2020 ANNUAL REPORT

& Summarized Financial Statements

We'll always be there.

MISSION

As a financial co-operative, Unity Credit Union exceeds our members' expectations by identifying their needs and recommending solutions for the benefit of our members, the community and the credit union.

VISION

Partnering to achieve success and build a better community.

We'll always be there.

UNITY CREDIT UNION
ANNUAL GENERAL MEETING
MARCH 23, 2021

ORDER OF BUSINESS

7:00 - **<u>Pre-Meeting Items</u>**

- Virtual Meeting Protocols and Testing of Voting Polls
- Proof of Notice of Meeting and Confirmation of Quorum
- Affidavit of Completion of Reports
- Appointment of Chairperson and Secretary
- Rules of Order (new)

7:05 - **<u>Annual Meeting Agenda</u>**

- Call to Order
- Adoption of Agenda
- Adoption of Minutes of Last Meeting held March 24, 2020
- Business Arising from Minutes
- President's Message
- Credit Union Discussion and Analysis
- Auditor's Report
- Financial Statement Review
- Adoption of Reports
- Appointment of Auditors
- Nominating Committee Report
- Presentation of Bylaw Amendments
- Approval of Bylaw Amendments
- Question/Discussion Period
- Service Awards Announcement
- Adjournment

PROOF OF NOTICE OF MEETING AND CONFIRMATION OF QUORUM

1) <u>Proof Of Notice</u>:

CANADA	)	*I, Gerald Hauta,*
	)	*of the Town of Unity,*
PROVINCE OF SASKATCHEWAN	)	*in the Province of Saskatchewan,*
	)	*Treasurer of the Unity Credit Union Limited*

TO WIT:

That I have personal knowledge that the notice of this annual meeting was duly prepared and given to members as required by the Bylaws of the Credit Union.
NOTICE was posted in the Credit Union on March 1, 2021.

And published in "The Unity-Wilkie Press Herald"
on February 26, 2021.
Sworn before me at the Town of Unity)
In the Province of Saskatchewan)______________________________
This 2nd day of March, 2021.)

____
A Commissioner for Oaths in and for
Saskatchewan
My Commission expires July 31, 2022

AFFIDAVIT OF COMPLETION OF REPORTS

I, Gerald Hauta, Manager of Unity Credit Union Limited make oath and say that:

1) The Annual Financial Reports were completed by March 12, 2021.

2) The Annual Financial Reports were made available to the membership March 12, 2021, which is at least 10 days prior to the annual meeting.

Sworn before me at the Town of)
Unity, in the Province)
of Saskatchewan, this 12th day)______________________________
of March, 2021.)

____
A Commissioner for Oaths in and for
Saskatchewan
My Commission expires July 31, 2022

MINUTES OF THE 2019 ANNUAL MEETING OF THE UNITY CREDIT UNION LIMITED
Tuesday, March 24, 2020

Gerald Hauta welcomed everyone to the meeting at 5:01 pm.

Due to COVID-19 the meeting was held at the credit union with 19 in attendance and 40 attending through the virtual channel.

It was noted that the Annual Report and Financial Statement are available at the Credit Union and on the Credit Union website.

Gerald Hauta presented the Proof of Notice and the Affidavit of Completion of Reports. He confirmed that a quorum was in attendance and the meeting could proceed.

Martin Berg and Michael Soloski moved that Colette Lewin be appointed as Chairperson and Dianne Kramer be appointed as Secretary. Carried.

Colette Lewin called the meeting to order at 5:05 pm.

Kristine Moon and Sharon Del Frari moved that the agenda be adopted as presented. Carried.

Minutes of the 2018 Annual Meeting held on Tuesday, March 26, 2019 were read by the members present.

There were no errors or omissions arising from the minutes.

Michael Soloski and Anita Parker moved that the minutes of the 2018 Annual Meeting held on Tuesday, March 26, 2019 be accepted as presented. Carried.

There was no business arising from the minutes.

Colette Lewin presented the President's Message.

Gerald Hauta presented the 2019 Auditor's Report with approval from Curt Wagner of MNP. Curt attended the meeting virtually and stated that MNP issued a clean audit opinion that stated financials were properly stated at December 31, 2019 and for the year then ended. He congratulated Unity Credit Union on a great year and successful renovation.

Gerald Hauta presented the Credit Union Discussion and Analysis Report, which included a review of the Financial Statement as approved by MNP.

Sharon Del Frari and Martin Berg moved that the President's Message and the Credit Union Discussion and Analysis Report be accepted as presented. Carried.

There were no questions arising from the statements.

Kristine Moon and Anita Parker moved that the Auditor's Report and Financial Statements be accepted as presented. Carried.

Colette Lewin, on behalf of the Board of Directors, recommended that MNP be appointed as Auditors for 2020.

Michael Soloski and Kristine Moon moved that the accounting firm of MNP be appointed as the auditors for Unity Credit Union Limited for 2020. Carried.

Colette Lewin presented the Nominating Committee Report. Christine Lang, Michael Soloski and Anita Parker had their terms expire in 2020. Christine, Michael and Anita let their names stand along with Clyde Drover. An election was held. Colette reported that Michael Soloski, Anita Parker and Clyde Drover were declared elected.

Martin Berg and Sharon Del Frari moved that the Nominating Committee Report be accepted as presented and the ballots be destroyed. Carried.

Several members attended virtually and commented but had no questions. Colette reminded everyone they could contact the credit union at any time if they had any questions later.

Gerald Hauta announced the following employees would be receiving long term service awards:
Lynn Maze – 40 years
Jennifer Wilson – 10 years
Deb Cairns – 10 years
Shauna Hammer - 5 years
Trina Lascelle-Lefebvre – 5 years
Christine Lang, Board Member – 9 years

Anita Parker adjourned the meeting at 5:33 p.m.

LKramer
Secretary

A message from Our President

Colette Lewin, President, Board of Directors

Welcome to our 79th Annual General Meeting. 2020 – a new year and a new decade began with such promise and excitement. Unfortunately, that promise and excitement only lasted until March, at which time the Coronavirus Disease progressed from an illness to a world-wide pandemic and our world was plunged into unprecedented times and unheard of challenges.

Unity Credit Union's year began with the excitement of completing our major renovation and hosting members in our new building. We embarked on a week-long journey of showing off our building and sharing it with our members. The activities we planned and the support we received from members were incredible. We were poised for all kinds of new things in our beautiful new building and then COVID hit! We quickly went from opening our doors and welcoming members into the building to closing our doors, working from behind closed doors and serving members through closed doors. Due to steps taken in the past, we were able to have staff work from home. Due to advances in technology, we could still serve members, just in new ways. These were the positives. The challenges were many. Members faced all sorts of uncertainties in their personal and business lives. Governments made announcements daily and weekly and staff had to gain an understanding and develop processes to be able to offer these programs. Education became virtual. All kinds of recreational and community activities crashed to a halt. Members deferred payments until they could understand how their incomes and businesses would be affected. The challenges were new, difficult and affected members' lives in all sorts of ways.

As members you may be wondering how your credit union fared. Like the year, the overall financial results were a mix of positives and challenges. Members showed trust in their credit union by continuing to deposit funds they received. These funds led to overall asset growth like we have not seen for a long time. We grew over \$28.5 million in 2020 to end the year with an asset base of \$298.1 million. Due to the uncertainty in the world, members were hesitant to borrow money, so our loan portfolio decreased significantly. The positive in this was that despite deferring payments on many loans, members returned to making payments as the year progressed. The Bank of Canada lowered their overnight rate three times in a short span of time, reducing lending and investing rates. Reduced rates combined with a reduced loan portfolio resulted in reduced interest revenue. The other challenge was that we could not lower rates on member deposits as much as we did on loans, so our revenue was further reduced. On a positive note, the pandemic hit early enough in the year that we, like other businesses, were able to curtail a lot of our spending and the cancellation of many community activities reduced our sponsorship expenses as well. In the end, we were still able to generate an operating surplus of \$1,272,280. While this was significantly lower than surpluses over the past couple of years, it was still sufficient to allow us to allocate \$400,000 for patronage, which will be paid in 2021.

UNITY Credit Union

Behind the scenes, the board and staff learned to use technology in new ways such as holding virtual board and committee meetings. This was a positive. Technology was not really affected by the pandemic as things still moved forward. We undertook several projects, many of which will carry into 2021. We offered new services such as Google Pay and International Transfers. We served members without meeting face-to-face.

The future remains uncertain. The optimism that accompanied the arrival of vaccinations has been tampered by the variant strains of COVID-19. There are changes coming in payment services. Open Banking is being discussed by regulators. The disruption this could cause is being compared to the disruption caused by the introduction of the World Wide Web. Technology projects will be completed, which will allow transition to utilization of the new programs and then new projects will begin. Mergers are once again occurring in the provincial system. New entrants into the financial arena are many and range from small specialized fintechs to huge organizations that have capital and profits and strong digital presences. We realize that in order to continue to serve members into the future, the traditional business model is challenged. We need to continue to change with the times, embrace technology and focus on providing value to our members as your trusted advisors. We want to continue to educate members on how to be financially literate, be safe using technology and make the right decisions to enhance their financial well-being. The pandemic has shown us we can do this; we just need to do it even better.

