



ANNUAL GENERAL MEETING

**Northern Credit Union
Virtual through WebEx**

MINUTES

April 16, 2021

Northern Credit Union's Virtual Annual General Meeting was held on **Friday, April 16, 2021** at Northern Credit Union through WebEx. The Moderator provided information on the meeting structure / protocol and instruction on the polling for passing of motions before turning the meeting over to the Board Chair.

A slide presentation was provided for each agenda item in order to facilitate the meeting and provide visual content for those members in attendance.

1. Chair's Report on Registration, Determination of Quorum and Welcome

Jeannie Kilgour, Board Chair, called the virtual meeting to order at 3:06 PM. She reported that 684 votes had been cast electronically in advance of the AGM, which meets the quorum requirement of 35. There are 31 members registered to attend the AGM.

Board Chair welcomed everyone to the second year of holding a virtual AGM and having it open to 'one member one vote'. Members were thanked for their participation and it was recognized that there had been an increase in member voting response.

2. Motion to Approve Agenda

MOTION: to approve the agenda for the 2021 AGM as presented

Moved by Tim Foster & Seconded by Sue Klatt
CARRIED

3. Introductions

Board Chair, Jeannie Kilgour, introduced what would be the Head Table for the AGM as follows:

President & CEO – Richard Adam
SVP CFO – Tammy Buchanan
Audit Committee Chair – Max Liedke
Corporate Secretary and Chief Returning Officer – Vicki Caicco

The 2020 - 2021 Board of Directors were introduced as follows: Louise Ahrens, Peter Beaucage, Brian Cairns, Kevin Eccles, Tim Foster, Sue Klatt, Max Liedke, Grant Love, John Mangone, Lori Martin, Daniel McCoy

Guests in attendance are: Mike Marinovich of KPMG LLP, Larry Swiniarski of FSRA, Mike Ikovic from Concentra and Wendy Kaufman from Brown Cohen.

4. Moment of Silence for Deceased Members

A Moment of Silence was dedicated to members of Northern Credit Union who passed away in 2020.

5. Motion to approve minutes of the Annual General Meeting held April 17, 2020

MOTION **to approve the minutes of the April 17, 2020 Annual General Meeting**

Moved by John Mangone & Seconded by Kevin Eccles
CARRIED

6. Reports

a) Board of Directors – Board Chair, Jeannie Kilgour

The following presentation was provided by the Board Chair:

It gives me great pleasure, on behalf of the Board of Directors to welcome you to Northern Credit Union's virtual AGM 2021.

During the past year, it has been necessary for your Board of Directors to conduct all Credit Union Committee and Board meetings virtually through our WebEx portal. We have learned to adjust and adapt to the necessary measures of this virtual environment although, like everyone else, we look forward to the time when we will be able to conduct our business in person once again. I am pleased to report, that despite the changes in how we conduct our meetings, we have been able to ensure prudent oversight, while exercising our due diligence in monitoring all areas of Northern's business.

Your Directors have continued their education development through online Credit Union courses, webinars and conferences to develop individually in areas that strengthen our Board as a whole. Once again, we have more Directors positioned to attain Accreditation in 2021. We have maintained an external board assessment consultant protocol to ensure that our Directors meet the regulatory requirements established by the Financial Services Regulatory Authority of Ontario (FSRA).

There were numerous necessary and mandatory changes in all areas in the way Northern operates as the result of the onset of the COVID-19 pandemic. On behalf of the Board and our members, I thank our CEO, Executive, and all of our employees for their efficiency in implementing and adapting processes and protocols quickly, thereby providing and maintaining a safe working environment for staff to work and for members to conduct their financial business throughout the year. I also wish to thank our members for their patience and ongoing support as we worked together to help each other.

2020 was a year that impacted our organization, and the world, like nothing we have ever seen before. Exercising our fiduciary duty to keep the best interest of Northern and our members as our focus, has lead us to make a renewed commitment to listening to and supporting our members. As we move into 2021, our focus will be to streamline our processes and systems to enable Northern Credit Union to move into the future such that we will maintain the sustainability of our organization and our co-operative principles.

