



2022

# ANNUAL REPORT

& Full Financial Statements



*We'll always be there.*




# VISION

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*Partnering to achieve success and build a better community.*

# MISSION

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*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.*



*We'll always be there.*

# UNITY CREDIT UNION LIMITED

## ANNUAL GENERAL MEETING

### TUESDAY, MARCH 28, 2023

#### 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 22, 2022
- 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 Announcements
- Adjournment

#### 1) Proof Of Notice:

CANADA )  
PROVINCE OF SASKATCHEWAN )  
I, Gerald Hauta,  
of the Town of Unity,  
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 branch at Unity Credit Union, on social media and the credit union website on March 3, 2023.

And published in "The Unity-Wilkie Press Herald"  
on March 3, 2023.

Sworn before me at the Town of Unity  
In the Province of Saskatchewan  
This 17th day of March, 2023.

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A Commissioner for Oaths in and for Saskatchewan  
My Commission expires April 30, 2027


#### 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 17, 2023.
- 2) The Annual Financial Reports were made available to the membership March 17, 2023, 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 17th day  
of March, 2023.

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A Commissioner for Oaths in and for Saskatchewan  
My Commission expires April 30, 2027

# MINUTES OF THE 2021 ANNUAL MEETING OF UNITY CREDIT UNION LIMITED

UNITY CREDIT UNION  
Tuesday, March 22, 2022

At 7:00 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 54 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 Dixie Berki as Secretary at their last board meeting.

Gerald Hauta called the Annual General Meeting to order at 7:11 pm.

Vanessa Spendelow and Anita Parker moved that the agenda be adopted as presented. Carried.

Gerald presented the Minutes of the 2020 Annual Meeting held on Tuesday March 23, 2021 for the members to review.

There were no errors or omissions arising from the minutes.

Gilles Colbert and Michelle Aldred moved that the minutes of the 2020 Annual Meeting held on Tuesday, March 23, 2021 be accepted as presented. Carried.

There was no business arising from the minutes.

Michael Soloski presented the President's Message.

Gerald Hauta and Michael Soloski presented the Credit Union Discussion and Analysis Report.

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

Curt Wagner of MNP presented the 2021 Auditor's Report.

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

There were no questions arising from the statements.

Shannon Mellquist and Colette Lewin moved that the Auditor's Report and Financial Statements be accepted as presented. Carried.

Michael Soloski, on behalf of the Board of Directors, recommended that MNP be appointed as Auditors for 2022.

Keith Wilson and Sonya Willy moved that the accounting firm of MNP be appointed as the auditors for Unity Credit Union Limited for 2022. Carried.

Michael Soloski presented the Nominating Committee Report. Martin Berg, Kristine Moon and Sandra Wagner had their terms expire in 2021. With recent changes to governance practices, we are required to qualify candidates based on financial management of their affairs, being reputable citizens, and having a good reputation around the community.

All three incumbents were eligible for re-election. Sandra Wagner chose not to let her name stand while Martin Berg and Kristine Moon agreed to run again. Colette Lewin agreed to let her name stand after being off the board for a year. As no other nominations were received, the three candidates were declared elected by acclamation.

Tom Stephenson and Carissa Ralston moved that the Nominating Committee Report be accepted as presented. Carried.

There were no questions asked during the Question/Discussion Period.

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

- Vanessa Spendelow – 5 years
- Rachel Loran – 10 years
- Kerri Green – 15 years
- Dianne Kramer – 40 years
- Sandra Wagner, Board Member – 9 years

Michelle Pilat adjourned the meeting at 8:03 p.m.

Secretary



# A message from Our PRESIDENT



MICHAEL SOLOSKI, *President, Board of Directors*

# W

elcome to our 81st Annual General Meeting. While 2022 marked another year of success, it was also a year that brought about a lot of changes. Several of these changes presented challenges for members and staff.

We rely on a multitude of service providers to provide the links, accesses and services that we provide to members. This past year, it seemed our service providers lost their focus on providing service and supporting credit unions.

The first change was made by SaskCentral. For many years they have provided services that credit unions our size rely on. Recently they have begun to divest or exit from providing these services. In 2022, the latest change was the divesting of consulting services. Our credit union utilized many of these services so joined with 25 other credit unions around the province to purchase the services and establish National Consulting Limited. Due to the strength of co-operation in the system, the investment into this new company was minimal for all involved.

In 2022, we completed the migration from MemberDirect to Xpress Online Banking. We made the transition to Xpress as the MemberDirect platform had reached its end of life. Staff did a lot of work to prepare for this change. When the transition occurred, it was still very disruptive to members. We applaud our staff for their dedication and commitment to helping members work through this significant change.

We appreciate our members working through the change and moving forward.

Members may have experienced issues near the end of the year in obtaining their statements. A change was made within our service providers and a new division took over production. What was supposed to be painless turned into extended delays in members receiving their statements. We are pleased to report that this is improving but unfortunately, this is not without much frustration by members and staff.

For years we have paid patronage and paid it the same way. Payment was based on the amount of interest members paid on loans and interest they earned on investments. We felt a change was in order so we began to research options. We decided to adopt a new program we named Member Rewards that pays based on the relationship the member has with Unity Credit Union. The payment is now based on the number of credit union services members utilize, the volume of their lending and investing business and how long they have been a member. We feel this new program aligns nicely with the relationship pricing we developed for loans and will be introducing for investments. Both are focused on the merits of a deep relationship between the member and the credit union.

Staff participated in Sales and Service training with the intent of providing better service and advice to members. This fits nicely with our Customer Relationship Management program. Combining the two programs allows for improvement in interaction with members as discussions will now be captured for the next staff member to utilize when providing comments and advice.

2022 was unique in regards to our financial results as well. We were having another successful year financially when we received notice that SaskCentral sold their shares in Concentra Bank to Equitable Bank. This resulted in a significant payment of dividends to Saskatchewan credit unions. This payment gave us funds we were not expecting in our budget. We utilized a portion of these funds to increase our Member Rewards allocation for 2022, pay the costs related to the Xpress banking implementation and make two donations of \$50,000 each to the Hospital Auxiliary for the purchase of new beds and the Town of Unity to enhance the walking paths. The rest of the funds were used to build capital to strengthen the credit union's financial position into the future. Since this was a one-time injection of funds, we tried to use them prudently.

