



ANNUAL REPORT 2020

80 YEARS OF NEIGHBOURS HELPING NEIGHBOURS

OUR VISION

Neighbours helping neighbours to build sustainable communities.

OUR MISSION

Strengthening our members and communities through an offering of trusted financial services in a cooperative way.

OUR VALUES

- **Deliver Exceptional Service**
- **Succeed Together**
- **Invest in our Communities**





Grace Makowski, Paige Franco, Jutta Smeltzer from our Terrace team, volunteering at the Terrace Food Bank

Building Healthier Communities

Northern Savings provided \$1,000 to support the Port Clements Healthy School Food program. This initiative engages students in growing their own food and helps lay the groundwork for healthy eating into adulthood.

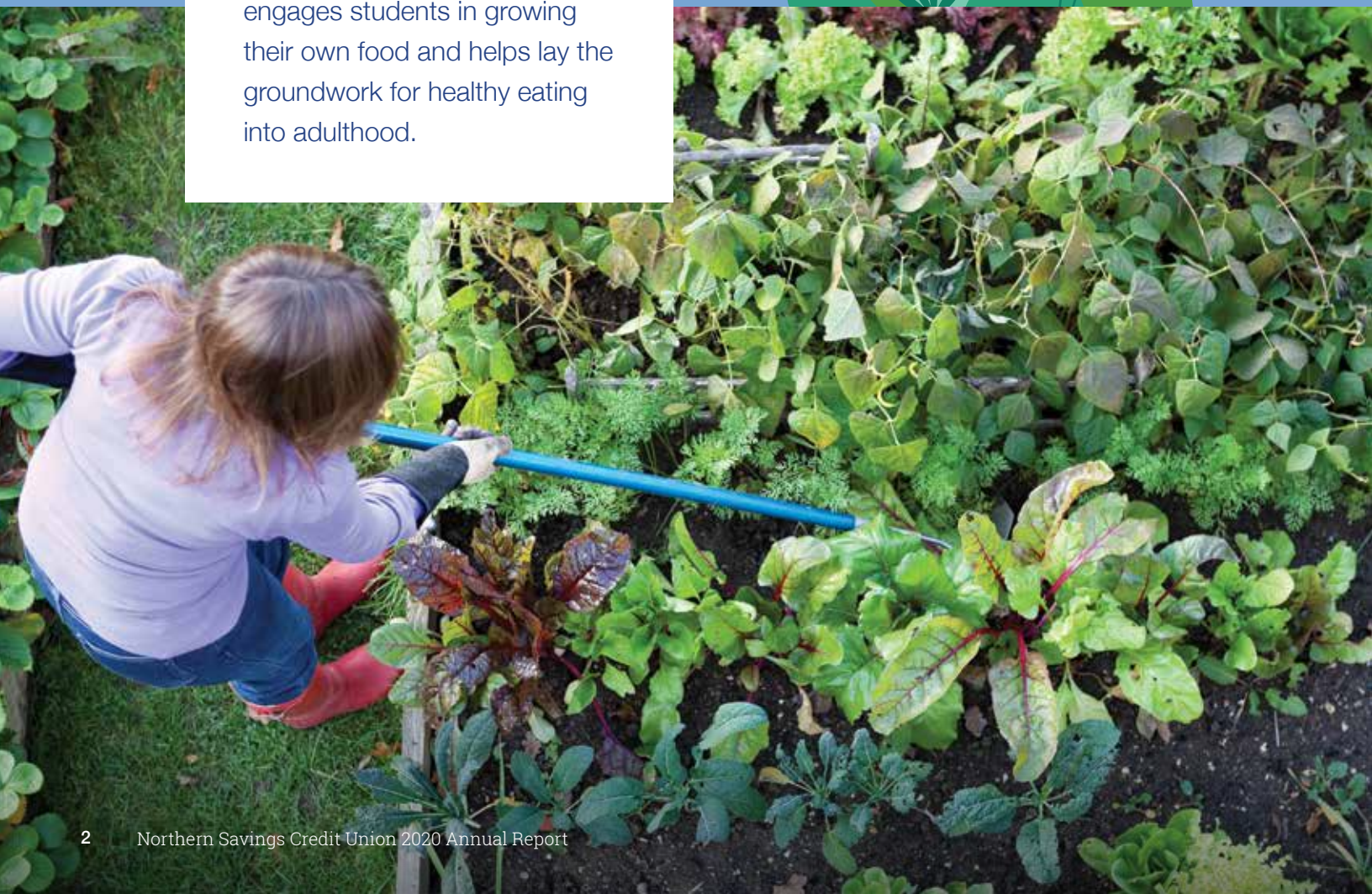


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2020 Board Chair and CEO Report



Jamie Malthus
Board Chair



R.D. (Bob) Marshall
President & CEO

2020 began like any other year – with significant determination and optimism for meeting our objectives and fulfilling our strategic goals. Like so many other organizations, unexpected challenges brought on by the COVID-19 pandemic temporarily halted our plans. Our top priority quickly became the safety and wellness of our employees and our members.

In accordance with Provincial Health Authorities, Northern Savings moved swiftly to revamp our operations, while ensuring our team and members felt safe in our locations. Like others, our adjustments helped to reduce the risk and impact of COVID-19 across our communities and organization.

Our efforts to ensure the safety of our team during COVID-19 were successful and this was evident through the positive results reflected in our 2020 employee engagement survey. We were pleased to see that Northern Savings scored 83% when staff were asked if they felt safe carrying out their jobs during the pandemic. For more results regarding our staff engagement survey, please visit page 10 of this report.

Despite the pandemic, Northern Savings had another year of solid financial performance. We experienced more than 13% growth in our member deposits which can partly be attributed to restrictions brought on by COVID-19 and the ability for some people to save during the year. These deposits stay in our northern communities and have a positive contribution to the economic well-being of our residents and businesses.

The growth achieved above, combined with an improved mix of lower cost demand deposits, and the ongoing growth of our Wealth Management services, has enabled Northern Savings to continue to improve its operating income, with a modest increase in 2020. This has enabled Northern Savings to improve liquidity and capital ratios which are 36.57% and 22.45% respectively. Both of these ratios are well above regulatory and Board established minimums and are in the top quartile within the British Columbia credit union system.

