2021 ANNUAL REPORT

& Summarized Financial Statements

UNITY Credit Union

80 Years of Service

We'll always be there.

VISION

Partnering to achieve success and build a better community.

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.

80
Years of
Service

We'll always be there.

UNITY CREDIT UNION LIMITED
ANNUAL GENERAL MEETING
TUESDAY, MARCH 22, 2022

ORDER OF BUSINESS

7:00 - **Pre-Meeting Items**

- 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

7:05 - **Annual Meeting Agenda**

- Call to Order
- Adoption of Agenda
- Adoption of Minutes of Last Meeting held March 23, 2021
- 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
- Question/Discussion Period
  - Service Awards Announcement
  - Adjournment

80
Years of Service

1) Proof Of Notice:

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 and on social media on February 28, 2022.

And published in "The Unity-Wilkie Press Herald"
on February 25, 2022.
Sworn before me at the Town of Unity)
In the Province of Saskatchewan)
This 14th day of March, 2022.)

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 11, 2022.

2) The Annual Financial Reports were made available to the membership March 11, 2022, 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 14th day)
of March, 2022.)

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

MINUTES OF THE 2020 ANNUAL MEETING OF UNITY CREDIT UNION LIMITED

UNITY CREDIT UNION
TUESDAY, MARCH 23, 2021

At 7:01 p.m. Gerald Hauta welcomed everyone to the meeting and reviewed the Virtual Meeting Protocols. Fun polls were used to test the Voting Polls.

Due to COVID-19 the meeting was held virtually with 56 in attendance.

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.

The board appointed Gerald Hauta as Chairperson and Dianne Kramer as Secretary at their last board meeting.

Gerald presented the Rules of Order since this was the first virtual meeting.

Gerald Hauta called the Annual General Meeting to order at 7:16 pm.

Gilles Colbert and Michelle Aldred moved that the agenda be adopted as presented. Carried.

Gerald presented the Minutes of the 2019 Annual Meeting held on Tuesday March 24, 2020 for the members to review.

There were no errors or omissions arising from the minutes.

Vanessa Spendelow and Sonya Willy moved that the minutes of the 2019 Annual Meeting held on Tuesday, March 24, 2020 be accepted as presented. Carried.

There was no business arising from the minutes.

Colette Lewin presented the President's Message.

Gerald Hauta and Colette Lewin presented the Credit Union Discussion and Analysis Report.

Curt Wagner of MNP presented the 2020 Auditor's Report.

Gerald Hauta and Curt Wagner presented the highlights of the Financial Statement.

There were no questions arising from the statements.

Sandra Wagner and Deon Sieben moved that the President's Message and the Credit Union Discussion and Analysis Report be accepted as presented. Carried.

Dixie Berki and Michelle Pilat 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 2021.

Tom Stephenson and Sonya Willy moved that the accounting firm of MNP be appointed as the auditors for Unity Credit Union Limited for 2021. Carried.

Colette Lewin presented the Nominating Committee Report. Colette Lewin, Keith Wilson and Sharon Del Frari had their terms expire in 2021. According to policy a director can serve four consecutive terms or 12 years but then are required to leave the board for at least a year. Colette was therefore ineligible for re-election this year. Sharon Del Frari was elected as Mayor of Unity so chose to resign from her position. Clyde Drover accepted employment outside our trading area so also resigned from the board. Keith Wilson let his name stand along with Rhonda Brandle, Christine Lang and Terri McAleer. As no other nominations were received, the four candidates were declared elected by acclamation.

Michelle Aldred and Anita Parker moved that the Nominating Committee Report be accepted as presented. Carried.

Gerald Hauta presented the Bylaw Amendments.
There were no questions arising from them.

Dixie Berki and Kristine Moon moved to rescind the existing bylaws and to approve the amendments to the bylaws as presented. Carried.

During the Question/Discussion Period there was a thank you to Colette Lewin for her dedication to the board and the credit union. No questions were asked.

Gerald Hauta announced the following employees would be receiving long term service awards:

- Christy Walker – 15 years
- Andrea Eddingfield – 15 years
- Carissa Ralston – 10 years
- Sharon Del Frari, Board Member – 3 years
- Colette Lewin, Board Member – 12 years

Gerald Hauta adjourned the meeting at 8:15 p.m.

DKramer

Secretary

80 Years of Service

A message from Our PRESIDENT

MICHAEL SOLOSKI, President, Board of Directors

Welcome to our 80th Annual General Meeting. Normally a milestone like this would have been celebrated during the year with much fanfare but the continued pandemic only allowed us to quietly mark it during Co-op Week.

2021 marked my first year as President of Unity Credit Union and to say it was interesting might be an understatement. I would prefer to use the word hampered to describe 2021. The year began with the anticipation and excitement that vaccinations might curb the Coronavirus Disease, but these expectations were hampered by the arrival and spread of new variants. There was anticipation that the agricultural industry would lead economic recovery but that anticipation was hampered by extremely hot dry weather for an extended period of time drying up crops and pastures. The projections that economic conditions were improving were hampered by prolonged challenges for members caused by the extended effects of COVID. The financial successes we experienced as a credit union were hampered by the need to book allowances for potential losses due to the economic challenges present in our world.

As an organization, we struggled to balance serving members with keeping our staff and community safe. We continued to have some staff work from home on a rotating basis. By doing this, we hoped to be able to have a team of employees available to come in and serve members in the event that our organization was hit by an outbreak amongst staff. This was trying for staff, as in the past two to three years, they have worked through the challenges of an extensive renovation followed by the challenges of a pandemic. We appreciate the member service our staff have been able to provide under less than ideal conditions and we appreciate the loyalty shown by members who have continued to use our services despite often having to obtain those services differently than ever before.

In 2021, financial successes were impeded by some financial challenges. Members continued to show trust in their credit union by continuing to utilize our services and growing their deposits. We enjoyed asset growth similar to what we experienced in 2020. We grew over $26.5 million in 2021 to end the year with an asset base of $324.7 million, the highest result in our history. Through the year, members began to borrow cautiously again, resulting in an increase in our loan portfolio for a new all-time high of $210 million. Our margin between interest received and interest paid continued to be impacted by low interest rates and a very competitive interest rate environment. In 2020, the chartered banks established large allowances for potential losses in their lending portfolios. Unity Credit Union helped members by deferring payments. Due to the extended challenges posed by the pandemic environment we had to increase our allowances in 2021, which drastically impacted our operating surplus. However, despite these challenges, we were able to absorb the increase in allowances, allocate $400,000 for member patronage, and still generate an operating surplus. As an organization, we were able to navigate a year of hampered, impeded and impacted results and still remain in a strong financial position.

