



Crossroads
CREDIT UNION



2017 ANNUAL REPORT



**CROSSROADS CREDIT UNION
10th ANNUAL MEETING
AGENDA**

- 1) Registration**
- 2) Call to Order – Business Meeting**
- 3) Confirmation of Quorum and Notice of Meeting**
- 4) Selection of a Chairperson**
- 5) Adoption of Agenda**
- 6) Minutes of the 2017 Annual Meeting**
- 7) Business Arising Out of the Minutes**
- 8) Message from the Board**
- 9) Message from the CEO – Jeff Bisschop**
- 10) The Crossroads Story**
- 11) Report of the Auditor and Financial Statements – Rhonda Fullawka**
- 12) Question Period**
- 13) Adoption of Reports**
- 14) Appointment of Auditor for 2018**
- 15) Report of Election Committee**
- 16) Declaration of Office**
- 17) Door Prize Draws**
- 18) Adjournment**

April 17, 2018 – Canora

Message from the Chair & CEO

With change the “new normal” in the financial services industry, experts say success lies in the ability to adapt. Here at Crossroads we’re continually evolving to position our credit union to thrive in an industry that’s radically transformed. From the way we’re governed to the way we deliver products and services – we worked hard in 2017 to do more than just meet our obligations to our regulators, our staff, and the members and communities we serve.

One of the biggest changes we faced was saying goodbye to CEO Linda Osachoff when she retired in June. In her time as CEO Linda helped set Crossroads up for the future. We have her to thank for some of the foundations of our ongoing success: a productive board / management relationship, an effective succession plan and an innovative management by committee approach. We thank Linda for her many valuable contributions over the last eight years and wish her all the best in her retirement.

The board would also like to acknowledge our new CEO Jeff Bisschop and our management team for their leadership over the past year. Our entire staff deserves much credit for their dedication and focus through the transition. We’re blessed to have a strong, committed team that truly cares about the success of our credit union and has the skills and experience to deliver on our mission. We believe this shines through in the quality of the service we provide our members every day.

That commitment also shows on our bottom line. We manage our balance sheet diligently to ensure Crossroads Credit Union remains financially strong and stable into the future. We achieved strong financial results in 2017, exceeding all internal targets and regulatory requirements. This includes new stricter standards introduced in 2017 around the amount and quality of liquidity credit unions must hold.

We continue to pay close attention to our capital levels to ensure we meet regulatory guidelines with a comfortable cushion that would allow us to address any unforeseen events. To that end, we chose once again to allocate the bulk of our profits to retained earnings.

In 2017 our board approved a plan to begin paying out funds accumulated in member equity accounts. Accounts with a balance of \$100 or less will be paid out in full in 2018. Those with balances greater than \$100 will be paid out over a four-year period. We remain committed to rewarding our members for their loyalty and will review our approach to member patronage in 2018



STRONG RESULTS

We exceeded all internal targets and regulatory requirements in 2017

to ensure it supports our need to maintain adequate capital and provides value to our membership as a whole.

While a lot has changed, our commitment to community is as strong as ever. Our financial success is what allows us to give back to those who helped us grow and prosper. In 2017 we provided six scholarships and donated more than \$41,700 in cash and merchandise to local organizations, programs and events. Our staff also volunteered 1,700 hours to support these causes.

We differentiate ourselves through the quality of our service and the ability to build strong relationships with our members. Our employees are a key piece of the puzzle. We made significant investments in 2017 to better equip our staff to provide not just financial transactions, but the advice and expertise our members need and want. We'll continue that work in 2018 as we roll out a strategy for the digital and mobile services that will provide the convenience members have asked for while freeing up staff to focus on providing the advice that gives members financial confidence.

We enter the new year with a great deal of confidence about the future. We know that the pace of change won't slow, but we also know that we're better equipped than ever to meet the challenge. Your board, management and staff have worked hard over the last few years to put Crossroads in a position to succeed. We look forward to having you on that journey with us.

In Co-operation,

Murray Bottcher, Chair

Jeff Bisschop, Chief Executive Officer

Business environment

A variety of external factors affect our operations as a business and financial institution. Our strategic plans and policies are informed by several factors, including:

- the economy and business conditions locally and around the world
- changes in the Saskatchewan credit union sector
- developments in the financial services sector

A decade after the financial crisis, the world economy is strengthening. It did better than expected, growing 3.5% in 2017 despite fears of negative consequences from Brexit and the political turmoil south of the border.

At 3%, the Canadian economy showed its fastest pace of growth since 2011. This was also the fastest pace of growth among all G7 countries in 2017. Strong consumer spending and a strong housing market contributed to the growth.

After a tough couple of years, Saskatchewan's economy rebounded slightly in 2017 with gross domestic product (GDP) up 2.1%. Double digit growth in potash production and a more successful year for agriculture are two of the main drivers of this growth along with modest increases in oil prices.

Despite dry, even drought conditions in some areas, average yields in Saskatchewan were generally better than expected, though about 5% lower than last year. This was offset somewhat by good harvest weather that boosted crop quality well above that of 2016. At 6.5% the unemployment rate in this province remained virtually unchanged from 2016.

Saskatchewan is expected to do quite well in 2018. Some analysts predict we'll lead Canada in GDP growth at 2.7% thanks to the recovery in the energy and mining sectors and more normal growing conditions for crops. Others are less positive about agriculture's ability to contribute to growth, given the lack of moisture in many areas of the province.

In our trading area, the economy was relatively stable in 2017. Unemployment levels saw little change, according to Statistics Canada. Agricultural producers in the area had a good year, escaping the drought that plagued other areas of the province. Yields were average to slightly above average thanks to timely rains and good soil moisture during the growing season. Crop quality was better than usual, mainly due to lack of fall moisture and limited issues with disease.

Topsoil moisture remains a concern for most of our trading area and significant amounts of moisture will be required to replenish what has been lost from hot, dry conditions.