In a year of change and some pain to members, we thank members for sticking with us and continuing to trust us for your borrowing and investing needs. With your support and trust, "We'll always be there!" We want to be 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.

We thank our staff for their dedication and commitment to the credit union in an environment where each new year brings a new challenge and requires adaptation to meet the change.

We understand that change will continue and the pace and disruption caused by change may even increase. We know there are changes coming in payment services. We know that Open Banking is coming and will represent significant change. We know that the financial world will continue to be extremely competitive. We hope that members will continue to believe in their local credit union and the difference our organization represents. We need members to continue to build long lasting and mutually beneficial relationships. Success will not occur without continued support from members who have supported us for many years and those who left the Unity area to pursue education and employment. We look forward to serving you into the future!

Michael Soloski  
President, Board of Directors

# Our BOARD OF DIRECTORS

Michael Soloski  
President



Colette Lewin  
Vice President



Martin Berg



Rhonda Brandle



Christine Lang



Terri McAleer



Kristine Moon



Anita Parker



Keith Wilson



Ashlyn Greenwald



Danielle Bowker

## JUNIOR BOARD

## MEMBERS

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.

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 find 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 2022 were Sandra Wagner, Martin Berg and Kristine Moon. 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 management of their financial affairs, being reputable citizens and having a good reputation around the community. With this in mind, the nominating committee sought candidates to fill 3 terms.

All three incumbents were eligible for re-election. Sandra Wagner chose not to let her name stand while Martin and Kristine agreed to run again. Colette Lewin agreed to let her name stand after being off the board for one year. As no other nominations were received, the three candidates were declared elected by acclamation.

We continued our Junior Board Member Program to encourage young people to take an active part in our credit union. This is a unique program in the credit union system but one which garners much interest at system meetings. 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. Ashlyn Greenwald continued as our Grade 12 representative and we welcomed Danielle Bowker as the representative from grade 11. Junior board members participate in board meetings but have no voting rights.

**MANDATE AND RESPONSIBILITIES**  
The Board of Directors have responsibilities outlined in 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 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. The board does not approve loans nor do they see 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 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, 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 Accounting 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. They ensure policies, processes and practices are in place to protect people and the organization from claims and the perception of unfair benefit to related parties or conflicts of interest with related parties. 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.
- 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.

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 2022 both in-person and virtually. We had some directors attend the Annual National Conference again which allowed opportunity for learning and networking with directors from across the country. Directors attend regular monthly meetings throughout the year. Regular in-camera meetings are held without management personnel in attendance to allow for frank discussions. All directors fulfilled their meeting attendance requirements as detailed in the bylaws. Those who represent the members have taken their responsibilities seriously and continue to be very dedicated.

## 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 2022, \$61,700 was paid as remuneration, which was more than the year before based on the meetings held. Insurance premiums paid on behalf of directors were about \$600.

# Our MANAGEMENT & STAFF

## MANAGEMENT TEAM



**Gerald Hauta**  
Chief Executive  
Officer



**Amy Close**  
Manager of Member  
Experience



**Shannon DeRoo**  
Manager of Digital  
Experience



**Megan Heidt**  
Manager of  
Marketing



**Christy Walker**  
Manager of Lending  
Services

In 2022 our Management Team consisted of five positions. Shauna Hammer was also actively involved in the team.

- **Chief Executive Officer – Gerald Hauta** – responsible for the oversight of all areas of the operation. Gerald has 36 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 – Amy Close** – responsible for member service including deposits, withdrawals, card services, fraud management, cash management, clearings, statements, all investment offerings and financial planning. Amy has 14 years of experience in credit unions plus other occupations.
- **Manager of Digital Experience – Shannon DeRoo** – 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 16 years of credit union experience in various positions as well as previous experience with chartered banks.

- **Manager of Marketing – Megan Heidt** – 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 10 years of credit union experience, all in the marketing area.
- **Manager of Lending Services – Christy Walker** – responsible for all lending and collection activities. Christy has over 17 years of credit union experience as well as experience in the chartered banks. She has held various positions through her career.

## LENDING TEAM



**Nicole Headrick**



**Gaylene Heffner**



**Michelle Pilat**



**Carissa Ralston**



**Janelle Riou**

## MEMBER EXPERIENCE TEAM



**Maria Carino-Vetter**



**Shimon McWatters**



**Denise Purcell**



**Lisa Reddekopp**



**Nagat Salem**



**Sara Schurman**



**Rommel Varron**



**Jennifer Wilson**



**Griffin Wourms**

## INVESTMENT TEAM



**Dixie Berki**



**Patrick Schmidt**



**Gurtaj Singh**



**Scott Smith**



**30** VOLUNTEER ORGANIZATIONS & COMMITTEES OUR EMPLOYEES HELP LEAD

**6** NEW DESIGNATIONS/ CERTIFICATIONS EARNED BY EMPLOYEES

**10** UNIVERSITY COURSES COMPLETED BY EMPLOYEES

**92** DAYS EMPLOYEES DELIVERED MEALS ON WHEELS

## SUPPORT TEAM

### DIGITAL EXPERIENCE

### RECEPTION

### SUPPORT



James Acuna



Rachel Davey



Rajbir Volk



Courtney Roberts



Lynn Maze

### FINANCE/COMPLIANCE

### MARKETING

### HUMAN RESOURCES



Michelle Aldred



Kerri Green



Vanessa Spendelow



Shauna Hammer

## CREDENTIAL FINANCIAL STRATEGIES OFFICE



Ashley Hamilton



Crystal O'Brian

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 enable 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 and reliance on technology increases, continuous change and learning is important. Staff participated in the Annual National Credit Union Conference and the Saskatchewan Young Leaders Development Days. Staff also participated in online learning and online meetings, which have become very commonplace. Staff took advantage of webinars and self-study classes to obtain required licensing, broaden their knowledge, develop support networks and gain new experiences to serve you better. With the new methods of training available and the required annual training, all staff were enrolled in some form of training in 2022, whether as a requirement or as an opportunity.