In closing, I would like to thank our Board of Directors for their dedicated governance, all of our employees for their adaptability in meeting the needs of our members, and our members for entrusting us with the opportunity to provide a positive impact in their financial future as we remain....TRUE NORTH STRONG!

MOTION **to approve the Board of Director's Report**

Moved by Jeannie Kilgour & Seconded by Grant Love
CARRIED

b) Chief Executive Officer – Richard Adam

The following presentation was provided by the President & CEO:

I would like to welcome you to Northern Credit Union's Annual General Meeting. This is our 63rd AGM, and having a history of well over half a century, makes us incredibly proud of where we have been, and even more excited about where we are going.

It goes without saying, that 2020 was a year like none other. Last April, in the early days of the pandemic, we quickly changed gears and hosted our AGM via telephone, rather than in person. Today, we have evolved to a fully virtual meeting, as has been the format for many of our meetings this year. This is our first official virtual Annual General Meeting, and we are happy that you could join us today.

This meeting also marks the second year, which Northern's 70,000+ members, have had the opportunity to vote, on this year's Board of Directors, and other matters coming before the membership. "One member, one vote" gives all of our members, a say in the election of our Board of Directors, and the future of our Credit Union. It also marks the second year, where the voting process took place digitally. We are pleased that many of you took the opportunity to cast your votes, and the results of those votes, will be announced later in the meeting. In total, we had 685 members vote on-line this year, versus 664 last year. Although we did see a slight increase this year, our hope, is that this number will continue to increase. It is worthy to mention, that based on the voting, we have good representation across our footprint, across age groups, as well as gender.

The Annual General Meeting, provides us with the opportunity to reflect on the past year, and to look forward to the future.

Even though the events of 2020 were unforeseen and unprecedented, it also provided us the opportunity to find new, and better ways to serve our members. Staff were more committed than ever, to 'Making a Difference in People's Lives'. Many of our staff shifted to working remotely, many provided our members with training to use our digital tools, like on line banking and mobile banking, many made proactive calls out to our members, to see how they were doing and if Northern could help in any way, and some of our staff, took on new roles, to help in other areas of the organization. A special shout out to our front line staff, who continued to serve our members day in and day out. As essential workers, they adapted quickly, persevered through the unknown, and were champions of our members and our business. Thank you!

In a year of turmoil and unknowns, we remained committed to helping our members navigate through some very difficult situations. As in all sectors, our members were faced with job loss, business challenges, economic stresses, while at the same time, keeping a close eye on the health and wellbeing of their families, their colleagues, and their communities. Many of us at Northern, faced similar challenges. And yet, together we found new ways to stay connected, to reimagine our work, and to find creative solutions, all focused, on providing our members with ongoing excellent service, in a safe way. In this unique moment in time, we found ways to be Truer, Better, and Stronger.

While we navigated these uncharted waters, the health and safety of our members and our staff, was paramount. To help our members through the uncertainties of 2020, we adjusted the hours of operation at several of our branches, and temporarily closed others, which enabled us, to increase the number of staff and services, provided through our True North Hub, so that members could access the services that they needed, without having to come into a branch. The use of the True North Hub by our members, increased substantially, providing yet another effective, efficient and convenient way, for doing banking at Northern.

For those members that still wanted to come into the branch, we put safety measures in place, to protect both our staff and our members. This included installing Plexiglas barriers, the requirement for masks, and ensuring that members maintained proper social distancing, along with limiting the number of members in the branch at one time. Through these measures, our members were patient and respectful, and our staff showed great resiliency, in coming to work every day and supporting our members.

Many of our members faced unforeseen financial struggles, and needed our understanding, support and guidance. Northern responded by processing over 450 applications, for the Canada Emergency Business Account (CEBA). We advanced over \$20 million to our members through this program. As well, we provided over 1600 payment alterations, to over \$82 million worth of member loans. These extra efforts supported our members, at a time when they needed it most. Through our guidance and ongoing support, the majority of members, have resumed regular payments, and no longer continue to utilize these programs.

