



2021

ANNUAL REPORT

 **Doddsland**
AND DISTRICT CREDIT UNION

 Saskatchewan
Credit Unions
saskcu.com

Doddsland and District Credit Union Annual Meeting Agenda April 14, 2022

- 1) Call to order by President**
- 2) Adoption of Agenda**
- 3) Minutes of last year's meeting April 15, 2021**
- 4) Adoption of President's report**
- 5) Auditor's Report**
Meyers Norris Penny (MNP)
-Financial overview by General Manager
- 6) Election of Directors**
Terms expiring:
Mitchell Joyce, Martin McGrath, Scott Dipple and
Doug Schan (stepping down)

-Nominating Committee Chair Corey Kingwell
report on results of the election
- 7) Appointment of 2022 auditor**
- 8) Other Business**
-Years of Service Acknowledgment
- 9) Adjournment**

**DODSLAND AND DISTRICT CREDIT UNION
CHARTER NUMBER 334
INCORPORATED DECEMBER 4, 1961**

BOARD OF DIRECTORS

<u>Name</u>	<u>Years of Service</u>	<u>Term Expires</u>
Mitchell Joyce	18	2021
Scott Dipple	12	2021
Martin McGrath	17	2021
Jordan Swan	11	2022
Wendy Smith	2	2022
Doug Schan	26	2022
Corey Kingwell	16	2023
Cory Turk	16	2023
Patti Turk	19	2023
Jordan Halter	10	2023

OFFICERS

Patti Turk	President
Cory Turk	Vice-President
Trent Nienaber	Secretary

STAFF

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>	
		CU	System
Trent Nienaber	General Manager	16.5	16.5
Andrea Calder	Member Services Manager	25	25
Brad Douglas	Risk Manager	4	42
Johana Weenk	Loans Manager	5.5	15.5
Mark Krpan	Loans Officer III	1	24
Lea Nakonechny	Accounting and Investment Officer	17	17
Karleen Pratt	Accounting and Loan Clerk	6	8
Lisa Sittler	Member Services Representative	12	12
Stephanie Hollman	Member Services Representative	3	3
Brandi Webber	Member Services Representative	2.5	2.5

DODSLAND AND DISTRICT CREDIT UNION LIMITED
59th Annual General Meeting
Thursday, April 15, 2021 7:00 p.m.
Dodsland Legion Hall

President Patti Turk welcomed everyone to the meeting. Fifteen members were in attendance, an additional eleven attended via zoom of which six were members and five were guests. Total members in attendance were twenty-one.

Call to Order

President Patti Turk then called the meeting to order at 7:04 p.m.
Lea Nakonechny was appointed to be the recording secretary for the meeting.

Guests in attendance were introduced:
Lorne Jansen, Synergy Credit Union
Dean Roberts, Synergy Credit Union
Glen Ferguson, SaskCentral
Ian Heggstrom, Turtleford Credit Union
Richard Dredger, Concentra Financial

Agenda

Moved by Corey Kingwell, Seconded by Martin McGrath:
That the Annual General Meeting Agenda for April 15, 2021 be accepted as presented. **Carried**

Minutes

Patti Turk called on Trent Nienaber who read the minutes of the 58th Annual General Meeting held on October 15, 2020.

Moved by Doug Schan, Seconded by Johana Toye:
That the minutes of the 58th Annual General Meeting minutes be adopted as read. **Carried**

President's Report

Patti Turk presented the 2020 President's Report on behalf of the Board of Directors.
She thanked the members for their continued support.

A call for questions or concerns brought none.

Moved by Wendy Smith, Seconded by Scott Dipple:
That the 2020 President's Report be accepted as presented. **Carried**

2020 Auditor's Report & Financial Statements

General Manager Trent Nienaber presented the 2020 Auditor's Report and Consolidated Financial Statements as prepared by Meyers Norris Penny, along with the Management Discussion and Analysis prepared by management and included in the report to the members.

A call for questions brought none.

Moved by Jordan Swan, Seconded by Mitchell Joyce:

That the 2020 Auditors Report, Consolidated Financial Statements and Management Discussion and Analysis as at December 31, 2020 be accepted as presented. **Carried**

Election of Directors

Jordan Swan, Chair of the Nomination Committee reported on the election process and that Corey Kingwell, Cory Turk, Patti Turk and Jordan Halter were elected by acclamation for a three-year term.

Appoint Auditor

Scott Dipple presented the Audit and Risk Committee report which recommended the re-appointment of Meyers Norris Penny as external auditors for the year 2022.

Moved By Corey Kingwell, Seconded by Doug Schan:

That Meyers Norris Penny be appointed as the external auditors for the 2022 financial year. **Carried**

Other Business

Trent Nienaber, General Manager announced long term service achievements of existing staff:
Karleen Pratt – 5 years of service with Dodsland

Service Recognition

Patti Turk announced that Doug Schan has reached 25 years of service, Corey Kingwell and Cory Turk have reached 15 years of service and Jordan Swan has reached 10 years of service as Directors of the Board.

Adjourn

Motion to adjourn by Patti Turk at 7:26 p.m.



President's Report

*W*elcome to the 60th Annual Meeting of the Doddsland and District Credit Union Limited. On behalf of the Board of Directors I am pleased to present the 2021 Annual Report.

*T*hroughout the ongoing pandemic in 2021, our board, administration and staff continued to function smoothly. This was a result of the solid guidelines in place in our pandemic plan, and the support of members and staff which helped ensure the health and safety of all. I want to thank everyone for their patience and cooperation as we continue to provide our best possible service.

*Y*our Credit Union had another successful year, remaining focused on our vision to build a better community by providing stable financial services and being your financial institution of choice. The 2021 financial results show strong asset growth, a continued strong capital position and a profitable outcome. As a result of this success, I am pleased to announce that the Board of Directors has approved our fourth consecutive patronage payment to the membership in the amount of \$150,000. This payment represents an approximate return of 2.74% on interest earned and interest paid.

*O*ur Vision, Mission and Value statements continue to guide our planning and governance as we look to the future. Our Strategic Plan provides the foundation for management to direct the operation of our Credit Union.