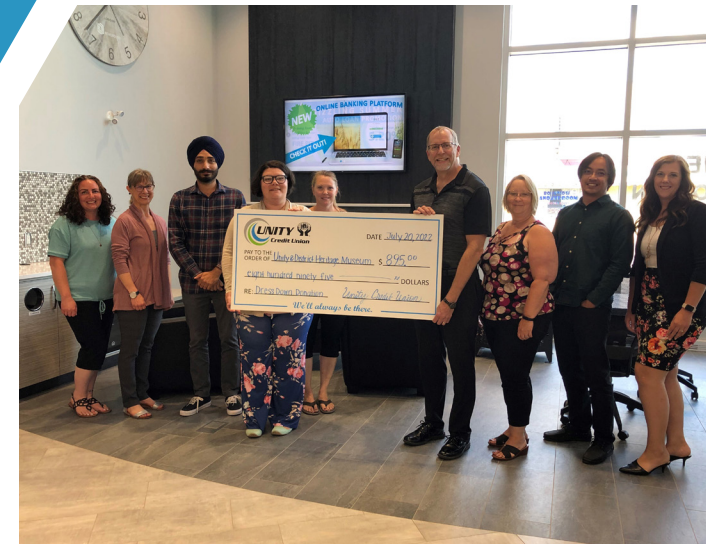
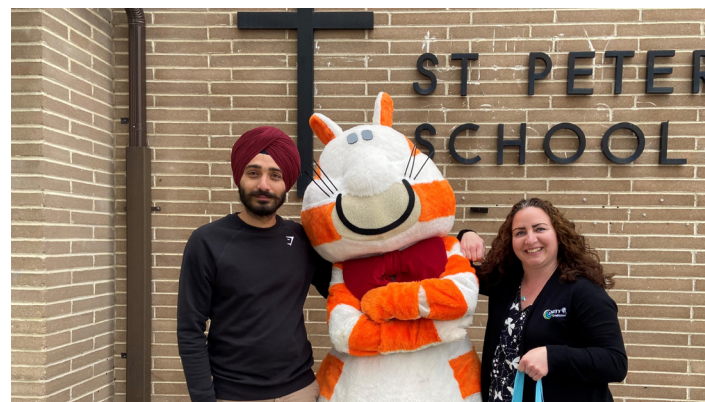
There were several staff changes in 2022, as long-term staff made some life changes, we promoted some staff and hired new employees to fill the

vacancies. After more than 40 years of service to credit unions and members, Lynn Maze announced she would retire in early 2023. In preparation for this and to transition knowledge, Lynn stepped away from her management position in early 2022 and took on project work as well as mentoring those who were to take over her duties. Amy Close was selected as Lynn's replacement as Manager of Member Experience. Nicole Headrick joined our lending team in a trainee position to gain the knowledge and experience to become an Account Manager. Brooklyn Gray served as our summer student before returning to post-secondary learning. Debra Cairns chose to retire from our Member Experience Team. Andrea Eddingfield chose to pursue other employment opportunities. With the vacancies created by these changes, Courtney Roberts, Gurtaj Singh and Nagat Salem were hired as Member Experience Representatives. Amy's promotion created a vacancy in the investment team which was filled by Patrick Schmitz. Sonya Willy left the organization and Gurtaj Singh was promoted to fill her vacancy. Our HR Advisor and management team were kept busy with all these changes, hirings and training. We thank our members for their patience as we hired new people with less experience than those staff who served you in the past.

COVID forced us to change the way we worked. As we moved away from COVID restrictions, we introduced hybrid working alternatives allowing some staff to work from home with restrictions. This seems to have gone well as we continue to accomplish the work while still serving members. Staff who are able to utilize this option must be in the office at least 40% of the time to maintain good working relationships.



# 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 Deposit Guarantee Corporation to ensure the protection of credit union members. Changes driven by the National Market Code for Credit Unions were adopted to enhance the Code we had been utilizing. 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.
- **Disclosure and Transparency** – ensuring the credit union provides members with relevant and appropriate information including branch information, fees, third party relationships and account options in a timely manner.

## OTHER GUIDING PRINCIPLES

- **Capital management** - ensures our capital structure supports 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.

## 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 our credit union, members have equal voting rights (one member, one vote).

### 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, 2022 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 outlines four Strategic Foundations. These include 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. It was a pleasant change to not have the worry of COVID and its restrictions to deal with as we had for the past two years. As has become the norm, we had changes in our staff complement through the year. We saw a summer student join us for the time between post-secondary terms. We saw people retire after successful careers. We saw people move on to other challenges. We bid farewell, filled vacancies, promoted internally and welcomed new staff. It was a busy year in regard to human resources.

We conducted another employee engagement survey and continued to address areas identified as needing improvement. We continued to work and enhance our performance management process. With the

many changes in staffing, this process continues to be a work in progress.

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 continued to promote from within when possible and were pleased with the good people we hired from outside of the organization as well. In 2022, we took another look at our organization and updated our succession plan. This is a never-ending process as not only people change, but positions change with time and the on-going use of technology.

As we look to the future, we are conscious of preparing staff to face new requirements and new service offerings for members. The world continues to change at a very fast pace. Gone are the days when members had to come into the branch or phone us to complete transactions. There are all kinds of new technologies that allow members to complete transactions without ever coming into the office. These require new ways to deal with members and provide member service. We selected a training program in 2021, and in 2022 were able to have all staff complete the training. The focus of the training was being more pro-active in offering services to

members, rather than waiting for members to inquire about services from us. This is a shift in culture and approach that will take time to become ingrained.

After two years of serving members from locations other than just in the office, we developed a hybrid work environment that will allow those people who can work from home to be able to do so. This approach does not work for all positions, and we still require staff to be in the office regularly to aid in communication and relationship building. With this in mind, we considered how this could affect our hours of service but decided that was too big of a project with all the other projects we had in 2022.

The credit union landscape is continuing to undergo significant change. The system and the partners we have relied on for many years continued to undergo changes, which impacts credit unions our size and smaller. 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. With less support from long term partners, we must develop new working relationships to continue functioning effectively without having to merge. In 2022, 26 credit unions across Saskatchewan invested to create a company and purchase consulting services from SaskCentral, who chose to divest these services from their organization. The group of credit union owners felt these services were important enough to undertake this venture. The transition happened and as of July 1, Unity Credit Union was an owner partner in the new company known as National Consulting Limited.

### GROWTH

Projects have seemed to escalate with time. It is harder to identify where a project begins and ends, as so many projects continuously grow and expand from the starting point. Some of the projects we started in 2021 spilled over into 2022, while some were just

initiated in 2022. We continued to learn to use our Customer Relationship Management (CRM) Program. 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.