Saskatchewan credit unions

Saskatchewan credit unions are full-service co-operative financial institutions. They range in size from \$18 million to more than \$5 billion.

The province's credit unions remain strong and stable. They achieved positive results again in 2017 with moderate growth overall and \$130 million in earnings. Profitability for the credit union system as a whole was among the highest recorded thanks in part to ongoing efforts to improve efficiency.

Deposit Guarantee Corporation of Saskatchewan (CUDGC) is the primary regulator of the province's credit unions. The Corporation holds credit unions to standards similar to those used to regulate financial institutions federally and internationally. Regular monitoring ensures credit unions operate according to those standards and identifies potential issues early enough to allow credit unions to take corrective action.

The Corporation provides a full guarantee on funds held on deposit in Saskatchewan credit unions. The guarantee is made possible through a comprehensive deposit protection regime and a focus on prevention

Like all financial institutions, credit unions face increasingly stricter regulatory requirements.

Saskatchewan credit unions work proactively to meet or exceed these standards by evolving their practices in areas such as governance, enterprise risk management, audit and compliance.

Credit unions are known for their innovation, customer service and community support. For the 13th year in a row, Canadians ranked credit unions first among all financial institutions for overall customer service excellence in the IPSOS Best Banking Awards.

SASKATCHEWAN CREDIT UNIONS

- 44 credit unions
- 472,000 members
- over 420 elected board members
- 250 service outlets in 219 communities
- assets of \$22.4 billion
- revenue of \$993 million
- \$18.1 billion in loans
- over \$8.1 million returned to members as patronage equity contributions and dividends
- over 3,300 employees

Figures as at December 31, 2017.

Management discussion and analysis

Our vision, mission and values guide our actions, responsibilities and priorities today and into the future.

Our vision

Working together to build a better community and provide the best financial service.

Our mission

Crossroads Credit Union serves the needs of its members in a democratic manner – providing quality financial services delivered with the highest standard of excellence and professionalism.

Integrity – Trust – Commitment

Our values

Integrity – We conduct ourselves in an atmosphere of trust, honesty and confidentiality built upon mutual respect.

Security – We provide safe and sound business practices through knowledgeable staff, board and management. We employ prudent management practices.

Quality – We provide quality standards by updating and revising policies, ethics, physical resources and our approach to service.

Commitment to Members – We act with dedication to formulate plans, ideas and investments that are in the best interest of the population we serve.

Leadership – We provide leadership and direction in the provision of quality financial services.

Continuous Improvement – We foster an environment that supports and recognizes continuous improvement by providing opportunities for training, education and individual growth to the team and individual members.

Democracy – We encourage active participation by members to progress in a manner beneficial to all stakeholders.

Team Work – We work together to encourage, participate and achieve common goals.

Credit Union Market Code

Crossroads Credit Union voluntarily adheres to a *Credit Union Market Code*, jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets out guidelines in the following areas:

- the process for handling complaints regarding the service, products, fees or charges of Crossroads Credit Union
- fair sales, including the roles and relationship of staff to all members/clients in accordance with the financial services agreement
- our financial planning process
- how we protect the interests of those who do business with Crossroads Credit Union by ensuring all member/client information is kept confidential and used only for the purpose for which it is gathered
- professional standards
- how we ensure our capital structure aligns with our risk philosophy
- the business and industry standards we follow for financial reporting
- governance practices and how we adhere to the intent and stipulation of our corporate bylaws, approved by the membership of Crossroads Credit Union
- how we employ risk management to ensure all risks are measured and managed in an acceptable fashion

Co-operative Principles

As a true co-operative financial institution, Crossroads 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 into 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.

Introduction

Crossroads Credit Union is a provincially-regulated, financial service co-operative providing a full range of financial services in Saskatchewan's Parkland. A member-elected board of volunteer directors governs our operations, providing strategic direction to a management team responsible for day-to-day operations.

Crossroads manages \$256 million in assets. We serve more than 6,700 members and non-members from branches in Canora, Preeceville, Sturgis and Wadena. Non-members don't own shares in the credit union and don't participate in the democratic process or benefit from our Member Equity Program. We promote the credit union difference and the advantages of membership to all non-members.

We focus on providing highly personalized service to our individual, non-profit, farm and commercial members. We offer deposit accounts, loans and investments, card products, financial planning, wealth management and insurance. We provide wealth management services through a personal financial planner at Credential Financial Strategies Inc.®

Strategies

It's our mission to serve the needs of our members in a democratic manner – providing quality financial services delivered with the highest standard of excellence and professionalism.

Through an annual strategic planning session, our board and management set the strategic direction that brings this mission to life.

We continue to set ourselves apart through the quality of our personal service to members. We strive to know our members better than anyone else does and demonstrate the value of this knowledge by the quality of products, services and service delivery.

We have identified four fundamental strategic goals that guide our work:

Members – We will have informed, loyal member owners who trust the credit union to help them to achieve their goals.

Staff – We will have educated, inspired and empowered staff consistently enhancing mutually-rewarding member owner relationships.

Community – We will work with our community partners to foster mutually-rewarding member owner relationships.

Financial – We will drive sufficient earnings to fund our priorities on behalf of our member owners.

While financial results remain important, our work in 2017 concentrated on achieving profitability through the strength of our team and our member relationships. Through our planning, we identified the following themes for our work in 2017:

- building our professional competencies
- building member relationships
- shifting to meet members' desire for digital and mobile channels
- strengthening our impact in the communities we serve
- creating sufficient earnings to support our investments into new channels, training and development

Our pricing strategy is governed by the principles of credit risk management. We look for an appropriate balance between risk and return. At Crossroads, we accept moderate enterprise level risk if it creates high quality, personal service for our member owners. We won't take on risks that may jeopardize our reputation or brand and we have no appetite for risks that compromise our capital strength and financial sustainability. We distinguish ourselves as a member-service-centred organization that provides fair value for members and our credit union. We depend on non-interest revenue.