The staff at Northern never cease to amaze me! Even during the early days of the pandemic, staff quickly rose to the task of creating, and donating to a COVID relief fund, called the True North Stronger Fund. Member donations were matched by Northern, and many members in our communities, benefited from these donations, which were distributed through our partnership with the United Way. Later in the year, staff and members, also contributed to the Making Spirits Brighter Fund, where one deserving member, in each of our communities, received financial support in advance of the holiday season. Staff also organized and supported, many other branch sponsored and local events, such as Smile Cookie Day, the Humane Society, the Festival of Trees, the Salvation Army Kettle Drive, the Community Clothing Assistance Project and local women's shelters, just to name a few!

As well, it is my pleasure to inform the membership, that through the Credit Union Succeed Bursary, seven of Northern's younger Members, were awarded scholarship funds. This represents one third of all scholarships awarded, across all credit unions in Ontario, through this program. We are happy to partner with the Ontario Credit Union Foundation, to offer worthy bursaries to the youth across our footprint.

Both our staff and members of Northern, have demonstrated once again, that in good times and bad, we are there for them. As always, in 2020, our members and their communities benefited, from the ongoing support, of their credit union.

Northern is proud to report, that we have once again been certified, as a Great Place to Work. Given the challenges we all experienced in 2020, we are especially proud of last year's results. It is through a survey of our staff, that this designation is awarded on an annual basis. The irony is that, the survey is completed by the same staff, who truly are the reason, that Northern, is a great place to work. Our staff came to work in 2020, with many of their own personal concerns related to the pandemic; the health and safety of their families and the stability of their resources, and yet, they proved day after day, that they were here, to ensure that members could safely and efficiently, do what they needed to do.

It is also worthy to note, that through increased communication and transparency throughout the organization, our surveys, have seen participation rates and scores increase, as well as an increase, in the constructive feedback from our employees. It is through this feedback, that we are able to make changes, to continue to make Northern, a great place to work.

Every month, our employees are encouraged, to live Northern's Core Values, of Being a True North Partner, Making a Difference, Getting Stuff Done and Owning Their Growth. Their efforts are shared monthly across the organization, through their Core Value Stories. These stories are a true representation, of how our staff, have gone above and beyond to help our members – truly Making a Difference in our Members' Lives! This is not unusual for our staff, but these stories, are extremely heartwarming and inspiring in this time of Covid.

Once again, in 2020, our members have voiced their support for Northern. Throughout the year, members have indicated that Northern's service and advice, met their expectations. Overall, our members are very pleased, with the level of service they receive, from both our in-branch and self-serve channels.

Through our member survey's, members have an opportunity to share feedback. It is this feedback that helps us to continue to provide our members, with the solutions and support they are looking for. This year, we were able to use your feedback, to make positive changes to our account solutions, which now include free E-mail Money Transfers. In addition, we were able to add more self service solutions, to make your banking experience, even more seamless and convenient. We want to be responsive to our member's needs, and your feedback, is an important component of how we do that.

As well, Northern staff, continue to be a strong component of the overall positive member experience. Members across all groups agree that staff are friendly, helpful and make them feel important. Understanding members' needs, caring about their financial situation, and providing products and services that meet their needs, are also areas where we perform well.

In response to COVID-19, many of the members surveyed, indicated that Northern Credit Union, was helpful during the pandemic.

In our Member Engagement Survey, the membership indicated, that Northern's service and advice, met their initial expectation of the interaction, with an overall score of 4.5, out of a possible score of 5. The response from the members, has remained consistent month over month. Overall, our members are very pleased, with the level of service they have received, from both our in branch, and self-serve channels.

Both surveys, produced solid evidence, that we are meeting, and in some cases, exceeding member expectations.

Several new products and features, were launched during 2020, which we are especially proud of.