Perhaps the biggest project we initiated, and certainly the most disruptive to members, was the transition from our old online banking platform and app to the new product offering. The old offerings had reached their end of life but that did not mean that members were done with them. This was evident when we rolled out the new online banking and mobile app. The “progress” offered by the new products was not appreciated by all members as it meant new processes, looks, logins and set ups. Our staff answered all kinds of member questions and concerns in person, over the phone and via electronic avenues. We would like to acknowledge the transition team for their dedication to this project and for their commitment to helping members.



# 2313

ONLINE BANKING  
USERS TRANSITIONED  
TO THE NEW BANKING  
PLATFORM IN 2022



Other projects worked on in 2022 included the purchase of a new electronic message board for our lobby. The concept of this is to replace the former cork board of community notices with an electronic system that will allow members to review only the items that are of interest to them. We developed a new intranet for use internally by staff. This is an information portal to allow all sorts of information to be available to staff at their desktops. Apple iPads have been installed in all member-facing offices to allow signatures to be captured electronically, rather than having to produce paper copies that are then scanned into our electronic storage system. We took steps to move our document storage from onsite servers to cloud services. These offerings provide more storage, better updates as well as off-site storage, but add to the complexity of security of member information. We researched and experimented with some analytical programs, but did not decide on one in 2022.

In a very competitive marketplace, we determined that our pricing needed to be reviewed. For many years, we have utilized relationship pricing on non-mortgage loans. We introduced a similar approach to mortgage loan pricing and built a pricing matrix to be used for member deposits. This approach to pricing on both sides of the balance sheet fits very nicely with the new Member Rewards Program we introduced in 2022. In the past, our patronage program rewarded members only at the end of the year if the credit union was profitable. The new pricing structures recognize the relationship with members at the time of applying for a loan or investing funds and continues

through the lifetime of the deal. The new Member Rewards Program rewards our members at the end of the

year based on their relationship with the credit union, the utilization of our services and the profitability of the credit union. The new programs may be adjusted with time, but the concepts are felt to be strong. We also continue to reward youth for doing business with us.

## 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 2022, we served 4380 members and 24 non-members. The number of members decreased by 106 as a number of accounts were cleaned up in preparation for the new Member Rewards Program and transition to Xpress Online Banking. 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. Cleaning up these accounts also controls costs as some of our costs are based on the 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 consisting of online banking and a mobile app.

## FINANCIAL

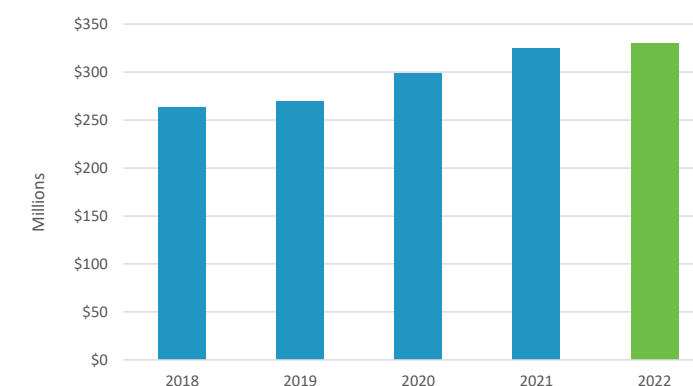
As we advised last year, we transitioned our financial reporting from Innovation Credit Union to Accent Credit Union and Concentra Bank. These two providers oversaw our required financial reporting as well as our corporate investing. There was some learning involved due to working with new partners but overall, we are pleased with the service we received from both of these providers. Concentra Bank was purchased by Equitable Bank, but the provision of service did not change as Equitable Bank merely continued with the existing contract and we continued to work with the same people.

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 continued to utilize the new process of tracking and reviewing risks, monitoring risks, and reporting to the board began in 2021. We feel the new process is an enhancement from what we had previously and allows us to understand and manage our risks better.

In 2022, we completed the review of policies that had not been reviewed in 2021. This is a time-consuming effort as it takes time to review them, make amendments and then review them with the board to obtain approval.

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. The following is a summary of the credit union's financial performance results in relation to each of 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 2022, we did not expect asset growth to continue at the same pace as seen over the last couple of years. With COVID restrictions being lifted we expected people to begin doing what they did pre-COVID. Our growth target was 3.22%. A decent harvest helped us have some growth, but it was lower than anticipated as members spent more than they had previously during COVID. Assets increased over \$5.6 million or 1.74%, to end the year at another new all-time high of \$330,397,453.

Our 10-year average was affected by our minimal growth this year but was still 6.4%. Over the last ten years, we have grown from \$185 million to \$331 million. Capital remains one of the measures of financial stability. This year, we had a unique one-time occurrence that affected several of our results, allowed us to do things we would not have done otherwise and still build capital for the future. There is more on this in the operating surplus section of this report.



## 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 of 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.

In 2022 we received a significant boost to our financial results. SaskCentral was by far the largest shareholder of Concentra Bank. They have wanted to sell their shares for some time to lower the risk to their organization. In 2022, they were successful in finalizing a sale to Equitable Bank. The sale included the continuation of service to credit unions. The sale resulted in a significant dividend being paid to credit unions in Saskatchewan as the shareholders of SaskCentral. Unity Credit Union was allotted a dividend of \$3,266,723.67. Due to the way the sale was structured, this dividend was essentially tax-free and therefore, represented revenue to the credit union. This large influx of revenue allowed us to pay the Xpress Online Banking implementation costs, which were significant. We increased our allocation for Member Rewards to reward our membership and we made two significant donations to our community. The rest of the funds were retained to build capital. Since we will no longer receive dividends from Concentra and do not anticipate dividends from

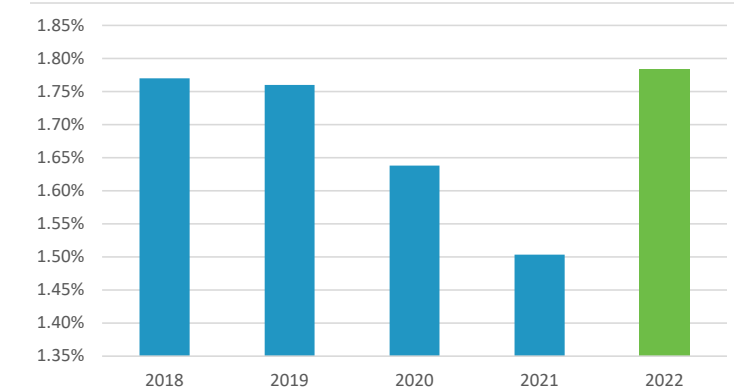
SaskCentral in the future, we wanted to use the funds to strengthen the credit union.