Value proposition – We differentiate ourselves from other financial institutions through the quality of our service. We work to make a meaningful connection with each member, taking the time to build rapport that changes every transaction into a superior experience. We build and sustain mutually-rewarding relationships with each member by:

- knowing our members better than anyone else does
- converting each transaction into an experience the member will remember
- making it easy for members to deal with us

Ultimately, this drives growth and prosperity for our members and our credit union.

Key performance drivers & results

A balanced scorecard helps Crossroads Credit Union set business goals, monitor progress and measure results. Financial and non-financial measures extend the credit union's vision and strategy into objectives across four balanced perspectives: members, staff, community and financial.

Financial performance

Financial performance – Build and maintain great financial results.		
	2017 targets	2017 results
Leverage ratio	5.50%	8.89%
Eligible capital/risk-weighted assets	13.90%	14.25%
Tier 1 capital/risk-weighted assets	11.90%	13.13%
Efficiency ratio (operating expenses/gross margin)	79%	75.26%
Return on assets	0.50%	0.62%
Liquidity (total loans/total assets)	75-80%	76.80%
Loan delinquency	<1.5%	0.47%

Growth – We saw strong growth in 2017. Assets grew 3.45% to nearly \$253 million. This was well ahead of our target of 2.3%. Loans grew 5.26% to \$194.3 million and deposits rose 3.34% to \$228 million. Impressive growth in our wealth management business led to 30.45% growth in off-balance sheet assets.

At 76.8%, our loan to asset ratio was within our target range of 75-80%.

Profitability – Crossroads earned \$1.6 million in income in 2017. Strong non-interest revenue and careful attention to operating costs helped generate profitability of 0.62%. This is above our target of 0.50% and well above our 2016 result of 0.51%. Our operating expense ratio came in below budget at 2.52% (2.69% in 2016).

Our efficiency ratio (a measure of how much revenue is spent on operating costs) was 75.26% in 2017. This is down from 79.97% in 2016.

Asset quality – Our consistently low level of loan delinquency reflects our prudent approach to lending. At 0.47%, delinquency is down from 0.91% in 2016 and well below internal (1.5%) and regulatory targets (3.0%). Our loan portfolio contains a mix of high quality commercial, agricultural and consumer loans.

Liquidity – For credit unions, liquidity comes from member deposits and profitability. We continue to manage our balance sheet diligently to ensure we hold enough liquidity to meet member borrowing needs and cash flow demands. Managing liquidity is a fundamental component of sound

financial management. Our liquidity plan ensures Crossroads maintains the optimal level of liquidity to meet regulatory requirements, support planned operations and address unexpected events.

In 2017 our regulator introduced new stricter liquidity standards, based on international requirements, which oblige credit unions to increase the amount and quality of liquidity we hold. Crossroads was well prepared for the change and had exceeded the new standard before it was implemented. To support our planning and reporting, we updated our liquidity risk management policies and enhanced our data and reporting tools.

At year end, our operating liquidity sat at 98.43%. We achieved a loan to asset ratio of 76.80%, which is within our target range of 75-80%.

SaskCentral is the statutory liquidity manager for the Saskatchewan credit union system. Credit unions are required to hold enough liquidity at SaskCentral to participate in the national payments system, supporting our ability to clear cheques nationally and internationally. Crossroads continues to meet this regulatory requirement.

Capital management – Our board oversees the maintenance of a plan that guides our approach to managing capital and ensuring we meet or exceed regulatory standards. The plan forecasts our capital strength and outlines how we will ensure that strength over time. Capital planning considers corporate risk tolerance and demonstrates the requirement to balance both quantity and quality of capital appropriate for the credit union.

Credit union policy sets the amounts and types of capital we want to hold, while our bylaws outline how we allocate any surplus. Management is responsible for:

- implementing the plan
- reporting regularly on progress
- providing expert advice on the topic

Holding adequate capital is one way financial institutions demonstrate strength and stability. Provincial legislation dictates capital requirements at the credit union level and lays out how we can maintain, raise and control capital. Our regulator, Credit Union Deposit Guarantee Corporation of Saskatchewan, sets regulatory minimums through its Standards of Sound Business Practice, directives and guidelines. Credit unions must ensure they hold sufficient capital relative to their risk profile and internal targets under normal and stressed conditions.

We continue to pay close attention to profitability to support capital growth. In 2017 capital grew \$1.6 million from operations. Equity grew to 9% of assets in 2017 with the bulk of that growth (8.3%) coming from retained earnings.

We monitor the ratio of eligible capital (retained earnings plus member held equity) and Tier 1 capital (retained earnings) against risk-weighted assets. Regulatory standards also require us to calculate a leverage ratio, which is an indicator of the credit union's total capital relative to its total

assets and certain off balance sheet exposures, such as loans to members that have been committed to, but not yet disbursed.

We carefully manage our balance sheet to avoid the negative effects that can come when loan growth exceeds deposit growth. At the end of 2017 our ratio of eligible capital to risk-weighted assets sat at 14.25%. Tier 1 capital as a percentage of risk-weighted assets was at 13.13%. Both were above our internal targets. Our leverage ratio was 8.89%, which is up from 2016 and well above target.

To ensure we have enough capital to meet our needs even in times of significant loss or unplanned growth, we set minimum capital levels for our credit union well above regulatory minimums. This policy has positioned us well to respond to increasing regulatory requirements in recent years. Current policy is to ensure we maintain the optimal amount of capital according to ICAAP (Internal Capital Adequacy Assessment Process).

