Culture, Simplification, Improved Member Experience and Profitable Growth

2023 BALANCED SCORECARD

Strategic Imperatives	Performance Measures	Goal	Results
Build our Culture	• Cornerstone Culture - Employee survey to assess Cornerstone’s culture (Average response to 6 questions)	3.75	3.59
	• Employee Experience - Employee survey to assess how satisfied employees are with their experience (Average response to 8 questions)	3.75	4.11
Simplification	• Process Improvement - Reduce process time and improve employee satisfaction with simplified and streamlined processes	Subjective	Stretch
	• Data & Analytics - Unify our data and deliver data-driven insights across the enterprise	Subjective	Between Achieve & Stretch
Improved Member Experience	• Member Satisfaction - Member survey to assess their satisfaction with Cornerstone (average response to one question)	7.5	7.91
	• Branch of the Future - Reimagine our branch design to align with the future of banking and to fit our brand and culture	Subjective	Minimum
	• Member Self-Serve Appointment Booking - Empower members to easily book appointments through the Coconut Calendar professional self-serve online booking application	Subjective	Stretch
	• Member Experience - Consistently deliver on our MemberFirst commitment to empower members to succeed in life and business through MemberFirst Reviews	Subjective	Between Achieve & Stretch
	• Member Outreach - Consistently deliver on our MemberFirst commitment to provide proactive-needs based advice; activity-based goals	75% + of member outreach completed	97.57%
	• Wallet Share - % of Members with a Wealth Management Relationship	10.0%	9.95%
Profitable Growth	• Productivity - Revenue per FTE	\$200,000	\$208,286
	• Productivity – Loans + Deposits per Employee	\$12.0 million	\$12.3 million
	• Profitability - Return on Average Assets	0.39%	0.52%
	• Expenses - Non-interest (operating) Expenses	2.32%	2.13%
	• Asset Growth - % Growth in Assets Under Management	3.20%	7.08%
	• Delinquency – Over 90 days	2.00%	0.79%

2023 FINANCIAL PERFORMANCE REVIEW

GROWTH

Cornerstone Credit Union ended December 31, 2023 with on book assets of \$2.01 billion compared to \$1.91 billion in 2022, representing growth of 5.24%.

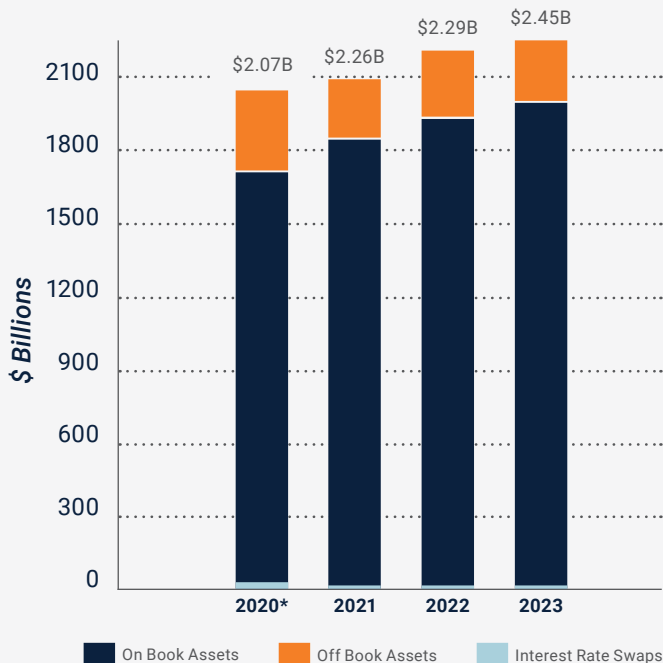
Total assets under administration by the Credit Union at December 31, 2023 were approximately \$2.45 billion, up from the prior year total of \$2.29 billion. This includes on book assets, wealth management assets (including QTrade assets for Cornerstone members) and interest rate swaps. Off book wealth management assets totaled approximately \$422.74 million, up from a prior year balance of \$371.23 million. The notional value of interest rate swaps remained at \$15 million in 2023 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 \$1.81 billion at December 31, 2023, an increase of approximately \$106.18 million from prior year. Deposit growth was strong again in 2023 coming in at 6.22% when compared to prior year growth of 1.46%. Throughout 2023 members continued to shift deposits from low costing demand deposits to higher costing investments which significantly offset the potential for even more margin improvement from repricing and growing loans and investments.