As the financial industry continues to shift to more digital services, Northern too, has been responsive in introducing, more digital services. In 2020, we launched FRED, our new Northern digital team member. Fred has been designed, to quickly help our members, with many of their routine questions. This has allowed our employees, especially in the contact center, valuable time, to focus on helping our members, with more of their complex questions or needs.

In 2020, we also ramped up our services in our contact center, to support our members choosing to do more of their banking from home. Our contact center, even thru the height of the pandemic, was able to support over 12,000 member calls a month, with less than on average a 5 minute wait time.

We also added additional services virtually, like on-line void cheque, international transfers, and click switch, which member's would have routinely visited the branch for. We also enhanced other services, such as adding free e-transfers, and a full suite of new deposit products. Finally, our newly designed website, launched in January 2021, is intended to further enhance the members' on-line experience.

Many of this year's enhancements, were especially appreciated by members, in a year where "social distancing" became the new norm.

Although our CFO, will provide a more detailed financial report, I wanted to touch on a few elements.

From a financial perspective, we, like all other financial institutions, were significantly impacted, by the sudden drop in interest rates, and reduced demand for lending early in 2020. This lack of demand, resulted in lending decreasing by approximately 1.5%, or over \$20 million. Unlike the recession of 2008, members' spending habits shifted in this pandemic, from spending to saving, resulting in significant growth in deposits.

As a result of the growth in deposits, we ended the year with total assets increasing to just shy of \$1.7 billion or just under 10% growth. Net income was significantly impacted by a drop in margin and other income, as well as an increase in loan losses. Through proactive management of expenses and outreach to our members, we were able to end the year, with a net income of just under \$2.0 million.

In summary, 2020 has been a very unusual year, with all areas of Northern's business being impacted. However, our financial results, demonstrated our ability, to effectively manage the credit union, during the pandemic. The impacts of Covid will continue in 2021, and we will continue, to manage the business in an effective manner.

Our class B investment shares, represent an important part of our overall capital. Each year, your Board of Directors, have declared a dividend on these shares, in accordance with the share offering documents. I am proud to share that for 2020, a 2.96% dividend was declared, totaling just under \$828,000 being returned to our members holding class B shares.

2020 was a year of analysis, and understanding our business better. The sole purpose of this analysis, was to understand, how our business operated, and how it compared to industry standards. As well, we needed to understand, the pain points our members had, and the pain points our employees had, in serving our members. This would allow us to explore, opportunities to deliver a superior member experience, and to build a sustainable, and viable Northern Credit Union, for the future. This process, was determined to be necessary during our planning sessions in 2019, understanding, that the environment was shifting, at an ever increasing pace.

As we began work on a number of projects, in the spring of 2020, Covid hit. We had to shift a number of resources and priorities, to ensure that our employees and members, were kept safe, and that we could continue to deliver, essential services to our members. Despite Covid, and the additional work created by it, we were able to complete 80% of our 80/20 projects, which were all crucial to our plans going forward.

Based on our in-depth analysis, it was apparent, that we needed to make some significant changes, in all aspects of our business, to ensure continued sustainability of our organization, for our members, employees and communities. 2020 strengthened our resolve, to focus on delivering streamlined, and efficient, end-to-end processes, which would allow us, to collectively deliver, more efficient and effective services, to our members. Despite the challenges of COVID, we realized that as the financial landscape changes and evolves, Northern must continue to ensure, our business processes remain relevant, and reflect the changing needs of our members. And, as a result of Covid, the shift in the financial landscape has accelerated, specifically the adoption of digital tools and in the way our members interact with us and do their banking. We see no reversal of those trends, when Covid is over.

Looking into 2021, we took the results from all of the analysis we did, which included input from our employees, and feedback we received from our members, and formulated a plan out to 2023. As most of you may be aware, there are some significant changes coming for our organization. In February, we announced, the consolidation of seven Northern branches, which will take place throughout May and June. We are also working on re-engineering our processes, and the way we deliver service within our branches, to adjust to the shift in member behaviours, and to more effectively, provide service to those members, who still do their banking in the branch.