Aside from those funds, Unity 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. As the year progressed, our financial margin began to improve due to the frequent and significant increases to prime rate. This drove an increase in loan rates and eventually deposit rates. Later in the year, despite the increases to prime rate, mortgage rates and rates on member deposits increased marginally in comparison. Also, as the year progressed, the yield curve inverted and long term borrowing and investing rates were lower than the one year rates. The speculation was that prime rate would decrease and institutions were preparing for the effect of that change in advance. The rate environment continues to be interesting. We experienced slow and steady loan growth. A decent harvest helped to boost the loan portfolio. Our venture capital investments continued to do well in 2022, which gave another boost to our margin and bottom line. Non-interest income decreased as there were fewer funds received from the Canadian Emergency Wage Subsidy, less fees related to loan applications, loan prepayments and interest rate buydowns. We received more income from the use of credit cards, which helped. Our wealth management business once again exceeded our expectations with another fantastic year. 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 \$132,000 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 increased significantly in 2022 due to the increases in prime rate, which affected deposit rates as well. As stated, as the increases in prime continued, the increases in deposit rates tapered off. The second category is operating expenses. Overall, operating expenses increased as we returned to more “normal” operations. In addition, because of the extra funds available as a result of the Concentra sale, we paid off our Xpress Online Banking implementation fees that we normally would have expensed over four or five years. We also decided to make donations to the community, which is highlighted later in the report. With these extra-ordinary expenses, operating expenses were over \$1 million more than in 2021 and represented 1.78%, compared to 1.72% in budget. Personnel costs remained our largest operating expense as has been the case historically. They increased due to the changes, transitioning and training of new staff as well as conducting an employee engagement survey. We expanded our full-time equivalency through the year and hired to fill some vacancies from 2021. In addition, all staff participated in Sales and Service training. Due to this, our personnel expenses were just over \$400,000 more than last year. General Business expenses were the next largest operating expense. They increased over \$550,000 largely due to more sponsorship opportunities, maintenance expenses, increased CFS expenses as a result of their growth and expensing the full Xpress Online Banking implementation costs. The third broad category of expenses was the provision for impaired loans. In 2021, we were concerned about potential for losses so increased the provision expense by just under \$1 million. In 2022, we continued with the conservative approach

as the economy was stable but not booming, the fall was dry and not all industries rebounded from the pandemic as everyone hoped. Our provision expense in 2022 was \$711,686. Once again this impacts our operating surplus, but the effect was lessened due to the Concentra sale proceeds. The fourth broad category of expenses is tax. Our tax allocation continues to increase due to changes made in the federal and provincial tax regimes for credit unions. Our tax allocation of \$285,923 was \$100,000 more than last year but could have been substantially more if not for the tax-free status of the sale proceeds from Concentra.

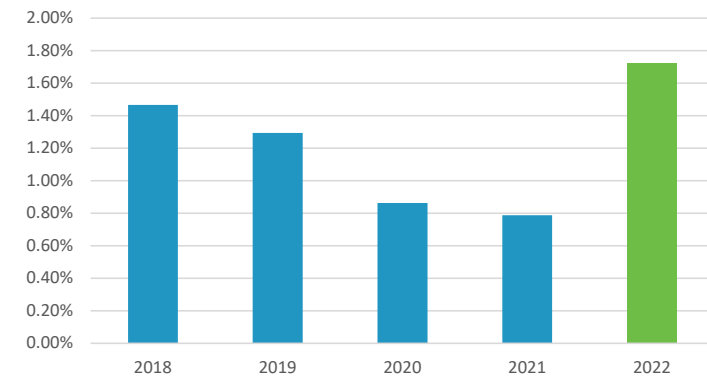


The net result of revenue minus expenses left an operating surplus of \$4,146,967 after making an increased allocation of \$550,000 for Member Rewards. Some of these funds were used to pay an allocation overrun from 2021 but \$500,000 will be made available to members in 2023. The operating surplus was impacted by the Concentra sale proceeds. The patronage allocation was an increase from last year as we wanted to share a portion of the proceeds with



members while still focusing on the overall financial strength of the credit union.

#### RETURN ON ASSETS BEFORE ALLOCATIONS

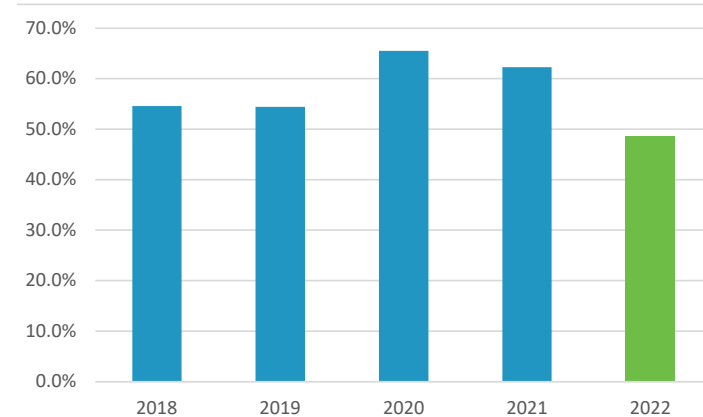


Return on assets before allocations is a measure of the funds generated from day-to-day operations. It does not include provision expenses or allocations for patronage or taxes. Our budgeted expectation was 0.49%. We achieved 1.72%, which was boosted significantly by the Concentra sale proceeds. As you can see, these funds allowed us to increase our expenses and still realize good results. From our own operations, an increase in margin due to the increases in prime rate and slow and steady loan growth allowed us to exceed budget without the sale proceeds.

In 2021, we began to research patronage programs offered by other credit unions to determine if our program needed to be updated. We decided to adopt a new program we named Member Rewards that pays based on the relationship the member has with the credit union. The payment is based on the number of credit union services members utilize, the volume

of their lending and investing business and how long they have been a member. We feel this new program aligns nicely with the relationship pricing we developed for loans and will be introducing for investments. Both are focused on the merits of a deep relationship between the member and the credit union. This is the program we used to pay out the 2021 patronage allocation late in 2022. We also refunded 50% of service charges collected. We continued to reward young people who deal with us but may not otherwise qualify for the Member Rewards payout. We increased the payment to this sector of our membership from \$25 in 2021 to \$50 in 2022. All members who received a payout control the funds, so they can spend their allotment how and when it works for them. We still hold funds in the old equity accounts until such time as we decide how we are going to deal with these. Consideration will be given to this in 2023. Unless you are a shareholder in another financial institution, credit unions are the only ones who will pay patronage back to members because you are a member and an owner.