Behind the scenes, the board and staff continued to use technology as never before. The new technology allowed several directors and staff to participate in the National Conference as it was held virtually so no travel was required. This was a new opportunity for many. We continued to work on updating our technology and implementing new programs and processes. As with the financial results, we had some successes and some challenges but we continued to move forward. We continued to serve members through a combination of meeting face-to-face and virtually.

The future continues to be in a state of flux. There are changes coming in payment services. Open Banking Regulations are now being considered. This is significant as Open Banking has been compared to the disruption caused by the introduction of the World Wide Web. Technology projects will continue. New entrants into the financial arena continue to be many and varied. Changes continue in the credit union system locally, provincially and nationally.

We, as an organization, realize that in order to continue to serve members into the future the traditional business model needs to grow and evolve. We need to continue to embrace change without ignoring members who have been long time supporters. We want to be seen 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.

Success will not occur without continued member support. We will need support from those members who have supported us for many years and those who left the Unity area to pursue education and employment. If members continue to believe in Unity Credit Union and trust us, "We'll always be there!" We have a role to play in maintaining your confidence but you, your children and your grandchildren also have a role to play by using our services. We ask for your continued support.

Michael Soloski
President, Board of Directors

80 Years of Service

Our BOARD OF DIRECTORS

Michael Soloski
President

Sandra Wagner
Vice President

Martin Berg

Rhonda Brandle

Christine Lang

Kristine Moon

Anita Parker

Terri McAleer

Keith Wilson

JUNIOR BOARD MEMBERS

Kerrigan Bowey

Ashlyn Greenwald

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. With recent changes to governance practices, we are required to qualify candidates based on financial management of their own affairs, being reputable citizens and having a good reputation around the community.

Serving on the board is a commitment requiring dedication. For this reason, obtaining candidates for vacancies can be challenging. We continue to use the succession plan for directors, which states 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 2021 were Colette Lewin, Keith Wilson and Sharon Del Frari. Prior to the expiration of her term, Sharon was elected as Mayor of the Town of Unity so chose to resign from her position. We had another vacancy on the board as Clyde Drover accepted employment outside of our trading area so also resigned from the board. As she had served 12 consecutive years, Colette Lewin was ineligible for re-election. The nominating committee sought candidates to fill 3 three-year terms and 1 two-year term to fill Clyde's vacancy.

Keith Wilson was eligible for re-election and agreed to let his name stand. Rhonda Brandle, Christine Lang and Terri McAleer also agreed to let their names stand. As no other nominations were received, the four candidates were declared elected by acclamation. Christine Lang chose to fill the two year position with the other candidates filling the three year positions.

We continued our Junior Board Member Program to encourage young people to take an active part in our credit union. We feel the program has been very successful. 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. Kerrigan Bowey continued as our Grade 12 representative and we welcomed Ashlyn Greenwald as the representative from grade 11. Junior board members participate in board meetings but have no voting rights. They are invited to the Strategic Planning session and Kerrigan was able to participate in 2021, bringing a fresh new perspective to the exercise.

MANDATE AND RESPONSIBILITIES

The Board of Directors has a responsibility under the Credit Union Act. Credit Union Deposit Guarantee Corporation Guidelines further outline Board Responsibilities in a high level as:

Approve and Oversee:

- Strategy
- Risk Management
- Board, Senior Management and Oversight Functions
- Audit Plans

These duties are the primary responsibilities of the board and are the main focus of the board's attention and activities.

Provide challenge, advice and guidance to the senior management of the institution, as appropriate on:

- Business Performance and Effectiveness of Risk Management

These duties are the responsibility of senior management. To fulfill its responsibility, the board relies on senior management to provide sound advice on the organizational

80 Years of Service

6 CUDA WORKSHOPS ATTENDED BY BOARD OF DIRECTORS

4 LEVEL A CUDA DIRECTORS

1 LEVEL B CUDA DIRECTOR

3 LEVEL C CUDA DIRECTORS

objectives, strategy, structure and policies of the institution.

The board is expected to be satisfied that the decisions and actions of senior management are:

- Consistent with the board-approved business plan, strategy and risk appetite of the credit union and the corresponding internal controls are sound.
- Designed to incent behaviours and outcomes that are in the best interest of the credit union, its members and stakeholders.
- Aligned with internal constraints, such as financial and operational capability, and external constraints such as competitive and economic conditions.
- In compliance with all applicable regulatory requirements.

These guidelines make it apparent that the board is not involved in the day-to-day operations of the credit union. For many years the board has not approved loans or seen members' personal information, deposit balances or financial information. These functions are handled by management and staff.

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.

- **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 & Compliance Committee**
  The Risk & Compliance Committee oversees the Enterprise Risk Management Framework, organizational-wide compliance, corporate risk profile, control framework and internal controls, conflicts of interest and non-compliance reporting. The committee meets with the Risk & 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 Account Tax Compliance Act, Common Reporting Standards, Canadian Anti-Spam Law and Multi Material Recycling Program. The committee consists of four directors; however, the entire board is again 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 policy changes, deletions and/or additions to the board of directors, for their approval. The Committee consists of three 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 three directors.

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

Being a director continues to be an interesting mix of challenges, rewards and education. Directors have become familiar and more comfortable with virtual meetings which provides much more flexibility for holding meetings. In the highly regulated and ever-changing financial environment, it is imperative that directors remain knowledgeable and informed. Directors took part in training in 2021, but again most of this was done virtually. The Annual National Conference was held virtually which allowed opportunity for more directors to participate as travel and accommodations were not required. Directors attend regular monthly meetings throughout the year. Regular in-camera meetings are held without management personnel in attendance. All directors fulfilled their meeting attendance requirements as detailed in the bylaws. We continue to be pleased that those who represent the members continue to be very dedicated and take their responsibilities seriously.

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 2021, $53,950 was paid as remuneration, which was more than the year before due to the advancement of virtual training and the virtual conference. Insurance premiums paid on behalf of directors were about $1,200.

80 Years of Service

Our MANAGEMENT & STAFF

MANAGEMENT TEAM

Gerald Hauta *Chief Executive Officer* | **Lynn Maze** *Manager of Member Experience* | **Shannon Mellquist** *Manager of Digital Experience* | **Megan Schweitzer** *Manager of Marketing* | **Christy Walker** *Manager of Lending Services*

In 2021, our Management Team consisted of five positions with Shannon Mellquist returning from her maternity leave.