I would like to thank the Board of Directors for their dedication to the Credit Union. We held 13 regular meetings (including our Strategic Planning Session) in 2021 and the 88% meeting attendance rate indicates a strong commitment to our success. Each director sits on at least one of the six committees which held an additional 12 meetings throughout the year.

*T*he Credit Union continues to support Doddsland, Plenty and surrounding communities through our annual donations which totaled \$65,700 in 2021!!! We also support our local youth by providing two \$500 scholarships to the Grade 12 graduating class of North West Central School. Although the ability to volunteer was again curtailed by the pandemic, we know that our staff and board are ready to resume their involvement with numerous organizations, committees and projects.

And finally, on behalf of the Board of Directors and staff, I would like to thank you the membership, for your continued confidence and loyalty to Dodsland and District Credit Union Limited. Nothing is more constant than change and the Board and staff will plan and adapt to the changes that come our way while we continue to build and protect our strong foundation.

Thank You

Patti Turk
Board President

Facts about Saskatchewan Credit Unions

(as of December 31, 2021, unless otherwise indicated)

- Today there are 35 credit unions in Saskatchewan serving 205 communities through 232 service outlets.
- Credit unions offer financial products and services to more than 490,000 members.
- Saskatchewan credit union assets reached over \$27.4 billion with revenue of over \$1.03 billion.
- Credit union lending amounts were over \$20 billion.
- There are 332 board members who are locally elected by members of each credit union to provide strategic direction to their management teams.
- As independent financial institutions owned and controlled by their members, credit unions are shaped by community needs. Saskatchewan credit unions range in asset size from \$39.8 million to more than \$6.8 billion.
- In 2021, Saskatchewan credit unions returned over \$7.7 million to their members in the form of patronage equity contribution and dividends.
- Credit unions are a major contributor to Saskatchewan's economy, employing over 3,300 people.
- Funds held on deposit in Saskatchewan credit unions are fully guaranteed through the Credit Union Deposit Guarantee Corporation. The full guarantee is made possible through a comprehensive deposit protection regime that is focused on prevention.



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2021

January 2022

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.

Management Discussion and Analysis

Introduction

Dodsland and District Credit Union Limited, hereinafter referred to as DDCU or the Credit Union, is an independent Saskatchewan credit union owned by our members. Under the current Credit Union legislation, DDCU is able to provide financial services to members and non-members. As at December 31, 2021 DDCU had 1502 members and 51 non-members. Non-members do not participate in the democratic processes of the Credit Union nor the patronage program.

Our credit union serves Dodsland, Plenty and surrounding area through a single branch. We provide a range of financial services including personal, agricultural and commercial accounts, loans, mortgages, creditor insurance and investment products.

The following discussion and analysis on the financial position and operations of DDCU, at December 31, 2021 should be read in conjunction with the Consolidated Financial Statements and accompanying notes. It is presented to enable readers to assess material changes in the financial condition and operating results of the Credit Union.

Vision

Working together to build a better community by providing stable financial services and being your financial institution of choice.

Mission

Dodsland and District Credit Union is a local and democratically controlled financial institution. We will remain responsive to the social and economic needs of our current and future members. We will remain a competitive financial institution through the delivery of a full range of financial products and services.

Values

Service Excellence

We will provide personal, sincere and knowledgeable service to our members and community.

Financial Performance and Productivity

We will strive to enhance our productivity through careful management of the balance sheet. We balance our needs for financial results with the needs of our members and communities.

Employee Satisfaction

Employees are respected for their contributions to the success of the Credit Union and they are rewarded for those contributions. We support their development by providing training and learning opportunities at every position within the Credit Union.

Team Work

We maintain an ongoing positive relationship among employees to be able to provide excellent service. We maintain that same level of professionalism on the Board of Directors to provide a strategic direction for the Credit Union.

Integrity, Honest, Professional and Ethical Conduct

We will not compromise this statement as this is the key to our present and future success.

Stability, Security

We manage the Credit Union in a professional manner to ensure the long term existence of services to our members.

Competitive Advantage Statement

At DDCU, our competitive advantage is rooted in 'service excellence'. This is what ultimately differentiates us from our competitors. Our members advocate for us by consistently acting as our 'brand ambassadors' and recommending us to others within the communities we serve. This brings value to our members, communities and our credit union.

Co-operative Principles

As a true co-operative financial institution, DDCU acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

Co-operatives are autonomous, self-held organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

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

Code of Conduct

DDCU's code of conduct provides guidance for employees and directors of the Credit Union with respect to acceptable business behavior, and the desired ethical culture required to maintain the trust of members and customers, and protect the Credit Union's reputation in the marketplace. All Credit Union employees and directors shall adhere to the principles of ethical conduct and responsible business behavior as reflected in the Code of Conduct.

Credit Union Market Code

DDCU voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

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

Privacy

DDCU protects the confidentiality of those who do business with them to ensure the fair handling of personal information that is made available in the course of conducting business with the Credit Union.

Strategy

The vision of DDCU is to work together to build a better community by providing stable financial services and being your financial institution of choice. To monitor specific objectives throughout the year that support this vision, we have developed a strategic plan that outlines short and long term goals for DDCU. Progress to plan is measured by management's quarterly reporting to the Board on the completion of specific goals.