Unfortunately, the pandemic resulted in financial hardship for many individuals and businesses. Northern Savings supported our members through these difficult times by providing loan payment deferrals, payment alterations, credit card relief and CEBA loans. In 2021, we will continue to work with our members to ensure they have the opportunity to move forward and are able to meet their obligations.

Like so many other organizations, unexpected challenges brought on by the pandemic temporarily halted our plans. Our top priority quickly became the safety and wellness of our employees and our members.



While temporarily side-tracked, our team was able to achieve most of our top objectives for the year. Working closely with our Technology group, our Insurance team migrated to cloud-based technology and is now actively using the new Account Manager system. This system delivers significant improvement to our insurance business by providing increased capabilities, availability, performance, and security for our clients.

Another key objective met in 2020 was the implementation of Acumatica, our new accounting system. This system provides an accounting and financial management solution which supports data accuracy, information timeliness, and financial reporting. Our team worked diligently to get this system implemented and we are already appreciating some benefits such as automated reporting and more efficient financial reporting processing time (from 20+ days to less than 10).

Next year we will continue our ambitious digital journey as we prepare to implement both a new banking and loans origination system. While this work will be demanding, the results will be beneficial, as it will provide the foundation for a robust employee and member experience in the future. Although we expect some changes for members, our primary goal is to keep members informed and minimize member impact. We will communicate regularly and through a variety of channels as we progress through these important initiatives.

Our 80th anniversary passed quietly in March of 2020, while the world around us changed in ways no one could have anticipated. Despite the unremarkable event, we have much to celebrate with eight decades of *neighbours helping neighbours to build sustainable communities*. We are grateful to our members who have made it possible for us to be part of the fabric of the North. As we make our way into 2021, we know challenges will endure; however, with challenge comes opportunity and at Northern Savings, we look forward to continuing to find innovative ways to support our neighbours.

We extend a heartfelt thank you to all of our employees who worked tirelessly under extraordinary circumstances to ensure our member's needs were met in 2020. Finally, we thank each of our members and clients for continuing to choose local and trusting Northern Savings for their financial and insurance needs.

A handwritten signature in black ink, appearing to read 'J. Malthus'.

Jamie Malthus, Board Chair

A handwritten signature in black ink, appearing to read 'R.D. Marshall'.

R.D. (Bob) Marshall, President & CEO

Energizing Literacy

Local libraries play a critical role as local hubs and resource centres for community members to broaden their knowledge. The Prince Rupert library received \$15,000 from Northern Savings for a building revitalization, which included a full exterior paint job.

”

We are fortunate in Prince Rupert to have individuals and institutions who recognize that a Public Library is a basic requirement for a community to learn, grow and understand each other. The Library already a vibrant, invigorating learning place will now have a new fresh, vivid look that reflects the spirits of its patrons. Thank you Northern Savings Credit Union for seeing that spirit and supporting the Library in its work.”

Joe Zelwietro,
Chief Librarian,
Prince Rupert Library



Prince Rupert Branch Manager, Michelle Boomars-MacNeill, presents the Library with a donation



Contributing to Cultural Health

The Hliit'aGan.iina Kuuyas Naay - Skidegate Youth Centre provides initiatives by and for youth on Haida Gwaii that seek to promote holistic wellness and learning. Northern Savings' donation helped the centre launch its 2020 Drum Making workshop in February of 2020, facilitated by Sgaalanglaay Gaamdamaay (Vernon Williams Jr.). Youth learned the whole process of drum-making, from drilling holes into the hide, to painting and finishing touches. It is believed that the number of drums in a community is an indicator of cultural health, and this project created 32 new drums on Haida Gwaii.

”

Your donation helped us purchase workshop supplies and ensure there was enough for everybody. Haawa!”

Julia Weder, Youth Engagement Coordinator

Impacting our Communities



\$75,000

Community sponsorships and donations provided



125

Local organizations supported



9

Businesses featured through our Business of the Month program



\$12,000

in bursaries and awards provided to 12 local students



1455

volunteer hours tracked by our team through our GIVE program

CATEGORY % TOTAL COMMITTED

| | |
|-----------------------------------|-------------|
| Amateur Sport (Adult) | 10% |
| Amateur Sport (Youth) | 11% |
| Arts and Culture | 7% |
| Community Economic Development | 1% |
| Community Events | 2% |
| Co-Operative Development | 10% |
| Education and Development (Adult) | 6% |
| Education and Development (Youth) | 21% |
| Environmental Sustainability | 4% |
| Health and Human Services | 28% |
| TOTAL | 100% |



*Raven Prints,
Terrace, BC January
2020 Business of
the Month*

Supporting Our Neighbours



Toni-Lynn Davidson from our Masset team presents a cheque to the Haida Gwaii Healthy Communities Society - October 15, 2020

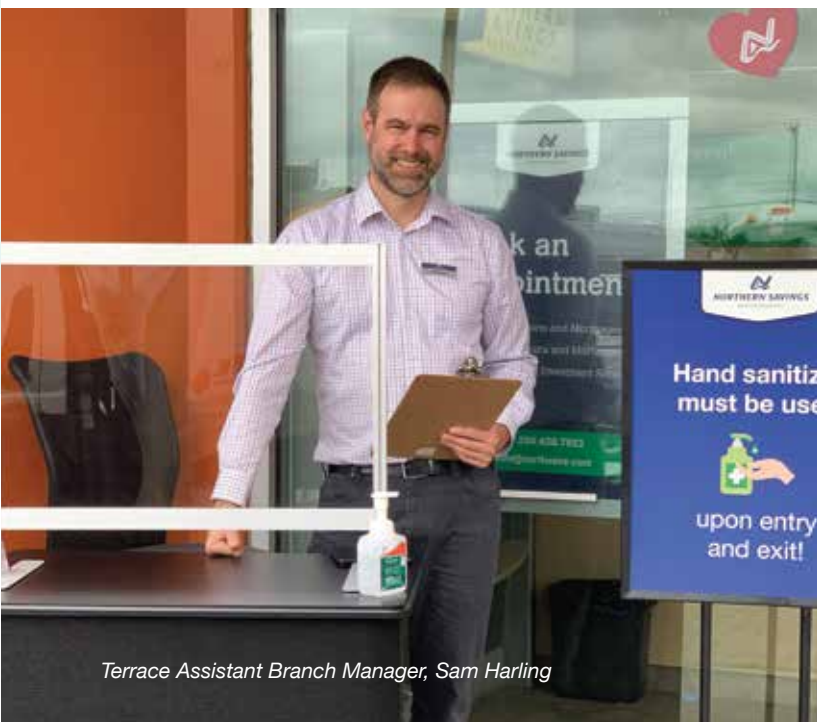
Every year on the third Thursday of October, credit unions around the world celebrate International Credit Union (ICU) Day. In honour of our 80th anniversary, and in support of our vision of, “neighbours helping neighbours to build sustainable communities” Northern Savings contributed more than \$6,000 to local food banks in Prince Rupert, Terrace and on Haida Gwaii.

