

EQUITY CREDIT UNION INC.

**Minutes of the Annual General Meeting
April 15, 2021**

The 78th annual general meeting of the members of Equity Credit Union Inc. was held on Thursday, April 15, 2021. In compliance with public health Covid-19 regulations, this meeting was held with all participants located remotely and attending the meeting by way of a Zoom connection. The registration of members had taken place prior to the meeting beginning at 6:40 p.m.

1. OPENING OF THE MEETING

The Chair, Mr. John Loreto, welcomed the members at 7:00 p.m. He explained how the meeting would proceed including how and when to raise hands to ask a question or oppose a motion during the meeting. The members participating would stay muted with cameras off, controlled by the moderators if it were necessary to unmute for a question. Members were instructed to use the chat feature to ask a question or send an e-mail to agm@equitycu.com and in either case provide their full name and the question during the meeting. With regard to voting, because of Covid-19, stay-at-home regulations and no in-person attendance, the names of Board members had been arranged as the movers and seconders of motions.

Announcement of Quorum

The Corporate Secretary, Peter Sideris, reported that 38 members had registered which constituted a quorum. There being a quorum, the Chair declared the meeting duly constituted to conduct the business of the meeting and called the meeting to order at 7:05 p.m. The final attendance was 44 members and 3 guests.

2. PRESIDENT'S WELCOME

Mr. Loreto, President and Chair of the Board of Directors, introduced the members of the Board:

John Loreto	Chair
Bonnie Downing	Vice-Chair
Peter Sideris	Corporate Secretary
Larry Biancolin	Director
Bill Downing	Director
Art Jessop	Director
Craig Nichols	Director
Adil Qureshi	Director
Jeannine Wilson	Director

The Chair then introduced the Credit Union's staff:

Tom Dimson	Chief Executive Officer
Louise Robichaud	Finance Manager
Nancy Smith	Manager, Lending Operations
Paula Goncalves	Administration Manager
Joanne Key	Mortgage and Loans Officer
Gaetane Gilbert	Administration Officer
Shanique Wynter-Linton	Mortgage Administrator
Debbie Saboe	Member Services Representative
Jannette Pantalleresco	Member Services Representative
Ruth Desroches	Member Services Representative

The Chair welcomed and introduced the following guests:

Helen Thomas	FSRA Representative
Denise Jones	Auditor, Baker Tilly KDN LLP
Megan Hanzal	Auditor, Baker Tilly KDN LLP
Carol Lewis	Recording Secretary

3. MINUTES OF THE PREVIOUS ANNUAL AND SPECIAL GENERAL MEETINGS

The minutes of the 77th annual general meeting held June 23, 2020 and the special general meeting of members held October 14, 2020 had been distributed to the members for their review in advance of the meeting.

On a **motion** by Art Jessop, **seconded** by Bill Downing, **it was resolved** to adopt the minutes of the annual general meeting held June 23, 2020 and the special general meeting of members held October 14, 2020 as written. **The motion was carried unanimously.**

4. REPORTS

Report of the Board of Directors

The Chair, John Loreto, reporting on behalf of the Board of Directors, presented the following report:

“As we enter into our 78th year and 11th year in Durham Region, Equity Credit Union continues to grow at an exciting rate, while maintaining strong profits. The year, 2020, was a difficult year for most; however, Equity Credit Union was not adversely affected. Targets were reached and the anticipated growth, while a little lower than expected, still reached a rate that was very positive. Profits exceeded expectations and our efficiency ratio remained one of the best in the Province.

In response to the Covid-19 outbreak, Equity took significant measures to protect both its employees and its members and these measures were quite successful with no cases tied to the credit union. The hard work of Tom Dimson and his team continues to be one of the most valuable assets we have for our members. The

addition of Louise Robichaud CPA, CA to our team, with her significant experience, has returned rewards and results much quicker than expected and we are excited to have Louise as part of the team.

Because of the pandemic, the Board of Directors has had to change the way in which tasks are performed with the use of virtual meetings. While virtual meetings have certain inherent weaknesses, the Board members worked hard to perform their duties to ensure that proper governance remained a priority.