Our key strategic objectives for 2021/2022 are to:

- manage our growth and ensure that we maintain optimal capital strength which will enable us to server our members, execute our strategies, and ensure we are sustainable in the future
- manage growth and achieve sufficient profitability to maintain optimal capital levels
- manage liquidity to ensure adequate levels are held
- ensure our business model, product suite, and service delivery model is robust and flexible to evolve with the changing environment and take advantage of opportunities as they present themselves
- continue to invest in our communities, through volunteerism and financial support, as community is the core of our DDCU culture. Board, management, and staff each play a key role in accomplishing this
- support our communities through our culture, direct donations, and sponsorships
- utilize our Competitive Advantage Statement to differentiate ourselves from our competitors. We will encourage our members to be our 'brand ambassadors' and recommend us to others within the communities we serve
- utilize our value proposition of being a co-operative
- successfully deliver on our member-intimacy competitive advantage by ensuring our people have the skills to succeed at their jobs, evolve with the financial services industry, and provide "service excellence" in all their interactions with members
- believe that service is the key to our success and our future. Our people are the key to our service. We create an environment where employees are motivated, trained, encouraged, and rewarded for meeting our current and future members' evolving service expectations
- have a professional, diverse, knowledgeable, and highly engaged Board of Directors

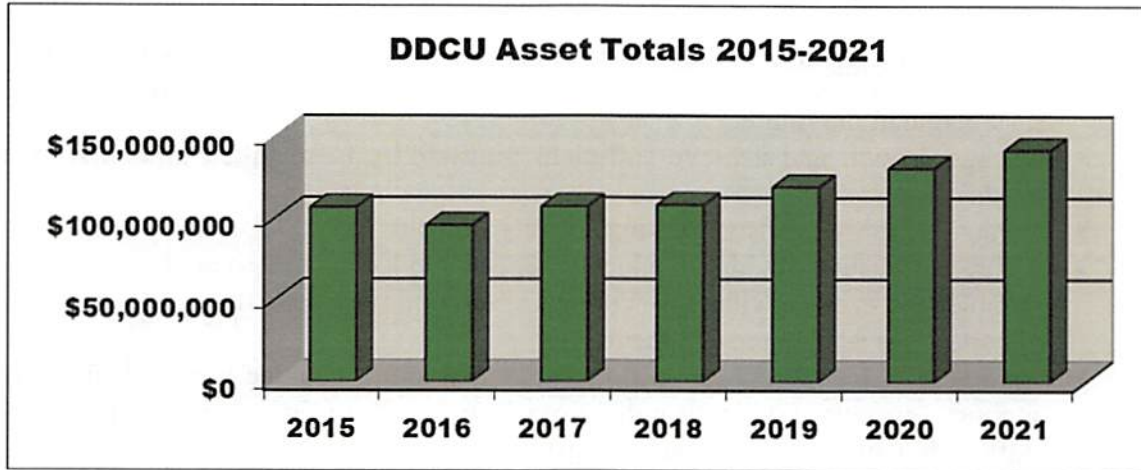
While additional work always remains to be done to reach our ultimate goals, overall DDCU feels we have had success in the pursuit of our objectives.

Financial Performance

Assets

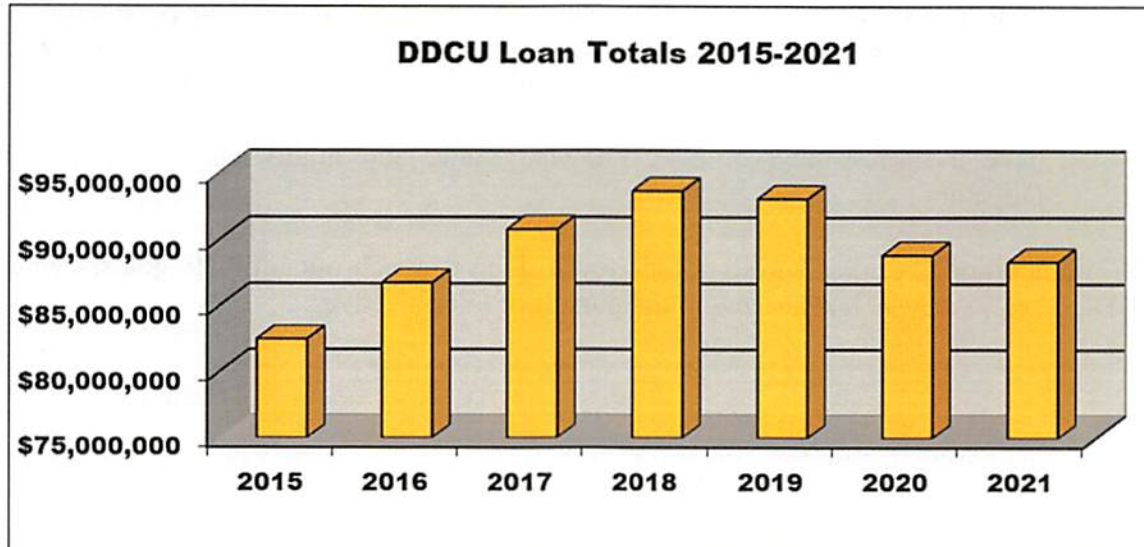
Year-end assets at December 31, 2021 increased to \$142,099,000, a change of 8.49%. Historic growth of the DDCU balance sheet is shown below with significant performance over the past 5 years.