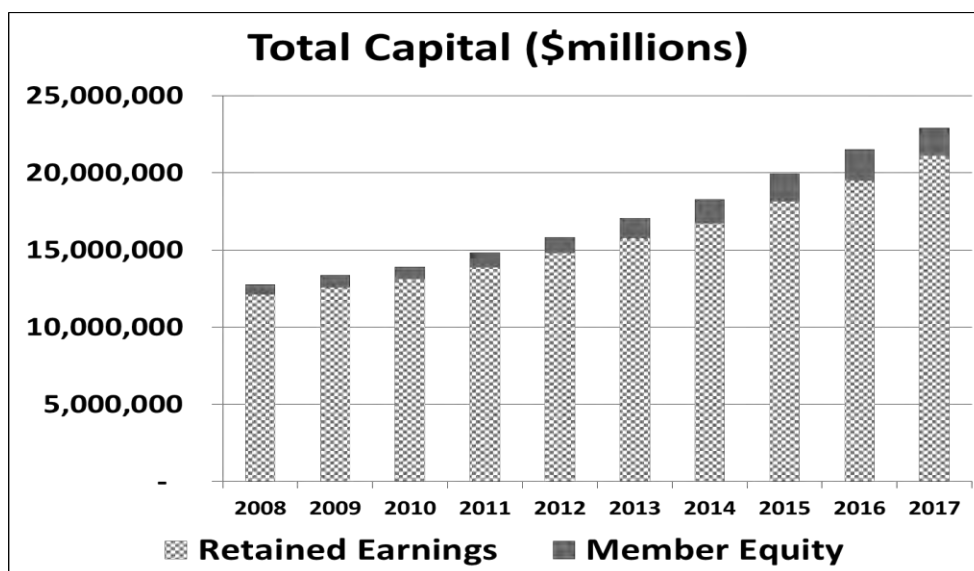
	Provincial standard	CCU target
Leverage ratio	5.0%	5.5%
Total tier 1 capital/risk weighted assets	8.5%	11.0%
Total eligible capital/risk weighted assets	10.5%	13.9%

Capital is a limited resource for credit unions. We're restricted to raising capital through profits from operations. We keep this in retained earnings or (historically) share it with members through patronage payments to member equity accounts. Crossroads allocates earnings in the following order:

1. capital until capital standards are met
2. additional capital to support growth, development and financial soundness
3. patronage allocations or dividends (Member Equity Program)

Credit unions obtain tier 1 capital through profitability, which contributes to total retained earnings. Allocations to member equity accounts have traditionally been an important part of our capital growth strategy. As a result, managed growth of member equity is an important part of our overall capital plan.

If capital ratios fall below regulatory limits, we will not make allocations (without regulatory approval) to member equity accounts and will allocate net earnings to retained earnings. We may also restrict discretionary staff bonuses.



In the past, our focus was on ensuring our members received patronage, even if we did not meet our policy targets. That is no longer an option with enhanced enterprise risk management and the introduction of new stricter regulatory requirements for capital, liquidity and profitability. For the second year in a row we allocated our profits to retained earnings. This decision allowed us to reach our target for return on assets, while building high quality, permanent capital so that, even in times of significant loss or unplanned growth, our capital levels are well above regulatory minimums.

We'll continue to carefully monitor and manage growth, to optimize revenue generation and work to ensure financial strength and long-term stability.

Looking forward – The board has approved the full payout of member equity accounts with a balance of \$100 or less in 2018. Equity accounts with balances greater than \$100 will be paid out over a four-year period starting in 2018. Rewarding our members for their loyalty remains a priority. Given the changing regulatory environment, we're reviewing our Member Patronage Program to ensure it provides value to our membership as a whole, while still allowing the credit union to build and maintain capital.

Careful balance sheet management and planned growth will continue in 2018. We are well-positioned to maintain internal and regulatory standards. The introduction of regular stress testing will help us ensure we have enough liquidity to meet regulatory requirements during unexpected events, such as a significant increase in loans or decrease in deposits

Stakeholders

Members – As a co-operative financial institution, we put members at the heart of everything we do. We strive to build and sustain a mutually rewarding relationship with each member. We set ourselves apart by making meaningful connections, taking the time to build rapport and making every transaction a superior experience.

IT'S WHAT WE DO

We empower members through financial confidence.

We regularly survey our members to gauge our success in this regard. We're pleased to say that our member satisfaction index (the percentage of members satisfied or very satisfied with overall service quality) rose from 82% in 2016 to over 88% in 2017.

We have instituted a more formal process to welcome new members to the credit union. Members have responded well to the process, which helps us build stronger relationships, better understand members' needs and provide the best service possible.

At the heart of our work, is the desire to empower our members through financial confidence. In 2017 we offered:

- fraud awareness workshops to help our senior members understand how to protect themselves from this growing threat
- trade fairs in each of our regions to demonstrate how our skilled professionals can help members find financial confidence
- our annual Ag Outlook seminar, which provides the most current and relevant agricultural forecasting
- active promotion of our professionals, who are ready, willing and able to engage members

Employees – Our succession planning efforts served us well in 2017 when CEO Linda Osachoff retired in June. Our approach to management by committee also helped make this significant transition a smooth one.

Our success depends on an engaged, professional team. We continued our efforts to ensure everyone at Crossroads understands and supports our strategic direction. In 2017 we continued work to develop the skills and competencies our employees will need to play their important roles. We also continued our efforts to become as effective and efficient as possible without any loss of value to our members.

Employees continue to support strategic and operational planning by participating on our cross-functional Strategic Advisory Committees. Through this process, they provide valuable advice, research, and support for all areas of the organization.

Board of directors – An elected volunteer board of directors oversees the strategic direction of Crossroads, ensuring our credit union is well-managed and meets all applicable legislation, regulation and standards. As regulators increase their expectations of how financial institutions are

governed, the role of a director has become increasingly complex. Dedicated to professional development, our board took part in several workshops and webinars in 2017, including sessions on:

- HR governance
- board development, performance and evaluation
- board succession planning
- their role relative to new International Financial Reporting Standards

Looking forward – As the industry and our member needs evolve, we’re revisiting our mission, vision and values to ensure they remain relevant. A committee of board and staff members will present recommendations to the board in early 2018.