Success in the future will continue to require member support. We will need support from those members that call the Unity area home and those who left the Unity area to pursue education and employment. If members continue to believe in Unity Credit Union and trust us as you have through the pandemic, "We'll always be there!" We have a role to play but so do you, your children and your grandchildren. We ask for your continued support.

Colette Lewin
President, Board of Directors

Our Board of Directors


Colette Lewin
President


Sandra Wagner
Vice President


Martin Berg


Kristine Moon


Anita Parker


Michael Soloski


Keith Wilson

JUNIOR BOARD MEMBERS


Kerrigan Bowey


Abby Rutley

The co-operative principle of democratic member control anchors the governance of Unity Credit Union. When required, directors are elected by members and hold office for three years. Our policy states that directors are eligible to serve four consecutive terms or twelve years but then are required to leave the board for at least one year. This ensures that new people are allowed to participate and bring forward new ideas.

Serving on the board is a commitment requiring dedication. For this reason, obtaining candidates for vacancies can be challenging. The succession plan for directors outlines that the nominating committee's obligation is to seek a candidate for each vacancy and that they are not obligated to obtain extra candidates to hold an election. Members are encouraged to bring forward names of candidates if they desire an election.

Every year three director terms expire. Directors whose terms expired in 2020 were Michael Soloski, Christine Lang and Anita Parker. Michael, Christine and Anita were eligible for re-election and agreed to let their names stand. Clyde Drover also agreed to let his name stand and so an election was held. When the ballots were counted, incumbents Michael Soloski, Anita Parker and new director Clyde Drover were declared elected. Before the end of 2020, Clyde accepted employment outside of our trading area so resigned from the board. Sharon Del Frari ran for Mayor and was elected to that position, so resigned as well. The board chose to run with two vacancies until the 2021 nomination/election period.

We continued our Junior Board Member Program to encourage young people to take an active part in our credit union. The ultimate goal of the program is to help these young people learn more about the credit union and the services we offer and to hopefully expand their financial knowledge. Abby Rutley continued as our Grade 12 representative and we welcomed Kerrigan Bowey as the representative from grade 11. Junior board members participate in board meetings but have no voting rights.

Mandate and Responsibilities

The board is responsible for strategic oversight, establishing direction and supervision of management of the credit union. In acting in the best interests of the credit union and its members, the board adheres to the standards set out in *The Credit Union Act 1998,* the *Standards of Sound Business Practice* and other applicable legislation. The board is not involved in the day-to-day operations of the credit union. For many years they have not approved loans or seen members' personal information, deposit balances or financial information. These functions are handled by management and staff.

Responsibilities of the board of directors include:

- Determining strategic direction for the credit union.
- Establishing and maintaining prudent policies for the operation of the credit union.
- Directing the management of the business affairs of the credit union.
- Exercising the care, diligence and skill of a prudent person in directing the credit union's affairs.
- Exercising the powers of the credit union directly, or indirectly, through employees.
- Acting honestly and in good faith with a view to the best interests of the credit union at the exclusion of other interests.

Committees

The responsibilities of the board of a financial institution encompass a comprehensive list of duties under fairly extensive regulatory oversight. Unity Credit Union maintains a number of committees comprised of directors. The establishment of committees enables a clear focus on specific areas of activity vital to the effective operation of our credit union. The board determines the skills and abilities needed on each committee and chooses its members accordingly. The board also determines each committee's terms of reference, guidelines and requirements. The President serves as an ex-officio of all committees. Over the last year, the board chose to separate the functions of the Audit & Risk Committee, and therefore, formed an Audit & Finance Committee and a Risk & Compliance Committee.

- **Audit and Finance Committee**
  The Audit and Finance Committee oversees financial reporting and related processes, reviews financial statements and budgets, monitors financial performance, liaises with internal and external auditors and regulators and reviews internal control procedures. The committee consists of four directors; however, the entire board is invited to attend meetings of this committee.

- **Risk and Compliance Committee**
  The Risk and Compliance Committee oversees the Enterprise Risk Management Framework, organizational-wide compliance, corporate risk profile, control framework and internal controls, related party transactions, conflicts of interest and non-compliance reporting. The committee meets with the Risk and Compliance Officer to ensure the credit union remains compliant with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, Market Code including the Personal Information Protection and Electronic Documents Act, Foreign Accounting Tax Compliance Act, Common Reporting Standards, Canadian Anti-Spam Law and Multi Material Recycling Program. The committee consists of three directors; however, the entire board is invited to attend meetings of this committee.

- **Policy Committee**
  The Policy Committee reviews the existing policies of Unity Credit Union, for the purpose of recommending any changes, deletions and/or additions to the board of directors, for their approval. The Committee consists of four directors.

- **Nominating Committee**
  The Nominating Committee oversees the nomination and election processes. The Committee consists of those directors who are not candidates for re-election.

- **Conduct Review Committee**
  The Conduct Review Committee ensures that the credit union's directors and employees act with integrity and objectivity by having in place policies, processes and practices that protect people and the organization from claims and the perception of unfair benefit to related parties or conflict of interest with related parties. The Committee consists of three directors.

- **Executive Committee**
  The Executive Committee acts in the capacity of, and on behalf of the board of directors, between regular or special board meetings on all board matters except those, which the board may not delegate due to legislative requirements. The Committee consists of two directors and the Chief Executive Officer.

- **Personnel Committee**
  The Personnel Committee works with management to establish and maintain credit union personnel policies and to develop recommendations on the credit union's human resource management for board consideration. The Committee consists of three directors.

- **Building Committee**
  The Building Committee was created to oversee the discussions and set the direction for the building renovation. With the completion of the renovation, the Building Committee is no longer active.

Being a director continues to be an interesting mix of challenges, rewards and education. The COVID environment brought new challenges as directors had to adapt to new meeting structures, including virtual meetings. Training was not as prevalent as overseeing the direction of the credit union in the current environment. We are pleased that those who represent the members continue to be very dedicated and take their responsibilities seriously. Directors attend regular monthly meetings throughout the year. In 2020, several of these meetings were held virtually to comply with provincial health restrictions. Regular in-camera meetings are held without management personnel in attendance. All directors fulfilled their meeting attendance requirements as detailed in the bylaws. In the highly regulated and ever-changing financial environment, it is imperative that directors remain knowledgeable and informed. Directors took advantage of development opportunities as presented and able. Opportunities for networking and training were much more limited than in the past as several conferences, training and meetings were cancelled.

Compensation
Directors of Unity Credit Union receive remuneration for items related to credit union business or training. Allowable reimbursement expenses are for meetings, travel, meals, accommodations and mileage. In addition, Unity Credit Union pays insurance premiums on behalf of the directors. In 2020, $50,331 was paid as remuneration, which was less than the year before as there were less training and system meetings. Insurance premiums paid on behalf of directors were about $1,400.

Our Management & Staff

MANAGEMENT TEAM

Gerald Hauta
Chief Executive Officer

Lynn Maze
Manager of Member Experience

Shannon Mellquist
Manager of Digital Experience
(maternity leave)

Megan Schweitzer
Manager of Marketing

Christy Walker
Manager of Lending Services

In 2020, our Management Team consisted of five positions, although during the year Shannon Mellquist took a maternity leave and the decision was made not to fill her vacancy.

- **Chief Executive Officer – Gerald Hauta** – responsible for the oversight of all areas of the operation. Gerald has 34 years of credit union experience gained from various positions, credit unions and communities. In addition, he had three years of co-operative experience before joining the credit union system.
- **Manager of Member Experience – Lynn Maze** – responsible for member service including deposits, withdrawals, card services, fraud management, cash management, clearings, statements and all investment offerings. Lynn has 41 years of experience in credit unions and has held several different positions.
- **Manager of Digital Experience – Shannon Mellquist** – responsible for researching and implementing technology that enhances members' experiences when dealing with Unity Credit Union online, in person or over the phone. Shannon has 14 years credit union experience in various positions as well as previous experience with chartered banks.
- **Manager of Marketing – Megan Schweitzer** – responsible for advertising, communications and promotions utilizing various marketing platforms. In addition, she is accountable for corporate social responsibility. Megan has a Commerce Degree with a Major in Marketing combined with eight years of credit union experience, all in the marketing area. Megan and Christy assumed the responsibilities of Shannon's vacant position.
- **Manager of Lending Services – Christy Walker** – responsible for all lending and collection activities. Christy has over 15 years of credit union experience as well as experience in the chartered banks. She has held various positions through her career. Christy and Megan assumed Shannon's responsibilities during her maternity leave.

The management team is tasked with running the day-to-day operations of Unity Credit Union within the strategic direction established by the board. The department managers report to the Chief Executive Officer, who in turn reports to the Board of Directors.

UNITY Credit Union

INVESTMENT TEAM


Amy Close


Scott Smith


Sonya Willy

MEMBER EXPERIENCE TEAM


Debra Cairns


Maria Carino-Vetter


Andrea Eddingfield

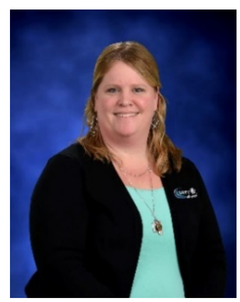

Shimon McWatters


Denise Purcell


Lisa Reddekopp


Sara Schurman


Rommel Varron


Jennifer Wilson

LENDING TEAM


Gaylene Heffner


Michelle Pilat


Carissa Ralston


Janelle Riou


Deon Sieben

SUPPORT TEAM


James Acuna


Michelle Aldred


Dixie Berki


Kerri Green


Shauna Hammer


Melanie Kist


Dianne Kramer


Rachel Loran


Vanessa Spendelow


Rajbir Volk

CREDENTIAL FINANCIAL STRATEGIES INC.