- **Chief Executive Officer – Gerald Hauta** – responsible for the oversight of all areas of the operation. Gerald has 35 years of credit union experience gained from various positions, credit unions and communities. In addition, he had 3 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, all investment offerings and financial planning. Lynn has 42 years of experience in credit unions and has held several 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 15 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 nine years of credit union experience. In 2021, Megan and Christy covered the responsibilities of Shannon's position while she was on maternity leave.
- **Manager of Lending Services – Christy Walker** – responsible for all lending and collection activities. Christy has over 16 years of credit union experience as well as experience in the chartered banks. She has held various positions through her career. Christy and Megan covered the responsibilities of Shannon's position during her maternity leave.

LENDING TEAM

Gaylene Heffner | Michelle Pilat | Carissa Ralston | Janelle Riou

MEMBER EXPERIENCE TEAM

Debra Cairns | Maria Carino-Vetter | Andrea Eddingfield | Shimon McWatters | Denise Purcell

Lisa Reddekopp | Sara Schurman | Rommel Varron | Jennifer Wilson | Griffin Wourms

INVESTMENT TEAM

Amy Close | Scott Smith | Sonya Willy

80 Years of Service

750+ HOURS VOLUNTEERED BY EMPLOYEES

3 EMPLOYEES & BOARD WHO COMPLETED INDIGENOUS AWARENESS TRAINING

2 UNIVERSITY COURSES COMPLETED BY EMPLOYEES

112 DAYS EMPLOYEES DELIVERED MEALS ON WHEELS

SUPPORT TEAM


James Acuna


Michelle Aldred


Dixie Berki


Kerri Green


Shauna Hammer


Dianne Kramer


Rachel Loran


Vanessa Spendelow


Rajbir Volk

CREDENTIAL FINANCIAL STRATEGIES OFFICE


Ashley Hamilton


Crystal O'Brian

80 Years of Service

The management team is responsible for the ongoing and detailed operationalization of board decisions. It is the responsibility of the management team to provide the board with sound advice on the organizational objectives, strategy, structure and policies of the institution. Management is expected to set out information, options, potential trade-offs, and recommendations that enables the board to focus on key issues and make informed decisions in a timely manner. The department managers report to the Chief Executive Officer who in turn reports to the Board of Directors.

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. Due to the prolonged effect of COVID, all training and opportunities in 2021 occurred through virtual means. Staff participated in the National Conference and the Saskatchewan Young Leaders Development Days. As with directors, more staff were able to participate due to the virtual nature of these events. Staff also participated in online learning and online meetings, which continued to be the norm. 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 2021.

There were a few staff changes in 2021 across the organization for a variety of reasons. Luke Sperle returned as a summer student. Julia deCiutiis joined the team but left in the fall to further her education. Griffin Wourms was hired in the fall to replace Julia. Shannon Mellquist returned from her maternity leave. Deon Sieben left in December for an opportunity with another credit union. Melanie Kist and Dianne Kramer both chose to retire in 2021 after serving the credit union and members for many years. Once again, despite COVID, our HR Advisor, Shauna Hammer had a busy year.

With all the challenges and trying times created by COVID through 2021, we are very proud of our staff. They continued to show 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

80 Years of Service

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 Deposit Guarantee Corporation to ensure the protection of credit union members. A national Market Code for Credit Unions has been developed and will drive some updates to the current Market Code being followed. Among these changes are guidelines for working with vulnerable members. In general terms, the 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. The Credit Union provides products and services in a fair, reasonable, objective and reflective manner to members.
- **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 of ensuring 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 by communicating our commitment to serve members with the highest level of professionalism, knowledge and competency.
- **Vulnerable members** – protecting individuals who may be susceptible to having their financial affairs taken advantage of by other persons for various reasons.

OTHER GUIDING PRINCIPLES

- **Capital management** - ensures our capital structure aligns with our risk philosophy.
- **Financial reporting** – adheres to business and industry standards.
- **Governance practices** - adheres to the intent and stipulation of our corporate bylaws, which are approved by our membership.
- **Risk management** - ensures all risks are measured and managed in an acceptable fashion.

80
Years of Service

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 any form of 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, 2021 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". 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 our workplace. After the challenges of 2020 we were hoping for a better 2021, but the challenges continued as the pandemic continued to cause havoc. We continued to have some staff work from home on a rotating basis. Staff in the office continued to work with less colleagues. Despite the challenges, staff continued to serve members with smiles and courtesy both in person and virtually. Our staff are the backbone of the organization and continued to prove this through 2021. In addition to these challenges, we saw changes in our staff complement. 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. We bid farewell, filled vacancies and welcomed new staff.

From our employee engagement survey there were a few things identified as needing improvements. We tried to address these areas. One of these was our performance management process. We implemented a new process, so spent the year trying to learn how to effectively use this and coach staff accordingly.

Our staff is made up of a variety of demographics and experience levels. As an organization we are trying to be conscious of this and are taking steps to prepare staff to take on more challenging roles. We have had success in promoting from within and being able to hire good people from outside of the organization as well. In 2021, we took a look at our organization and updated our succession plan. There is always work to do in this regard, but the review was an important step.

With preparing for the future in mind, we also looked at training for staff to face the new requirements and new service offerings for members. The world continues to change. Gone are the days when members had to come into the branch or phone to complete transactions. There are all kinds of new technologies that allow members to complete all kinds of transactions without ever coming into the office. These require new ways to deal with members and provide member service. We selected a training program, but due to other projects and the constraints of COVID, we did not enroll staff during 2021.

The credit union landscape is undergoing significant change. The system and the partners we have relied on for many years are undergoing changes and these changes impact individual credit unions, especially the smaller ones. We have continued to seek ways to work with and support our neighbouring credit unions and use them for support as well. We work regularly with the credit unions in our area and slightly beyond. We struck a new deal with Accent Credit Union for financial reporting. We worked with Weyburn Credit Union to learn about the technical side of paying patronage. We struck a new agreement with Concentra Bank for investing strategies. With less support from long term partners, we must develop new working relationships to keep functioning effectively without having to merge.