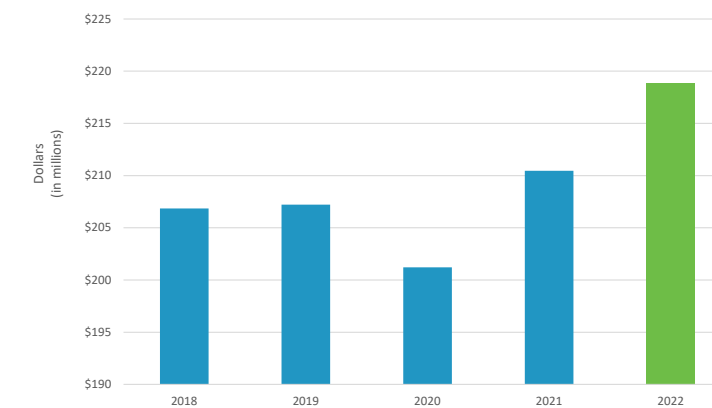
#### EFFICIENCY RATIO



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 2021, our organization had an efficiency ratio of 62.29%. Due to more normal expenses in 2022, our efficiency ratio would have been similar to the past year. Like many of the results, the Concentra sale proceeds improved our efficiency ratio to 48.55%.

#### 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 again in 2022 ending the year at \$218.8 million, which like total assets was another all-time high. The growth was a combination of local demand, financing leases and syndicating loans with neighbouring credit unions. Loan growth was slow due to economic pressures. Increasing rates,

inflation and other challenges caused borrowers to be cautious. Performing loans ended the year at 66% of assets, which was a slight increase from 2021. This percentage was also affected somewhat by the 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 2022, we continued to increase our collective allowance focusing on the risk in certain economic sectors. We also established allowances on specific loans. At the end of the year, our specific allowance increased to \$438,369 and our collective allowance increased to \$2,913,596 for a total of \$3,351,965. This was \$657,654 more than last year but the effect on the operating surplus was less drastic due to the Concentra sale proceeds. Allowances established during the year directly decrease our surplus. Collective allowances do not affect the tax allocation as the losses have not been realized yet. Building allowances as a means to offset potential losses is a prudent practice.

We now report on mortgages and the effect of changes in property values. In 2022, the credit union held \$57.6 million in conventional residential mortgages and \$20 million in insured mortgages. Insured mortgages are those which have a Canada Mortgage and Housing Corporation (CMHC) guarantee. Backed by the guarantee, these





**0.34%** DELINQUENCY OVER 90 DAYS

mortgages represent less risk to the credit union than conventional mortgages. The amortization periods for mortgages are as follows:

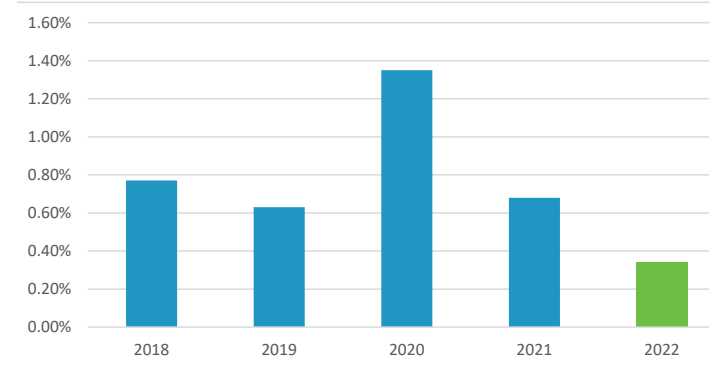
Residential mortgages by amortization period	Insured residential mortgages	Uninsured residential mortgages
5 years or less	\$101,600	\$992,971
More than 5 years and up to 10 years	\$34,854	\$3,878,205
More than 10 years and up to 15 years	\$1,680,420	\$7,786,613
More than 15 years and up to 20 years	\$7,545,988	\$17,070,484
More than 20 years	\$10,658,850	\$27,945,532

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 2022, 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 loan to asset value on these loans is less than for a “regular” mortgage secured loan.

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 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 \$435,314 in capital for such circumstances. This is subject to change on a quarterly basis due to fluctuations in the mortgage portfolio. The value was relatively stable from 2021.

#### 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 0.34%, which was a decrease from 2021 and thus we were pleased with the result. The percentage was low as we still had a few files with deferred payments, which lowered the result but not the risk on these files. We thank our members for their continued commitment to making payments or suitable arrangements through what remains challenging times. We continue to work with members as best we can and appreciate their willingness to work with us.



**10.26%** CAPITAL - LEVERAGE TEST

#### 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.

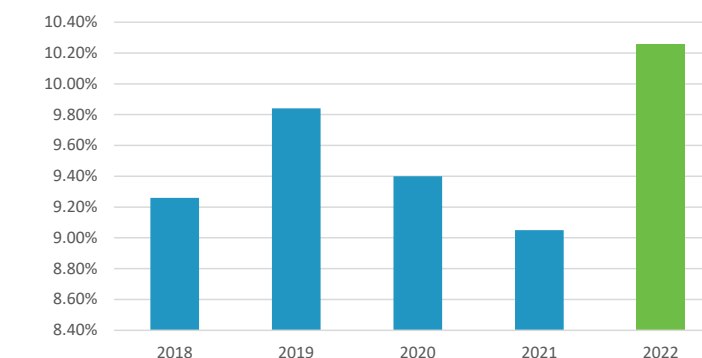
The Board of Directors and Management believe in maintaining a strong capital position. The credit union manages capital in accordance with its capital management plan and Board approved capital policies. The capital plan is developed in accordance with the regulatory capital framework and is regularly 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 moderate 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.