Ashley Hamilton


Crystal O'Brian

HOURS VOLUNTEERED BY EMPLOYEES

650+

UNIVERSITY COURSES COMPLETED BY EMPLOYEES

3

STAFF WHO RECEIVED CERTIFICATION AS RESPONSIBLE INVESTMENT SPECIALISTS

2

Through our staff, our goal is to create and develop delighted, full relationship, profitable, lifetime members by being trusted advisors. In order to do this, staff must serve members with courtesy, competency and concern exhibiting a Duty of Care for members' financial well-being. As times change, continuous learning is important. In 2020, COVID forced the cancellation of conferences that staff have generally attended. Despite that, staff still participated in online learning and online meetings which became very common. Staff took advantage of webinars and self-study classes to broaden their knowledge, develop support networks and gain new experiences to serve you better. With the new methods of training and the required annual training, all staff were enrolled in some form of training in 2020. We are pleased to report that Amy Close is now licensed to sell mutual funds and Ashley Hamilton is fully licensed as an investment broker, as well as to sell personal insurances.

There were a few staff changes in 2020. Our Member Experience Team underwent the most changes. Wanda Keller chose to retire after many years of serving members. Trina Lascelle-Lefebvre chose to leave the community and credit union to move to Saskatoon. We hired Madison Kist, but she chose to leave to further her education. Rommel Varron joined our front-line team, bringing experience from the hospitality industry. We hired Lexie Cooper and Luke Sperle as summer students. Rachel Loran and Rajbir Volk returned to the credit union from their maternity leaves and Shannon Mellquist left on a maternity leave. Curtis Sieben chose to pursue other employment opportunities in the community. Vanessa Spendelow accepted a new position within the credit union, which created an opening for Dixie Berki to join the organization in the receptionist position. Aaron Mielke left our Credential Financial Services (CFS) office to pursue new opportunities in Regina. Ashley Hamilton joined our CFS Office from Prairie Centre Credit Union. Despite COVID, our HR Advisor, Shauna Hammer had a busy year.

With so many things that occurred in 2020, we are very proud of our staff. They showed resilience, patience, a co-operative spirit, and a commitment to members as we worked through many and varied work and member service changes.

Our Community

Our Guiding Principles

Credit Union Market Code

Unity Credit Union voluntarily adheres to the Credit Union Market Code, which was developed by Saskatchewan Credit Unions, SaskCentral and the Credit Union Deposit Guarantee Corporation (CUDGC) to ensure the protection of credit union members. A national Market Code for Credit Unions is currently being developed and will drive some updates to the current Market Code being followed. The existing code provides guidelines for the following areas:

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

Co-operative Principles

As a true co-operative financial institution, Unity Credit Union acts in accordance with the 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 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, regional, national and international structures.

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

Our Business Strategy

This discussion and analysis report is a narrative explanation from the board and management's perspective of how the credit union has performed financially as well as its financial condition and future outlook. This type of narrative is currently provided by all publicly traded companies. The Credit Union Deposit Guarantee Corporation (CUDGC) requires credit unions to have appropriate disclosure of information processes in place, supporting transparency to members and other stakeholders in regards to the credit union's operations, risks and capital adequacy. This narrative is an important component of this disclosure of information process. The following discussion and analysis on the operations and financial position of Unity Credit Union at December 31, 2020 should be read in conjunction with the Financial Statements and accompanying notes

STRATEGY

The Vision of Unity Credit Union remains "Partnering to achieve success and build a better community". In order to achieve this vision our Strategic Plan outlined four Strategic Foundations. These included Human Capital, Growth, Financial and Social Responsibility. Action plans were developed under each objective to achieve the goals.

Human Capital

Human capital focused on our people and providing a fulfilling workplace. 2020 pushed our staff in a new way; a way we had never experienced before. We thought the renovation was challenging. It was, but the pandemic provided new challenges. There was no precedent to follow in making decisions. Decisions were made and changed and changed again. Through it all, staff continued to serve members with smiles and courtesy. Staff were challenged to work in the office with less colleagues. Staff worked from home and had to learn to do this. Staff had to make adjustments in order to serve members in new and virtual ways. Our staff are the backbone of the organization and really showed that through 2020.

As we advised, in 2019, we transitioned staff back from the organization's restructure. 2020 was spent settling everyone back in as best we could in a pandemic environment. We saw new people join our organization as summer students. We saw people come and go. We saw people retire after successful careers. We saw people move on to other challenges and life changes. Through it all, we were successful in being able to fill any vacancies we had and welcomed new staff.

We began work to improve our performance management. We have tried several approaches and decided it was time for an overhaul. We hired a consultant to help us get the program started. We developed an approach ready for rollout and use in 2021.

Every organization has an organizational culture. Sometimes the culture develops by accident. Sometimes the development is focused. We wanted a focused culture so we undertook a project to identify the type of culture we felt we had and/or wanted. We encouraged staff involvement and through the process developed an articulated culture that has more to do with who we are than what we do. This document has been incorporated into our new performance management to ensure the values in the document become real for staff.

We knew staff had been through a lot over the last couple of years. We wanted to hear how they rated the performance of management and the credit union. Staff completed an employee engagement survey and the results showed many areas of success and identified areas for improvement. The areas for improvement will be the focus going into 2021.

We have determined that while we are not interested in merging at this time, it is important to work together. In this regard, we continued to work with Biggar Credit Union on various projects. The sharing of ideas and experiences has been found to be very beneficial. We continued to support Kerrobert Credit Union with their marketing and promotions. We worked closely with our neighbouring credit unions, primarily the ones in our same Peer Group size. We have found the sharing of thoughts, ideas and approaches has been invaluable in these changing times.

Growth

There were six key drivers under this strategic foundation. The first was the implementation of a Customer Relationship Management Program (CRM). This program will allow us to provide seamless service to members. It is a tool for capturing interactions with members and logging upcoming needs and communications for and with them. This will help us promote needs-based products and services to members in our journey to be your trusted advisors. The implementation faced several challenges throughout the year, so the implementation and rollout did not get finalized in 2020 as originally hoped. We are optimistic about what this program will help us do through the documenting of interactions with members.

Marketing was challenged in 2020 largely due to COVID. It was difficult to promote to members when no one really knew how deep the effects of COVID would be. It was difficult to promote to members when we were not allowing them in the building for a period of time. It was difficult to promote to members when we had restricted numbers of staff in the building on any given day. With all of these forces acting against us, a lot of our promotion was aimed at keeping members informed. We kept members informed of how health restrictions affected our ability to do busines with them and the requirements in order to do business. We kept members informed of government programs and our involvement in them. We kept members informed of what we were doing to support members and the community. While we ran a few promotions during the year, an all-out marketing strategy was definitely hampered by the environment in which we were operating.

Advances in technology were not slowed down by the pandemic. In fact, we were pushed to use technology and adapt in many ways in order to be able to continue to serve members from a distance. From a member perspective, there were a few technological changes made as well. We implemented Google Pay which allows Android phone users to use their phones to pay for purchases. With the introduction of Apple Pay and Google Pay, we were able to discontinue Mobile Pay as the new options offer better service for members. We decommissioned our Integrated Voice Response (IVR) Banking, as the utilization was minimal and we now offer other options. In doing this some members were affected; fortunately, they have adjusted to the new offerings. We transitioned from the Office suite of products to the Office 365 suite of products. This transition brought us Teams, which is the program being used for the AGM. We began to use DocuSign extensively as a means to obtain member signatures on all types of forms. It made serving members from a distance much more achievable. We began our journey towards our CRM implementation. We began work on a new public website as our online banking platform is being updated in 2021. This project will encompass the website, online banking and mobile app. This update is a substantial undertaking, as it means a complete re-write of our public website. The Canadian Payments Association has mandated a significant change in the handling and processing of payments. A new offering is being worked on by the Canadian system and we continue to participate as a means of staying informed. In a similar manner, we continue to learn about and consider preparations for Open Banking, or Consumer Directed Finance as it has come to be known. Advances in technology did not seem to be impacted very much by COVID-19.

For a while we have contemplated our future. While we have determined to remain on our own for the time being, we also felt we needed to be prepared in case another credit union approached us as a merger partner. We developed a strategy, as a guide, in the event this happened.

Membership

Unity Credit Union continued to be an autonomous credit union owned by our members. Under credit union legislation, Unity Credit Union is able to provide financial services to members and non-members. Unity Credit Union promotes membership, and as such, has limited non-member accounts. At the end of 2020, we served 4549 members and eight non-members. The number of members remained stable with a modest decrease of only 16. This represents the net result after all the new accounts are added and closed accounts are deducted. Accounts are closed due to members passing or moving. In addition, we clean up accounts due to duplication, inactivity or unsatisfactory operation. We clean up these accounts because some of our costs are based on the number of accounts we have. These latter types of accounts cost us money without generating any benefit to the credit union.