COVID 19

The COVID-19 pandemic provided us with the opportunity to be resourceful and act nimbly to ensure we could support our members, clients and communities. Beginning in March, we saw a significant increase in our online and telephone transactions, resulting in a notable decrease in our in-branch transactions - a behaviour we both anticipated and appreciated. Ensuring that Northern Savings contributed to the solution, we recognized the need to offer new possibilities for our members.

We are proud to have provided the following enhancements, measures and programs in 2020:

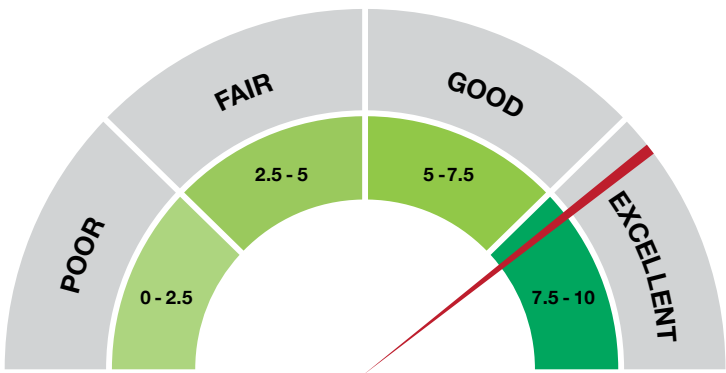
- Online ICBC renewal form
- Digital signature application
- Plexiglass barriers in all of our locations
- Virtual learning sessions
- Virtual AGM
- Online Board of Directors voting
- CRA Direct Deposit form
- Canada Emergency Business Account (CEBA)
- Loan deferral program



Terrace Assistant Branch Manager, Sam Harling

Understanding our Employees

At Northern Savings we believe our employees are our greatest strength. We have committed to conducting biennial staff engagement surveys to ensure we are meeting the needs of our team and taking action in the areas identified as needing improvement.



In 2020, we worked with Miller Pearson Consulting to conduct our employee survey. To ensure survey confidentiality, all employee responses were submitted directly to Miller Pearson Consulting for analysis and reporting. Overall, Northern Savings had an excellent score, attaining a 7.84 rating out of a possible 10.

With a score of 8.44 out of 10, our team relayed to us that they were proud to work for Northern Savings, a result that confirms we are on the right track in providing meaningful value.

Our 2020 employee survey achieved a 99% response rate, with 142 employees participating in the survey.

We were pleased to see two top scores related to Northern Savings and the community:

- 9.01

10

“I believe that Northern Savings is a valuable and contributing member of our community”
- 8.89

10

“Northern Savings encourages staff to be involved in our community”

Encouraging Financial Health



Vida Carson, Financial Advisor

”

Financial wealth is about saving and growing your money over time, which will give you the freedom and balance in your life.”

Vida Carson, Financial Advisor



Jackie Touchet, Financial Advisor

”

My role as a financial advisor is helping my clients feel confident about their financial goals and plans. When a client leaves my office and understands the direction they are heading, I have done my job.”

Jackie Touchet, Financial Advisor

After a year of extraordinary market volatility, we hit a major financial milestone, as off-book wealth assets (held with Aviso Wealth) surpassed the \$100,000,000 mark. Alongside this business growth, we continued to focus on developing relationships, designed to improve the financial well-being of our members.

We've brought together a team of experienced experts, well-versed on the complexities and intricacies of wealth management. Our ten Mutual Funds Representatives working in our branch network, provided 68 financial health checks to our members in 2020.

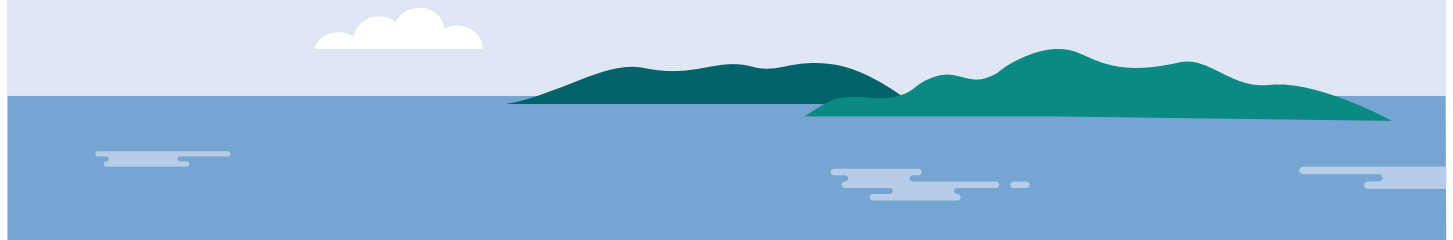
Our accredited financial advisors, Vida Carson and Jackie Touchet, work with clients with larger, more complex portfolios. Their accreditation, earned after completing an intensive program conducted by the national wealth management arm of Canada's credit union system, recognizes proficiency in the more sophisticated aspects of wealth management, such as estate planning, tax-efficient investing, and risk management.

Corporate Governance

The members of Northern Savings Credit Union democratically elect the individuals to the Board of Directors (the Board). Directors are elected for a three-year term of office, unless they have been appointed or elected to complete the unserved portion of a term of office of a former director.

