

Libro Business Owner Christina  
21 Tours and Events



# Annual General Meeting

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2023 Workbook



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## Our Journey to Reconciliation

Libro Credit Union is a financial services co-operative that operates within the territories of the Attawandaron, the Haudenosaunee, the Anishinaabeg, the Lenape, the Algonquin, and the Ojibway/Chippewa peoples.

Our head office is situated on the territory of the Chippewas of the Thames First Nation, Oneida Nation of the Thames, and Munsee-Delaware Nation in the area we call London.

We are grateful for the opportunity to live and work here and are thankful for the generations of people who have taken care of this land for thousands of years. We recognize the contributions of First Nations, Métis, Inuit, and other Indigenous peoples who continue to live in these communities.

Libro Credit Union is committed to acknowledging and appreciating the Indigenous peoples' connection to this land and aspire to be an ally, working towards delivering on the Truth and Reconciliation Commission Calls to Action.

## Be Libro

**WHY**

To **grow prosperity** in southwestern Ontario by transforming banking.

**HOW**

Be epic humans  
Be passionately accountable  
Be bold explorers  
Be mutually inclusive

**WHAT**

Inspiring financial happiness  
Joyful in our work

### Libro is Purpose-Driven

At Libro our Purpose is to grow prosperity in southwestern Ontario by transforming banking. We deliver on that Purpose by helping people in the region be:



**Financially Resilient**



**Adequately, Safely and  
Affordably Housed**



**Meaningfully  
Employed**



**Food  
Secure**



# 9<sup>th</sup> Annual General Meeting

April 15, 2023

AGM Workbook

## Agenda

9:00 am      Registration Opens

### 10:00 am    Annual General Meeting

1. Call to Order, Opening Announcements and Introductions
2. Growing Prosperity Awards
3. Report on Registration and Establishment of Quorum
4. Adoption of the Agenda
5. Minutes of the Last Annual General Meeting and Business Arising
6. Report of the Board of Directors
7. Director Elections
8. Special Resolution to Amend the Bylaws
9. Management Report on Operations for 2022
10. Report of the Audit and Finance Committee
  - a. Report of the External Auditors
  - b. Submission of Financial Statements
  - c. Appointment of External Auditors
11. Report of the President and CEO
12. Open Question Period
13. Final Announcements and Conclusion of Meeting

12:30 pm      Lunch compliments of Libro

## Notes to the Agenda

### **1. Minutes and Business Arising**

The minutes of the 8<sup>th</sup> Annual General Meeting conducted via livestream from RBC Place | London Convention Centre on Saturday, April 2, 2022 are included on pages 6 to 12. A reference to business arising from those minutes is on page 13. The minutes will be presented for adoption as printed with time allotted for Owner Representatives to identify any errors or omissions. There will be time to discuss topics covered in the minutes under Agenda item 5.

### **2. Report of the Board of Directors and its Committees**

The written report of the Board of Directors begins on page 14. The report of the Audit and Finance Committee as required by our Bylaws, is on pages 19 to 21 followed by reports from the Board's other standing Committees and Sub-Committee on pages 22 to 29.

### **3. Director Elections**

Terms of office are expiring for four Directors, and there are four available positions each for a three-year term. Six candidates were nominated during the advance nomination period. The Corporate Secretary, appointed by the Board as Elections Officer, will conduct the elections at the AGM. For further details and candidate profiles, see pages 30 to 51 of this Workbook.

### **4. 2022 Audited Financial Statements and Management Report on Operations**

Starting on page 104, this Workbook contains the full financial statements including the notes to the financial statements in support of the Report of Management on Operations 2022 (Agenda item 10), Report of the External Auditors (Agenda item 11a) and the official Submission of the Financial Statements (Agenda item 11b).

Libro's 2022 Annual Report and the audited financial statements are shared with Owners and the public on the website at <https://www.libro.ca/about/reports>.

### **5. Appointment of External Auditors**

The Board of Directors will recommend Ernst & Young, LLP as external auditors for the fiscal year ending December 31, 2023. Information regarding the process for reviewing the external auditor is found in the report of the Audit and Finance Committee on pages 19 to 21.