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



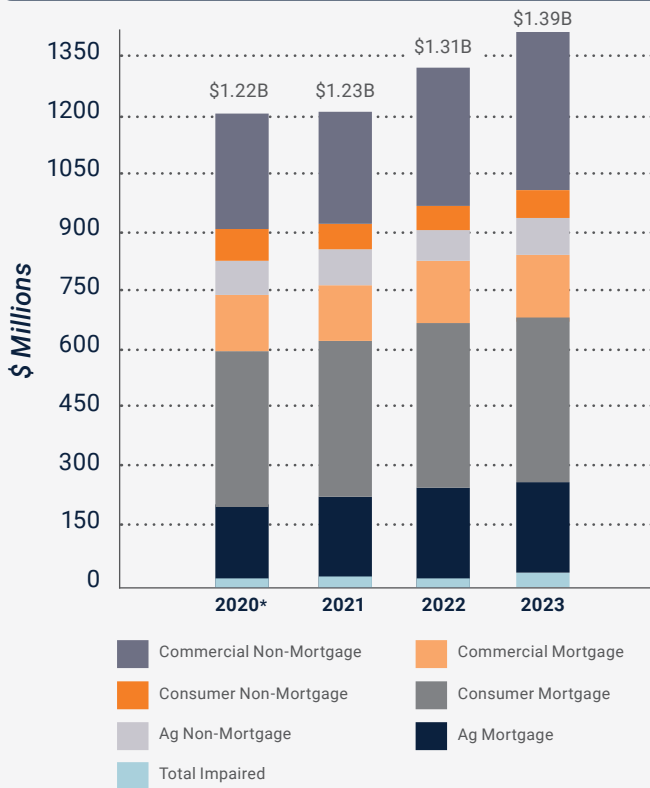
* Historical results are based on consolidated numbers by management for all three legacy credit unions.



LOAN GROWTH

Accounting for close to 69% of total on book assets, loans amounted to \$1.39 billion at December 31, 2023, an increase of \$82.35 million or approximately 6.29% over 2022. 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 \$491.30 million at December 31, 2023, an increase of \$4.16 million or 0.85% from 2022. The majority of the Credit Union's investments are held with SaskCentral or Concentra 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 8.65% 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 0.79% of loans at December 31, 2023, a 0.13% increase 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 2023.

RESIDENTIAL MORTGAGES & 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 at December 31, 2023

YEAR	RESIDENTIAL MORTGAGES				HOME EQUITY LINES OF CREDIT**
	INSURED***		UNINSURED		TOTAL
2023	\$146,601	31.8%	\$314,324	68.2%	\$460,925
2022*	\$142,827	31.5%	\$311,298	68.5%	\$454,125

Thousands of Canadian Dollars, except percentage amounts

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

** Home equity lines of credit are uninsured and are reported within the Personal Lines of Credit category.

***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 at December 31, 2023 AMORTIZATION PERIOD	2023		2022	
	\$000 CDN	%	\$000 CDN	%
<= 15 yrs	34,062	7.4%	33,749	7.4%
> 15 yrs, <= 25 yrs	269,214	58.4%	265,663	58.5%
> 25 yrs	157,649	34.2%	154,713	34.1%
	460,925		454,125	

Newly Originated Uninsured Residential Mortgages and Home Equity Lines of Credit

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:

	2023		2022*	
	\$000 CDN	LTV%	\$000 CDN	LTV%
Uninsured residential mortgages	43,909	53.8%	55,448	57.2%
Home equity lines of credit	9,641	75.1%	5,718	76.9%

* Some estimates were required for HELOC numbers due to a change in process during 2022

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.

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, 2023, the ratio was 72.11%. The Credit Union targets a range of 50% to 110% for this measure. Throughout 2023, 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, 2023 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 216.69% at December 31, 2023. 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 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 equity tier 1 capital ratio and total tier 1 capital ratio of 14.71% for 2023, compared with 15.56% for 2022, and a total eligible capital ratio of 14.96% in 2023 compared with 15.93% in 2022. The erosion of capital from 2022 is a result of a shift in our balance sheet to higher risk weighted assets in an attempt to increase our LTA and diversify our investment portfolio which will positively impact profitability in the long term. As a result, our capital leverage ratio also decreased to 8.98% in 2023 from 9.45% in 2022. 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 2023 ICAAP suggests that it would be prudent to hold an additional 3.68% of capital above the regulatory minimum including buffer, for a total eligible capital ratio of 14.18% (vs. our 14.96%). Cornerstone currently holds 0.78% 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.