These were not easy decisions to come to, but I can assure you, that they were grounded in analyzed data, and many discussions and deliberations. We are confident that these decisions, will help us to modernize our services, stay current with changing member behaviours and industry trends, and ensure our long-term sustainability. We still have a lot of work to do to get there, and we will continue to work, in the most diligent fashion, basing our decisions on empirical evidence and in the best interest of all of our members across our footprint.

During 2021, we have much to do. We will continue with the work we commenced in 2020 - to realign our organization, to find ways to be more efficient and improve our processes, and to ensure that we are ready to meet, the ever changing needs of members. Our goal is to stay relevant, improve the banking experience, and enhance core processes. We will focus on building a sustainable organization, which allows us to continue to invest in our members, and our communities.

Without the leadership and commitment, of our board and our staff, and the loyalty of our members, we simply would not exist. Thank you to all of you!

I look forward to continuing to lead Northern, as we move through 2021 and beyond.

MOTION

to approve the Report of the President & CEO

Moved by Daniel McCoy & Seconded by Peter Beaucage
CARRIED

c) SVP & CFO Report – Tammy Buchanan

The SVP & CFO provided the following presentation:

Our audited financial statements, along with note disclosures have been loaded onto our website for you to review in its entirety and I am pleased to provide you with a review on the financial performance for the year ended 2020.

Before we get into some of the details, I want to highlight some of the areas that had an impact on the year. And the major event of 2020 is obviously COVID-19, which had many impacts on Northern and our members.

We saw members saving more - which increased our overall deposits and cash. Members paid down loans, and overall lending was slow which caused the loan portfolio to contract.

In an attempt to stimulate the economy, the Bank of Canada created a low interest rate environment and we, like other financial institutions, had no choice but to offer lower than planned interest rates which impacted our margin and revenue.

We also experienced higher levels of bankruptcies and consumer proposals that resulted in an increase in loan write-offs.

So given the impact of COVID-19 and high loan costs, in order to preserve income, we lowered our year over year operating expenses. This, coupled with a gain from mandatory liquidity investments we held with Central 1, and some tax savings, enabled Northern to end 2020 with a net income of almost \$2.0 million.

Even though 2020 was a challenging year compared to 2019, we did see some successes. Our 2019 income was low at only \$427 thousand, and was significantly impacted by high loan provisions and loan losses due to increased levels of bankruptcies and consumer proposals which drove down income.

2020 saw similar levels of loan losses which negatively impacted the income statement by over \$5 million. This, coupled with the pandemic, resulted in Northern experiencing lower levels of lending, and multiple rate cuts by the Bank of Canada resulted in an unprecedented low rate environment.

Lower interest rates mean that members benefit from those low rates. However, it also means that we generate less revenue and to offset much of this reduction, Northern was able to lower operating costs which resulted in \$1.4 million in operating income. The next slide will explain how we were able to lower operating expenses in more detail.

Other favourable factors that helped income relate to investments and taxes. We experienced a gain from our investment in the mandatory liquidity deposits that were held at Central 1 and we had reduced tax in 2020 as a result of taking advantage of lower tax rates afforded to credit unions and some tax savings related to previous amalgamations.

Breaking income down in more detail, we see that net financial income or what we often refer to as margin, and is comprised of the interest earned from loans, less the interest paid on deposits, is slightly less than 2019.

Typically, we see net financial income increase. However, in 2020 the interest rates decreased because of the Bank of Canada put various measures in place to try and stimulate the economy. For Northern, and other financial institutions, this resulted in lower than expected lending rates and since lending was slow for many financial institutions, rates remained extremely low throughout the year in order to remain competitive.

Another important area for 2020, are the high levels of loans costs due to consumer proposals and bankruptcies which impact income since a provision is taken against the member's loan because once a member files for consumer proposal or bankruptcy the loan is typically written off. To offset this shortfall in revenue due to lower margin and high loan costs, Northern looked at operating expenses which were \$34.5 million in 2019 and decreased to \$32.9 million in 2020.