GROWTH

There were several key drivers under this strategic foundation; a lot of which were carried over from 2020 and many that overlap each other. The first was the implementation of a Customer Relationship Management Program (CRM) and a Business Analytic System (BAS). The CRM program is a tool for capturing interactions with members and logging upcoming needs and communications for and with members. This helps promote needs-based products and services to members in our journey to be your trusted advisors. We were finally able to implement the program in 2021, learn how to use it and begin to use it. We are already seeing the benefits of such a program and this should expand as we use it more. The BAS program was as time consuming as trying to implement CRM the year before. The program we received did not live up to its billing. There were some technical challenges with the program and with the service provider, which was out of our control. We determined that this program would not be able to provide the analytics we would need long-term. In the end, the service provider agreed with us and we chose to terminate the contract.

With the time spent on these two programs, we did not get the chance to move forward with two other process improvement programs we had hoped to implement. These will be carried over into 2022 as we only had so much time and so many resources.

Through our newsletter we advised that our online banking program had reached its end of life. Two different options were available as replacements. Regardless of which option was chosen, the transition included a new public website, a new mobile app and a new online banking platform. We initially chose the cheaper version, but part way through the year, the service provider made a significant change in the offering and after studying the proposed changes, we chose to go with the second and more expensive option. We feel this option will better prepare us for the future including addressing open banking. We were able to transition our website to the new platform in 2021, and in 2022 will implement the new app, online banking platform and a business banking solution as well. Members will be advised of changes as we get closer to rollout of the new programs.

When the *Global Payment* card was terminated a few years ago, we continued to watch the marketplace to see what was being offered by competitors. A move has begun to co-branded cards that allow debit and credit transactions. These cards are known as a *Visa* debit card or *MasterCard* debit card. While we waited to receive information on our version of co-branded cards, we researched another form of rewards card. For 2021, we were hoping to have all the information in order to be able to compare one card to the other. Unfortunately, due to untimely delays from the service providers, we never received all the information and so this comparison of card offerings remains on our to do list for 2022.

80 Years of Service

REWARD FOR EVERY YOUTH MEMBER **$25**

4486 UNITY CREDIT UNION MEMBERSHIPS

Despite the low rate environment in 2021, interest rates on deposits and mortgages were very competitive. In order to be able to compete in this marketplace, we had to look at our pricing and make some changes. For some time now we have offered risk rate pricing on non-mortgage loans. In 2021, we introduced risk rating on mortgages. We now have a posted rate, but depending on your financial position and situation, you may be able to receive a better rate. In this way, we reward members with proven financial success while still earning the competitive posted rates on those whose financial situation has not reached that position yet. It continues the fair and equitable approach to pricing. We are also looking at a similar approach to pricing deposits.

Our patronage program is a form of rewards program. In the past we have paid a refund of interest paid on loans, a bonus on interest earned on deposits and a rebate of service charges paid. As we operate in a very competitive marketplace with more and more players offering financial services, we have begun to look at our patronage program with a view to enhancing or refreshing it. We researched what other credit unions are doing and have begun work to see if changes can be made. With the 2020 allocation that was paid out in 2021, we introduced one new concept and offered a $25 payment to youth account holders since these members do not see rewards until they become borrowers or have funds to invest. In the meantime, we also looked at our service offerings and made a few changes to products and offerings. We reviewed our recruit/retain strategies introduced when the CIBC was leaving town. We held sessions with staff to brainstorm new ideas to attract new members and retain current members. We are hoping to bring some of these ideas to fruition in 2022.

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 2021, we served 4486 members and 14 non-members. The number of members decreased by 63 as we initiated a cleanup of dormant accounts in preparation for the youth account patronage payment. Other accounts that were closed included those related to members who have passed away, moved, are duplicate records or were operated in an unsatisfactory manner. We cleaned up these accounts to control costs as some of our costs are based on number of accounts. Accounts that are not actively being used 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.

FINANCIAL

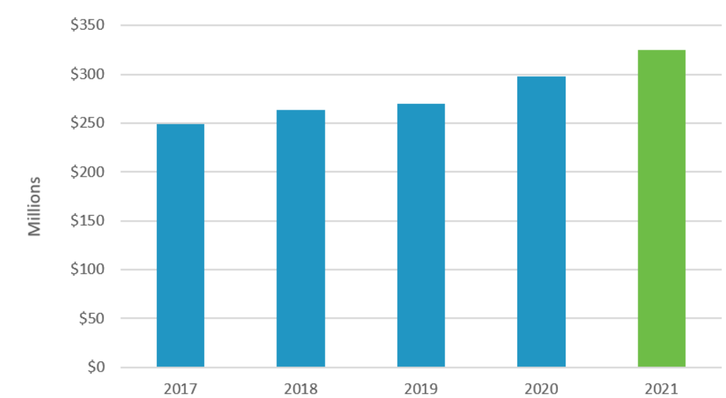
For years we relied on the CEAMS Association to oversee and manage the contracts with various service suppliers. With the disbanding of CEAMS, we have to transition contract management from a service organization to in-house oversight. This is a bigger project than it seems as we have to review all the contracts, and there are many of them, looking for key information, track this and then develop a system to manage the entire process. We began this extensive review in 2021 and completed the review of the main contracts.

Innovation Credit Union provided financial reporting services for many years. Their organization advised that since they are still looking to become a federal credit union, they wished to terminate their contract for the provision of financial reporting services. We took time to determine if this was something we wanted to bring in-house or find an alternate provider. After review, we chose to establish a new contract with Accent Credit Union and Concentra Bank. These two providers will oversee our required financial reporting as well as our corporate investing. This will mean a transition in 2022. Innovation agreed to help us through yearend and preparing for audit and the annual meeting, but as of January 1, 2022, the new contracts will commence.

Our regulator, the Credit Union Deposit Guarantee Corporation (CUDGC) requires us to have an Enterprise Risk Management process. Enterprise Risk Management requires us to review all of our risks and either accept, avoid, mitigate or transfer the risk. We determined that our process needed an overhaul, so we began the work required to do this. We now have an updated process of tracking and reviewing risks, monitoring risks, and reporting to the board. We have determined that while we may not have a perfect solution, we are happy with the progress we have made.
In 2021, we reviewed many policies to ensure they remained relevant and effective. This is another big project as it takes time and effort to complete reviews of entire policy sections.

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 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 to invest, thereby increasing our assets. For 2021, we were not expecting asset growth to continue at the same pace seen in 2020, so our growth target was 1.93%. Despite the continued pandemic and the extended economic challenges, growth continued at a phenomenal pace. Members displayed their trust in Unity Credit Union by depositing funds. Growth came as a result of continued lowered spending due to the pandemic, less travel, receipt of government funds and good prices for commodities despite lower yields. Against what seemed a challenging backdrop, our assets increased over $26.5 million or 8.91% to end the year at a new all-time high of $324,734,212.