The nine-member Board operates by delegating certain of its responsibilities to management and reserving certain authority unto itself. The Board's principal duties fall into these seven categories:

- 1** Adoption and monitoring of strategic and business planning processes and plans;
- 2** Appointing, monitoring and compensating executive management;
- 3** Overseeing management of enterprise risk;
- 4** Establishing and upholding the Credit Union's integrity, ethics and social responsibility;
- 5** Overseeing integrity of system of internal control and management information;
- 6** Providing for effective communication with members;
- 7** Establishing and maintaining effective governing practices.



Board Committees

The Board works diligently throughout the year to oversee operations with a view to the long-term sustainability of Northern Savings. The function of the Board's Committees is to thoroughly analyze issues assigned to them and provide recommendations for Board decisions. Directors are required to attend the regularly scheduled Board meetings (generally there are eleven a year), strategic planning and special meetings to deal with specific issues, as well as up to ten annual committee meetings. There are four standing committees established by the Board.

1. Audit and Operational Risk Committee (AOR)

The AOR Committee's primary role is to set the context for an effective enterprise risk management (ERM) framework and gain assurance that management has implemented appropriate systems, practices and internal controls to support the framework. The Committee assists the Board in fulfilling its oversight responsibilities regarding safeguarding of assets and members deposits, compliance with laws, regulations and governing policies, integrity of management and financial information, and efficiency and effectiveness of operations. The Committee oversees the work of the external and internal audit functions. This Committee serves the requirements of the Audit Committee as outlined in the Credit Union Act.

2. Credit and Market Risk Committee (CMR)

The CMR Committee's role is to provide effective oversight of Northern Savings' risk management activities related to investment risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, and capital management. This includes providing for the appropriate governing policies to be developed to provide the context for risks to be taken, the level of risks, and the monitoring of adherence to those policies. This Committee serves the requirement of the Investment and Loan Committee under the Financial Institutions Act.

3. Governance, Ethics and Human Resources Policy Committee (GEHR)

The GEHR Committee assists the Board of Directors in providing for effective governance and ensuring that governance practices evolve with the needs of the Credit Union. This committee assists in protecting the reputation of Northern Savings by developing and monitoring governing policies, keeping Directors accountable in fulfilling their duties and preventing undue influence by related parties. The committee has specific responsibilities with respect to the appointment, monitoring and compensation for the CEO and the positions which report directly to the CEO. This Committee serves as the Conduct Review Committee specified by the Financial Institutions Act.

4. Member and Community Relations Committee (MEM)

The MEM Committee has two primary roles. First, it ensures that Northern Savings develops and pursues objectives to maximize member engagement and fulfills social responsibilities in the communities it serves. Additionally, the Committee gains assurance that appropriate processes are in place to communicate effectively with members and other stakeholders. This Committee also serves as the Nominating Committee required by Northern Savings' rules. These responsibilities include facilitating the identification of qualified candidates for election to the Board of Directors and providing the proper conduct of the Director elections including overseeing an orderly, open and transparent Board election process.

Current Directors

The information provided for each Director includes a brief outline of their background and experience, the Board Committees to which they were appointed, directorship tenure, compensation, and professional development. There are no interlocking directorships with other Directors and no Director serves on any other boards by virtue of their directorship on the Board of Northern Savings.



Sandra Blair Director since April 2019. Current term expires in 2022.

Board Positions:

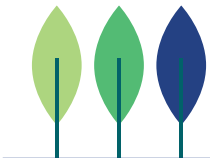
Member, Governance, Ethics & Human Resources Policy Committee
Member, Member & Community Relations/Nominating Committee

Background/Experience:

Sandra currently holds over 20 years’ experience in environmental assessment, management, and compliance for major projects in energy and infrastructure, including regulatory permitting and construction mitigation. Sandra’s personal values and community focus are strongly aligned with Northern Savings’ and she brings a wide range of project development experience to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$7,000 | Expenses: \$7,928 | Meetings Attended: 23 out of 24
Professional Development/Education: 44.5 hours
Credit Union Director Achievement Program: Completed Level A. Levels B and C in progress.



Mimmo Ciccone Director since 2016. Current term expires in 2023.

Board Positions:

Member, Audit & Operational Risk Committee (January - April 2020)
Chair, Credit & Market Risk Committee (May - December 2020)
Member, Member & Community Relations Committee (January - April 2020)
Member, Governance, Ethics & Human Resources Policy Committee (May - December 2020)
Chair, Building Committee

Background/Experience:

Mimmo is a manager with the Ministry of Solicitor General providing counselling, case management and risk assessment services to court-ordered offenders. Mimmo provides consultation to probation officers, social workers, community agencies and care-givers who are involved in service provision to offenders. Mimmo’s personal values are strongly aligned with the Credit Union’s vision and mission, and its focus on working in the best interests of the membership.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$8,125 | Expenses: \$382 | Meetings Attended: 35 out of 36
Professional Development/Education: 50 hours
Credit Union Director Achievement Program: Completed Levels A, B and C.



Rodney Cox Director since 2015. Current term expires in 2023.

Board Positions:

Chair, Audit & Operational Risk Committee

Member, Credit & Market Risk Committee (May - December 2020)

Member, Governance, Ethics & Human Resources Policy Committee (January - April 2020)

Member, Member & Community Relations/Nominating Committee (May - December 2020)

Background/Experience:

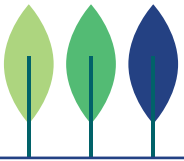
Rod has over 30 years of accounting and financial management experience and has worked in a wide range of industries in the Northwest including construction, forestry and logging, retail/wholesale, and media. Rod's board experience includes the BC and Terrace Chamber of Commerce, United Way Northern BC, and the Institute of Professional Bookkeepers of Canada. Rod currently operates CFR Management Inc. Rod brings governance and financial backgrounds to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$8,500 | Expenses: \$0 | Meetings Attended: 23 out of 24

Professional Development/Education: 50.25 hours

Credit Union Director Achievement Program: Completed Levels A, B and C.



Sylvan Daugert Director since April 2019. Current term expires in 2023.