Our credit union continues to serve the communities of Unity, Tramping Lake and surrounding districts. With our Credential Financial Strategies (CFS) Office, Unity Credit Union's line of service encompasses a full line of investment options including brokerage; personal insurance; all classifications of loans; card products; financial planning; and electronic banking including online banking, mobile banking and a mobile app. We are pleased to report that during 2020, the drive thru ATM was implemented as a new service to our membership and the broader community.

Despite the challenges of the economic environment, our Credential Financial Strategies office had another good year. The services offered through our CFS Office complement and expand the products and services we offer to members. The services support our financial planning processes, investment options and estate and tax planning through an office that provides service with the member's best interest in mind. We are very pleased to advise that our CFS Office continued to grow and contribute to our operation.

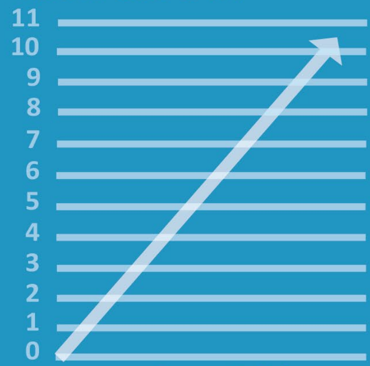
Financial

Each year an operating and long-term budget are prepared in support of the business plan. For the last few years, the key financial targets

ASSETS

$298,169,882

ASSET GROWTH



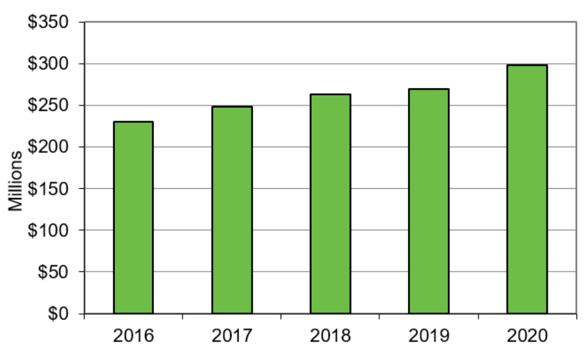
10.58%

OPERATING SURPLUS

$1,272,280

have been the same. Following is a summary of the credit union's financial performance results in relation to the targets:

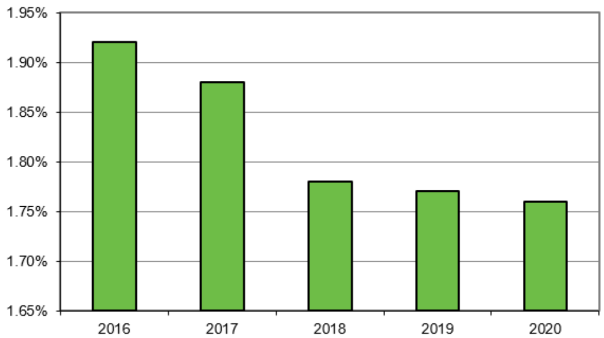
Asset Growth



Asset growth does not occur without growth in member deposits. Member deposits provide the credit union with funds to lend to members or funds to invest, thereby increasing our assets. For 2020, our growth target was 3.34%. Despite the pandemic and the economic challenges that accompanied it, growth was phenomenal in 2020. Members displayed their trust in the credit union by depositing funds. Growth came as a result of less spending due to the pandemic, receipt of government funds and a decent year for agricultural producers. In what was referred to as the greatest economic contraction since the Great Depression, our assets increased over $28.5 million or 10.58% to end the year at $298,169,882.

The last time we saw growth like that was 2012. Our 10-year average growth was 7.6%, which was boosted by this year's results. Since 2013, we have grown from $184 million to $298 million. Capital remains one of the measures of financial stability. Growth such as experienced in 2020 would normally pose a challenge to capital, but along with the asset growth came a decline in loans, which reduced the amount of capital required thus keeping our capital position strong. Since capital continued to be strong, we chose to continue to pay patronage as we feel it is one of the things that makes us different from our competitors.

Operating Expenses



As a financial co-operative, the credit union considers financial success in two ways. The first way is obviously being able to generate a bottom line. The second is being a strong corporate citizen contributing to the communities we serve. This dual approach means balancing the generation of an operating surplus with giving back to the community. Giving back to the community does not happen if an operating surplus is not, and cannot be, generated. Operating surpluses are also the only way we can build capital to ensure stability and be able to provide new services going forward; therefore, it must remain a prime focus. In trying to meet both these measures of success we also have to remain competitive with other financial institutions on deposit and loan rates.

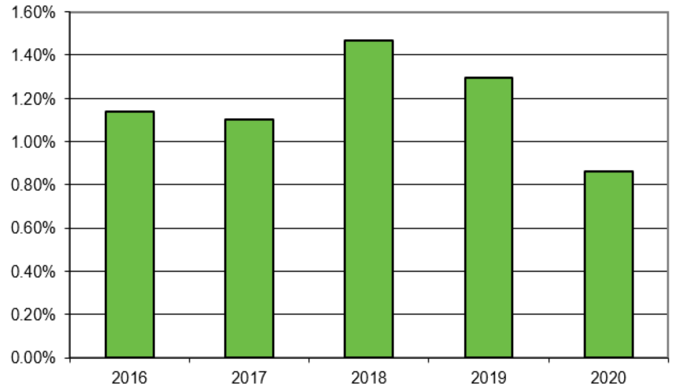
The credit union generated revenue through interest margin and collection of service charges and commissions. Margin was still the largest generator of revenue as we have tried to keep fees and charges minimal in comparison to our competitors, especially the chartered banks. In 2020, margin was challenged significantly by three decreases in prime rate over a very short period of time. The prime rate decreased by 1.5% in this period. Over time this has a significant impact on our operating results. This was further compounded by the low-rate environment. We were able to drop rates 1.5%, but only on the revenue generating side of the balance sheet and not on the interest expense side of the balance sheet. Member deposit rates decreased but not by the same amount as rates on loans. Adding to this challenge was a decrease in our loan portfolio as a result of the economic impacts of the pandemic. Our revenue was impacted enough that we qualified to apply for the Canadian Emergency Wage Subsidy offered by the Federal Government. We did not receive any funds from this program in 2020, but we qualified for it based on our 2020 results and will receive funding in 2021. Our venture capital investments did very well in 2020, which gave a boost to our bottom line and margin. Non-interest income increased from 2019. We earned fees on loan applications, loan prepayments and interest rate buydowns and began to receive income from our new credit card offering. Our CFS office continued to do well although having two representatives for a period reduced the overall results for 2020. Other factors that contributed to more income were not having to write-down equipment and other fixed assets like we did in 2019 as part of the renovation. Foreign exchange transactions resulted in the generation of revenue rather than an expense like last year and we reversed an over-accrual of an expense, which resulted in additional revenue.

We have four broad categories of expenses. The first is interest expense. This category decreased some in 2020, as rates on member deposits were reduced; however, the significant increase in member deposits offset this reduction. The second category is operating expenses. Overall, our operating expenses increased by $122,946 and represented 1.69% compared to 2.06% in budget. While many of our operating expenses continued despite the pandemic, several operating costs were not realized as the pandemic hit early in the year and several things like conferences and training sessions were cancelled, thus reducing our expenses. We did, however, have to start depreciating the renovation in 2020 as well as the costs related to redoing our parking lot. Personnel costs remained our largest operating expense as has been the case historically; however, the increase year-over-year was less than $5,000. The third category of expense was the provision for impaired loans. The provision expense almost doubled in 2020. We are required to hold a collective or general allowance. This allowance is based on several economic factors that are applied to our loan portfolio. Due to the economic challenges and the resulting loan deferrals, the factors generated a substantial increase in the collective allowance. Fortunately, we had sufficient earnings to accommodate this increase. The fourth broad category of expense is tax. We are now paying more in taxes due to changes made in the federal and provincial tax regimes for credit unions. However, since we generated less revenue, we also paid less taxes. Taxes are a required cost of doing business, but reduce our ability to generate an operating surplus, build capital or return funds to members and communities.

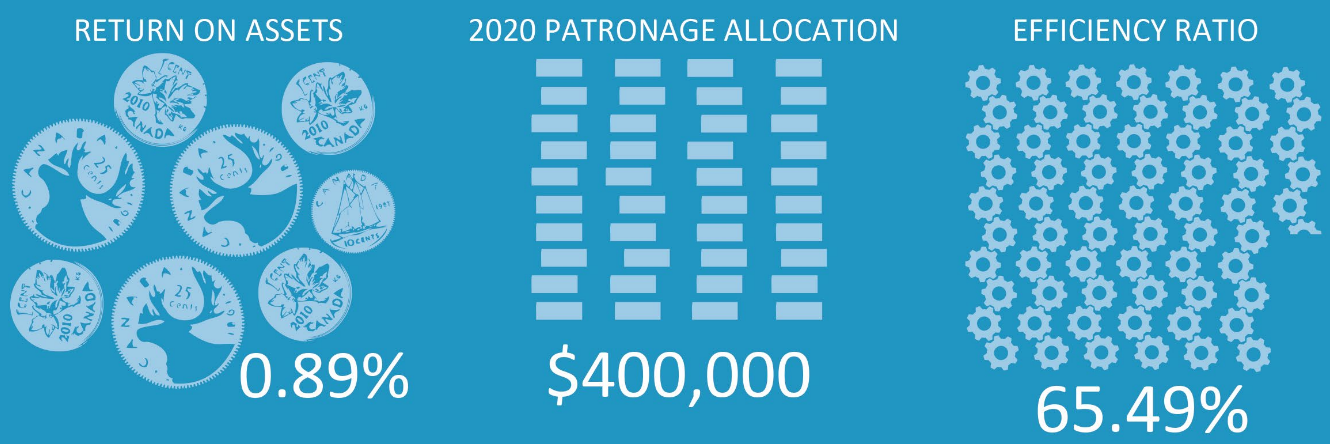
The net result of revenue minus expenses left an operating surplus of $1,272,280, after making an allocation of $400,000 to pay patronage to members. The result was a significant decrease from 2019 for the reasons outlined.