Our members want the convenience of banking online and via their smartphones. In 2018 we’ll develop a plan to ensure we take a strategic approach to meeting members’ needs with these channels and are ready to support them.

Process

Process – Apply the right process.		
	2017 targets	2017 results
Loan growth	2.50%	5.26%
Asset growth (deposits + investments)	2.30%	3.45%
Mutual fund growth	2.50%	30.45%
Net financial margin	2.60%	2.64%
Other income	0.70 to 0.80%	0.70%
Operating expenses	2.50 to 2.75%	2.52%

Balanced scorecard – We use a balanced scorecard to communicate, measure and manage what we want to achieve and how we’ll achieve it. This helps us set priorities, making the most of our limited resources. In 2017 we continued to strengthen the links between our scorecard and performance management to align individual objectives with those of the organization. A three-year operational plan focuses the actions of staff and management on the credit union’s strategic priorities.

Yearly audits – We perform a comprehensive yearly internal audit of Crossroads’ operations. This includes a third-party review of various aspects of our organization. In 2017 that review focused on asset–liability management, corporate governance & internal controls.

We engage an external auditor to examine our credit function twice a year to ensure we operate within prescribed policy and procedures. We also regularly review several areas internally, including privacy, wealth management, deposit services, human resources and

payroll administration. This work is supplemented by a supervisory review conducted every three years by our regulator, Deposit Guarantee Corporation of Saskatchewan.

Risk management and compliance – Risk management and compliance are key areas of focus for any financial institution. To address the variety of risks inherent in our industry, we integrate risk management into all aspects of our operations. We also pay close attention to ensuring we comply with all relevant policies, standards and legislation. All staff and directors are trained each year on the topics of money laundering and terrorist financing.

Governance – In keeping with our collaborative approach to work, we continue to involve Crossroads staff in our strategic planning process. Staff sit on strategic advisory committees, providing valuable feedback and participating in the development of our three-year plan. A group of employees is also joining our board and management in a collaborative effort to update our organization’s mission, vision and values. We began this work to ensure these guiding statements remain relevant given our current strategic direction.

Looking to the future – The shift to digital and mobile channels will be a strategic and operational priority in 2018. We will develop a digital strategy that will evolve based on new insights. We’ll educate our members on what’s available and we’ll identify and remove barriers from staff and members to ensure easy access to lower-cost, more accessible channels.

Learning & growth

Learning and growth – The right people, working with the right information and empowered within the right culture.		
	2017 targets	2017 results
Performance planning index	95 – 100% of employees have performance plans in place	98% of employees actively at work
Performance index	Average performance review score falls between 190-215	Average score 200%

There’s a lot that goes on behind the scenes to keep the credit union not just surviving, but thriving. In 2017 we focused on enhancing our internal processes to position Crossroads for continued success – financially and otherwise. This included:

- refining the relationship management strategy we use to get to know our members and meet their needs
- advancing our plan to move to a more sales and service oriented culture
- reviewing our employee compensation plan
- equipping employees with the skills they need as we embrace a coaching environment and move to focus more on giving expert advice and less on processing transactions

Enterprise risk management

Crossroads uses an enterprise risk management process to measure and assess risks. This prepares us to meet the needs of our members and communities, as well as our obligations to our regulators. This process is required by our primary regulator, Deposit Guarantee Corporation of Saskatchewan, and is an important element of our governance and strategic planning processes. We use enterprise risk management to identify, analyze and systematically address risks to our organization.

A statement of risk appetite defines the level of risk Crossroads is willing to take in the course of business. This helps us balance risk and return, and supports decision making across our operations. A series of risk management principles reinforce effective risk management across the credit union, supporting a risk-informed approach to our work.

Throughout this process, Crossroads manages each area of risk based on business need and guided by board policy. Senior management identifies risks and develops action plans for any issues that go beyond tolerance levels set by the board. Our audit and risk committee reviews this information quarterly. Our board evaluates management's assessment and risk mitigation strategies annually. This information influences how we allocate human, capital and other resources.

Proactively managing risk ensures we respond to uncertainty, reducing unexpected outcomes and strengthening the confidence of our stakeholders. While many of the risks we face may not have immediate financial impact, they still have the potential to prevent us from meeting our long-term strategic objectives.

Risk philosophy statement

Crossroads Credit Union is willing to take on only those risks that it fully understands and can manage within acceptable levels.

Risk commitment

Crossroads Credit Union's board and management are committed to establishing a risk-informed decision-making culture, which enables us to optimize the risk/reward trade-off and more effectively exploit opportunities we identify. Our risk framework aligns with ISO international best practices and ensures risk management is a core capability and integrated into our decision-making processes.

Statement of risk mandate

Our risk framework mandate is to ensure known and emerging risks are identified and managed within acceptable risk appetites and tolerances set out by the board. Our risk framework applies to all key decisions and business processes.

Consistent with our regulators' Standards of Sound Business Practice, our process will:

- identify risks to which the credit union is exposed
- measure our exposure to identified risks
- ensure that an effective risk monitoring program is in place

- monitor risk exposures on an ongoing basis
- control and mitigate our risk exposures
- report to board and management on our risk exposures

Statement of risk appetite

Crossroads Credit Union will establish quantitative and qualitative limits to give board and management sufficient flexibility to manage risks and optimize the value of its business activities to the organization. Crossroads has a moderate level of capital and therefore must take a modest-to-moderate approach to risk.

Our main objectives are:

- to ensure capital is protected
- to ensure we don't take on more risk than we can afford to handle
- to achieve tangible benefits resulting from the risk appetite process

Enterprise risk management framework

Our enterprise risk management framework manages risks in the following categories:

Credit risk	Risk of financial loss due to a borrower or counter party failing to meet its obligations in accordance with agreed terms.
Market risk	Potential for a negative impact on the credit union's financial position and/or earnings resulting from adverse changes in certain market variables including, interest rates and foreign exchange rates.
Liquidity risk	Risk of having insufficient cash resources or equivalents to meet financial obligations without having to raise funds at unfavourable rates or selling assets on a forced basis.
Strategic risk	Risk arising from an inability to implement appropriate business plans, strategies and resource allocation.
Operational risk	Risk arising from problems in the performance of business functions or processes.
Legal & regulatory risk	Risk arising from potential non-compliance with laws, rules, regulations or ethical standards in the jurisdiction in which the credit union operates.