2017 – 12.21% 2018 – 0.93% 2019 – 10.27% 2020 – 9.64% 2021 – 8.49%

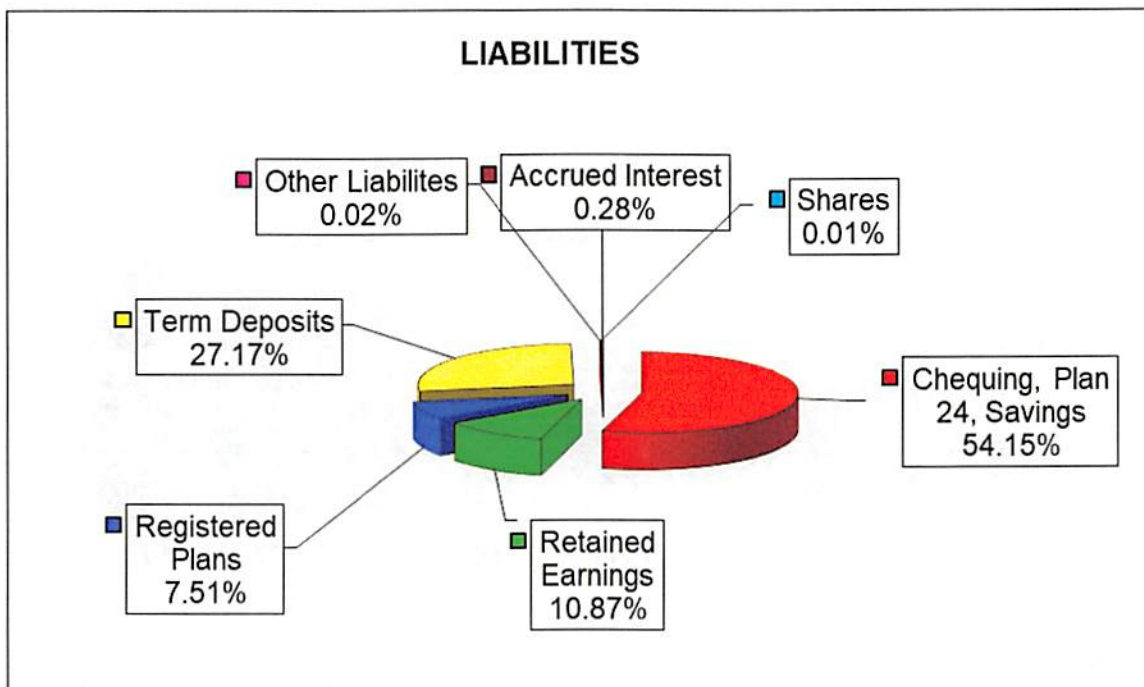
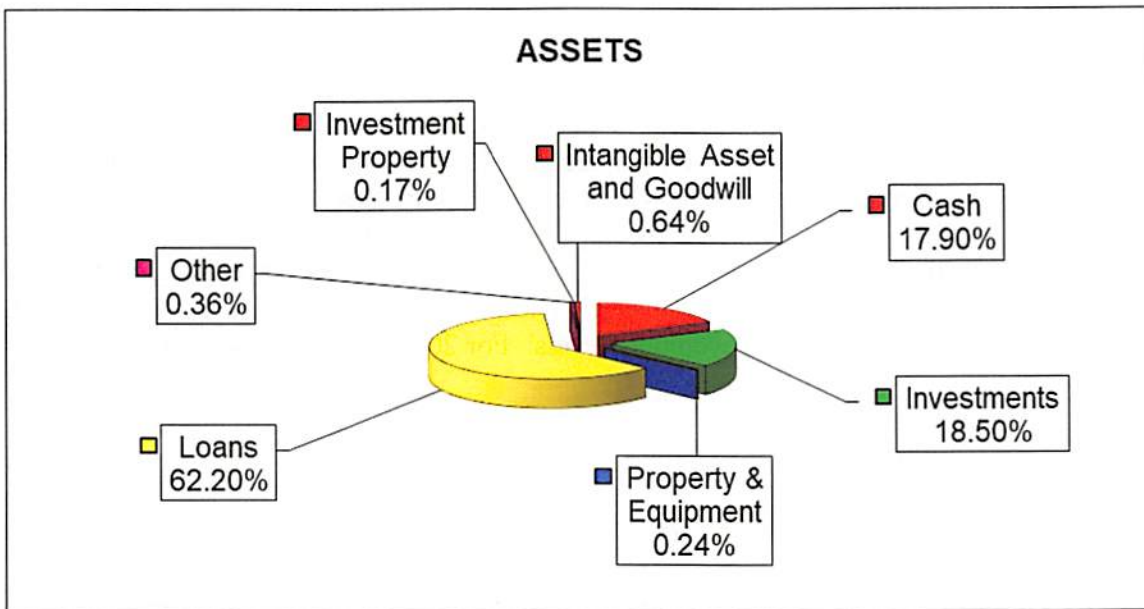


Loans to Assets Ratio

A key measurement of liquidity is the ratio of total loans to total assets. DDCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Loans dropped slightly in 2021 to a total of \$88,378,951. This, combined with our asset growth, brought the loans to assets ratio to 62.20%, and is now below our target range of 75-80%. While this result is not what we feel is best for overall profitability, the pandemic and 2021 crop conditions have definitely impacted loan demand among our membership.



The following graphs show the asset and liability composition as of December 31, 2021.



Liabilities

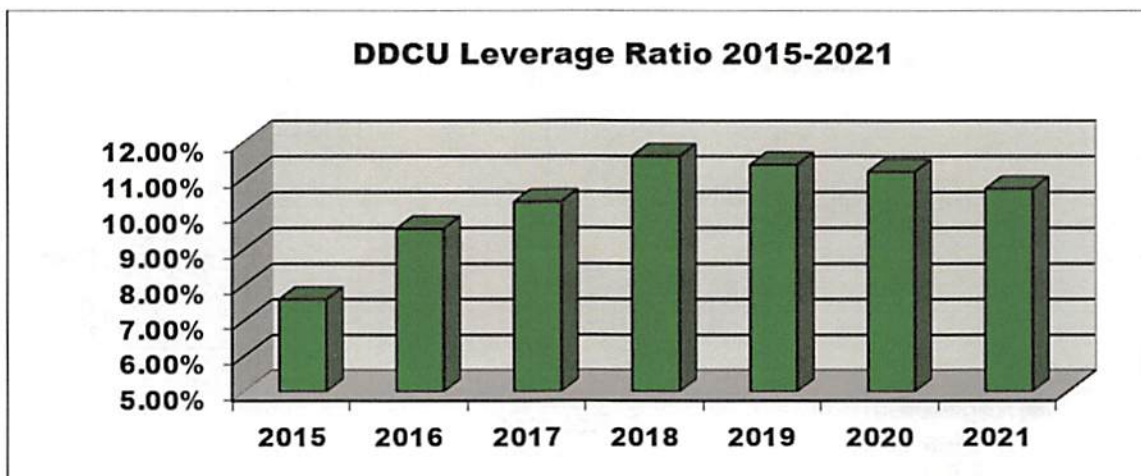
Deposits grew significantly in 2021 to \$126,612,804, an increase of \$10,712,895 (9.24%). The biggest changes were in the demand accounts (Chequing, Plan 24 and Savings) which grew by just over \$12 million (18.81%). The Term Deposit portfolio again returned some of the 2019 growth, reducing by about \$2.3 million (5.79%).