Board Positions:

Member, Audit & Operational Risk Committee

Member, Credit & Market Risk Committee

Member, Building Committee

Background/Experience:

Sylvan provides services as a Superintendent of Public Works, providing his skills within a collaborate decision making processes and implementing the vision of the mayor and council. With an aptitude to analyze information, Sylvan brings the ability to work at a strategic level and the understanding of effective decision making processes which involve critical thinking.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$7,000 | Expenses: \$8,717 | Meetings Attended: 30 out of 31

Professional Development/Education: 63.8 hours

Credit Union Director Achievement Program: Completed Level A. Levels B and C in progress.



Joseph Lavoie Director since April 2019. Current term expires in 2022.

Board Positions:

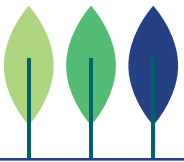
Member, Audit & Operational Risk Committee
Member, Credit & Market Risk Committee
Member, Member & Community Relations/Nominating Committee

Background/Experience:

Joe has over 20 years of business experience both in retail and wholesale divisions, including telecommunications and real estate. Joe holds a Bachelors of Commerce in finance and general business, and has previous commercial banking experience. He is skilled in leadership and succession planning and recently oversaw a multi-million dollar infrastructure project. Joe brings a business perspective and acumen to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$7,000 | Expenses: \$1,317 | Meetings Attended: 23 out of 25
Professional Development/Education: 42.25 hours
Credit Union Director Achievement Program: Completed Level A. Levels B and C in progress.



Jamie Malthus Director since 2018. Current term expires in 2021.

Board Positions:

Chair, Board of Directors*
Member, Governance, Ethics & Human Resources Policy Committee
Member, Credit & Market Risk Committee (May - December 2020)
Member, Building Committee

Background/Experience:

Jamie is a professional engineer with the Prince Rupert Port Authority and holds seven years of management level experience. He holds a degree in Civil Engineering and a Masters of Business Administration. Jamie brings his knowledge of working on various capital projects, managing the Port's asset maintenance department, strong effective communication skills and strategic planning experience to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$11,000 | Expenses: \$10,413 | Meetings Attended: 42 out of 42
Professional Development/Education: 81.75 hours
Credit Union Director Achievement Program: Completed Levels A, B and C.

** May attend other committee meetings as an observer.*



Trent Moraes Director since 2013. Current term expires in 2022.

Board Positions:

Chair, Credit & Market Risk Committee (January - April 2020)

Member, Governance, Ethics & Human Resources Policy Committee (May - December 2020)

Chair, Member & Community Relations/Nominating Committee (May - December 2020)

Background/Experience:

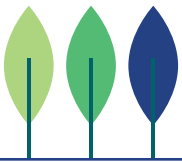
Trent is the Deputy Chief Councillor for the Skidegate Band Council. Previously, Trent was the Director of Housing, Lands & Energy with the Skidegate Band Council for approximately ten years with a focus on creating and maintaining healthy and safe housing for all Band members. His work has mainly been in housing and infrastructure, but he has also worked in lands and economic development, energy, Band membership, and estates. Trent's experience in working with high levels of government brings solid insight to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$8,500 | Expenses: \$0 | Meetings Attended: 21 out of 23

Professional Development/Education: 43 hours

Credit Union Director Achievement Program: Completed Levels A, B and C.



Kim Mushynsky Director since 2015. Current term expires in 2021. Retiring from the Board in April 2021.

Board Positions:

Vice Chair, Board of Directors

Chair, Governance, Ethics & Human Resources Policy Committee

Member, Credit & Market Risk Committee (January - April 2020)

Member, Building Committee

Background/Experience:

Kim is the former Chief Administrator for the Village of Port Clements. Kim has over 30 years of experience as an Administrator, specifically in accounting. Kim worked in the retail cooperative sector for over 15 years. Kim has served terms on three other boards. Kim has a bachelor's degree in Business Administration and a degree in Municipal Government Management. Kim serves on the Executive for the Northline group of credit unions. Kim brings governance, critical thinking and financial experience to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$9,000 | Expenses: \$8,545 | Meetings Attended: 37 out of 37

Professional Development/Education: 45 hours

Credit Union Director Achievement Program: Completed Levels A, B and C.



Jeff Stromdahl Director since April 2019. Current term expires in 2021.

Board Positions:

Chair, Member & Community Relations/Nominating Committee (January - April 2020)

Member, Credit & Market Risk Committee

Member, Audit & Operational Risk Committee (May - December 2020)

Member, Building Committee

Background/Experience:

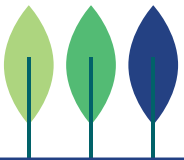
Jeff has been with the Prince Rupert Port Authority since 2013, currently holding the position of Manager, Trade Development. With strong skills and knowledge, he has held positions from associate to coordinator to manager with the fastest growing port in North America. Jeff now oversees the growth of the container and cruise portfolios. Jeff has multi-generational roots in Prince Rupert and is a life-long member of Northern Savings. Jeff brings strategic thinking and governance experience to the Board.

Director Compensation, Expenses, Meetings Attended and Professional Development

Compensation: \$7,375 | Expenses: \$479 | Meetings Attended: 36 out of 36

Professional Development/Education: 69.5 hours

Credit Union Director Achievement Program: Completed Level A. Levels B and C in progress.



Rules of Northern Savings Credit Union

Northern Savings and its Board follow the guidelines stated within the Credit Union's rules which were approved by the members on April 22, 2020. Members can find the full contents of the rules at: www.northsave.com/AboutUs/WhoWeAre/Governance.

Leadership Team



Bob Marshall
President & CEO



Stefan Delloch
VP, Operations



Heidi Harris
Governance Officer



Javier Lozano
VP, IT Services



Tony deViveiros
VP, Credit



Sarah Wright
VP, Risk & Administrative Services



Leigh-Anne Magnusson
Manager, Marketing & Communications



Santa Slubowski
Manager, Human Resources



Bimal Patel
VP, Finance



Sheila West
Manager, Northern Savings Insurance, Haida Gwaii



Sherry McColl
Insurance Manager & Coordinator Commercial Services, Terrace



Leonora Ciccone
Manager, Northern Savings Insurance, Prince Rupert



Michelle Boomars-MacNeill
Manager, Prince Rupert Branch



Grace Makowski
Manager, Terrace Branch



Lareina Woode
Manager, Masset Branch



Vaughan New
Manager, Queen Charlotte Branch

Northern Savings' Board understands that the Credit Union's greatest asset is its personnel. The Board appreciates that the success of the Credit Union, for the benefit of its members, is dependent on the work and commitment of its staff.