80 Years of Service

8.91% ASSET GROWTH

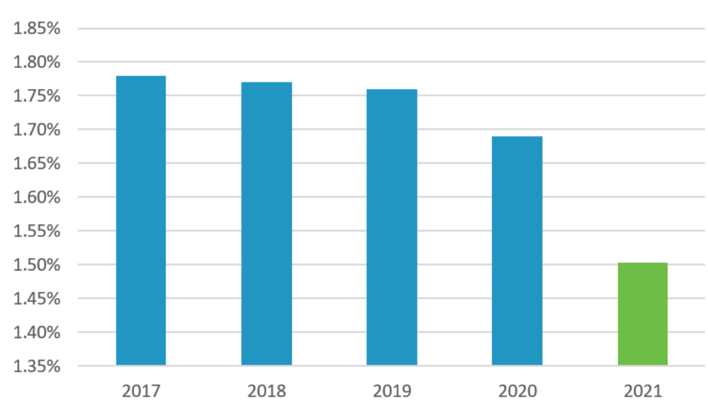
$324,734,212 ASSETS AT DECEMBER 31, 2021

$400,000 2021 PATRONAGE ALLOCATION

0.78% RETURN ON ASSETS

This growth was very similar to last year. Our 10-year average growth was 7.4%, which was boosted by the last two years' results. Over the last nine years, we have grown from $184 million to $325 million. Capital remains one of the measures of financial stability. Growth such as we have experienced over the last couple of years would normally pose a challenge to capital, but unlike asset growth loan growth was slower. We continued to generate strong operating surpluses; a combination that has kept our capital in line. Since capital continued to be strong, despite a lower operating surplus in 2021, we chose to continue to pay patronage as we feel it is still one of the things that makes us different from our competitors.

OPERATING SURPLUS



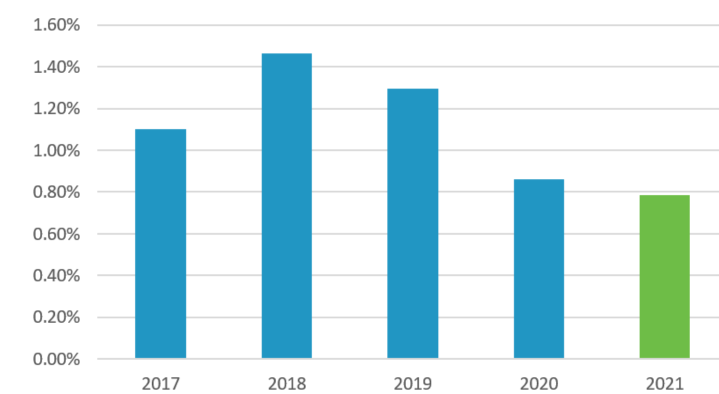
As a financial co-operative, the credit union considers financial success in two ways. The first way is obviously being able to generate a bottom line. The second is being a strong corporate citizen contributing to the communities we serve. This dual approach means balancing the generation of an operating 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, so it has to 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. It is a juggling act to attain all these goals.

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 2021, our margin continued to be challenged due to the continued low rate and competitive interest rate marketplace. Adding to this challenge was slower loan growth for much of the year. We qualified for the Canadian Emergency Wage Subsidy offered by the Federal Government and received $187,438 from this source, which helped to offset the margin squeeze. Our venture capital investments did very well again in 2021, which gave another boost to our margin and bottom line. Non-interest income increased on the strength of fees related to loan applications, loan prepayments and interest rate buydowns. With more time, we received more income from our new credit card offering. Our wealth management business had the best year ever. Wealth management includes our CFS Office as well as our in-house offerings. This line of business includes the services of a Certified Financial Planner, estate and tax planning, and a full range of investments including a full brokerage and a full complement of personal insurances. Combined, this line of business contributed over $100,000 of net revenue to our organization. Finally, as we do every year, we reversed a couple of over-accruals of expenses that resulted in additional revenue.

We have four broad categories of expenses. The first is interest expense. This category decreased in 2021 as rates on member deposits were reduced. This was offset in part by the significant increase in member deposits. The second category is operating expenses. Overall, our operating expenses actually decreased, though slightly. Operating expenses were $1,249 below the 2020 result and represented 1.50% compared to 1.73% in budget. While many of our operating expenses continued despite the on-going pandemic, several operating costs were not realized or were less than they have been in the past. In 2021, we completed the landscaping around our building and built a deck in the back corner of our building for staff to enjoy on breaks. Personnel costs remained our largest operating expense as has been the case historically; however, we did not fill all the vacancies and did not hire any extra people. Due to this, our personnel expenses were $69,000 lower than last year. The third category of expense was the provision for impaired loans. In 2020, the chartered banks increased their allowances for potential loan losses. We delayed this by a year but adjusted our allowance in 2021. We were concerned about potential for losses so increased the provision expense by just under $1 million. We knew this would impact our operating surplus, but thought it was the prudent thing to do as part of our risk management process. The fourth broad category of expense is tax. Our tax allocation has increased due to changes made in the federal and provincial tax regimes for credit unions. Our tax allocation of $185,040 was less than last year due to a lower operating surplus.

The net result of revenue minus expenses left an operating surplus of $590,244 after making an allocation of $400,00 for patronage to members. The result was a decrease of $682,036 from 2020. However, it was still significantly better than the result projected in our operating budget, even after the large increase in provision expense, so we were pleased with the result.

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 0.36%. We achieved 0.78%. This was a combination of margin, stable non-interest revenue and stable non-interest expenses. The reduced margin resulting from the continued low rate environment contributed to a lower result than in the past. Fortunately, we did experience some loan growth in the latter part of the year which should help in 2022.