Capital Ratio

One of the primary measures of financial strength in a financial institution is its capital position. Capital levels are managed in accordance with policies and plans that are reviewed and approved by the Board of Directors. Capital is measured in four categories: Leverage Ratio (formerly called equity), Common Equity Tier 1, Total Tier 1 and Total Eligible Capital. Credit Union Deposit Guarantee Corporation (CUDGC) requires minimums for the four measures and DDCU subsequently has target ranges it would prefer to operate in. Currently DDCU well exceeds minimums and with strong results the past few years now exceeds even our targets. For 2021 our ratios were as follows:

- Leverage – 10.69%
- Common Equity Tier 1 – 18.09%
- Total Tier 1 – 18.09%
- Total Eligible Capital – 19.09%

Strong capital allows DDCU to continue to grow its balance sheet, provide continued service and technological advancement for members and a return to regular patronage payments. Below is a graph of our leverage ratio since 2015. 2021 again shows a slight drop in the ratio, due to the accelerated growth in our asset level during the year, but remains a strong ratio.



Profitability

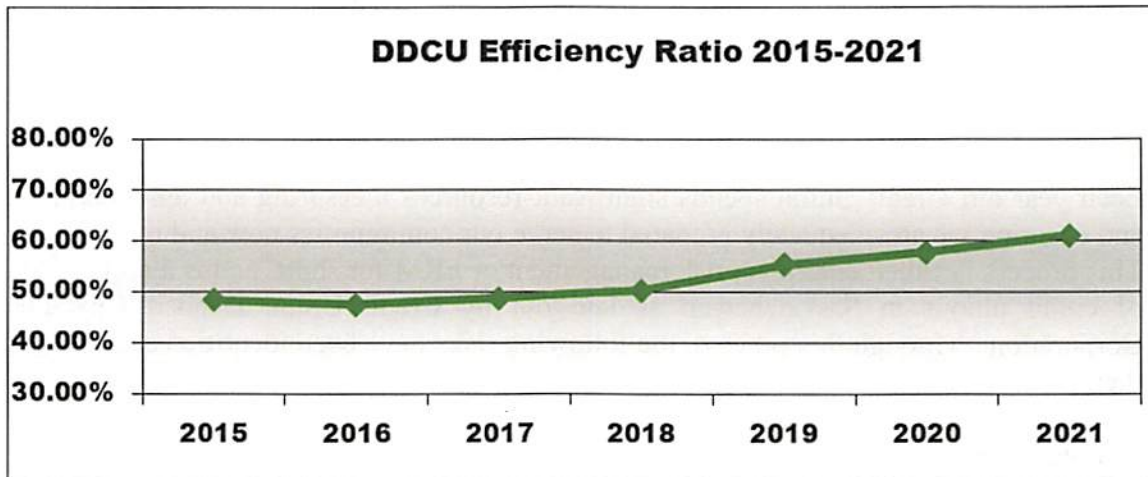
The profitability of DDCU is determined by our ability to manage net interest margin, non-interest revenues and non-interest expenses. This year there was a substantial increase to our provision for credit losses and after a fourth consecutive patronage payment allocation of \$150,000 the result is a net income of \$631,884 prior to the provision for income tax of \$166,225. The resulting comprehensive income of \$465,659

is down \$462,755 from 2020 and can be attributed to the rise in deposits, the drop in loans, a lower interest rate environment and additional provisions for credit losses.

The revenue streams for DDCU are loan and investment interest as well as non-interest revenue. Non-interest revenue is comprised of service charges on accounts, fixed asset properties, sale of insurance products, and the gross revenue from our subsidiary Shortt Insurance Brokers Ltd. As a percentage of assets, DDCU’s non-interest revenues are very low when compared to other credit unions until our subsidiary revenues are included. The subsidiary allows DDCU to continue to increase profitability and provide a low service fee environment. Operating expenses for 2021 decreased to \$2,396,714 (down \$9,131) which includes the expenses from Shortt Insurance Brokers Ltd. The five categories of non-interest expenses include personnel, security, organizational, occupancy and general business.

Productivity

One measurement of an organization’s productivity is to determine the relationship between expenses and revenue generated. This measurement is known as the efficiency ratio and the lower the number, the more efficient the organization is. Our efficiency ratio again rose marginally in 2021 to 61.21%, but remains at a very respectable level. The graph below shows the efficiency ratio trend since 2015.



People

Members

In 2021 our memberships decreased to 1502 members. There were 50 new memberships and 87 memberships closed for a net decrease of 37. By comparison, in 2020 there were 119 member records opened and 118 closed for a net increase of 1 membership. DDCU is proactive in closing dormant accounts.

Directors

The Credit Union bylaws require the Board of Directors to operate with ten members. There are four positions available as of the date of our Annual General Meeting on April 14, 2022, three for three year terms and one for a one year term. All three incumbents (Mitchell Joyce, Martin McGrath and Scott Dipple) have signed nominations seeking re-election to the board. Our public advertisement seeking interest in board positions resulted in one nomination coming forward from Trent Herner. Therefore, the three incumbents and one nomination have been declared elected by acclamation. We thank all the members of the board for their service to DDCU as they have again been very busy with regular meetings, committee meetings, training and strategic planning sessions.

Staff

The Credit Union is very proud of its staff and management and the manner in which they continue to serve our members in a timely and professional manner. The additional time and dedication that they volunteer to various community activities and associations is just one of the many ways DDCU remains committed to Dodsland, Plenty and the surrounding area. In the past year we had one change to our staff, with the departure of Jessica Wagner.

The challenges created by the pandemic continued to impact us to some degree in 2021. We continued to respond to health orders as they were set out. We are hopeful that 2022 sees us able to return to normal service delivery.

Enterprise Risk Management

Each year our Credit Union spends significant resources measuring and assessing risks and ensuring we are adequately prepared to serve our communities now and in the future. This process is called enterprise risk management or ERM for short, and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation. Through this process, the following risks have been identified according to their potential impact on DDCU.