Return on Assets before Allocations

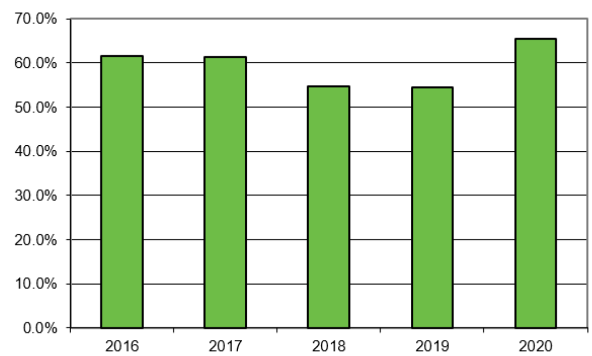
Return on assets before allocations is a measure of the funds generated from day-to-day operations. It does not include provision expenses or allocations for patronage or taxes. Our budgeted expectation was 0.93%. We achieved 0.89%. This was a result of the lowered margin, stable non-interest revenue and stable non-interest expenses. The reduced margin resulting from the decreases in prime rate was the largest contributor to the lower result.



For the 2019 patronage payout paid in 2020, we reverted to our past processing as the change we made in 2019 was not as smooth as anticipated. We contracted the services of the person who had helped in the past, but COVID restrictions delayed her coming on-site until later in the year. That delayed the payout of the rebate of loan interest and the bonus on interest earned. It also delayed the payout of the refund of service charges. The payout based on business was done in the traditional way of providing cheques to members who qualified for a payout. With the service charge refund, we tried something different to reward our members, as well as support our community due to the challenges experienced in 2020. We paid the refund using gift certificates to be used at local merchants. We received positive comments from members and merchants. Through our patronage program and payments, we wish to emphasize that membership has benefits you will not receive from other financial institutions.

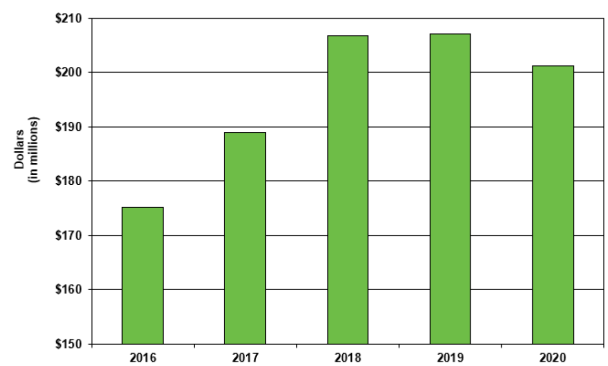


Efficiency Ratio



Efficiency is a ratio that measures the percentage of income that is spent on the operations of the organization. This ratio is an indicator of how efficiently the organization uses its resources. The lower the ratio, the more efficient the operation. A ratio above 85% is generally considered undesirable. In 2019, our organization had an efficiency ratio of 54.41%. In 2020, our efficiency increased to 65.49%. Like our margin, our efficiency ratio was affected by the decreases in prime rate compounded by the decrease in the loan portfolio. The stable non-interest revenue and reasonable non-interest expenses helped us achieve the result we did.

Performing Loans



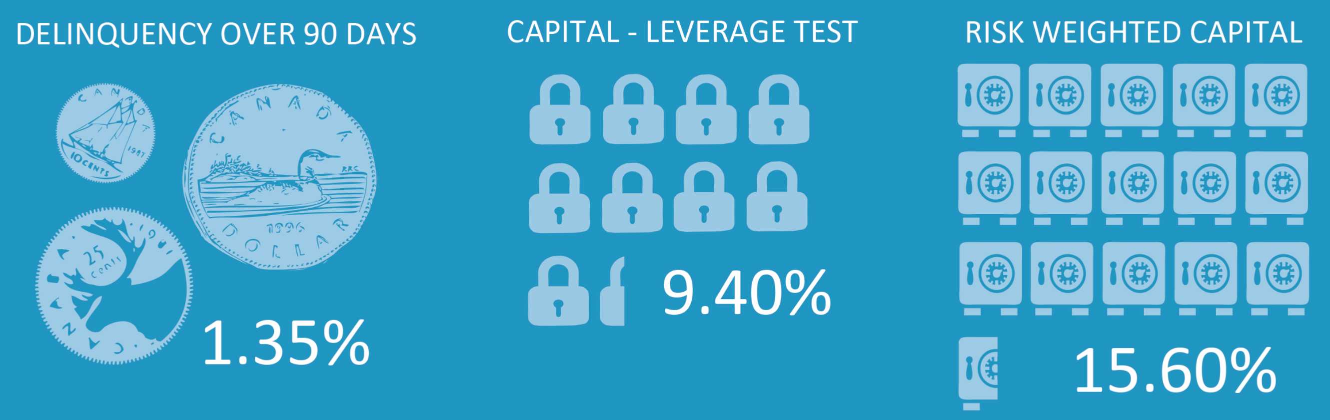
Interest margin is the difference between interest earned on loans and interest paid on deposits. This source of revenue remained our largest source of revenue, allowing us to pay our expenses. For this reason, our loan target for the last few years has been about maintaining the loan portfolio as a percentage of assets rather than just focusing on growth. The target range established is between 73% and 77% of assets. Being lent out in this range allows us to generate revenue, which leads to operating surplus, which in turn is used to build the capital required to meet our capital plan. With the economic uncertainty resulting from COVID, local demand for loans was low. In order to maintain our loan portfolio in the past, we have relied on a variety of sources including demand from our members, syndicating loans with other credit unions and funding leases through Calidon Equipment Leasing. In 2020, loan demand throughout the province was low so these opportunities were few and far between. Based on all these factors, performing loans ended the year at only 66.75% of assets and totaled $201.2 million. This was the lowest this percentage has been in some time. The combination of lower rates and a decreased loan portfolio impacted our margin and our overall operating surplus.

Since 2018, we began establishing loan allowances using a forward looking, expected credit loss model. This model requires a recognition of losses expected over the contractual life of the loan rather than recognizing impairment losses when they occur as done in the past. The model applies several economic factors to our loan portfolio. The factors are subject to change based on the economic climate, so the collective or general allowance has much more fluctuation than it did in the past. With the economic environment of 2020, the factors required us to increase our collective allowance. We took the rules a bit further recognizing more risk in certain economic sectors, which also increased our allowance. At the end of 2020, our specific allowance was $246,846 and our collective allowance was $1,067,195 for a combined total of $1,314,041. This was $363,755 more than last year and another reason our operating surplus was less. Allowances established during the year directly decrease our surplus.

One of the other changes in reporting is the requirement to report on mortgages and the effect of changes in property values. In 2020, the credit union held $39.6 million in conventional residential mortgages and $18.7 million in insured mortgages. Insured mortgages are those which have a Canada Mortgage and Housing Corporation (CMHC) guarantee. Backed by the guarantee, these mortgages represent less risk to the credit union than conventional mortgages. The amortization periods for mortgages are as follows:

Residential mortgages by amortization period	Insured residential mortgages	Uninsured residential mortgages
5 years or less	$54,556	$1,354,507
More than 5 years and up to 10 years	$217,045	$3,345,430
More than 10 years and up to 15 years	$720,275	$7,050,861
More than 15 years and up to 20 years	$7,247,404	$13,288,481
More than 20 years	$10,514,820	$14,619,422

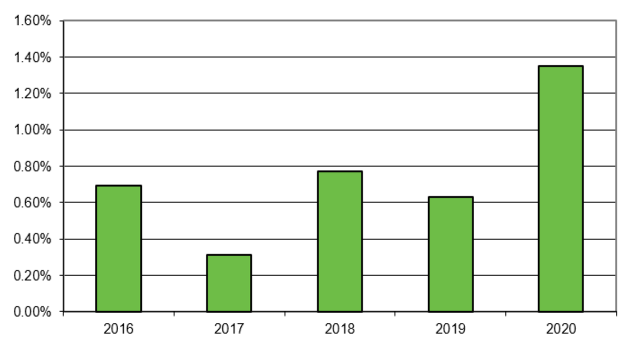
The credit union has determined that a non-conforming mortgage is a mortgage on residential property securing a loan or non-amortizing Home Equity Line of Credit that is approved with three exceptions from requirements outlined in policy and procedures. In 2020, we determined that we did not hold any non-conforming mortgages. Obviously with



three exceptions to policy or procedures, these types of mortgages would pose more risk to the credit union and ultimately the operating surplus, so need to be monitored.