Finally, during the year, Equity Credit Union with the assistance of Baker Tilly LLP carried out a detailed review of the security protocols for its information technology side of the business. Recommendations have been implemented and the process continues to be monitored and adjusted on a constant basis as required by Management. The result has been a significant enhancement of Equity's IT security protocols which will be boosted exponentially.

2021 is now under way and it is expected that the growth pattern that Equity has enjoyed since moving to Durham Region will continue, resulting in a continued strengthening of Equity's financial position. Such strengthening only adds to member value and service and all this could not be done without the support and trust of you, the members. Your continued belief in Equity is essential and greatly appreciated. As the Board and Staff we take our responsibility as your "eyes and ears" very seriously and work our hardest to live up to that trust every day. We wish you a safe and prosperous year."

On a **motion** by Bonnie Downing, **seconded** by Larry Biancolin, **it was resolved** to accept the Report of the Board of Directors for 2020. **The motion was carried unanimously.**

Declaration of Dividend

At this time, the Chair advised the members that a dividend of \$75 per member will be paid to members as listed and in good standing as at December 31, 2020 and will be paid by May 31, 2021.

Team Update

Mr. Loreto congratulated Joanne Key and Debbie Saboe who were celebrating ten years of dedicated service as members of the credit union staff and stated that they are key parts of the credit union's efforts. He then welcomed Louise Robichaud who had joined the credit union as Finance Manager and commended her work in reporting and financial management.

Report of the Chief Executive Officer

Mr. Dimson welcomed the members and thanked them for attending the credit union's second virtual annual general meeting. In opening his report he thanked each and every member for their support and unprecedented commitment to the credit union during 2020 stating that as a result of that commitment, the credit union had completed another very successful year. He also thanked the staff and Board for their support during the past year when it was needed the most. He thanked John Loreto who had served as Chair of the Board in 2020 for his dedication in providing excellent leadership, governance and hard work.

Mr. Dimson then reviewed the Covid-19 pandemic stating that he was certain that everyone had heard enough about it and questioned how it could have happened all over the world. He thanked the members who worked with the credit union through such unprecedented times and explained that Covid-19 had created new and difficult challenges for people everywhere. Across Canada governments, health officials, policy makers and regulators had collaborated to respond with relief measures and assistance to reduce the financial stress on the people in our communities and he was grateful that they had stepped up and taken action. At Equity

Credit Union the safety and security of all the staff and the members had been the primary concern and a number of measures to “protect our home” had been taken. For members and partners, the credit union recognized that they had been navigating through a health crisis while feeling concern about their financial security and Equity was committed to doing what it was originally founded to do - help our members. Mr. Dimson stated that the credit union is here to help and will continue to work toward satisfactory solutions for members until this situation is resolved. He encouraged everyone to follow the public health guidelines stating that the credit union cares about members’ safety and well-being. Noting that we are in this together, he stated that we will get through this together.

Co-operative Principles:

- voluntary and open membership
- democratic member control
- member economic participation
- autonomy and independence
- education, training and information
- co-operation among co-operatives
- concern for community.

Co-operative Principles Applied

The 2020 pandemic affected many of our members. We were proud to put our co-operative values to work and provided deferred payment arrangements to members affected. The lending department diligently and compassionately worked with the members and assisted 144 members involving \$64.6 million in loans representing 43 percent of all loans outstanding at the time. As of December 31, 2020, only nine mortgages remained in a deferred payment status for a total of \$2.6 million. At the end of March all deferred payment arrangements had been completed. Nancy Smith and her team, Shanique Wynter-Linton and Joanne Key, were congratulated and thanked for doing a tremendous job in handling the mortgage deferrals.

Results of the 2020 Fiscal Year

Mr. Dimson stated that overall for 2020 he was proud to report that the credit union had continued to realize strong growth in assets, operating income and net income. The credit union had also continued to build on a foundation of strength while enjoying record performance in 2020 and had the capital, systems and staff in place to continue its growth. It had been a total team effort by the Board and Staff. He then reported the following financial results in 2020:

- Net membership had declined slightly by 35 members.
- Assets had increased by \$35.5 million, a 20 percent increase.
- Deposits had increased by \$33.1 million, a 21 percent increase. Mr. Dimson thanked Paula Goncalves, Debbie Saboe, Gaetane Gilbert and Jannette Pantalleresco for their hard work in attracting and retaining deposits.
- The credit portfolio had increased by \$18.6 million, a 12 percent increase.
- Mortgages had increased by \$19.2 million, a 12 percent increase.
- Commercial mortgages had decreased by \$441,000.
- Personal loans had decreased by \$144,000.
- Net comprehensive income of \$2 million was an increase of \$400,000 from 2019.
- Capital continued to increase and grow stronger at \$12.3 million up by \$2 million from 2019. The capital ratio of 5.90 percent was the same as at the 2019 year end. This excellent growth had no effect on the capital ratio for which the regulatory requirement is a minimum of 4 percent. Mr.

Dimson thanked Louise Robichaud for keeping him on target to ensure that the credit union maintained appropriate capital levels.

Mr. Dimson stated that the growth in assets is a key driver for the credit union's long-term strength and further, growth in members' deposits was also critical to the credit union's ability to finance members' borrowing needs. In reviewing the slides, Mr. Dimson commented on the following results:

- Total assets as at December 31, 2020 were \$209 million compared to \$173.7 million in 2019 which continued the steady increase of approximately 20% per year over the past five years.
- The mix of assets or cash equivalents indicated 85.2% in residential mortgages.
- Profit in 2020 was \$2,019,000 up from \$1,587,400 in 2019.
- Loans to members indicated conventional mortgages at 63.4 %, insured mortgages 27%, merit lines 9.6% and loans 0.4%.
- The mix of liabilities included term deposits 64%, equity 6%, RRSP 12%, and TFSA 7%.
- Member deposits increased from \$161.0 million in 2019 to \$194.1 million in 2020.
- Income mix was mortgage interest at 96.5%, loan interest 2.4%, investment interest 0.6% and other 0.6%.
- Expense mix was operating 23.3%, term deposit interest 46.7%, other 12.7%, RRSP interest 9.1%, TFSA interest 4.4%, RRIF interest, 3.5%, savings interest 0.3%.
- Bad debt expense was \$62,297 in 2020 compared to \$124,523 in 2019; however, of the \$62,297 amount, \$60,000 had been put into the credit union's general reserve allowance. The credit union had realized only \$2,297 in bad debt which was written off.

Mr. Dimson referred briefly to the credit union's excellent efficiency rating of 43 percent in 2020 compared to 45 percent in the previous year and the industry average of 85 percent. He explained that the lower the percentage the better the efficiency of the credit union's performance which put Equity Credit Union as one of the best of all Ontario credit unions.

With regard to deposit insurance, Mr. Dimson reminded the members that non-registered deposits are insured to a maximum of \$250,000 per member and that registered products including RRSPs, RRIFs and TFSAs carry unlimited insurance.

Outlook for 2021

Mr. Dimson stated that in these pandemic-related and unprecedented times the credit union will continue to take a very cautious view looking ahead. He noted that the current unemployment situation was improving somewhat, the housing market was very strong although the rate of inflation was ticking up slightly. The Bank of Canada had stated that it will maintain the overnight lending rate at 0.25 bps and that there would be no movement in that rate until the end of 2022. The economy was continuing in a period of low interest rates -- good for borrowers but not so good for savers. The credit union's strategic plan is to increase its balance sheet to over \$230 million by year end through a combination of mortgage growth and deposit growth. Growth in membership had been budgetted at a net 100. Mr. Dimson stated that it will be very beneficial to have as many people as possible get the vaccine.

Mr. Dimson advised that for the first three months of 2021, the following strong results were positive markers as the credit union waded through continuing choppy and uncharted waters:

- Net income was ahead of budget by more than \$220,000, approximately 42 percent above budget.
- The balance sheet had increased since the end of 2019 by approximately \$13 million or 6 percent.
- Liquidity levels had been increased to meet any unforeseen circumstances that may arrive.

Mr. Dimson stated that, based on these very positive results, the Board and Staff will continue to be committed to working through these difficult times to ensure that the credit union remains a strong and viable financial institution for years to come and will continue to assist members by telephone, in person with physical distancing or through the internet. The Board and Staff will remain committed to ensuring that the credit union cultivate confidence in its members. With regard to the economy which was still concerning, Mr. Dimson stated that the credit union will deal with the challenges of more players in the financial marketplace -- that is, more banks and more alternatives for people. He emphasized that Equity wants to be #1 with its members and, in that regard, will continue to find ways to provide friendly delivery channels for members, banking by convenience and eliminating geographical distance as a hurdle to doing business.