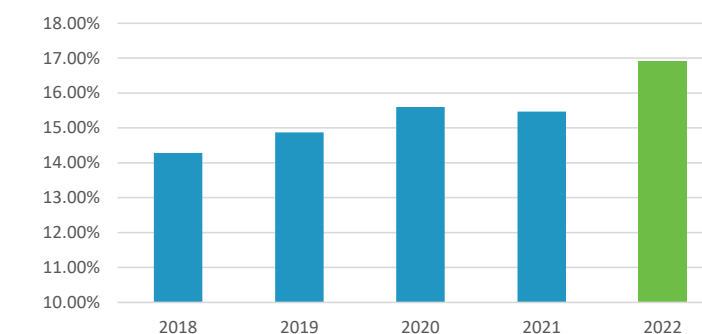


**16.93%** RISK WEIGHTED CAPITAL

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 10.26% 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 16.93%. Both of these





results were better than 2021, largely due to the effect of the Concentra sale proceeds being received as revenue which transpired into capital. Our results remained strong, but we feel a strong capital base is important, especially in the 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. The new rules include statutory liquidity, liquidity coverage ratio and liquidity stress testing. We are required to hold 10% of our member deposits in statutory liquidity although this will be changing to 8.65% in 2023. 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 748.92%. This was almost double the 2021 result. The goal remains to lower our ratio while improving our yield. The third measure is the stress test. Throughout 2022, 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. We provided a financial literacy session at the High School. We also participated in their mock interviews and a forum on digital identity. Our investment team partnered with Aviso to provide virtual financial planning seminars for members. We also co-hosted an Agriculture Outlook forum with some of our neighbouring credit unions.

Another co-operative principle is Concern for Community. As a credit union, we continue to be conscious of this principle and try to put words into action. With the removal of restrictions, we began to return to more community involvement and support. Our staff continued to regularly deliver 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 helped the town construct and remove the outdoor rink. We returned to providing a pancake breakfast at the Fall Trade Fair, and with co-operation from Delta Co-op were able to provide donations to Unity KidSport, Unity Daycare, and STARS from the money raised. Staff attended the May Birthday party at Parkview Place, participated in the Chili Cookoff at UCHS, and were involved with the Under the Lights Football Game. When the new playground was being constructed at UPS, staff were on hand to help. We participated in the Western Days parade and returned to offering horse drawn rides during Winter Wonderland. Director Christine Lang continued to make blankets for families who used the services of the Ronald McDonald House in Saskatoon. With her 2022 contributions, she has donated over 300 blankets to this worthy organization.

We also looked for other ways to support our community and some of the community charities. We continued to support initiatives in Tramping Lake as we promised. We provided our annual scholarships to the grads and supported their ceremony. Through our 12 Days of Christmas, we supported local

entrepreneurs and businesses by purchasing prizes locally. On Credit Union Day we provided snacks in the office, as well as made deliveries around town and paid for coffee at Subway, A&W, Ma & Me Bakery, and Rise & Grind. We again recognized the National Day for Truth and Reconciliation. Staff pay to be able to wear jeans on Friday. The money raised is then donated to local charities. This year's recipients were the Museum, Unity Legion and Kidsport. When the Mobile Playground came to Town, we provided lunch for those who participated. We supported the Agriculture Safety Day for kids by providing juice boxes and snacks. We sponsored the local Tralapa Music Festival. We continued to sponsor our community sports programs, including Minor Ball, Minor Hockey, the Miners Hockey Club, Warriors Football, Unity Curling Club, and the Unity Golf Club. With the extraordinary income we received in 2022, we agreed to make a donation to the Hospital Auxiliary to help purchase beds for our integrated health care facility. We also agreed to a donation to the Walking Paths to advance their development.

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.



# 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 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 the 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 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 their trusted advisors.

As our credit union grows and experiences further product and service diversification and the pressures of technological changes, 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. 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 stay connected 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. Directors attend training as well as system meetings and conferences to hear other perspectives and learn

from other credit unions. Ideas generated through these means are brought forward for consideration and implementation. The advances in technology are not slowing down, the cost is ever increasing, and the technology is changing the ways of doing business. Included in this is Open Banking, which has the potential to drive further changes in the financial world. It is important that Unity Credit Union has adequate resources to invest in these technologies. In our Internal Capital Adequacy Assessment Process related to technology concerns, we now 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, rapid changes driven by technology and changes in the financial industry as well as changes within the system have elevated this risk to a moderate-high position.

## CREDIT RISK

Credit risk is the risk of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the credit union. Credit risk primarily arises from member loans receivable. 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 Equitable Bank and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration, assets pledged as security, fluctuations in



security value, inadequate allowance, the economic environment and policy exceptions.

The Board of Directors sets policy to guide lending processes. These are put into practice through procedures established by management. 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. Pricing by risk and relationship has now been expanded to include mortgage loans. 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. We include credit cards in the risk assessment but feel the risk from this sector 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 increased interest rates, the effect of inflation, and a dry fall in 2022, the credit risk has increased to moderately high as we wait to see if the economy and

environment will strengthen in 2023.

### MARKET RISK

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices, foreign exchange rates and credit spreads. Exposure changes depending on market conditions. Market risks that have a significant impact on the credit union include fair values, foreign exchange movements and interest rate risk.

Market risk arises from changes in interest rates and the timing differences that exist between the re-pricing of loans, investments and deposits that affect the credit union's net interest income. Exposure to this risk directly impacts the credit union's income from its loan and deposit portfolios. The credit union's objective is to earn an acceptable net return on these portfolios, without taking unreasonable risk, while also meeting member owner needs. 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 Accent Credit Union, who monitor and measure our exposure and provide reports to management and the board. The second is by employing Equitable Bank to do a review on a quarterly basis. Moreover, Equitable Bank 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 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. 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. International wires are probably the largest contributor to our foreign exchange risk.

In 2022, prime rate changed eight times increasing 4.25% throughout the year. This helped our margin but with these kinds of increases, we had to increase rates on deposits as well. The rate environment continued to be very competitive. In December, the extra income received from the sale of Concentra improved our margin for the month and for year end. With the increase in rates, market risk continued to be moderate as our margin improved somewhat. The Bank of Canada has suggested that rate increases will slow in 2023 but this is still to be seen.

### LIQUIDITY RISK

Liquidity is required to meet the day-to-day cash needs and loan demands of our members. Liquidity risk is the risk that the credit union cannot meet members' demands for loans, demands for cash or fund its obligations as they come due. The credit union's liquidity risk management strategies seek to ensure the credit union has access to enough readily available funds to cover its financial obligations as they come due.