Corporate structure and governance

Crossroads Credit Union operates under provincial legislation in the province of Saskatchewan. We're regulated by the Credit Union Deposit Guarantee Corporation of Saskatchewan and are required to comply with the Corporation's Standards of Sound Business Practice as well as:

- *The Credit Union Act, 1998*
- *The Credit Union Regulations, 1999*
- *The Credit Union Insurance Business Regulations*
- our own credit union bylaws and policies
- other applicable provincial and federal laws

We report regularly to the Deposit Guarantee Corporation and are subject to periodic risk-based examinations.

Crossroads Credit Union uses an "agency" model of governance. This means that:

- The members elect the board of directors.
- The board appoints the CEO.
- The CEO hires the employees and engages suppliers.

Our governance practices are based on the Credit Union Governance Principles set out by the World Council of Credit Unions. The principles address governance at three levels: external, internal and individual.

External governance – All financial institutions, regardless of type, are expected to comply with the basic standards of transparency, auditing and financial reporting.

Internal governance – The co-operative nature of credit unions means we have an additional layer of governance related to our democratic, member-driven nature. This includes a commitment to "one member, one vote" and adhering to the International Credit Union Operating Principles.

Individual governance – To perform their collective duties, individual board members and managers are obligated to maintain ethical conduct and professionalism, and to speak with a single voice once board decisions are made. Board members are also expected to possess the skills and technical capacity necessary to fulfill their duties.

Board of directors

Mandate and responsibilities – A 10-person elected board of volunteer directors sets the strategic direction for Crossroads Credit Union. The board oversees our management team to ensure the credit union is managed and operated soundly and prudently. It sets policy and ensures Crossroads adheres to applicable legislation, regulation and standards.

Composition – Directors are elected by branch and serve three-year terms. They must have been members in good standing for at least two years. Our current board consists of:

- Five directors from Canora
- Two from Preeceville
- One each from the Sturgis, Wadena and Margo/Kuroki districts

As set out in our bylaws, a Nominating and Governance Committee leads the board nomination and election process. Members elect directors by voting in each branch. Results are announced at our annual general meeting.

2017 Board of Directors



Back Row: Arlette Bogucky, Duane Sweatman, Gary Herbert, Dale Zubko, Allan Wonsiak, Leanne Christianson
Front Row: Betty Tomilin, Murray Bottcher, Walter Ostoforoff, Ivan Peterson

CANORA DISTRICT		STURGIS DISTRICT	
Allan Wonsiak	2019	Ivan Peterson	2019
Arlette Bogucky (two year term)	2018 *		
Betty Tomilin	2019	WADENA DISTRICT	
Gary Herbert	2020	Duane Sweatman	2020
Walter Ostoforoff	2020		
PREECEVILLE DISTRICT		MARGO/KUROKI DISTRICT	
Dale Zubko	2020	Murray Bottcher	2018 *
Leanne Christianson	2018 *	*Terms Expired	

The following sat on Crossroads Credit Union's board at year end 2017:

Arlette Bogucky – Arlette is from Canora and owns and operates AB Classics. She also serves on the Leisure Services Board for the Town of Canora. Arlette joined the board in 2016.

Murray Bottcher, President – Murray is a retired educator and part-time farmer from Margo. He's an active member of many organizations, including the Margo Recreation Board, Moe Concordia Lutheran Church board, Margo Village Council, St. Peters Parish Council and Margo Fire Department. Murray joined the Crossroads board in 1999 and previously sat on the board of Kuroki Credit Union.

Leanne Christianson – Leanne moved to the Preeceville area in 1992 with her husband and children. She homeschooled her children for 18 years and helped with the family well drilling business. She works at the Preeceville & District Health Centre. Leanne joined the board in 2012.

Gary Herbert - Gary is a retired farmer from Canora. He joined the board in 1984.

Walter Ostoforoff, First Vice President - Walter is a farmer and accountant from Canora. He's a retired Chartered Professional Accountant (CPA) and a Fellow Chartered Professional Accountant (FCPA) with experience in management, personnel and finance. Walter is a past member of the Chartered Management Accountants (CMA) of Saskatchewan executive and CMA Canada committees. He's been involved in the community association, minor hockey and baseball. He joined the board in 2011.

Ivan Peterson, Second Vice President - Ivan was born in Preeceville and raised at Hazel Dell. He and his wife Gail have two sons and live in Sturgis. His careers included teaching, farming and an advisory role with Saskatchewan Crop Insurance. Ivan has served on a variety of health and financial boards. He feels very fortunate for his family, friends, work, sports and community involvement. Ivan was elected to the Crossroads Credit Union board in 2016.

Duane Sweatman - Duane farmed in the Kelliher area with his wife Wanda for 22 years raising four children and moved to Wadena in 1996 when they bought Wadena Meats. I enjoy bowling and golf and my grandchildren. Duane joined the board in 2017.

Betty Tomilin – Betty is a retired teacher from Buchanan and currently works as a substitute teacher for the Good Spirit School Division. She is a member of the Buchanan Housing Authority, the Buchanan Black Box Players and volunteers as a director for the high school drama students at Canora Composite School. Betty was elected to the Crossroads Credit Union board in 2016.

Allan Wonsiak – Allan is retired from a 32-year career in financial services, primarily in the credit union system at seven locations throughout Saskatchewan. He resides in Canora and was elected to the board in 2016.