## Minutes of the Last AGM

LIBRO CREDIT UNION LIMITED

MINUTES of the **8<sup>th</sup> ANNUAL GENERAL MEETING** (AGM)

held on **Saturday, April 2, 2022**

presented via livestream from RBC Place London, 300 York Street, London

### **Call to Order and Opening Announcements**

Jacquie Davison, Board Chair, called the meeting to order at 10:00 am. She acknowledged the difficult decision to hold the meeting virtually and the loss of personal interaction.

Fabienne Haller presented a Land Acknowledgment in recognition of Truth and Reconciliation.

Stephen Bolton reflected on the loss of Kathleen Grogan, Libro Executive Vice President Finance & CFO, who passed away in June of 2021.

Jacquie Davison reviewed online meeting procedures and conducted a test vote for Owner Representatives using the online voting system. She then introduced members of the Board of Directors, Executive Leadership Team and other management presenting during the meeting.

### **Growing Prosperity Awards**

Brian Aalbers presented the 2021 Growing Prosperity Awards. Cheryl Hesselwood received the staff award, Dan Gemus the Owner Representative award, and Tamara McMullen the Owner award. Each award recipient was celebrated with a customized painting and a charitable donation to an organization of their choosing.

### **Report on Registration and Establishment of Quorum**

Janet Taylor reported that 75 Owner Representatives were registered at 10:25 am. Jacquie Davison declared a quorum with more than 50% of Owner Representatives (96 in office) attending.



Review of online registration data found the following numbers of participants during the Annual General Meeting:

85	Owner Representatives
83	Owners
23	Guests

## **Agenda for the Annual General Meeting**

Jacque Davison presented the agenda for the Annual General Meeting as distributed in the AGM Workbook.

## **Minutes of Last Annual Meeting and Business Arising**

Janet Taylor presented the minutes of the 7<sup>th</sup> Annual General Meeting and the Report on Business Arising. She reported that Libro had recertified as a B Corp with an improved score over the first assessment in 2018. She also shared that Owner assets allocated to responsible investments had increased due to Libro's commitment to responsible investing through NEI Investments.

**Owner Representatives approved an electronic motion to adopt the minutes of the 7<sup>th</sup> Annual General Meeting of Libro Credit Union Limited, held on Saturday, April 17, 2021 via livestream using the Chime Live online platform.**

## **Report of the Board of Directors**

Jacque Davison presented the Report of the Board of Directors highlighting achievements in the following areas:

- Gratitude for the hard work of Libro staff that led to strong results for the credit union,
- The changing regulatory environment and opportunities presented in the new Ontario Credit Unions and Caisses Populaires Act (2020),
- Climate change and Diversity, Equity, and Inclusion (DEI) initiatives, and the impact Libro is making through Libro pillars of employment, financial resilience, local food accessibility, and housing.

## **Director Elections**

Janet Taylor, as Corporate Secretary and appointed by the Board, conducted the director elections. She shared information from the Director Recruitment Sub-Committee including the following:

- Board continuity and stability was a focus this year due to:
  - the pace of director turnover,
  - skills, attributes, and competencies of current directors,
  - regulator expectations,
  - Libro's commitment to DEI, and
  - the benefits and downsides of an election by ballot versus acclamation.



There were four board vacancies all for three-year terms. Terms of office expired for Jacquie Davison, Chris Mendes, Chris Smith, and Donna Taylor. Four advance nominations were received during the Advance Nomination Period from Jacquie Davison, Chris Mendes, Ronda Stewart, and André Vashist. Janet Taylor stated that according to Libro bylaws and election rules the floor would not be open to further nominations and elections would be conducted by acclamation.

**Owner Representatives approved an electronic motion to confirm the election of Jacquie Davison, Chris Mendes, Ronda Stewart, and André Vashist to the Libro Board of Directors each for a three-year term of office.**

Janet Taylor invited those elected to address the meeting and concluded the election process. Jacquie Davison recognized Chris Smith and Donna Taylor for their contributions to the Board and invited them to address the meeting.