The other effect of mortgages that needs to be monitored is the value of properties in relation to the mortgages on the properties. In the 80's, the agricultural sector experienced a rapid decline in land values compared to outstanding mortgage values. In major urban centers, the same thing has happened, therefore new monitoring and risk evaluation processes have been implemented. In our capital adequacy calculations, we now give consideration to the effect of declining values against new and existing mortgages. We have added extra capital requirements for residential mortgages and property devaluations. We do not feel our values will drop as much as in major centers. Despite this, we are required to comply and so our calculation requires us to hold an extra $181,854 in capital for such.

Delinquency



We desire loan growth and portfolio stability, but we also want quality within the loan portfolio. Without quality, the risk associated with lending increases. Risk can lead to losses, which affect our operating surplus and ultimately our ability to build capital. A sign of the quality of the portfolio is low delinquency. Delinquency over 90 days ended the year at 1.35%. This was an increase from 2019, but considering all the negative economic factors and indicators, we were still pleased with the result. We thank our members for their continued commitment to making arrangements and payments through challenging times. Through the year we deferred payments on over 200 loans but are pleased to report that the majority of the members helped have started making payments again.

Capital

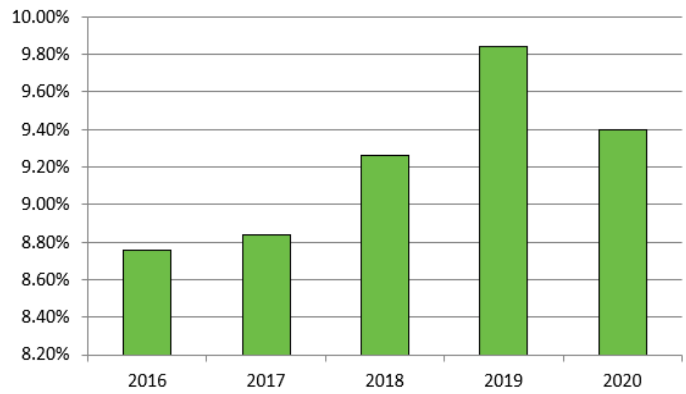
One of the primary measures of financial strength of any financial institution is its capital position. Worldwide, financial institutions build capital to ensure that downturns in the economy can be withstood. Credit unions operate in a highly regulated environment, where the Credit Union Deposit Guarantee Corporation (CUDGC) sets regulatory guidelines to which credit unions must adhere. In order to assess capital adequacy, CUDGC follows the standards adopted by other financial institution regulators.

The Board of Directors and Management believe in maintaining a strong capital position. The credit union manages capital in accordance with its capital management plan and Board approved capital policies. The capital plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. The credit union's capital plan is directly related to its service delivery strategies and risk philosophy. Traditionally, the credit union has held a moderate appetite for risk. It has focused on traditional services, managed with a low level of risk in its loan and investment portfolio. Liquidity has been maintained within a comfortable range. This has proven to be an effective strategy through the years. Going forward, we have more flexibility in our liquidity management and will look to increase yields while still meeting and exceeding all guidelines.

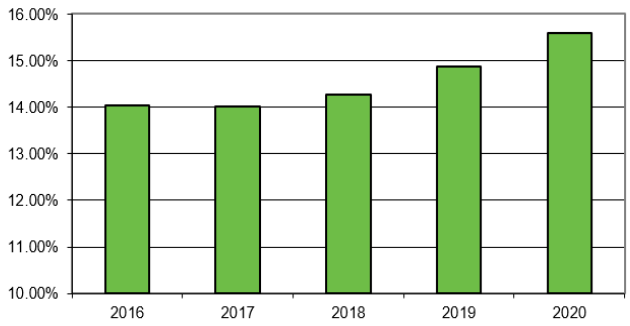
The goal of capital management is to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, prepare for and absorb unexpected losses, implement long-term strategic plans and signal financial strength. Too little capital restricts the credit union's ability to grow and generate returns. It also increases the risk of having insufficient funds to cushion against unexpected losses or liquidity needs. Too much capital and it could be considered the credit union is being too cautious and not generating sufficient return on its capital.

Unity Credit Union builds capital through retained earnings. Capital adequacy uses two measures. The first, referred to as the leverage test, is a calculation of eligible capital to total leverage assets. The standard is 5% and we held 9.40% at yearend. The second measure is the risk based test, which compares eligible capital to risk weighted assets. The standard is 10.50% and we held 15.60%. Our results remained strong, but we feel a strong capital base is important, especially in tough economic times as presented by the pandemic.

Leverage Test



Risk Weighted Capital



Liquidity
Under the new Standards of Sound Business Practice, the importance of liquidity and liquidity management has increased. The regulators have raised liquidity management to the same level as capital management. In the past, statutory liquidity and operating liquidity were the only measures monitored. In the new regime, statutory liquidity, liquidity coverage ratio and liquidity stress testing are the new requirements. We are required to hold 10% of our member deposits in statutory liquidity. At the end of December, we met the statutory liquidity requirement. The liquidity coverage ratio considers the quality and market impacts on our cash holdings, SaskCentral accounts and liquidity investments. A calculation is then done to determine potential cash outflows compared to potential cash inflows. The net result of the outflows and inflows is calculated against the holdings to determine the liquidity coverage ratio. The standard is 100% coverage. At the end of December our result was 566%. This represented an opportunity risk for the credit union. We had options to invest differently to lower our ratio and seek to improve our yield. The third measure is the stress test. Throughout 2020, our stress test determined that we had adequate liquidity to fund a two-day redemption of demand deposits.

Social Responsibility

The co-operative principles encompass education, training and information. COVID-19 affected many public forums. This applied to our ability to offer our Each One Teach One financial literacy sessions. Before the public health restrictions came into force, our group was able to provide a few sessions to different recipient groups. In the height of the health restrictions, we were basically forced to shut down this offering. In the fall, the High School approached us about offering sessions. We were able to co-ordinate with the teacher and class and provide a session virtually, which was a first and opens new opportunities for us if COVID-19 lingers into the new year.

The year started with the excitement of showing off our newly renovated building to the membership. Prior to Grand Re-Opening week, we provided snacks to our membership as a way of saying thank you for working with us through the renovation. Our Grand Re-opening plans encompassed a whole week of activities intended to include all ages of membership. We began with the formal Ribbon Cutting and welcoming members and New Ground representatives. We invited business owners for lunch. We provided a lunch for the high school students and had our Junior Board Members invite their peers to the event. For the younger members, we hosted face painting and a visit from the Balloon Man and *FAT CAT®*. A wine and cheese evening added a touch of class to the activities in a relaxed atmosphere. The week ended with the Unity Wagon Wheels square dance troupe entertaining members. We ran an “Ask Deon” contest for young adults to ask questions about borrowing money. We repeated this in November with an “Ask Scott” about financial planning. We were very pleased

with the support we received from members through their attendance, interest and excitement touring the building.

Due to the imposition of health restrictions in March, we cancelled our Laugh and Learn event. This event is meant to provide the benefits of belonging to a co-operative financial institution in a relaxed environment to a younger demographic who may not know or appreciate the differences.

The children's book that Josh Noble inspired was finally published, and while we had great aspirations for promoting it at various credit union events, when these were cancelled, so were our promotional plans for 2020. We have put the book on the back shelf for now until the opportunities for promotion present themselves again.

As already stated, marketing took on a different perspective in 2020. The focus was less on promoting and more on informing. As we adjusted our service provision, we used various forms of communication to advise, educate and update members. At the beginning of the pandemic, changes were fast and furious, so the marketing group was kept running and did a wonderful job of representing the credit union and our positions as well as being respectful of members and the challenges we were causing for them.

Another co-operative principle is Concern for Community. As a credit union, we are very conscious of this principle and try to put words into action.

We continue to encourage staff to volunteer in the community in leadership and different capacities as well as providing workers for various functions. This was just another aspect of credit union life affected by the current environment. With many activities cancelled, there was less opportunity to get involved. We did step up to help provide Meals on Wheels. We agreed to take a regular shift delivering this service to our community as there were challenges finding volunteers.

With so many activities and events cancelled, there were fewer requests for donations and sponsorships. Despite that, we looked for ways to support our community and some of the community charities. We made donations to the Food Bank, Museum, Regional Library and Dance Studio. We made a donation to the Community Resource Centre so they could purchase children's winter wear. We made sizeable donations to the Unity Golf Club and Unity Curling Club to help with projects they had on the go. We continued to support initiatives in Tramping Lake as we promised. We provided our annual scholarships to the grads and participated in their virtual ceremony. In an effort to support our community in new and unique ways, we rewarded members through a weekly draw with a takeout meal offered through all the restaurants in town. Through our 12 Days of Christmas, we supported local entrepreneurs. We also tried something different with our service charge refund this year. Those who were eligible for this refund received a gift certificate to be used at local Unity merchants. In this way we demonstrated the benefits of belonging to the credit union as well as supporting our community. We received positive feedback from both members and merchants. Taking advantage of another unique opportunity, we helped sponsor an on-site 'Spotlight on Unity' visit by 104.9 FM radio. We were lucky enough to have them broadcast just outside our front door. Credit Union Day had to be different, so we delivered treats to the schools and the senior housing facilities, and also had pre-wrapped snacks for those who came in that day to celebrate with us. We rounded out the year by participating in the Winter Lites Parade to again show support for our community.