Dale Zubko – Dale, his wife Sharon and their four daughters have lived in Preeceville for 33 years. He attended University of Saskatchewan and SIAST, studying agriculture and business. Dale spent 25 years in construction and the oil patch and has been involved with farming for the past 42 years. He was involved with the RM of Preeceville and St. John Lutheran Church council. He enjoys curling and spending time with his grandsons. Dale was elected to the board in 2015.

Committees

Several committees support the board in its responsibilities. Committees meet regularly and report to the board following each meeting.

The **Executive Committee** acts on behalf of the board of directors between regular or special board meetings on most board matters.

The **Conduct Review Committee** ensures related-party transactions comply with legislation, standards of sound business practice, and with credit union or committee policies and procedures.

The **Building & Property Committee** works with management to develop policies and plans relevant to credit union facilities.

The **Finance and Personnel Committee** works with management to develop financial policies and monitor operations relevant to the management of all areas of financial risk to the credit union. The committee reviews personnel policies and makes recommendations for consideration by the board.

The **Nominating & Governance Committee** oversees the nomination and election processes for election of credit union directors.

The **Audit & Risk Committee** oversees risk management and ensures the integrity of financial reporting, adequacy of internal controls as well as adherence to relevant legislation, regulations and standards.

The **Community Investment Fund Committee** allocates donations from our Community Investment Fund to community projects, ensuring our entire trading area receives equitable funding over a five-year period. The board allocates money to the fund on a yearly basis.

The **Board Recognition Committee** is designed to develop an ongoing director recognition program. It investigates and recommends professional development opportunities to the board.

The **Board Education Committee** is designed to review the Director Education Program on a continued or as needed basis and to make recommendations to the board.

Compensation and attendance

The board meets monthly. All directors also serve on one or more board committees.

Average board and committee meeting attendance in 2017 was 97%. The credit union paid \$37,100 in per diems for attendance at board and committee meetings, and other related meetings.

The Executive Committee reviews director compensation every two years to ensure it remains competitive and appropriate. Director compensation includes:

- per diems for attendance at board and committee meetings or events related to Crossroads and the credit union system
- reimbursement for travel costs to attend meetings
- reimbursement for out-of-pocket expenses related to meetings

Director training

Ongoing professional development helps our directors stay on top of changes in the industry and their role. A Board Education Committee investigates and recommends professional development opportunities to the board. Directors also take part in other credit union system and in-house educational sessions. They complete an annual survey to help the credit union identify other opportunities for director education.

Board meeting attendance	
Arlette Bogucky	100%
Murray Bottcher	100%
Leanne Christianson	83%
Gary Herbert	100%
Walter Ostoforoff	92%
Ivan Peterson	100%
Duane Sweatman	100%
Betty Tomilin	100%
Allan Wonsiak	100%
Dale Zubko	92%

Participation in a national Credit Union Director Achievement program is mandatory. The program provides a series of standard courses designed specifically for credit union directors. Directors are expected to achieve the three levels of designation over their term on the board. Many of the courses are available online; others are provided through facilitated group sessions. Several directors are graduates of the program.

Management by Committee

Jeff Bisschop, Chief Executive Officer
Cindy Balaberda, Manager of Corporate Services
Rhonda Fullawka, Manager of Finance and Risk
Wendy Peterson, Manager of Retail Services

Subsidiaries

Crossroads Credit Union offers wealth management and insurance services through Credential Financial Strategies Inc. via a partnership agreement with Credential Financial Inc. Credential Financial provides the framework to operate the service and receives a portion of the revenue generated. Crossroads Credit Union is responsible for operating costs, such as salaries and overhead.

Revenue and expenses generated by CFS form part of our non-interest revenue and expense. Financial results for CFS are reported on a consolidated basis in our financial statements.

Not only does this service provide important off balance sheet revenue, it provides important advice that helps our members build financial confidence.

®Credential Financial Strategies Inc. is a member company under Credential Financial Inc., offering financial planning, life insurance and investments to members of credit unions and their communities. ®Credential is a registered mark owned by Credential Financial Inc. and is used under licence.

Corporate social responsibility

For a credit union, social responsibility comes naturally. Built into everything we do, it's founded in Concern for Community, one of the Co-operative Principles that guides credit unions around the world.

Credit unions are committed to providing service responsibly and ethically, with a high degree of transparency and disclosure. Corporate social responsibility is central to who we are at Crossroads Credit Union.

Community investment – Crossroads has a proud history of giving back to the people and communities we serve. In 2017 we donated \$16,700 in cash and merchandise to 96 organizations, causes and projects in our trading area.

GIVING BACK

- *\$16,700 in cash and merchandise*
- *96 organizations, causes & projects supported*
- *\$25,000 through Community Investment*

We also volunteer considerable hours for causes that matter to our board, management and employees. Employees are encouraged to volunteer on behalf of the credit union during sponsored events and other community initiatives. In 2017 our staff gave more than 1,700 hours of their time.

Each year our **Crossroads Credit Union Community Investment Fund** allocates additional funding to community projects. The money allows groups and projects to make a difference in our community through work in the areas of health, youth, amateur sport, arts and culture, the environment and education. In 2017 we distributed \$25,000 to 17 projects.

Investing in our youth – Each year we help deserving high school graduates pursue post-secondary education with \$2,500 in scholarships. We also award \$1,000 to a student currently attending a post-secondary institution.

2017 SCHOLARSHIP RECIPIENTS	
High school scholarships	Abby Gulka
	Braydon Walker
	Kristiaan Rayner
	Hanna Rumbold
	Sara Kowalyshyn
Post-secondary scholarship	Michelle Ostafie

In 2018 we'll develop a plan for enhancing our corporate social responsibility program. We plan to take a more strategic approach to community investment, and look for ways to strengthen the impact of our investments.

Investing in our employees – Success in the financial services industry depends heavily on knowledge and relationships. Crossroads Credit Union works hard to attract and maintain highly skilled and motivated employees. We maintain a professional, motivated staff with the help of:

- career management
- continuous staff development
- fair, equitable compensation and benefits

We want our people to feel excited and engaged about working with us. We're committed to investing in their success, for themselves and the benefit of the credit union.