Mr. Dimson pointed out that the credit union's growth by way of the virtual side of the business had grown again this year with free electronic banking 24 hours a day, 7 days a week by telephone or internet. Further, the credit union is set up with The Exchange Network which members can use to make deposits and withdrawals at certain designated ATMs without having to pay a surcharge which is important for members who do not live close to the credit union. Information on The Exchange Network, which is linked to the credit union's website, will indicate the ATMs close to members' homes or workplaces. Mr. Dimson emphasized that the credit union will maintain its no-fee policy, no-service charge policies including electronic transfer capability unlike competitors that boast of billion dollar profits. It will also continue to provide competitive interest rates on deposits, mortgages and loans to increase Shareholders' wealth. In addition, the credit union will continue:

- to examine new products and services;
- to look at ways to be a "1-stop" financial supermarket for members;
- to attract new members and increase mortgage and loan portfolios as well as deposits;
- increase membership to increase the overall asset size of the credit union to enhance overall stability;
- continue the credit union's relationship with members in 2021, provide them with the professional, courteous service they deserve and build relationships for life.

Mr. Dimson stated that standing still is a step back and therefore it is necessary that the credit union not maintain the status quo but move forward. Stating that Equity Credit Union is a community credit union he asked the members to refer their friends as well as family members as there is no better way to build than "word of mouth" advertising by satisfied members.

Questions and comments were invited:

1. In response to a question from Nick Dimson concerning commercial mortgages, Mr. Dimson advised that the credit union does fund commercial mortgages for members purchasing rental properties. He explained that they must be categorized as commercial as per the requirement of the regulators adding that traditional commercial lending is more complex and thus requires more advanced underwriting skills. He stated further that the credit union's focus is on retail banking.
2. John Lotoski referred to the Lending Manager's report and advised that on the second line the reference to "167 new loans" should read 168 new loans. On the same line the figure stating "194

mortgages” should read 184 loans for the number of loans in 2019. Mr. Dimson stated that he would check the figures.

On a **motion** by Peter Sideris, **seconded** by Jeannine Wilson, **it was resolved** to accept the report of the Chief Executive Officer for 2020. **The motion was carried unanimously.**

Report of the Manager of Lending Operations

Nancy Smith, Manager of Lending Operations, presented the following report:

During the year 2020, the credit union received a total of 350 loan applications compared to 403 in 2019. Of these, 167 new loans totalling \$66 million were granted to members compared to 194 loans for \$60 million in 2019; 183 were denied compared to 209 in 2019. The loan categories were:

	2020		2019	
Category	# loans	\$ amounts granted	# loans	\$ amounts granted
residential mortgages/merit lines	149	\$ 65 million	160	\$ 60 million
commercial mortgages	2	\$ 175 thousand	1	\$ 80 thousand
personal loans and lines of credit	17	\$ 944 thousand	23	\$ 582 thousand

At year end, the total loans outstanding were \$173 million compared to \$154 million in 2019. This resulted in an overall increase of \$19 million or 12 percent. As at December 31, 2020, there was one impaired loan totalling \$860 compared to one for the prior year for \$3,000. There were no mortgages classed as impaired compared to two in the prior year for \$1 million.

In 2020 the credit union provided 144 deferred mortgage payment arrangements to members due to the impact of Covid-19 on the members for a total mortgage loan amount of \$64.6 million. As of December 31st, there were nine mortgages under deferred payment arrangement for a total of \$2.6 million and none as of the end of March 2021. The net delinquency ratio remained low at essentially zero. The credit union wrote off \$1,000 in loan bad debts and charged a provision of \$62,000 to operations compared to \$124,000 for the prior year. The credit union had set aside a provision for credit losses of \$475,000 which represented 0.28 percent of the total loans outstanding. This provision is believed to be reasonable for the credit union’s portfolio.