Compensation Philosophy

Our guided compensation philosophy allows Northern Savings to attract, motivate, and retain personnel with the competencies and attributes required to meet the Credit Union's strategies and business objectives. Salary ranges and benefits strive to provide for internal equity and to remain externally competitive with the local community and other financial services providers of like size and complexity to Northern Savings.

The leadership team works with the Board of Directors in developing and implementing the strategy and operational plans created in fulfilling the Credit Union's vision, mission and values, and in coaching staff to deliver the products and services that build financial relationships with our members.

CEO Compensation

The Board sets the policy guidelines with the respect to the compensation for the CEO. The guidelines have been established to reflect the position responsibilities, the size and complexity of the Credit Union, the financial resources of the Credit Union and the analysis of information gathered including compensation packages of CEOs at comparable organizations. In 2020, the CEO received a base compensation of \$287,840.

Benefits and Incentive Program

The CEO participates in the same bonus plan and benefit plan as all other employees. The benefit plan includes: extended health, dental care, insurance coverage and disability as well as the Registered Contribution Pension Plan. In addition to the group pension plan, the CEO is provided a Supplemental Executive Retirement Plan (SERP) and a \$6,000 annual car allowance.



2020 Financial Reporting



Summary of Financial Position and Results

Northern Savings is well positioned to meet its long-term objectives of delivering superior member experience and value while achieving sustainable financial performance.

In 2020, consolidated total assets totaled \$710 million, which is an increase of 12% from 2019. This increase is a direct result of the desire to grow local portfolios while reducing wholesale business.

The loan portfolio ended the year at \$444 million and accounted for approximately 63% of total assets. The quality of Northern Savings' loan portfolio remains acceptable, with an impairment allowance of \$2.7 million and a nominal number of loans identified as uncollectible. Our local lending portfolio increased by \$6 million during 2020, primarily due to unexpected payouts of loan syndications with other credit unions. Our wholesale portfolio was intentionally reduced by \$38 million. Our deposit portfolio grew by \$78 million in 2020.

The long-term financial sustainability of Northern Savings is demonstrated through high net income and retained earnings. In 2020, Northern Savings net income was \$4.0 million, a decrease from the \$5.0 million net income recorded in 2019. Retained earnings were \$52 million, an increase from 2019's earnings of \$48 million.

Northern Savings continues to maintain a strong capital position with a capital adequacy ratio of 23.60%. This ratio is significantly greater than the regulatory requirement of 8% and the 15% internal minimum established by the Board of Directors. In addition, Northern Savings has a strong liquidity ratio of 36.57%, which exceeds the regulatory minimum of 8%.

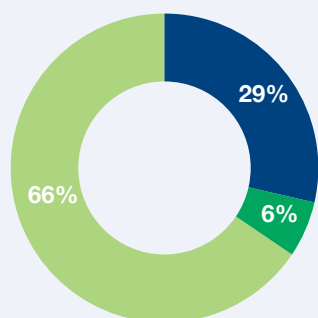
THE BALANCE SHEET

Loans

Member loans (net of allowances and accrued interest) decreased by \$32 million in 2020 due to the strategic reduction of our wholesale loans portfolio. Local lending portfolio increased by \$6 million while the wholesale portfolio decreased by \$38 million.

2020 LOAN MIX

- Retail Loans
- Commercial Loans
- Southern BC Loans



Securitized loans as of December 31, 2020 were \$0 compared to the prior year's \$5.1 million.

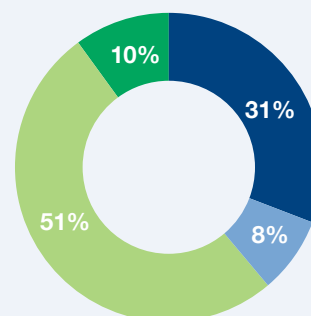
The allowance for doubtful accounts has a balance of \$2.67 million which represents 0.6% of the total portfolio (before provision). Northern Savings delinquency rate (>30 days) is currently 0.25%, an improvement from 2019's rate of 0.48%. The decrease can be attributed to the reduction of the wholesale loan portfolio and the overall quality of our loan portfolio.

Deposits and Borrowings

Due to the strategic exit plan of the Deposit Agency business, we no longer have any Southern BC deposits from the Agency on our books. Total local deposits ended the year at \$656 million, an increase of \$78 million from 2019.

DEPOSIT MIX

- Chequing & Savings
- GICs
- Registered Plans
- Tax Free Savings Plans

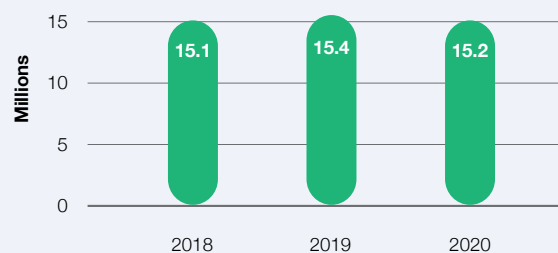


The Income Statement

Financial Margin

Financial margin decreased to \$15.2 million in 2020, down \$300,000 compared to 2019. This was due to a low interest rate environment and shrinking of the loan portfolio.

FINANCIAL MARGIN



Other Income

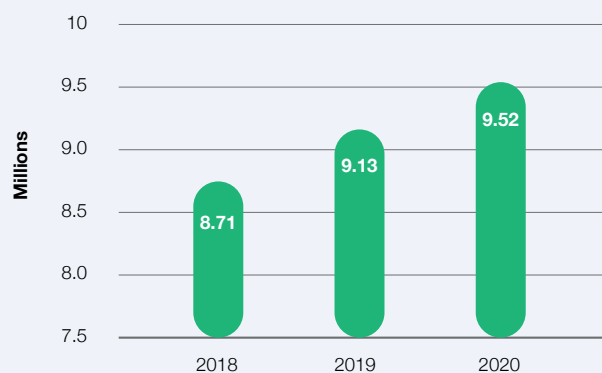
Other income is made up of loan fees, service charges, commissions related to insurance and mutual funds sales, foreign exchange, loan sales and other miscellaneous revenues.