Cautious spending and reducing expenses, while ensuring the business was still operating effectively was critical to the success of 2020 and ensured Northern had a positive bottom line. This included savings in travel, reduction in hours due to the pandemic, and postponing projects into subsequent years.

All of this helped Northern achieve a bottom line of almost \$2.0 million.

When we look at our balance sheet over the last few years, we see that asset growth has consistently been in the 7-8% range and is typically the result of loan growth. As a result of the pandemic, 2020 growth is not a result of loan growth but rather deposits. As deposits grow, we typically use this to fund loan growth but as you can see in the chart, what we, and many other credit unions experienced, was a contraction, an overall decrease in the loan portfolio as members saved and paid down debt in 2020.

Now there were fewer opportunities to spend during the lockdowns, and perhaps with some anxiety related to the future, members spent less and their deposit accounts increased. The impact on the balance sheet was that Northern's cash balance increased, and since loan growth was low, we put this cash into short term investments to earn some interest.

You can see that cash and investments, more than doubled from 2019 to 2020 - to \$300 million.

Looking specifically at lending, you can see that we experienced a contraction in the loan portfolio, which amounted to approximately \$21 million. With consumer behavior changing as a result of the pandemic and lockdowns, areas like personal loans, lines of credit and indirect lending - which is auto lending through dealerships - were impacted because members were not spending like they had previously.

In the area of mortgages, we had some growth but not to the levels that we were originally anticipating. It is true that we are currently in a strong mortgage market, but our footprint experienced an inventory shortage of homes on the market and in addition, we had to compete with very aggressive rates were offered by the competition. This had an impact on not only new mortgages, but also mortgage renewals where retention was an issue during 2020.

Despite the pandemic, commercial and agriculture lending did experience slight growth. Overall, our commercial members do appear to be less impacted by COVID than our peers in southern Ontario which is a good sign. Part of this is because our footprint has been somewhat less impacted and also the government support through programs like the Canada Emergency Business Account has also helped.

When we look at funding, we look at how we fund loan growth and we try to have a balance between loan growth and deposit growth.

Probably one of the biggest surprises for 2020 had to do with deposits and at the beginning of the pandemic, credit unions were expecting deposits to decrease as members took out cash or unemployment was significant. But, as you can see in this chart, deposit growth was significant in 2020 at almost \$130 million in chequing and savings accounts and \$30 million in GICs.

Typically we see growth in the 3-5% range, but in 2020 we experienced double digit deposit growth at over 12%; and this is something we have not experienced in the past outside of mergers.

Another way to increase funding in order to support loan growth is through securitization. Securitization involves obtaining a type of loan or line of credit that is backed by mortgages and we use this when deposit growth is slower. As you can see in the chart, securitization has been increasing over the last several years, but due to the excess amount of deposits in 2020, we were able to reduce our securitization program which results in savings in margin and administration time and cost.

Once the pandemic was declared in March/April, members held their funds in chequing and savings accounts in order to make certain their deposits were liquid – readily available - should they need it. This impacted out liquidity which as you can see on the chart, normally has some seasonality. What we experienced though in 2020, was an increase in liquidity in March and instead of flattening out in the summer months – when members are spending and lending season ramps up - we saw liquidity continue to rise. Much of this was because members were not travelling, not spending, and they continued to save.

This resulted in an excess liquidity throughout most of the year with the ratio over 18% by year end - or about \$125 million in excess liquidity. While this excess creates some cushion during the pandemic, it does put some pressure on earnings because having it sit in lower yielding products rather than in loans to our members generates less income for the credit union.

Going forward in 2021, since there are ongoing concerns with COVID, we would like to see liquidity around 12-14% at this time, which still provides a respectable cushion and helps improve financial income but it will be dependent on the environment.

Capital is very important for any organization as it helps to manage during turbulent times and it also helps support growth. Capital is essentially made up of retained earnings which is the purest form of capital, member and investment shares and also a portion of the loan provision.