Despite the many challenges presented in 2020, we are very proud of what we accomplished during the year. Community support always ranks near the top of our list of accomplishments.

Our Risk Management

As a financial institution, Unity Credit Union must manage the risks it faces to achieve its business objectives. In doing so, it must balance the risk with the potential reward striving for the optimum return for its effort. In dealing with any forms of risk, we have four options available:

- Risk avoidance
- Risk acceptance
- Risk transfer
- Risk mitigation

Our risk management process has evolved to the point where we:

- 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 the Board and Senior Management on our risk exposures.

We do this through our risk management regime, which consists of the following:

- Enterprise Risk Management (ERM) - risks are identified and tracked.
- Risk Assessment/Appetite Statement – identifies the amount and type of risk the credit union is able and willing to accept in pursuit of its business objectives.
- Internal Capital Adequacy Assessment Process (ICAAP) – determines the credit union's ability to absorb financial and economic stress given the current risk profile and risk appetite.
- Capital Plan – identifies the sources of capital and the means to build capital.
- Liquidity Plan – establishes the credit union's ability to fund its business activities and identifies the sources of liquidity in the event of liquidity stress or crisis.
- Strategic/Business Plan – sets the strategic direction and related operational plans.
- Budget - projects the effect of any steps taken through the capital and liquidity plans.

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Based on the measurements used for determining financial strength, our credit union has a moderate level of capital, and therefore, continues to take a moderate approach to risk. Our main objective is to preserve and build capital, while maintaining market share and growing wallet share by providing our members with competitive products and being trusted advisors.

As our credit union grows and experiences further product and service diversification, the risk profile of the organization will change. Capital adequacy measurements have evolved from a straight percentage of assets to an asset allocation based on the structure of the balance sheet, to determining the capital required based on the lines of business, operating, technology, reputation and other known risks. In today's regulatory environment, adequate capital allocations are required to offset the various risks.

A second element of risk management is liquidity. Again, rather than just a straight percentage of assets, the requirement is now to calculate a liquidity coverage ratio and complete stress testing. The objective of the new standard is to ensure that credit unions have an adequate stock of encumbered high quality

UNITY Credit Union

liquid assets to meet liquidity needs for a 30-calendar day stress scenario. After 30 days, it is assumed corrective actions will be taken to address the situation. These high-quality liquid assets are to consist of cash or assets that can be converted into cash at little or no loss of value. Credit unions are further expected to conduct stress tests to assess the level of liquidity they should hold.

Our risk management framework manages risks in the following categories:

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 impact our ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation.

A key challenge facing the credit union is the changing needs of members and seeking ways to be relevant to members who use the services of Unity Credit Union in new and different ways than their parents and grandparents.

Unity Credit Union has formal planning processes that result in a strategic business plan focused on strategic objectives, as outlined herein. The credit union uses a comprehensive reporting process to monitor performance relative to plans, and provides regular updates to the Board. The ERM process further identifies emerging risks and formulates plans as risks are identified. In past years, directors attended training as well as system meetings and conferences to hear other perspectives and learn from other credit unions. In a COVID environment, these opportunities were limited to online training and meetings.

The advances in technology are not slowing down and the cost is ever increasing. Moreover, the technology is becoming more disruptive to past ways of doing business. It is important that Unity Credit Union has adequate resources to invest in these technologies. With this in mind, in our Internal Capital Adequacy Assessment Process, we increased a capital buffer from $500,000 to $750,000 under Strategic Risk. This buffer would allow us to invest in technologies if the need/opportunity arose. This does not protect our income statement in any fiscal year, but it does protect our capital position, and thus, was felt to be prudent.

The provision of services and changes in the financial industry have elevated this risk from a historical low to a moderate position where it remains, but with time could move to moderate-high. The credit union held a formal facilitated strategic planning process in 2019, which determined and set direction for the next two to three years.

Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations. Unity Credit Union is affected primarily by its direct lending activities. In addition to lending to its members, Unity Credit Union assumes risks related to loans purchased from other credit unions and affiliates, leases financed through leasing corporations and Concentra Bank, and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, assets pledged as security risk, fluctuations in security value risk, inadequate allowance risk and policy exceptions risk.

The Board of Directors set policy to guide lending processes. These are put into practice through procedures established by management. In 2019, a comprehensive review of the complete lending policy was undertaken to ensure they were up-to-date and relevant. In 2020, the procedures were reviewed and updated as required.

Credit granting is performed in accordance with the approved policies, procedures and applicable legislation. This includes credit analysis, pricing, security, terms and documentation for lending. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is offset by rates. Concentration limits by industry and size of loans have been designed to reflect our risk tolerance. Credit risk is further mitigated through training of loans personnel. A risk rating system to analyze the risk evident in the lending portfolio leads to more detailed and risk-related reporting on the loan portfolio. This moves the risk assessment from dollar amounts to key risk factors, which provides a more in-depth analysis of the member file. In addition, due to the implementation of IFRS 9, a comprehensive impaired loan assessment is being used, which results in a change from a reactive approach to a proactive and forward-looking approach. This has created more fluctuation in the allowance related to the overall portfolio but strengthens the credit union's risk management. With the change in credit card service providers and the related changes in processes, credit cards have been added to the risk assessment but the initial risk has lessened.

The credit union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and to the Board of Directors through the Risk and Compliance Committee as well as the Credit Union Deposit Guarantee Corporation.

With the effects of COVID and the related economic impacts, many loan payment deferrals were completed, which increased the overall credit risk. As the loan payment deferrals ended, the majority of members began making payments again, thus lowering the risk back to moderate to moderate-high as the economy is showing signs of rebounding but is not strong yet.

Market Risk

Market risk is the exposure to potential loss from changes in market prices or rates and foreign exchange risk. Losses can occur when values of assets and liabilities or revenues are adversely affected by changes in market conditions, changes in interest rates or foreign exchange movement.

The credit union's market risk is impacted primarily by movements in interest rates specifically from the timing differences that exist between the re-pricing of loans, investments and deposits. The credit union's exposure to changes in interest rates is monitored by management in two ways. The first is through our contract for financial services with Innovation Credit Union, who monitor and measure our exposure and provide reports to management and the board. The second is by employing Concentra Bank to do a review on a quarterly basis. Concentra Bank provides a quarterly report outlining rate forecasts and assumptions, and how they affect our balance sheet. Results are reviewed by the Management Risk Committee, who in turn reports through the Risk and Compliance Committee to the board. Changes in market conditions are monitored through the same processes. The credit union does not make a habit of buying and selling investments for speculation. Generally, investments are purchased and held to maturity.

Foreign exchange risk occurs when members exchange Canadian funds for another currency, which are predominantly US dollars. This risk is offset by the credit union maintaining a US Dollar Account with SaskCentral in a similar amount to funds held in member US Dollar accounts. When members exchange currency, we complete a similar transaction to offset any risk exposure. Foreign exchange risk is monitored at least quarterly and adjustments to the account at SaskCentral are made as required. Our US Dollar accounts are generally stable. With less travelling outside of Canada in 2020, there was less use and purchases of foreign currencies.

In 2020, the impact of changes in interest rates was felt much more than in the past. The Bank of Canada lowered their rate three times in a very short span of time. The credit union reduced its prime rate three times over the span as well. This lowered the rates on variable rate loans, which in turn decreased our revenue. We lowered rates on member deposits as well but in the current low-rate environment, we could not lower deposit rates as much as loan rates, so our margin was squeezed, and our operating surplus was impacted. This was compounded by a decrease in our loan portfolio as less borrowing occurred in 2020. With the speculation that the low-rate environment is here for a while, market risk increased from low to moderate-high, as margin contributes the largest portion of our revenue to pay expenses.

Liquidity Risk

Liquidity is required to meet the day-to-day cash needs and loan demands of our members.

Liquidity risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. The credit union's liquidity risk management strategies seek to maintain sufficient liquid resources to continually fund our balance sheet commitments.

Requirements for liquidity risk management are defined by policies and regulatory standards and limits. The standards have changed with the focus now on the liquidity coverage ratio and the quality of liquid assets. Quality is determined by how quickly investments can be liquidated and the impact of market value fluctuations on them. We now have more ability to control our liquidity coverage ratio by the investment choices we make. Throughout 2020, we were able to exceed the liquidity coverage requirements. Our excess presented opportunities to invest funds to improve our yield and contribute more to overall revenue. The current funding and liquidity management framework includes the following processes and controls:

- Development and regular review of the approved liquidity plan.
- Monitoring of large pending loan requests.
- Monitoring of requests for large withdrawals of funds.
- Through a contractual arrangement with Innovation Credit Union, who monitors actual inflows and outflows of funds on a daily, weekly, monthly and annual basis. Innovation Credit Union then manages the investment of excess funds to best meet proposed needs and requirements.
- Establishment of borrowing facilities with SaskCentral.
- Through our contract with Concentra Financial, a liquidity stress test identifies

the credit union’s ability to meet a substantial withdrawal of funds over a very short period of time.