Our Insurance Agency's earnings before taxes and management fees were \$1.26 million – compared to \$1.50 million in 2019. A contingent commission of \$83 thousand was received by the agency in 2020, compared to the \$173 thousand received in 2019. The agency's earnings outlook continues to look reasonably favourable; however, future changes to ICBCs renewal processes could reduce earnings by 20%-25%.

Commercial loan fees attributed \$658 thousand for the year (\$552 thousand in 2019) through participation in local loans and loans with other BC credit unions (referred to as syndicated loans).

Service fee income decreased from \$2.48 million in 2019, to \$2.40 million in 2020, reflecting a slight decrease in transaction volumes.

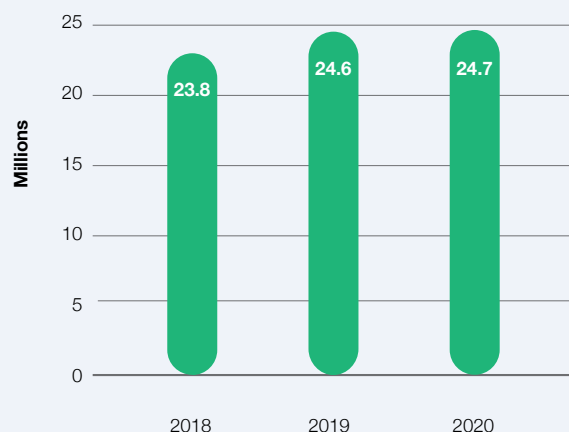
OTHER INCOME



Operating Income

Operating income is the combination of financial margin and other income. Northern Savings experienced modest increase in operating income totalling \$24.7 million in 2020 compared to \$24.6 million in 2019.

OPERATING INCOME

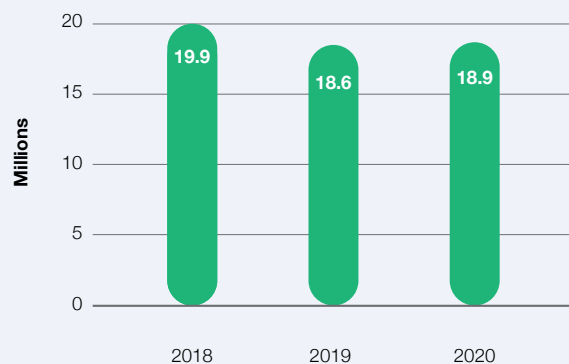


Operating and Other Expenses

Operating expenses were \$18.9 million in 2020, a feasible increase compared to 2019 operating expenses of \$18.6 million.

Noteworthy operating expenses include: salaries and benefits, data processing, premises, and premiums paid to CUDIC.

OPERATING & OTHER EXPENSES



Summary of Financial Position and Results (continued)

Net Income

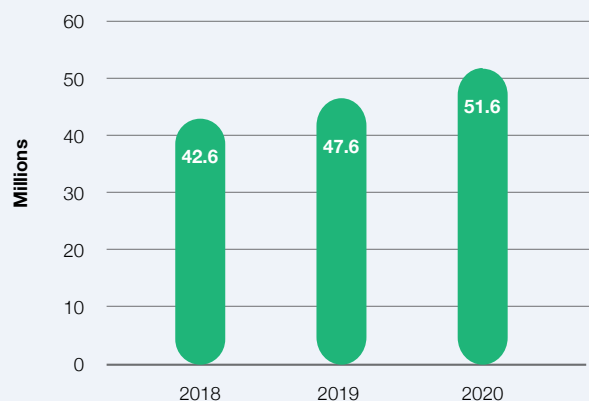
Focusing on business in the communities Northern Savings serves has added to the financial strength of the Credit Union and this is reflected in the healthy level of income from operations – \$5.8 million in 2020 compared to \$6.0 million in 2019.

The Board of Directors declared a dividend to Northern Savings' member shareholders and \$11,285 was paid for 2020. After the dividend and income taxes, net income for the year was \$4.0 million.

Members' Equity and Capital

Members' equity was \$51.6 million in 2020, compared to \$47.6 million at the end of 2019. Capital adequacy at the end of 2020 was 23.63%, well above the regulatory requirement of 8% and the supervisory target of 10%.

MEMBER EQUITY AND CAPITAL



Throughout the year, Northern Savings continued to use the Internal Capital Adequacy Assessment Process (ICAAP). This proactive process evaluates inherent risks and ensures that capital levels can withstand risks both now and in the future. Parameters and results from the methodology are reviewed annually by Northern Savings' Board of Directors.

Risk Management

Northern Savings is subject to risks that are inherent to all financial institutions; therefore, strategies must be in place to ensure risks are managed and mitigated appropriately. The Board of Directors provides the overall strategic direction of the Credit Union, ensures a robust risk management framework is in place, and monitors this framework to ensure the risk appetite is adhered to. The Executive Leadership team is responsible for implementing strategies and policies approved by the Board, as well as developing processes which identify, measure, monitor, and mitigate risks.

Northern Savings is exposed to strategic, operational and regulatory risks including: default risk on loans, concentration of credit risk, collateral risk, liquidity risk, cyber security risk, and interest rate risk. Policies, procedures, controls and measures have been implemented to ensure risk levels remain appropriate to the Credit Union's risk tolerance and to monitor for emerging risks.

Additional measures to support risk management, include both internal and external audit functions. These are independent of management and report to the Board's Audit & Operational Risk Committee.

2021 Outlook

The strategic changes implemented by Northern Savings in 2015 have produced satisfactory results as demonstrated by the improved earnings and capital position of the Credit Union. The plan to reach a target profitability ratio of a minimum of 30 basis points return on average assets (ROAA) and maintain at least 15.0% capital adequacy has been achieved and forms the foundation for Northern Savings in the years to come.