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, member preferences, obsolete products, 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.

Credit Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its contractual obligations and will always be present in DDCU's risk framework. DDCU is affected by its direct lending activities with members, along with assuming risks related to loans and leases purchased from other credit unions and affiliates. Some

key credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exception risk.

Lending practices are set by the Board of Directors in policy and put into practice through procedures established by management. Review and revision of lending policies and procedures occurs on an ongoing basis. The credit portfolio and lending practices undergo regular independent assessment through external audit, internal audit and regulatory reviews. Reports are provided to management and the Board of Directors through the Audit and Risk Committee.

Credit granting is performed in accordance with the approved policies, procedures and applicable legislation. This includes credit analysis, pricing, terms and documentation for lending. This framework supports lending staff in their decision making process and risk is further mitigated through continued training of lending staff.

Portfolio concentration risk arises when a credit union's loan portfolio is overly concentrated in one specific geographic location, economic segment or industry where a downturn or other adverse situation could have a significant impact. Concentration limits per specific industry are reported to and reviewed by the Board on a monthly basis.

Currently delinquency rates remain above the system and historical average. Loan delinquency greater than 90 days is 2.47% which is higher than the previous year end of 2.24%. DDCU's policy maximum limit is 3.00%. Delinquency levels and trends are regularly monitored by management and reported to the Board and while a concern at this time, progress is being made to reduce these levels. 2021 also saw a higher provision for impaired loans and foreclosed assets. These provisions, which are attributable to the current economic conditions to some degree, had a negative effect on profitability for the Credit Union.

The pandemic created and continues to put pressure on the business community. DDCU participated in the provision of any government programs that were available throughout the past year, as well as offering assistance to businesses through a more local program. In 2020 we created a payment deferral program at the beginning of the pandemic and it was well received by many businesses. This program allowed members to convert their loans to interest only for up to six months and all resumed regular payments. Similar deferrals were not required by our members in 2021.

Residential Mortgage Portfolio

In accordance with regulatory guidelines, DDCU is required to provide additional credit disclosures regarding our residential mortgage portfolio.

The Credit Union is limited to providing residential mortgages of no more than 80% of the collateral value. Lending at a higher loan-to-value (LTV) is permitted but would require default insurance purchased from either government backed entities or other approved private mortgage insurers, such as Canada Mortgage and Housing Corporation

(CMHC) and Genworth Financial. To date DDCU has not offered these higher ratio mortgages.

A Home Equity Line of Credit (HELOC) is a form of non-amortizing (revolving) credit that is secured by a residential property. Unlike a traditional residential mortgage, most HELOCs are not structured to fit a predetermined amortization, although regular, minimum periodic payments are required. These products are limited to providing no more than 65% of the collateral value. Again, to date, DDCU has not offered this product.

Non-Conforming Residential Mortgages

Mortgages that the Credit Union deems to be non-conforming (due to perhaps the limited repayment ability of the member or possible deficiency that could affect the property's marketability) are restricted to no more than 65% of the collateral value. The HELOC product would also be considered to be non-conforming. These mortgages need to be reported to the Board should they be granted. DDCU has not approved any of these mortgages in 2021.

To determine the potential impact of an economic downturn, which may result in an increase in defaults and a decrease in housing prices, stress tests are performed. Stress testing uses historical delinquency and write-off information from the past 5 years and applies it to a future scenario. Our results show that in an economic downturn, our capital position would be sufficient to absorb residential mortgage losses.

Residential Mortgage Loan Portfolio by Amortization				
Amortization Range	Number	Mortgage Balance	% of Portfolio	Average Balance
Less than 10 years	45	\$2,470,483.69	7.29%	\$54,899.64
10-15 years	25	\$2,991,516.96	8.83%	\$119,660.68
15-20 years	69	\$11,668,907.59	34.46%	\$169,114.60
20-25 years	71	\$16,028,728.41	47.33%	\$225,756.74
more than 25 years	3	\$706,733.14	2.09%	\$235,577.71
	213	\$33,866,369.79	100.00%	\$158,997.04

Residential Mortgage Portfolio by Location				
Location	Number	Mortgage Balance	% of Portfolio	Average Balance
Sask (Local)*	161	\$25,179,152.65	74.35%	\$156,392.25
Sask (Other)	45	\$7,041,570.52	20.79%	\$156,479.34
Alberta	6	\$1,484,286.53	4.38%	\$247,381.09
British Columbia	1	\$161,360.09	0.48%	\$161,360.09
	213	\$33,866,369.79	100.00%	\$158,997.04

*within 100 km radius of Doddsland

29 of 45 Sask Other are recreational properties owned by local residents

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 without incurring unacceptable losses.

One of DDCU's primary objectives as a financial institution is to prudently manage liquidity to ensure we can generate or obtain sufficient cash or cash equivalents in a timely manner, at a reasonable price, to meet commitments as they become due, even under stressed conditions. DDCU's liquidity management framework, targets and strategies are established and documented in a Liquidity Plan as well as our financial plan. DDCU's liquidity position has recently changed from one of maintaining sufficient liquidity to having excess liquidity.

Liquidity risk continues to be measured by analyzing the structure of the balance sheet. Balance sheet composition is important from a liquidity management perspective as the organization must ensure it carries an appropriate level of high-quality liquid assets (HQLA), while at the same time attempting to get the best return possible on these investments. These assets are reported on the balance sheet as cash or cash equivalents as well as in the investment portfolio.

An important measure of liquidity risk DDCU employs is the Liquidity Coverage Ratio (LCR). The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered HQLA that consist of cash or assets that can be converted to cash at little or no loss of value and that meet its liquidity needs for a 30 calendar day stress scenario, by which time it is assumed corrective actions have been taken by the credit union.

Under the current provincial regulatory environment, Credit Union Deposit Guarantee Corporation established a minimum LCR requirement of 100%. Our LCR at year end 2021 was 881.12% and we are proud to say that at no point in the year were we below minimum. Due to low loan demand and an increase in assets the LCR risk would be considered minimal today.

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, such as interest rate or foreign exchange movement. A 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.