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 control our liquidity

coverage ratio by the investment choices we make. Throughout 2022, 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 Equitable Bank, who monitors actual inflows and outflows of funds on a daily, weekly, monthly and annual basis. Equitable Bank, through consultation with management, then manages the investment of excess funds to best meet proposed needs and requirements.
- Establishment of borrowing facilities with SaskCentral.
- Through our contract with Equitable Bank, 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 2022, members continued to show their trust in the credit union and invested funds but also returned to spending funds, more in line with pre-COVID spending. Despite a steady loan demand, our liquidity position remained strong, which in turn left our liquidity risk at a low level.

## LEGAL & REGULATORY RISK

Legal and regulatory risk is the risk arising from potential violation of, or noncompliance 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 and Compliance Committee and in turn to the board. We continued to contract Internal Audit from an outside source, but the provider changed due to SaskCentral divesting their interest in this line of business. 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.

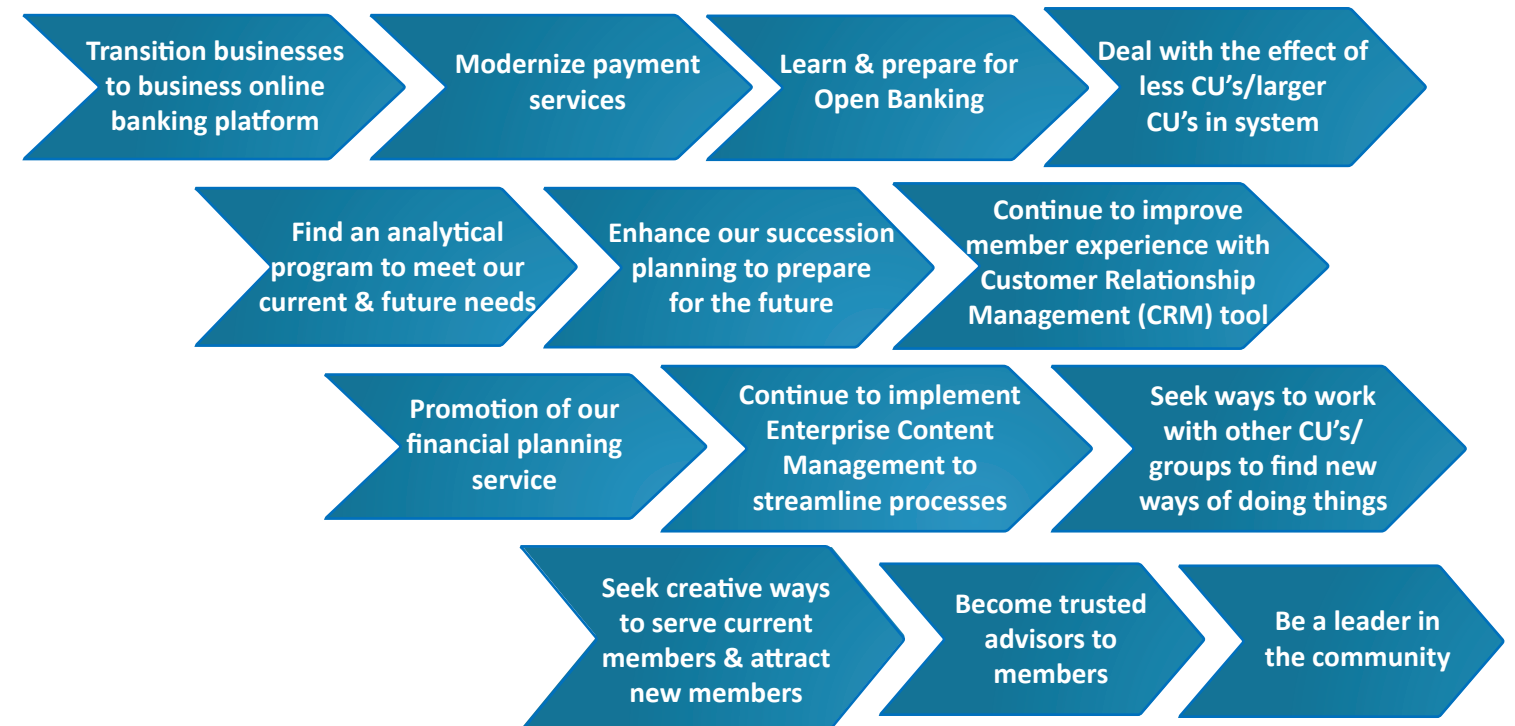
Specific risks include internal and external frauds including compromising of cards, accounts and systems, inability to attract and/or retain qualified employees, loss of operating systems and outside factors such as robbery, random attacks or disasters such as a train derailment or tornado.

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, but even this is not fool proof. The risk is just shared between the credit union and the service provider who has more expert resources than we do. In the future, cloud backup will be the standard but we are just beginning to migrate to this option.

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 look ahead to 2023 and beyond, all we see is constant change and increasing usage of technology. 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 personal point of view as well as using technology. Changes in the system will continue. Changes in payments and overall banking concepts are on the verge of undergoing significant change. 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, 2022. The year 2022 could best be described as an interesting year. The creation of National Consulting Limited, drastic increases in rates followed by an inverted yield curve, increasing inflation, the implementation of Xpress Online Banking, the sale of Concentra Bank and retirements were just a few of the interesting changes dealt with in 2022. We thank our members for their trust in the 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 continued interesting times. Our goal is to continue to adapt and change. We believe that with your continued support and commitment to the credit union, "We'll always be there."

Respectfully submitted,  
*Board of Directors & Management*  
*Unity Credit Union Limited*





# CREDIT UNION DEPOSIT GUARANTEE CORPORATION

## Annual Report Message 2022

### January 2023

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantor for Saskatchewan credit unions. The Corporation is also the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral). Together, these entities are considered Provincially Regulated Financial Institutions or “PRFIs”. The Corporation is mandated through provincial legislation, The Credit Union Act, 1998 and The Credit Union Central of Saskatchewan Act, 2016 in performing its duties. Provincial legislation also assigns responsibility for oversight of the Corporation to the Registrar of Credit Unions at the Financial and Consumer Affairs Authority of Saskatchewan.

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

For more information about the Corporation’s responsibilities and its role in promoting the strength and stability of Saskatchewan PRFIs, consult the Corporation’s web site at [www.cudgc.sk.ca](http://www.cudgc.sk.ca).