In 2021, we began to research patronage programs offered by other credit unions to determine if our program needed to be updated. For the 2020 payout that took place in 2021, we made one small change. We realized that young people did not receive any benefit for belonging to Unity Credit Union other than to receive free service charges. We decided to pay $25 to everyone who had a personal youth account. We also created a Member Rewards Account. We deposited $25 into this account for young people

80 Years of Service

65.85% EFFICIENCY RATIO

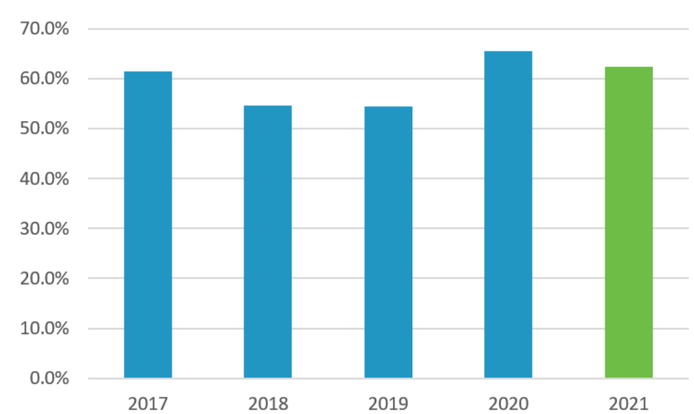
$210 million LOAN PORTFOLIO

$54.6 million CONVENTIONAL RESIDENTIAL MORTGAGES

$18.2 million INSURED MORTGAGES

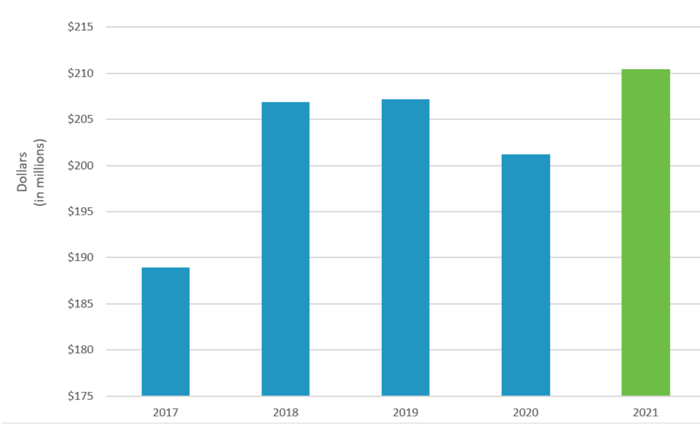
and paid the service charge rebate to this account as well. Our hope is that by creating this new account, members will see the benefit of belonging to the credit union. Members control the funds, so they can spend it when it works for them. In 2021, we also continued to pay out the rebate of loan interest and the bonus on interest earned. We distributed this payout based on business in the traditional way of providing cheques to members who qualified for a payout. Unless you are a shareholder in another financial institution, credit unions are the only ones who will pay patronage back to members who use our services because you are an owner as well.

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 2020, our organization had an efficiency ratio of 65.49%. In 2021, our efficiency was consistent at 65.85%. Like our margin, our efficiency ratio was affected by the continued low rate environment and stable loan portfolio for most of the year. 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. The loan portfolio saw slow and steady growth until late in the year. Late in the year, we saw our portfolio increase to over $210 million, which was a new all-time high. This was a combination of local demand, financing leases and syndicating loans with neighbouring credit unions. Part of the reason we struggled with loan growth was the availability of funds. With the increase in member deposits, line of credit usage was significantly below past results. Based on all these factors, performing loans ended the year at 64.66% of assets. This percentage was also affected by the significant increase in total assets as there is a direct correlation between these two figures.

For the last few years, we have been 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. 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 continued economic challenges throughout 2021, we continued to increase our collective allowance focusing on the risk in certain economic sectors. At the end of 2021, our specific allowance was relatively stable at $296,855 and our collective allowance was $2,397,456 for a combined total of $2,694,311. This was $1,382,270 more than last year and another reason our operating surplus was less. Allowances established during the year directly decrease our surplus, but in this case, was felt to be a prudent thing to do. Other financial institutions booked such allowance increases in 2020. We did not feel the pressure to increase our allowances until 2021.

Another recent addition in reporting is the requirement to report on mortgages and the effect of changes in property values. In 2021, the credit union held $54.6 million in conventional residential mortgages and $18.2 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	$80,599	$1,347,427
More than 5 years and up to 10 years	$76,058	$3,648,589
More than 10 years and up to 15 years	$813,488	$7,394,278
More than 15 years and up to 20 years	$7,820,745	$14,139,255
More than 20 years	$9,435,501	$28,136,143

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 2021, 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 still feel our values do

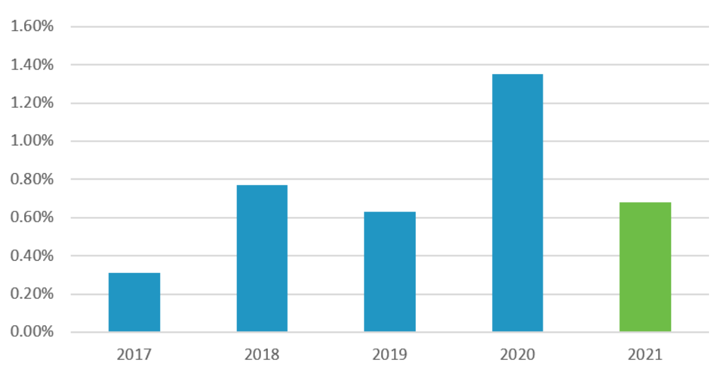
0.68% DELINQUENCY OVER 90 DAYS

9.05% CAPITAL - LEVERAGE TEST

15.47% RISK WEIGHTED CAPITAL

not drop as much as in major centers. Despite this, we are required to comply and so our calculation requires us to hold an extra $408,455 in capital for such circumstances. This is subject to change on a quarterly basis due to fluctuations in the mortgage portfolio.

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 0.68%, which was a decrease from 2020 and thus we were pleased with the result. We thank our members for their continued commitment to making payments or suitable arrangements through challenging times. We continue to work with members as best we can and appreciate their willingness to work with us.

CAPITAL

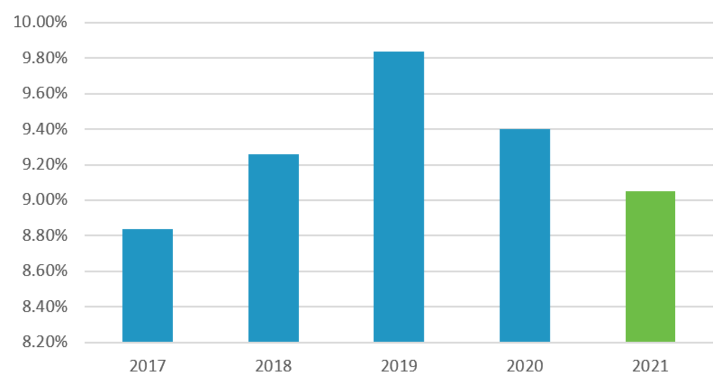
One of the primary measures of financial strength of any financial institution is its capital position. Worldwide, financial institutions build capital to ensure that downturns in the economy can be withstood. Credit unions operate in a highly regulated environment, where the Credit Union Deposit Guarantee 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. We have more flexibility in our liquidity management in recent years and use this opportunity 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 either through specific allowances or the collective allowance, 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.