Foreign exchange risk occurs when members change Canadian funds for another

currency; which in our case are predominantly US dollars. DDCU has very limited risk in this area, only to the extent that we hold a small supply of US Cash on hand.

The Credit Union's exposure to changes in interest rates is regularly monitored by management. DDCU has a well-matched loan and investment portfolio with minimal interest rate risk.

Legal & Regulatory Risk

Legal & Regulatory Risk is defined as the risk which arises from potential noncompliance with laws, rules, regulations, or ethical standards.

DDCU operates in a heavily regulated environment. The Credit Union's structure, policies and procedures are based upon compliance with laws and regulations. A risk exists if DDCU is unable to adapt to the rapidly changing regulatory environment. At this time, the Board of Directors and management consider the risk to be minimal for 2021. However, this risk could be elevated if DDCU is unable to implement its strategies successfully.

Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity or natural disasters.

One continued risk is the failure to hire and retain appropriately skilled people to execute our strategies.

Attracting and retaining qualified staff and directors is a challenge in many rural Saskatchewan credit unions. DDCU was fully staffed through 2021 and is currently in a good place with staff complement and knowledge. There has only been one recent Board change, and many of the Board of Directors similar to the staff are all in the younger demographics range. DDCU will continue to recruit, train staff and directors as necessary, and if deemed necessary, contract temporary resources to bridge any gaps that may occur.

Effective management of operational risk minimizes day to day losses, reduces the impact of catastrophic losses and improves the ability of the credit union to achieve its business objectives.

Emerging Risks

Emerging Risks are newly developing or changing risks that are difficult to quantify and perceived to have a major impact on an organization. We investigate these risks because of the potential significant impact on our business.

Capital Management

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected events. Credit Union Deposit Guarantee Corporation (CUDGC) is the provincial regulator of Saskatchewan credit unions and prescribes capital adequacy measures and minimal capital requirements to ensure the strength of the system as a whole.

DDCU recognizes the importance and significance of capital management and has worked diligently to continue to strengthen this area. There is an approved capital plan for the purpose of identifying optimal capital ranges and how to reach those goals. Too much capital would not allow DDCU to generate a sufficient return on that capital. Inadequate capital restricts the ability to grow, generate required returns and increases the risk of having insufficient funds to protect against unexpected losses or liquidity needs. DDCU relies on profitability to grow its capital position and holds its total capital in retained earnings. Balance sheet growth and profitability (of DDCU and Shortt Insurance Brokers) affect our capital ratios. A portion of our annual earnings is retained in order to meet our capital objectives.

Capital is managed in accordance with the capital management plan and board approved capital policies with a goal to exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans and signal financial strength. The capital plan has been developed in accordance with the regulatory capital framework and is reviewed and approved by the Board of Directors. Regular reporting to the Board of Directors and CUDGC are monitored via the audit process.

Changes in total tier 1 and tier 2 capital during 2021 can be contributed to the Credit Unions profitability and asset growth. At the end of the year the leverage ratio decreased to 10.69% compared to 11.17% in 2020 largely due to the increase in assets. Common equity tier 1 capital decreased to 18.09% from 18.31% and Risk Weighted Capital decreased to 19.09% from 19.20 % in 2020. DDCU continues to meet and exceed all regulatory capital requirements.

Regulatory Matters

Regulatory matters, like most financial institutions, are an ongoing concern for DDCU. There are numerous regulatory bodies to which DDCU must comply and adhere to. They include but are not limited to Credit Union Deposit Guarantee Corporation (CUDGC), The Registrar of Credit Unions, Financial Transactions & Reports Analysis Center of Canada (FINTRAC), Canada Revenue Agency (CRA), Insurance Council of Saskatchewan (ICS), Government of Saskatchewan Provincial Sales Tax (PST) and Canadian Payments Association (CPA). Our compliance processes are designed for an organization of our size, and corresponding exposure to such activity. DDCU remains committed to prudent operations.

Corporate Structure and Governance

The governance of DDCU is anchored in the co-operative principle of democratic member control and maintains a professional approach in its operations and accountability to our membership. Our bylaws were all rescinded last year and new updated bylaws were approved. While there is not much that changed in practice, we now have bylaws that reflect the most recent recommendations of SaskCentral and the regulators.

Board of Directors

Mandate and Responsibilities

The Board is responsible for the strategic oversight, business direction and supervision of management of DDCU. In acting in the best interests of the Credit Union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

The Board is responsible for formation and direction of the Credit Union's annual business plan together with all policies and strategic direction. They also evaluate the performance of the General Manager based upon the success of the Credit Union in comparison to the annual business plan and budgets.

Board Composition

The DDCU Board of Directors is comprised of ten directors, elected by the members of the Credit Union. Each year a certain number of director positions expire and members have the opportunity to nominate candidates of their choice. The Board establishes a nominating committee to ensure that a sufficient number of nominated members have been obtained for each position that has come due and to verify the eligibility of all nominees. All nominees are also subject to our Assessment of Responsible Persons policy.

Directors

The Board of Directors consists of the following members:

<i>Name</i>	<i>Position</i>	<i>Board Member since</i>	<i>Term Expiry</i>
Mitchell Joyce		2004	2021
Scott Dipple		2010	2021
Martin McGrath		2005	2021
Doug Schan		1996	2022
Jordan Swan		2011	2022
Wendy Smith		2020	2022
Jordan Halter		2012	2023
Patti Turk	President	2003	2023
Corey Kingwell		2006	2023
Cory Turk	Vice President	2006	2023

Committees

The responsibility of the Board of a modern financial services organization involves an ever growing list of duties. DDCU maintains a number of committees comprised of directors. The partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of the Credit Union.