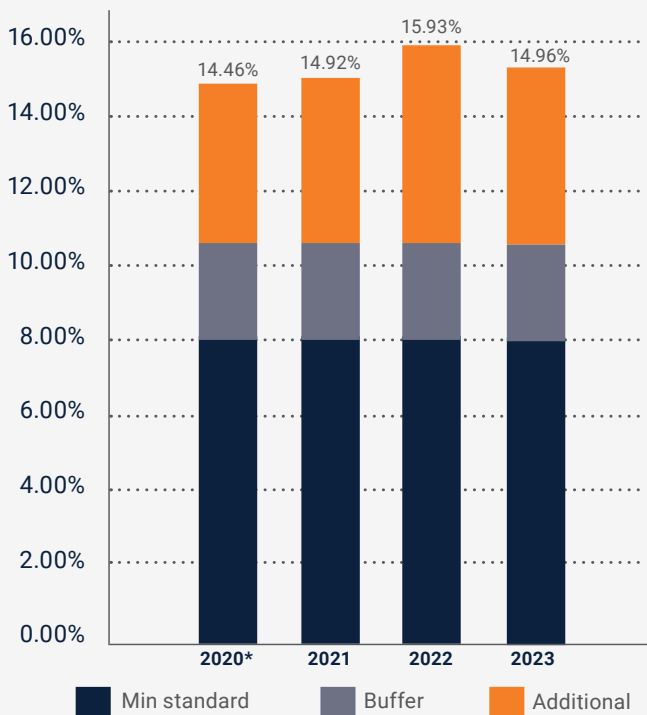
Cornerstone Credit Union manages capital in accordance with its capital management plan and board approved capital policies, both of which are reviewed on a regular basis. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board 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 has carefully analyzed our position in relation to our future forecast and has determined that many factors such as inflationary pressures, strategic objectives (such as growth and risk management), focus on member service (including competitive service offerings), and changes to the standards of sound business practice will erode our capital in the short term in order to position our balance sheet for long term profitability and signal the strength of our organization. Therefore, management believes it to be prudent to retain surplus capital at this time and will not be looking for large one-time investments of surplus capital in the near future.