For Northern, while net income improved over the previous year and our overall capital also increased, net income did not grow at the same pace as assets during the year. This resulted in the regulatory capital ratio, or what we call the leverage ratio, decreasing. While it has been decreasing over the last few years as we invest back into Northern, I do want to point out that this ratio is higher than the regulatory limit of 4%.

Conversely, risk weighted capital which assigns different levels of risk to various assets improved throughout the year. The reason for this is that assets such as cash, which has very low risk, increased significantly and our personal loan portfolio, which is considered higher risk, has contracted over the year. Essentially this results in our asset composition being less risky than previous years and since our retained earnings improved the overall ratio improves to 12.25%.

MOTION to approve the SVP & CFO Report

Moved by Louise Ahrens & Seconded by Lori Martin
CARRIED

d) Audit Committee Chair – Max Liedke

Audit Committee Chair presented as follows:

Northern Credit Union Limited's Audit Committee is a committee of the Board of Directors pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994 and Section 27 of Ontario Regulation 237/09. The committee consisting of five directors has adopted a mandate that comprises all of the duties specified to be performed by Audit Committees in the Regulations to the Act. The Audit Committee is pleased to report to the members of Northern Credit Union that it is functioning pursuant to the requirements of the Act, and that it has fulfilled its annual mandate. The Audit Committee held five meetings during the year and completed the following significant activities:

- *Served as the principal communication link between the External Auditor and the Board of Directors.*
- *Served as the Board's liaison with the Internal Auditor and reviewed the scope of internal audit and all reports.*
- *Reviewed the terms of engagement and scope of the external audit and reviewed the Credit Union's annual financial statements prior to Board approval for issuance to the members.*
- *Obtained a reasonable understanding of the important elements of internal audit controls that are important to safeguarding the assets of the Credit Union, that ensure the accuracy of financial reports, and that ensure compliance with policies and procedures.*
- *Reviewed the activity reports for the Enterprise Risk Management (ERM) Policy and Framework.*
- *Reviewed and approved the internal audit mandate and work plan.*
- *Reviewed the policies, procedures and controls which relate to legislative compliance with a particular focus on requirements for liquidity, capital adequacy and interest rate risk management.*

Based on its findings, the Audit Committee issues reports and makes recommendations to the Board of Directors or Senior Management, as appropriate, with respect to the matters outlined above, and follows up to ensure that the recommendations are considered and implemented.

The Committee received full co-operation and support from the CEO and Management to enable it to play an effective role in improving the quality of financial reporting to the members and enhancing the overall control structure of Northern Credit Union. The Audit Committee demonstrated a respectful and professional relationship with all parties.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. In addition, there are no matters the Audit Committee believes should be reported to the members, nor are there any further matters that are required to be disclosed pursuant to the Act or the Regulations.

Respectfully submitted by me as Chair of the Audit Committee and Committee Members: Tim Foster, John Mangone, Daniel McCoy and Sue Klatt.

MOTION to approve the Report of the Audit Committee

Moved by Sue Klatt & Seconded by Tim Foster
CARRIED

e) External Auditor – Mike Marinovich, KPMG LLP

The External Auditor from KPMG LLP presented as follows:

As Audit Partner from KPMG in Sault Ste. Marie I am responsible for the audit of the financial statements of Northern Credit Union Limited. It is our pleasure to continue to serve the members of Northern Credit Union and present our auditors report to you.

We have issued an unqualified (clean) audit opinion on the December 31, 2020 financial statements of Northern, our opinion is dated March 3, 2021. The financial statements have been prepared in accordance with International Financial Reporting Standards and the audit that we performed was in accordance with Canadian generally accepted auditing standards.

Since our appointment as your auditors we have attended two Audit Committee meetings and presented and reviewed the following key audit deliverables:

- Audit Planning Report
- Annual Engagement Letter
- Independence Letter, with a summary of all services provided by our firm
- Audit Findings Report, including a summary of key accounting, audit, taxation and other financial matters
- Management Representation Letter

- Letter of Compliance under Section 172 of the Credit Union and Caisses Populaires Act to the regulator DICO

Each of our reports and letters have been reviewed and approved by the Audit Committee.