- ***The Executive Committee*** consists of the President, Vice-President, and one other member of the Board. The committee acts in the capacity of, and on behalf of the Board of Directors between regular and special board meetings on all Board matters except those which the Board may not, in compliance with legislative requirements, delegate. For 2021 the committee members were Patti Turk, Cory Turk (chair) and Mitchell Joyce.
- ***The Audit and Risk Committee*** is comprised of four members from the Board of Directors. Their purpose is to ensure an independent review of the Credit Union's financial operations, adequacy of internal controls and adherence to the Credit Union Act, The Credit Union Regulations and The Standards of Sound Business Practice. To minimize the risk from deficiencies in internal controls or failed internal processes, we utilize an annual independent audit of our internal control processes through a contract with SaskCentral National Consulting, in addition to our annual external audit and regular Credit Union Deposit Guarantee Corporation examinations. Any deficiencies identified in any audit are presented to this committee for consideration and direction toward remediation. For 2021 the committee members were Scott Dipple (chair), Doug Schan, Cory Turk and Wendy Smith.
- ***The Policy and Conduct Review Committee*** is comprised of four members from the Board of Directors. Their purpose is to ensure that all related party transactions with the Credit Union are fair, compliant, and appropriate and that best judgment is exercised in all matters with related parties. They must also review and amend Credit Union policies. Reviews and amendments are brought to the Board of Directors for approval. For 2021 the committee members were Jordan Halter (chair), Martin McGrath, Mitchell Joyce and Jordan Swan.
- ***Shortt Insurance Brokers Committee*** is comprised of three members from the Board of Directors and the General Manager. The purpose is to oversee the management and direction of Shortt Insurance Brokers Ltd, review financials, budget and report to the Board of Directors. Any major decisions are handled at the board level. The committee operates in the same manner as the DDCU Board of Directors and is not involved in the day to day operations of the agency. The manager of the insurance agency is hired with the responsibility to oversee the day to day operations and hiring of employees. For 2021 the committee members were Patti Turk (chair), Cory Turk, Corey Kingwell and Trent Nienaber.

- ***The Nominating Committee*** is formed each year to ensure that a suitable number of candidates are available to fill all positions for the Board of Directors and to verify that all nominated candidates are eligible to become a member of the Board of Directors. The Nominating Committee members rotate to the directors that were elected in the preceding year. Any member is entitled to nominate a candidate of their choice to run for the position of Director during the nomination period as advertised to the public.
- ***Workplace Violence and Harassment Committee*** is created to respond to any complaints or concerns that come forward. This committee has strong policy and procedure to guide it. One director (Jordan Halter) is appointed as part of the committee. To date this committee has, thankfully, not been required to meet.

Compensation and Attendance

The Credit Union policies state that directors are reimbursed for services. The Credit Union discloses this information as a separate item in the financial statements. Director remuneration in 2021 totaled \$22,600 for attending meetings and training workshops. In addition; mileage, meeting, training and conference costs for the Directors totaled \$1,734.29.

All directors are encouraged to attend at least 75% of the board meetings annually, as required in the bylaws. In any event, a director shall not miss more than three consecutive meetings unless excused for good cause by the Board. In 2021 the Board of Directors held 13 regular meetings (including Strategic Planning) and 10 committee meetings. Attendance ranged from 100% to a low of 62% with the average meeting attendance being 88%. All directors met the requirement of the DDCU bylaws by attending at least 10 board meetings or had sufficient approved cause to be absent.

Director Training

DDCU will provide the necessary opportunities for personal and professional development of the Board of Directors and will pay related tuition costs, expenses and remuneration for training and development opportunities, as outlined in the director remuneration policy.

It is acknowledged that the Credit Union Director Achievement (CUDA) program, through CUSOURCE, and the on-line CU Training modules are the starting point for all director development. Individual attendance and completion of the various modules of these programs is encouraged. During 2021, the board completed 100% of the CU Training and compliance training required.

Evaluation

The board will monitor and discuss the board's progress and performance at each meeting as required. As well, in 2020 the board implemented a more formal self-assessment process to ensure that it is functioning as intended.

Executive Management

The management team of DDCU consists of the General Manager, Member Services Manager and Risk Manager. The General Manager has accountability for the overall operations of DDCU, reporting directly to the Board of Directors, while the other two managers have specified areas of responsibility, and report directly to the General Manager. Below is a listing of the current management and staff of DDCU.

<i>Name</i>	<i>Position</i>	<i>Start Date</i>
Trent Nienaber	General Manager	October 3, 2005
Andrea Calder	Member Services Manager	March 6, 1997
Brad Douglas	Risk Manager	January 8, 2018
Johana Weenk	Loans Manager	July 4, 2016
Mark Krpan	Loans Officer III	October 13, 2020
Lea Nakonechny	Accounting & Investment Officer	March 21, 2005
Karleen Pratt	Accounting & Loan Clerk	April 11, 2016
Lisa Sittler	Member Service Rep	January 4, 2010
Stephanie Hollman	Member Service Rep	November 5, 2018
Brandi Webber	Member Service Rep	May 21, 2019

Corporate Social Responsibility

DDCU has always placed a high priority on being a good corporate citizen and contributing to the wellbeing of our communities that we serve and beyond by providing more than just financial services. This involves not only financial contributions but also staff time and use of equipment to various community organizations. The Covid pandemic has certainly impacted many of the community organizations that we support, and many now have greater needs, however we did our best to show continued support.

In 2021 DDCU donated a total of \$65,700 to organizations throughout our province that included: Dodslan Museum, Dodslan Library, Dodslan Sports Centre, Dodslan Hall/Dodslan Lions, Dodslan Legion, Dodslan Plenty Clinic, Community Recreation of Plenty, Plenty Legion, Plenty Library, Plenty Museum, NWCS Senior Football, Kelfield Community Club, Ruthilda Elks Hall, Stranraer Hall, Rosetown Health Foundation, Biggar & District Health Services, KLD Health Foundation, Kerrobert Food Bank, Kindersley Food Bank, Pioneer Haven, Kindersley Aquatic Centre, West Central Crisis Centre, Prairie Sky Recovery Centre, Jim Pattison Children's Hospital, Ronald McDonald House, STARS, Air Ambulance, Sask Co-operative Association and the Cooperative Development Foundation of Canada.

DDCU is committed to providing a work environment where all employees are treated with courtesy and respect by having policies in place that are committed to the employees work environment.