- Reviewing and reporting the credit union’s liquidity position to the Management Risk Committee and through the Risk and Compliance Committee to the board.

In 2020, members showed their trust in the credit union and invested funds. This, combined with a reduction in loan demand, drastically improved our liquidity position for most of the year, which in turn left our liquidity risk at a low level. Depending on what members do with their funds and how quickly they use them could increase the risk level, so monitoring is still required and important going into the new year.

Legal and Regulatory Risk

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

Key specific risks include knowingly not reporting suspicious transactions or any other required money laundering or terrorist financing transactions. Other risks include breaches of privacy and tax related activities.

Policies, procedures and controls are designed to ensure Unity Credit Union is compliant. Our Risk and Compliance Officer oversees our processes related to certain pieces of legislation and reports quarterly to the Risk and Compliance Committee and in turn to the board. We continue to contract Internal Audit from SaskCentral to review our processes and controls on an annual basis. In addition, our external auditors, CUDGC and FINTRAC examine processes and controls to ensure compliance.

Due to the number of regulatory processes and the implications of non-compliance, legal and regulatory risk remains unchanged at moderate.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. Exposures to this risk arise from increasing efficiency ratios, shrinking margins, increased costs to retain staff, deficiencies in internal controls, technology failures, human error, employee integrity, fraud or natural disasters.

Specific risks include internal and external frauds including compromising of cards, accounts and systems, inability to attract and/or retain qualified employees, loss of operating systems and outside factors such as robbery, random attacks or disasters such as a train derailment.

Operational risk is managed through the use of policies and procedures, controls and monitoring. Control and monitoring involves segregation of duties, employee training, performance management and structured internal and external audit functions. Other mitigating factors include reviewing ways to increase revenues and decrease expenses, monitoring human resource changes and practices in the marketplace, a comprehensive business continuity plan, appropriate insurance coverage and secure technology solutions. Our banking platform is maintained off-site and includes a very complicated back up and disaster recovery process. Improved on-site backup systems compliment the off-site backups.

The risks of fraud, especially external fraud through compromises or breaches continues to increase as does the dollar amount, so the overall operational risk remains moderate to moderate high.

Our Future

Every year we look into our crystal ball to try to determine what the future might hold. When we looked at the end of 2019, we definitely did not see what was in store for the world in 2020. Maybe that is for the better as maybe not knowing was better than knowing what a dramatic change was coming. At the end of 2020, we again looked to the future. This time in addition to seeing change, we continue to see uncertainty as the pandemic still looms over us like a prairie storm cloud. We are looking for ways to continue to prepare our staff for the future. We anticipate more technological advances, both for the benefit of the credit union and for members to utilize. In addition, we will monitor activities in the system and determine their effect on our organization. It remains our belief that Unity Credit Union must continue to evolve and change to remain relevant for our current members and our members of the future. Initiatives that we will be working on to prepare for the future include:

- Dealing with what is hopefully just remnants of the pandemic.
- Dealing with the aftermath of the pandemic. How quickly the economy rebounds is to be seen.
- Seeking ways to prepare staff for the future.
- Finalizing the implementation of the Customer Relationship Management system to enhance the member experience.
- Implementation of the new website, online banking and mobile app.
- Continuing promotion of our financial planning service.

- Continuing to implement Enterprise Content Management to streamline processes and provide alternate options for services.
- Seeking ways to creatively serve current members and attract new members.
- Seeking ways to work with other credit unions and groups of credit unions to seek new ways of doing things without necessarily having to merge.
- Learning and preparing for Consumer Directed Finance formerly known as Open Banking.
- Encouraging members and non-members to do more business with us.
- Seeking to become trusted advisors to members who see the benefit and value of dealing with the credit union.
- Seeking ways to be a leader in the community.

That concludes our report of activities for the year ended December 31, 2020. Words to describe 2020 might include unprecedented, challenging, taxing, tiring, stressful. But as with any situation if you look hard enough, you can find the good in things. We hope that through our report we have commented on the challenges, but also highlighted some positives that we are proud of and hope you as members take pride in as well. We thank our members for their trust in the credit union. We would also like to thank our members for their patience and co-operation in working with us through all the changes we made in service throughout the year and for following COVID protocols in your interactions with staff. We thank our staff for their unfailing commitment to serving members with a smile despite what is going on around them. The board would also like to acknowledge management for guiding the organization through a strange and unusual year. If we can get through 2020 by adapting and changing, with your continued support and commitment to the credit union, "We'll always be there."

Respectfully submitted,

Board of Directors and Management
Unity Credit Union Limited

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
Annual Report Message 2020

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**.

Unity Credit Union Limited
Summary Financial Statements
December 31, 2020

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Unity Credit Union Limited:

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2020, and the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited financial statements of Unity Credit Union Limited (the "Credit Union") for the year ended December 31, 2020.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with the basis described in Note 1.

Summary Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 12, 2021.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the basis described in Note 1.

Auditor's Responsibility

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

Saskatoon, Saskatchewan

March 10, 2021

MNP LLP

Chartered Professional Accountants

Unity Credit Union Limited
Summary Statement of Financial Position
As at December 31, 2020

	2020	*2019*
Assets		
Cash and cash equivalents	**17,212,979**	16,307,652
Investments	**73,514,897**	40,525,700
Member loans receivable	**201,213,696**	207,207,671
Other assets	**1,285,545**	1,096,173
Property, plant and equipment	**4,942,765**	4,482,520
	298,169,882	269,619,716
Liabilities		
Member deposits	**270,478,084**	242,955,853
Other liabilities	**315,727**	541,832
Membership shares	**3,274,601**	3,292,841
	274,068,412	246,790,526
Members' equity		
Retained earnings	**24,101,470**	22,829,190
	298,169,882	269,619,716

Approved on behalf of the Board

________________________, Director

________________________, Director

Unity Credit Union Limited
Summary Statement of Comprehensive Income
For the year ended December 31, 2020

	2020	*2019*
Interest income		
Member loans	**8,523,703**	9,241,991
Investments	**1,174,804**	1,524,858
	9,698,507	10,766,849
Interest expense		
Member deposits	**3,028,414**	3,166,529
Borrowed money	**2,874**	5,673
	3,031,288	3,172,202
Gross financial margin	**6,667,219**	7,594,647
Other income	**786,276**	654,381
	7,453,495	8,249,028
Operating expenses		
Personnel	**2,505,394**	2,500,843
Security	**257,144**	251,482
Organizational	**90,976**	165,574
Occupancy	**408,602**	223,524
General business	**1,621,607**	1,619,354
	4,883,723	4,760,777
Income before provision for impaired loans, patronage refund and provision for (recovery of) income taxes	**2,569,772**	3,488,251
Provision for impaired loans	**423,880**	223,800
Patronage refund	**400,000**	500,000
Income before provision for (recovery of) income taxes	**1,745,892**	2,764,451
Provision for (recovery of) income taxes		
Current	**512,547**	530,662
Deferred	**(38,935)**	103,039
	473,612	633,701
Comprehensive income	**1,272,280**	2,130,750

Summary Statement of Changes in Members' Equity

For the year ended December 31, 2020

	Retained earnings	*Total equity*
Balance, December 31, 2018	**20,698,440**	**20,698,440**
Comprehensive income	**2,130,750**	**2,130,750**
Balance, December 31, 2019	**22,829,190**	**22,829,190**
Comprehensive income	**1,272,280**	**1,272,280**
Balance, December 31, 2020	**24,101,470**	**24,101,470**

Unity Credit Union Limited
Summary Statement of Cash Flows
For the year ended December 31, 2020

	2020	*2019*
Cash provided by (used for) the following activities:		
Operating activities		
Interest received from member loans	**8,082,549**	9,182,351
Interest received from investments	**1,163,170**	1,628,627
Other income	**786,276**	654,381
Cash paid to suppliers and employees	**(4,877,354)**	(4,940,738)
Interest paid on deposits	**(2,969,753)**	(2,902,878)
Interest paid on borrowed money	**(2,874)**	(5,673)
Patronage refund	**(400,000)**	(500,000)
Income taxes paid	**(527,146)**	(779,817)
	1,254,868	2,336,253
Financing activities		
Net change in member deposits	**27,463,571**	3,986,350
Net change in membership shares	**(18,240)**	63,114
	27,445,331	4,049,464
Investing activities		
Net change in investments	**(32,977,564)**	2,728,906
Net change in member loans receivable	**6,011,249**	(525,377)
Purchases of property, plant and equipment	**(829,615)**	(3,632,370)
Proceeds from disposal of property, plant and equipment	**1,058**	11,766
	(27,794,872)	(1,417,075)
Increase in cash and cash equivalents	**905,327**	4,968,642
Cash and cash equivalents, beginning of year	**16,307,652**	11,339,010
Cash and cash equivalents, end of year	**17,212,979**	16,307,652

1. Basis of the Summary Financial Statements

Management has prepared the summary financial statements from the December 31, 2020 audited financial statements, which are prepared in conformity with International Financial Reporting Standards. A full set of audited financial statements is available from the Credit Union. The detailed notes included in the audited financial statements are not included in these summary financial statements.

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