Ms. Smith thanked the members for their business and stated that she looked forward to serving them in the future. She thanked Joanne Key and Shanique Wynter-Linton for their hard work in handling the mortgage deferrals stating that they had done a great job.

There were no questions or comments.

On a **motion** by Adil Qureshi, **seconded** by Craig Nichols, **it was resolved** to accept the report of the Manager of Lending Operations for 2020. **The motion was carried unanimously.**

Report of the Audit Committee

Jeannine Wilson, Chair of the Audit Committee, advised that the Audit Committee, comprised of three Directors, herself, Larry Biancolin and Bill Downing and Tom Dimson, held five meetings during 2020. It arranges its agenda so that on an annual basis, the following duties are performed and appropriate action is taken as a result thereof:

- Review the policies, procedures and controls relating to legislative compliance with particular focus on capital adequacy, risk weighting of assets and liquidity;
- Review the quarterly reports prepared by the Internal Auditor regarding internal controls and policy compliance;
- Recommend the appointment of the External Auditor to the Board of Directors and the members at the annual general meeting and at the special meeting that had to be held;
- Review the qualifications, independence and performance of the auditors;
- Serve as the principle communication link between the External Auditor and the Board of Directors and, in particular, review and agree to the Auditor's Terms of Engagement and Scope of Audit;
- Review the requirements for adherence to the new accounting policies as they relate to International Financial Reporting Standards (IFRS).

The Audit Committee conducted its affairs in accordance with the Credit Unions and Caisses Populaires Act (the "Act") and regulations as well as the credit union's by-laws. It is worthy to note that there was a change of auditors this year and we welcome Baker Tilly as the new external auditor of the credit union. The Audit Committee issues reports and make 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 Audit Committee is pleased to report to the members that it receives full cooperation and support from 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 the credit union. 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 which the Audit Committee believes should be reported to members, nor are there any further matters which are required to be disclosed pursuant to the Act or the regulations thereto.

There were no questions or comments.

On a **motion** by Art Jessop, **seconded** by Bonnie Downing, **it was resolved** to accept the report of the Audit Committee for 2020. **The motion was carried unanimously.**

At this time, Jeannine Wilson, as Chair of the Audit Committee, introduced Megan Hanzal of Baker Tilly to present the External Auditor's report.

Auditor's Report for 2020

The Chair called upon the Auditor, Megan Hanzal, representing Baker Tilly KDN LLP, Chartered Accountants, to present the Auditor's Report.

Ms. Hanzal stated that Baker Tilly had been appointed by the credit union's members at a special meeting of the members on October 14, 2020 to provide an audit report of the credit union's financial statements for

the fiscal year ended December 31, 2020. She advised that the financial statements were free from material misstatement and in compliance with IFRS reporting standards. The audit process had confirmed information from outside sources and had considered the credit union's internal controls which were found to be sufficient and appropriate. Baker Tilly had issued a clean audit opinion.

Referring to the statement of financial position, Ms. Hanzal noted approximately \$210 million in assets and approximately \$198 million in liabilities, an increase in net assets of approximately \$12 million which represented a \$1 million increase year-over-year due mainly to the mortgage business. Ms. Hanzal also drew attention to the credit union's overall income of just over \$2 million at \$2,019,054. Also from the statement of financial position Ms. Hanzal pointed out the increase of approximately \$21 million in cash and cash equivalents from \$7,435,350 in 2019 to \$28,668,465 in 2020.

There were no questions for the Auditor.

On a **motion** by Bill Downing, **seconded** by Bonnie Downing, **it was resolved** that the audited financial statements for the fiscal year ended December 31, 2020, be approved as presented.

The motion was carried unanimously.

5. APPOINTMENT OF AUDITOR

Jeannine Wilson, Chair of the Audit Committee, stated that the committee wished to recommend the reappointment of Baker Tilly KDN LLP, Chartered Accountants, for the fiscal year ending December 31, 2021.

On a **motion** by Jeannine Wilson, **seconded** by Larry Biancolin, **it was resolved** that Baker Tilly KDN LLP, Chartered Accountants, be appointed as Auditor of Equity Credit Union Inc. for the fiscal year ending December 31, 2021.

The motion was carried unanimously.