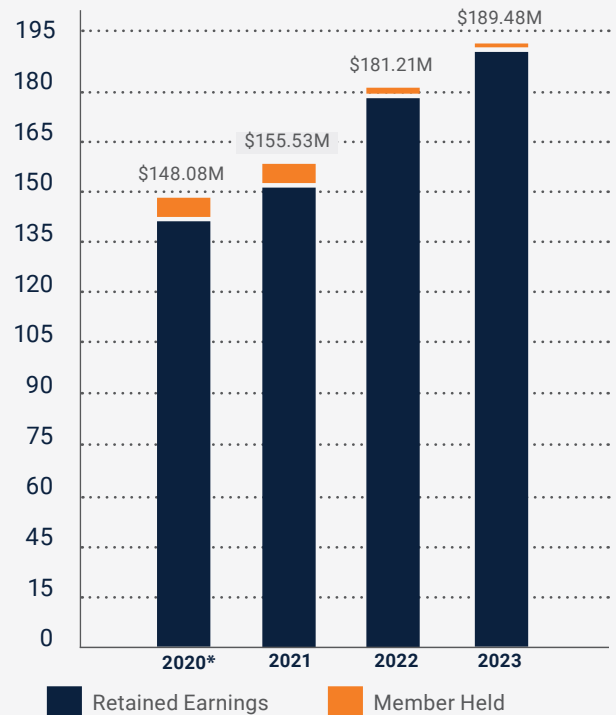
2023 Capital Measures %



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

Retained Earnings

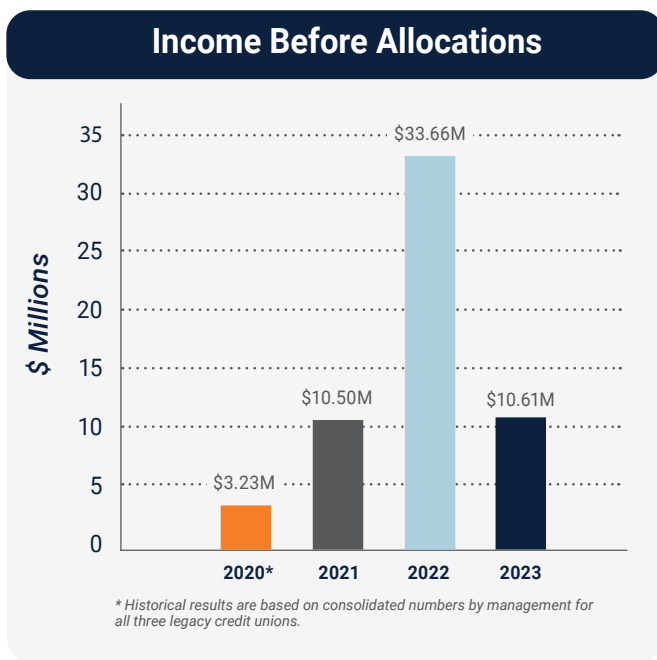
(Including Contributed Surplus & Member Held Equity)



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

PROFITABILITY

Profitability in 2023 was better than anticipated as a result of further unexpected rate hikes, improved net interest margin and lower operating costs. Income before tax allocations for the year was \$10.61 million compared to \$33.66 million in 2022. 2022 profitability was greatly impacted by the sale of Concentra Financial to EQ bank and the corresponding SaskCentral dividend. For 2023 our return on assets (ROA) before provision for income tax was 0.53%, compared to 1.77% in 2022.



GROSS FINANCIAL MARGIN

Includes total interest revenue less total interest expense. For 2023, financial margin was 2.35% compared to 3.49% in 2022.

The Credit Union’s profitability is highly dependent on interest margin. 2022 did have significant one-time windfalls that contributed to above average margin. The Credit Union is now asset-sensitive, which ultimately means that profitability will improve as interest rates rise. Even though interest rates are expected to decline in 2024, many of our assets are still coming off significantly lower rates than what the market is currently bearing, so we do expect to see steady margin improvement over the next few years. However, it will remain to be seen whether competition will drive margin down and if our forecast is too optimistic.

OTHER INCOME

Includes fixed asset revenue, commissions, service charges and other revenue. Non-interest revenue ended 2023 at \$9.94 million compared to \$13.61 million in 2022. As a percentage of assets, non-interest revenue decreased to 0.49% in 2023 from 0.71% in 2022 mostly as a result of asset growth. With no current strategies in place to significantly impact this ratio, the Credit Union anticipates that 2024 non-interest revenue will remain relatively flat throughout the forecast period.

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 2023 at \$43.14 million compared to \$41.47 million in 2022. As a percentage of assets, 2023 came in at 2.14% versus 2.18% in 2022. Our growth had a positive impact on this ratio as in terms of dollars, year over year expenses increased by \$1.67 million with personnel costs contributing to \$1.07 million of this increase. Personnel expenses are expected to continue 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. In addition, general business costs are also expected to increase significantly year over year due to inflationary pressures. 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 tax rate for 2022 was abnormally low at approximately 10% of earnings due to favorable tax treatment of the SaskCentral dividend revenue from the sale of Concentra to EQ Bank. 2023 tax allocations came in at approximately 22% which is back up to historical averages.

ENTERPRISE RISK MANAGEMENT

Cornerstone 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).

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 quarterly to ALCO as well as to the Board of Directors 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. Regular reporting of market risk management is provided to the 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 interest rate risk.

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, 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.