We promote a coaching culture with sales and service at the centre of a collegial work environment. We believe in creating a healthy, respectful and inclusive work environment that provides the tools and supports our employees need to achieve their potential. Our succession planning and coaching processes help to inform the individual learning paths of our staff.

Our human resource policies reinforce our commitment to ensuring employee well-being in a safe and respectful workplace. These include:

- Work/Life balance
 - flexible work environment
 - graduated retirement program
 - sick day usage for dependants for whom employees have a duty of care
- Investment in personal and professional development
 - options that support lifelong learning and career-building opportunities
 - individual learning plans that focus on improving behavioral skill sets so that each member exchange is ultimately solutions based
- Succession planning
 - growing with Crossroads Credit Union through the achievement of professional goals
- Engagement in our strategic direction
 - staff advisory committees
 - board/management/staff retreat



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2017

January 2018

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral) (together, Provincially Regulated Financial Institutions or "PRFIs").

The Corporation is charged through provincial legislation, *The Credit Union Act, 1998*, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

For more information about deposit protection, the Corporation's regulatory responsibilities, and its role in promoting the strength and stability of Saskatchewan PRFIs, talk to a representative at the credit union or visit the Corporation's web site at www.cudgc.sk.ca.

Crossroads Credit Union
Summary Consolidated Financial Statements
December 31, 2017

Report of the Independent Auditors' on the Summary Consolidated Financial Statements

To the Members of Crossroads Credit Union:

The accompanying summary consolidated financial statements of Crossroads Credit Union, which comprise the summary consolidated statement of financial position as at December 31, 2017, 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 Crossroads Credit Union for the year ended December 31, 2017. We expressed an unmodified opinion on those consolidated financial statements in our report dated February 22, 2018.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Crossroads Credit Union.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements in accordance with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Crossroads Credit Union for the year ended December 31, 2017 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

Humboldt, Saskatchewan

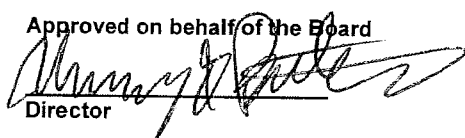
February 22, 2018

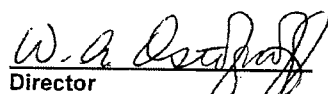
MNP LLP
Chartered Professional Accountants

Crossroads Credit Union
Summary Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Cash and cash equivalents	6,976,591	10,024,016
Investments	48,533,990	46,716,556
Member loans receivable	195,033,409	184,429,481
Other assets	254,735	263,330
Property, plant and equipment	1,970,432	2,160,472
Goodwill	84,000	96,000
	252,853,157	243,689,855
Liabilities		
Member deposits	228,923,890	221,411,532
Other liabilities	1,019,340	759,681
Deferred tax liability	10,085	13,217
Membership shares	30,335	29,825
Equity accounts	1,751,264	1,987,265
	231,734,914	224,201,520
Commitment		
Members' equity		
Retained earnings	21,118,243	19,488,335
	252,853,157	243,689,855

Approved on behalf of the Board


 Director


 Director

Crossroads Credit Union
Summary Consolidated Statement of Comprehensive Income
For the year ended December 31, 2017

	2017	2016
Interest income		
Member loans	7,841,327	7,719,883
Investments	891,117	793,650
	8,732,444	8,513,533
Interest expense		
Member deposits	1,952,518	1,881,068
Borrowed money	6,464	3,706
	1,958,982	1,884,774
Net interest income	6,773,462	6,628,759
Provision for impaired loans	80,768	36,679
Net interest income before other income	6,692,694	6,592,080
Other income	1,698,169	1,583,901
Net interest and other income	8,390,863	8,175,981
Operating Expenses		
Personnel	3,689,121	3,655,567
Member security	220,650	234,187
Organizational	143,921	194,359
Occupancy	299,249	359,245
General business	2,023,185	2,123,983
	6,376,126	6,567,341
Income before provision for (recovery of) income taxes	2,014,737	1,608,640
Provision for (recovery of) income taxes		
Current	387,961	267,184
Deferred	(3,132)	3,134
	384,829	270,318
Comprehensive income	1,629,908	1,338,322

Crossroads Credit Union
Summary Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2017

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2015	18,150,013	18,150,013
Comprehensive income	1,338,322	1,338,322
Balance December 31, 2016	19,488,335	19,488,335
Comprehensive income	1,629,908	1,629,908
Balance December 31, 2017	21,118,243	21,118,243

Crossroads Credit Union
Summary Consolidated Statement of Cash Flows
For the year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans receivable	7,846,692	7,731,346
Interest received from investments	834,244	808,802
Other income received	1,692,653	1,615,252
Interest paid on deposits	(1,820,622)	(1,850,392)
Cash paid to suppliers and employees	(6,038,295)	(6,103,805)
Interest paid on borrowed money	(6,464)	(3,706)
Income taxes paid	(238,347)	(350,211)
	2,269,861	1,847,286
Financing activities		
Net change in member deposits	7,380,463	3,404,639
Net change in membership shares	510	1,855
Addition to (reduction of) equity accounts	(236,001)	210,475
	7,144,972	3,616,969
Investing activities		
Net change in member loans receivable	(10,690,061)	(3,437,700)
Purchases of investments	(1,760,561)	(4,456,694)
Purchases of property, plant and equipment	(11,636)	(88,012)
Proceeds from disposal of property, plant and equipment	-	8,500
	(12,462,258)	(7,973,906)
Decrease in cash and cash equivalents	(3,047,425)	(2,509,651)
Cash and cash equivalents, beginning of year	10,024,016	12,533,667
Cash and cash equivalents, end of year	6,976,591	10,024,016

Notes

Notes

**This is
CROSSROADS COUNTRY**

www.crossroadscu.ca