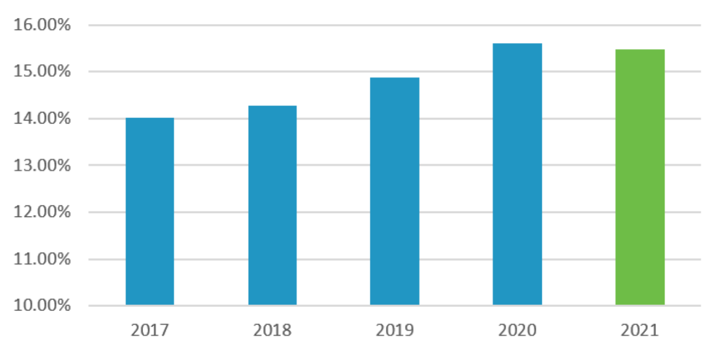
LEVERAGE TEST

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 9.05% at yearend.



RISK WEIGHTED CAPITAL

The second measure is the risk-based test, which compares eligible capital to risk weighted assets. The standard is 10.50% and we held 15.47%. Our results remained strong but we feel a strong capital base is important, especially in the unique economic times within which we continue to operate.



LIQUIDITY

The Standards of Sound Business Practice developed by CUDGC outline the importance of liquidity and liquidity management. 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 302.42%. This was much better than at the end of 2020, but there was still opportunity in this result. The goal remains to lower our ratio while improving our yield. The third measure is the stress test. Throughout 2021, 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 including our ability to offer our Each One Teach One financial literacy sessions. However, with the technology available to us, we were able to provide five different financial literacy/management sessions to various audiences. We were pleased with this result as in the prior year this focus had been largely shut down. Our investment team also partnered with Aviso to provide three virtual financial planning seminars for members.

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. While restrictions were lessened, they still had effects on activities in the community throughout the year. However, we were able to return to having our people get involved in the community in some way. Our staff took a regular shift delivering Meals on Wheels from both the Hospital and Parkview Place. Staff served burgers at the Unity Credit Union Aquatic Centre during Drowning Prevention Week. We sponsored Men's Night at the Golf Course. We had volunteers at the All Candidate's Forum. Staff helped to put up and take down the boards at the outdoor rink. Staff participated in the Adopt a Block Clean Up. We supported the CMHA fundraiser. We supported the Lights Football Game. We were runners up in the Chili Cookoff at UCHS. Director Christine Lang took it upon herself to make 80 blankets for families who used the services of the Ronald McDonald House in Saskatoon.

We also looked for ways to support our community and some of the community charities. We made donations to the Food Bank and Regional Library. We continued with our donation to the Unity Golf Club. We continued to support initiatives in Tramping Lake as we promised. We provided our annual scholarships to the grads and supported their ceremony. We once again 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 and businesses by purchasing every prize locally. Credit Union Day was our opportunity to let the community know we have served them for 80 years. We provided snacks in the office, as well as made deliveries around town and paid for coffee at Subway, A&W, Country Pantry, and Rise + Grind. We held a draw for our members to win tickets to the Gord Bamford concert. This year we participated in the first and new National Day for Truth and Reconciliation. We rounded out the year by participating in the Winter Lights Parade to again show support for our community.

Despite the many challenges presented in 2021, we are very proud of what we accomplished during the year and community support always ranks near the top of our list of accomplishments and sources of pride.

80
Years of
Service

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, tracked and monitored.
- 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 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 changes. Capital adequacy measurements have evolved from a straight percentage of assets, to a risk-based approach. This is based on the structure of the balance sheet, and 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 unencumbered high quality 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.

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, while also serving members who use services in traditional ways.

Unity Credit Union has formal planning processes that result in a strategic business plan focused on strategic objectives as outlined herein. The credit union held a formal facilitated strategic planning process in 2021 which determined and set direction for the next two to three years.

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 the past, 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 have been limited to online training, conferences and meetings.

The advances in technology are not slowing down, the cost is ever increasing, and the technology is changing the ways of doing business. It is important that Unity Credit Union has adequate resources to invest in these technologies. In our Internal Capital Adequacy Assessment Process, we changed our capital requirement related to IT concerns to include the potential of investing in technologies if the need/opportunity arose, contracting expert help to deal with potential issues and having funds to deal with potential issues. 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 as well as changes within the system have elevated this risk to a moderate to moderate-high position.

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 (Wyth Financial) 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, economic environment risk and policy exceptions risk.

80 Years of Service

The Board of Directors sets policy to guide lending processes. These are put into practice through procedures established by management. In 2021, a comprehensive review of the lending policies was undertaken to ensure they were up-to-date and relevant. A review of procedures is the next step in this process.

Credit granting is performed in accordance with the approved policies, procedures and applicable legislation. This includes credit analysis, pricing structures, security analysis, terms and documentation. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is offset by rates. This was expanded in 2021 to include mortgage pricing. Concentration limits by industry and size of loans have been designed to reflect our risk tolerance. 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 rating process provides a more in-depth analysis of member files. Credit risk is further mitigated through training of loans personnel. In addition, a comprehensive impaired loan assessment is completed using a proactive and forward-looking approach. This can result in more fluctuation in the allowance based on the structure of the portfolio but strengthens the credit union's risk management. Due to changes in credit card processes, credit cards have been added to the risk assessment, but the risk has lessened with time.

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 Audit & Finance Committee as well as the Credit Union Deposit Guarantee Corporation.

With the lingering effects of COVID and a drought impacted crop in 2021, the credit risk has increased to moderate or moderately high as we wait to see if the economy and environment will improve in 2022.

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 (Wyth Financial) to do a review on a quarterly basis. Concentra Bank (Wyth Financial) provides a quarterly report outlining rate forecasts and assumptions, and how they affect our balance sheet. Results are reviewed by management who in turn report through the Risk & 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. In 2022, the contract for financial services will migrate from Innovation Credit Union to Accent Credit Union.

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. 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 2021, there was less use and purchases of foreign currencies, but outgoing international wires continued to be utilized.