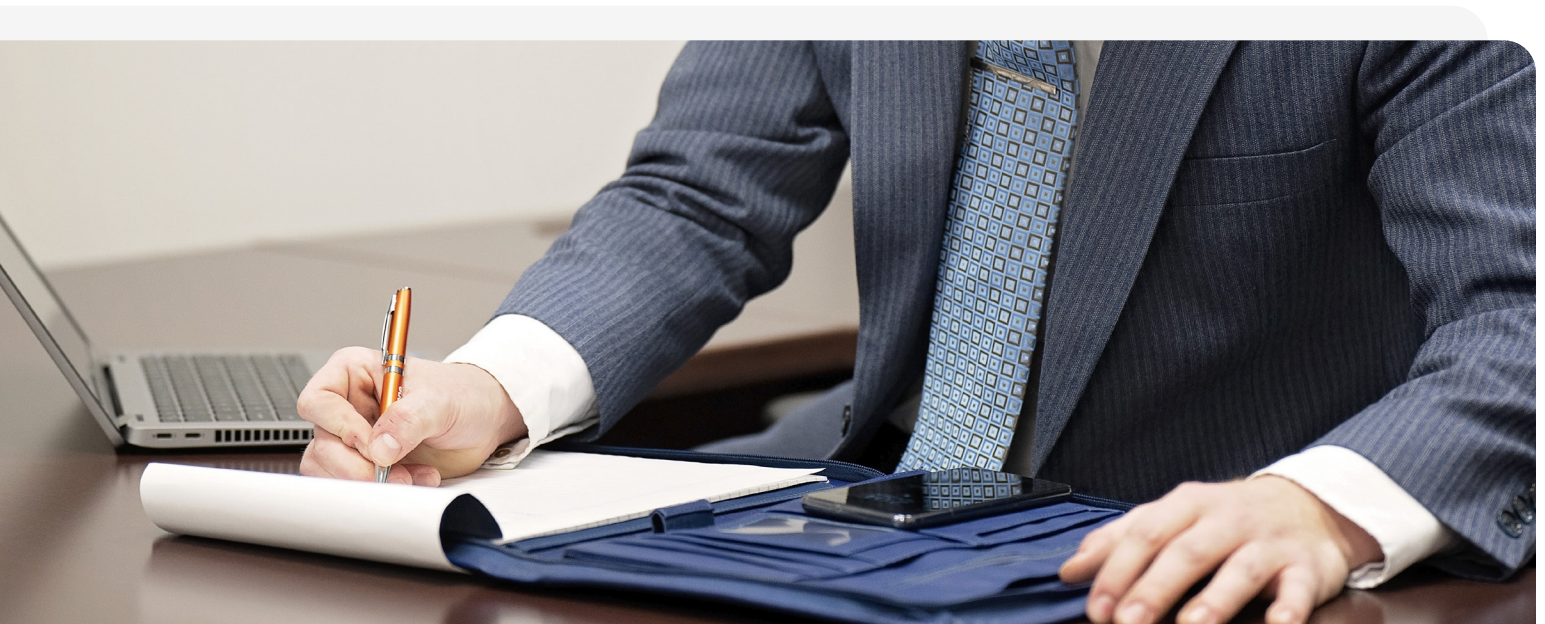
REGULATORY RISK

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.



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, 2023, 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, 2023.

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 28, 2024.

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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the summary consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Saskatoon, Saskatchewan

February 28, 2024

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)	2023	2022
Assets		
Cash and cash equivalents	105,134	64,052
Investments	491,300	487,142
Member loans receivable	1,391,502	1,309,149
Other assets	5,422	25,696
Property, plant and equipment	17,755	18,507
Intangible assets	652	711
	2,011,765	1,905,257
Liabilities		
Member deposits	1,813,537	1,707,357
Other liabilities	8,747	16,691
Membership shares	145	150
	1,822,429	1,724,198
Members' equity		
Retained earnings	140,847	132,570
Contributed surplus	48,489	48,489
	189,336	181,059
	2,011,765	1,905,257

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)	2023	2022
Interest income	89,314	82,667
Interest expense	42,072	16,226
Gross financial margin	47,242	66,441
Provision for impaired loans	3,435	4,926
Net financial margin	43,807	61,515
Other income	9,940	13,614
Net interest and other income	53,747	75,129
Operating expenses	43,140	41,471
Income before provision for income taxes	10,607	33,658
Provision for income taxes	2,330	3,404
Total comprehensive income	8,277	30,254

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	Total
Balance December 31, 2021	102,316	48,489	150,805
Comprehensive income for the year	30,254	-	30,254
Balance December 31, 2022	132,570	48,489	181,059
Comprehensive income for the year	8,277	-	8,277
Balance December 31, 2023	140,847	48,489	189,336

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)	2023	2022
Cash flows provided by (used for) the following activities:		
Operating activities	42,138	(39,777)
Financing activities	(5)	(4,573)
Investing activities	(1,051)	33,419
Increase (decrease) in cash resources	41,082	(10,931)
Cash resources, beginning of year	64,052	74,983
Cash resources, end of year	105,134	64,052

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, 2023

Basis of the summary consolidated financial statements:

Management has prepared the summary consolidated financial statements from the December 31, 2023 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.

WHAT MATTERS TO YOU MATTERS HERE.