We can confirm that KPMG remains independent of Northern and no services have been performed or relationships that exist that would impair upon our independence as external auditors of Northern Credit Union under the Canadian Independence Standards.

We received full cooperation from management in completing the 2020 external audit. All matters relating to the annual audit and the financial statements have been appropriately addressed and there are no additional matters requiring follow-up or discussion with the Members of Northern Credit Union

MOTION to approve the External Auditor's Report

Moved by Max Liedke & Seconded by Daniel McCoy
CARRIED

7. New Business

(a) Motion to appoint external auditors for 2021

MOTION to appoint KPMG LLP as External Auditors for 2021

Moved by John Mangone & Seconded by Brian Cairns
CARRIED

(b) Formal Announcement of Voting Results – Election & By-Laws

The Chief Returning Officer provided the following announcement of election results.

The voting for the three proposed by law changes was conducted through electronic voting in advance of the AGM. There were 685 votes cast of which 2/3 of the votes are required to pass the resolution to amend the by-law.

On the proposed by-law amendment dealing with housekeeping changes there were 639 in favour votes and 46 not in favour votes. Therefore, the proposed by-law amendment passes.

On the proposed by-law amendment dealing with changes under Definition / Qualifications with respect to siblings of directors to run for the board there were 548 in favour votes and 137 not in favour votes. Therefore, the proposed by-law amendment passes.

On the proposed by-law amendment dealing with changes under Qualifications with respect to attendance for directors to run for the board there were 650 in favour votes and 35 not in favour votes. Therefore, the proposed by-law amendment passes.

For Director Elections, there were 4 positions on Northern's Board of Directors available to be filled. All 4 positions are for a 3-year term.

We had 6 candidates who had properly filed nomination forms with the Corporate Secretary, and each person has disclosed any legal direct conflict of interest. The nominees all meet the conditions under the Act and Northern's By-Laws to stand as Directors. One nominee withdrew their nomination before the required timeline. The final 5 candidates for election were:

Tim Foster
Max Liedke
Grant Love
Daniel McCoy
Cameron Ross

There were 685 votes cast by members of which the results were provided to me, as the Chief Returning Officer.

Each director nominee was personally contacted to inform them of their results.

The top 4 director nominees who will have a 3-year term are:

1. Tim Foster
2. Daniel McCoy
3. Max Liedke
4. Cameron Ross

Board Chair congratulated and welcomed the elected candidates, as well as expressing appreciation to director, Grant Love, for this commitment and input over these past years.

MOTION to destroy the electronic voting information

Moved by John Mangone & Seconded by Louise Ahrens
CARRIED

8. Question Period

The President & CEO opened the floor for member questions relating to credit union matters. Direction was provided to have questions typed into the Q&A tab found at the bottom right hand corner of the screen. Members were asked to provide their name and branch with the question.

There were no questions or comments brought forward and the CEO turned the floor back to the Board Chair to resume the meeting.

9. 2022 AGM Date

The Board Chair announced that the date for the 2022 AGM is scheduled for April 8, 2022. Further details would be provided on Northern's website.

10. Adjournment


Board Chair concluded - On behalf of the Board I thank all our members who joined us today in this new virtual environment and look forward to seeing more member engagement at our next AGM.

I thank our guests, Mike Marinovich, external auditor from KPMG LLP; Larry Swiniarski from Financial Services Regulatory Authority (FSRA), and Mike Ikovic from Concentra and Wendy Kaufman of Brown Cohen.


I ask that we all 'take care and be safe' as we make our way back to a normal way of life.

The meeting was adjourned at 4:30 pm on a motion moved by Lori Martin and seconded by Daniel McCoy.

CARRIED



Jeannie Kilgour – Chair of Board



Victoria Caicco – Corporate Secretary