Mr. Loreto thanked Ms. Hanzal and Ms. Jones of Baker Tilly and congratulated them for their fine service. He stated that the audit went well between the auditors and the staff adding that the credit union will look forward to working with them again next year.

6. ELECTION OF DIRECTORS

Bill Downing, Chair of the Nominating Committee, presented the committee's report. He advised that the voting to elect Directors to the Board had been carried out on line from April 9th to 22nd in compliance with public health regulations concerning the Covid-19 pandemic. There were six candidates for three positions open on the Board, all for three-year terms:

John Loreto	Vishal Pua
Larry Biancolin	Frank Chomicz
Craig Nichols	Roger Morris

Mr. Downing advised that John Loreto, Larry Biancolin and Craig Nichols had been re-elected for three year terms. He thanked Vishal Pua, Frank Chomicz and Roger Morris for their interest in serving as Directors.

On a **motion** by Peter Sideris, **seconded** by Art Jessop, **it was resolved** to destroy the ballots for the 2021 election of Directors. **The motion was carried unanimously.**

Mr. Loreto thanked Mr. Pua, Mr. Chomicz and Mr. Morris for their interest in, and willingness to serve, as members of the Board of Directors. He stated that it involved a lot of work but was very rewarding and worthwhile and he asked them not to be discouraged in not having been elected. He then thanked all candidates and hoped they would all maintain their interest in the years to come.

7. UNFINISHED BUSINESS

There were no items of unfinished or other business.

8. NEW BUSINESS

There were no items to be discussed as new business.

9. TERMINATION OF THE MEETING

There being no further questions or comments, and the business of the meeting having been completed, the Chair thanked the members and guests for attending this virtual annual meeting stating that hopefully, the annual general meeting would have members meeting face-to-face. He then called for a motion to terminate the meeting.

On a **motion** by Art Jessop, **it was resolved** at 7:52 p.m. to terminate the 78th annual general meeting of Equity Credit Union Inc. **The motion was carried unanimously.**

Chair
CL/cl

Corporate Secretary

EQUITY CREDIT UNION INC.

**LIST OF MOTIONS
Annual General Meeting, April 15, 2021**

1. **Approval of Minutes**
On a **motion** by Art Jessop, **seconded** by Bill Downing, **it was resolved** to adopt the minutes of the Annual General Meeting held June 23, 2020. **The motion was carried unanimously.**
2. **Approval of Report of Board of Directors**
On a **motion** by Bonnie Downing, **seconded** by Larry Biancolin, **it was resolved** to accept the Report of the Board of Directors for 2020. **The motion was carried unanimously.**
3. **Approval of the Report of the Chief Executive Officer**
On a **motion** by Peter Sideris, **seconded** by Jeannine Wilson, **it was resolved** to accept the report of the Chief Executive Officer for 2020. **The motion was carried unanimously.**
4. **Approval of the Report of the Manager of Lending Operations**
On a **motion** by Adil Qureshi, **seconded** by Craig Nichols, **it was resolved** to accept the report of the Manager of Lending Operations for 2020. **The motion was carried unanimously.**
5. **Approval of the Report of the Audit Committee**
On a **motion** by Art Jessop, **seconded** by Bonnie Downing, **it was resolved** to accept the report of the Audit Committee for 2020. **The motion was carried unanimously.**
6. **Approval of Auditor's Report**
On a **motion** by Bill Downing, **seconded** by Bonnie Downing, **it was resolved** that the audited financial statements for the fiscal year ended December 31, 2020 be approved as presented. **The motion was carried unanimously.**
7. **Appointment of Auditor**
On a **motion** by Jeannine Wilson, **seconded** by Larry Biancolin, **it was resolved** that Baker Tilly KDN LLP, Chartered Accountants, be appointed as Auditor of the Credit Union for the fiscal year ending December 31, 2021. **The motion was carried unanimously.**

8. **Authorization to Destroy the Ballots**

On a **motion** by Peter Sideris, **seconded** by Art Jessop, **it was resolved** to destroy the ballots for the 2021 election of Directors. **The motion was carried unanimously.**

9. **Termination of Meeting**

On a **motion** by Art Jessop, **it was resolved** at 7:52 p.m. to terminate the 78th Annual General Meeting of Equity Credit Union Inc. **The motion was carried unanimously.**

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