Northern Savings' 2021 business plan continues to focus on providing exceptional member experience with an emphasis on investing resources in a new banking platform, loan origination system and a new digital banking platform. Due to these resource based initiatives, we anticipate a considerable increase in technology and staffing costs, and accordingly, forecast a less profitable year in comparison to 2020. To ensure long-term financial sustainability, we will continue to focus on increasing our local loan portfolios and growing our membership.

Independent Auditor's Report

The summarized consolidated financial statements of Northern Savings Credit Union (the Credit Union), which comprise:

- the summarized consolidated statement of financial position, as at December 31, 2020
- the summarized consolidated statements of comprehensive income, and changes in members' equity and cash flows for the year then ended
- and related notes are derived from the audited consolidated financial statements of Northern Savings Credit Union as at and for the year ended December 31, 2020.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Summarized Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading summarized consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditors' report thereon. The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of the events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion of whether the summarized consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with the Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.

”

Our responsibility is to express an opinion of whether the summarized consolidated financial statements are consistent in all material respects.”

BDO Canada LLP

Chartered Professional Accountants
Vernon, British Columbia
February 25, 2021

SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 75,152,831 | \$ 15,641,792 |
| Investments | 172,093,684 | 123,214,687 |
| Loans to members | 444,344,745 | 476,474,958 |
| Property and equipment | 12,581,868 | 12,774,008 |
| Intangible assets and goodwill | 1,715,892 | 1,400,965 |
| Other assets | 4,163,446 | 3,310,592 |
| Deferred income tax asset | 48,205 | 235,462 |
| | \$ 710,100,671 | \$ 633,052,464 |
| Liabilities | | |
| Member deposits | \$ 655,817,536 | \$ 577,829,137 |
| Secured and other borrowings | – | 5,117,355 |
| Accounts payable and accrued liabilities | 2,680,258 | 2,479,075 |
| | 658,497,794 | 585,425,567 |
| Members' equity | | |
| Contributed surplus | 1,009,446 | 1,009,446 |
| Retained earnings | 50,593,431 | 46,617,451 |
| | 51,602,877 | 47,626,897 |
| | \$ 710,100,671 | \$ 633,052,464 |

The accompanying notes are an integral part of these summarized consolidated financial statements.

Signed on behalf of the Board of Directors' by:



Jamie Malthus, Board Chair



Rodney Cox, Chair of the Audit and Operational Risk Committee

SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Interest revenue | \$ 20,898,632 | \$ 22,067,756 |
| Interest and loan related expenses | 5,732,150 | 6,574,802 |
| Financial margin | 15,166,482 | 15,492,954 |
| Other income | 9,529,658 | 9,137,422 |
| Total operating income | 24,696,140 | 24,630,376 |
| Operating expenses | 18,945,727 | 18,641,486 |
| Income from operations | 5,750,413 | 5,988,890 |
| Distributions to members | 11,285 | 50,490 |
| Income before income taxes | 5,739,128 | 5,938,400 |
| Income taxes | 1,763,148 | 974,778 |
| Comprehensive income for the year | \$ 3,975,980 | \$ 4,963,622 |

The accompanying notes are an integral part of these summarized consolidated financial statements.

SUMMARIZED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended December 31

| | Contributed Surplus | Retained Earnings | Total |
|-------------------------------------|------------------------|----------------------|----------------------|
| Balance at December 31, 2018 | \$ 1,009,446 | \$ 41,653,829 | \$ 42,663,275 |
| Comprehensive income for the year | — | 4,963,622 | 4,963,622 |
| Balance on December 31, 2019 | 1,009,446 | 46,617,451 | 47,626,897 |
| Comprehensive income for the year | — | 3,975,980 | 3,975,980 |
| Balance on December 31, 2020 | \$ 1,009,446 | \$ 50,593,431 | \$ 51,602,877 |

The accompanying notes are an integral part of these consolidated financial statements.

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Cash provided by (used in): | | |
| Operating activities | \$ 114,085,618 | \$ 52,287,535 |
| Investing activities | (49,457,224) | (39,099,788) |
| Financing activities | (5,117,355) | (9,060,550) |
| Net increase in cash and cash equivalents | 59,511,039 | 4,127,197 |
| Cash and cash equivalents at beginning of year | 15,641,792 | 11,514,595 |
| Cash and cash equivalents at end of year | \$ 75,152,831 | \$ 15,641,792 |

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

These summarized consolidated financial statements have been prepared in accordance with Section 128(4) of the Financial Institutions Act and are derived from the complete audited consolidated financial statements of Northern Savings Credit Union, prepared in accordance with International Financial Reporting Standards (IFRS), as at and for the year ended December 31, 2020. Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures necessary for complete and fair presentation. Complete audited consolidated financial statements for the year ended December 31, 2020, together with the auditors' report thereon, were authorized for issue by the Credit Union's Board of Directors on February 25, 2021 and can be obtained at any of the Credit Union's branches.



Credit: CCUA, 2020-2021 Credit Union Community & Economic Impact Report

Canada's 233 credit unions

- Are member-owned, co-operative financial institutions. This different way of banking allows Canadians to keep their money working for their local community.
- Serve over **5.9 million Canadians***
- Operate from **1,721** locations
- Are the **only financial institution** with a physical presence in 394 communities
- Are governed by **2,521** volunteer directors
- Directly and indirectly employ more than **58,000** Canadians
- Lead Canada's financial sector in gender parity with **34%** female board of directors

* Figure not including Quebec



Proud to be Northern

CORPORATE OFFICE

138 3rd Avenue West
Prince Rupert, BC

PERSONAL & BUSINESS FINANCIAL SERVICES, FINANCIAL PLANNING & WELLNESS

Masset Branch

1663 Main Street
Masset, BC

Prince Rupert Branch

138 3rd Avenue West
Prince Rupert, BC

Queen Charlotte Branch

110 Causeway Street
Queen Charlotte, BC

Terrace Branch

4660 Lazelle Avenue
Terrace, BC

INSURANCE SERVICES

Masset

1663 Main Street
Masset, BC

Prince Rupert

138 3rd Avenue West
Prince Rupert, BC

Queen Charlotte

106 Causeway Street
Queen Charlotte, BC

Terrace

4660 Lazelle Avenue
Terrace, BC