In 2021, the prime rate was much more stable than 2020. We continued to operate in a very low interest rate environment, so this impacted our margin. Despite the low rates, the rate environment was very competitive. Due to the low rates and the competitiveness in the marketplace, market risk continued to be moderate or moderate-high as margin contributes the largest portion of our revenue to pay expenses. Speculation is that rates will increase in 2022, which has potential to improve this position.

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 focus 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 2021, we exceeded 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 withdrawal 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. In 2022 the monitoring will be done by Accent Credit Union and investments will be handled by Concentra Bank (Wyth Financial).
- Establishment of borrowing facilities with SaskCentral.
- Through our contract with Concentra Bank (Wyth Financia) 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 & Compliance Committee to the board.

In 2021, members continued to show their trust in the credit union and invested funds. This, combined with a steady loan demand, helped maintain a strong liquidity position for 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.

80 Years of Service

LEGAL & 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 & Compliance Officer oversees our processes related to certain pieces of legislation and reports quarterly to the Risk & 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 for staff, deficiencies in internal controls, technology failures, human error, employee integrity, fraud or natural disasters.

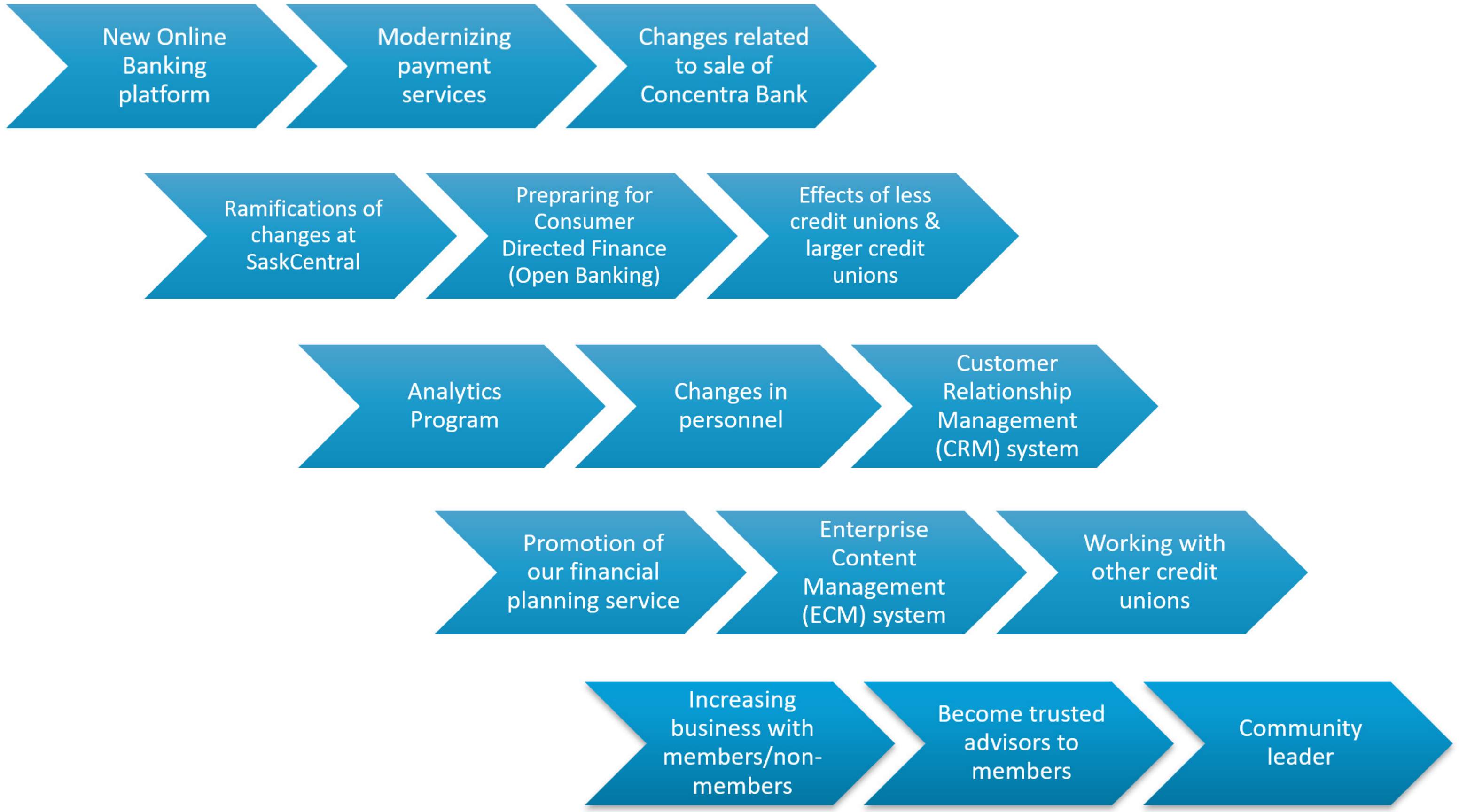
Specific risks include internal and external frauds including compromising of cards, accounts and systems, inability to attract and/or retain qualified employees, loss of operating systems and outside factors such as robbery, random attacks or disasters such as a train derailment.

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 offsite and includes a very complex back up and disaster recovery process. On-site backup systems complement the off-site backups. In the future, cloud backup may become the standard but we are still researching the implications before making this change.

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 high.

Our FUTURE

Every year we try to determine what the future might hold. As we looked into 2021, we hoped we would see positive changes. Unfortunately, we got a lot of the same as 2020. As we again look into the future, we continue to hope for positive changes and rebuilding a world that has sheltered itself away for the better part of two years. We are looking for ways to continue to evolve the way we provide service. This includes changes in the way we do things both from a personnel point of view as well as using technology. We do not anticipate that technological advances will slow down. We consider technology both for the benefit of the credit union and for members. In addition, there are a lot of changes occurring in the credit union system. These will affect our credit union going into the future. 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:



That concludes our report of activities for the year ended December 31, 2021. The same words we used to describe 2020 still seem applicable including unprecedented, challenging, taxing, tiring, stressful. That being said, while 2020 felt like a year of survival, in 2021 we once again began to take on new projects slowly trying to move the credit union forward.
We thank our members for their trust in Unity Credit Union. We thank our staff for their unfailing commitment to serving members with a smile despite the many challenges. We acknowledge management for guiding the organization through strange and unusual times. Our goal is to continue to adapt and change. We strongly believe that with your continued support and commitment to Unity 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 2021

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**.