### **Special Resolution re: Owner Representative Remuneration Policy**

Alan DeVillaer, on behalf of the People and Culture Committee, presented the Special Resolution to confirm board policy F.4 Owner Representative Remuneration. He summarized the consultative review process that was undertaken including consultation with Owner Representatives, and research into remuneration programs for other Canadian cooperatives with delegate models. He highlighted the rationale for the changes including

- alignment with compensation philosophy;
- fair and equitable compensation appropriate to the role; and
- comparator data.

**Owner Representatives approved the Special Resolution to confirm board policy F.4 Owner Representative Remuneration with more than the 2/3<sup>rd</sup>s majority required.**

Prior to the vote, the following discussion took place:

Bill Wilkinson expressed his appreciation that the Owner Representative and Director remuneration special resolutions were presented as separate items and asked if that practise would continue. Jacquie Davison confirmed that, as per past practice, Owner Representative and Director special resolutions would remain separate agenda items.

## **Special Resolution re: Director Remuneration Policy**

Alan DeVillaer, on behalf of the People and Culture Committee, presented the Special Resolution to confirm amendments to board policy E.5 Director Remuneration. He highlighted the rationale for the changes including

- equitable compensation that aligns with Libro's compensation philosophy and the Financial Services Regulatory Authority of Ontario's (FSRA) Sound Business and Financial Practices Rule;
- the importance of attracting, retaining, and motivating high-quality Directors for a credit union the size and complexity of Libro operating under increased regulatory demands;
- alignment with compensation philosophy informed by peer group remuneration data; and
- consistency in Owner Representative and Director compensation for attending the same meeting.

**Owner Representatives approved the Special Resolution to confirm board policy E.5 Director Remuneration with more than the 2/3<sup>rds</sup> majority required.**

## **Report of Management on Operations**

Janet Johnson shared some of her memories of working with Kathleen Grogan, after which she and Greg McQueen, on behalf of the Executive Leadership Team, presented the management operations report and reviewed:

- Strong portfolio growth on and off-balance sheet,
- Net income before profit sharing and taxes returning to pre-pandemic levels,
- Elevated liquidity due to higher savings, and government stimulus,
- Dividends and profit sharing,
- Capital adequacy and a new Investment Share Offering,
- Changing regulatory environment including a new Credit Unions and Caisses Populaires Act,
- Investments in staff roles and structures, and the Moments Matter program,
- Owner growth and Owner satisfaction,
- Renewal of Libro's presence in the community while shifting to a digital first, coaching anywhere mindset, and
- Investment in staff.

The following discussions took place relating to the Report of Management on Operations.

James Quenneville asked for additional information regarding asset growth exceeding profitability. Janet Johnson explained that capital is monitored using a ratio of capital over our risk-weighted assets. Capital being comprised of shares and retained earnings from profitable operations plus other accounting gains. In 2021, assets grew faster than capital causing pressure on the ratio. Libro was focused on profitability and planning an Investment Share Offering to maintain strong capital and profitability in the long-term.



Lynn Brown asked how Owners would learn about the investment share offering. Janet Johnson shared that Owners would begin to see communications about the investment share offering now that the offering had received approval from FSRA. She recommended that Owners speak to their Libro coach or investment specialist to learn more.

Mira Rakaj asked about the increase in the below standard loans as shown in Note 6 of the Financial Statements, and whether this increase reflected a higher risk of default, or an impact on the provision for credit losses in the future. Janet Johnson explained that Libro uses an expected credit loss (ECL) model on its loan portfolio with each loan being assigned to a stage within the model based on the attributes of the loan. The increase in stage 2 loans was driven by overall loan growth. She added that stage 3 loans are those more specifically impaired including one large commercial loan for which there was a specific allowance. Libro monitors the allowance closely which includes regular modeling. The allowance is impacted by many factors and Libro uses the modeling and monitoring to ensure there is an appropriate provision for loans in the future, and that this was an area of emphasis during the external audit review.

Halina Zalinski asked how Libro's commitment to Diversity, Equity, and Inclusion recognizes Owners or potential Owners who have limited resources who would benefit from, for example, the offering of micro-loans. Greg McQueen explained that Libro currently has micro-loan programs in place partnering with local organizations, such as Goodwill Loan Program, to help limited resource Owners or loans to newcomers to Canada with existing workforce credentials.

Bill Wilkinson offered appreciation for the initiatives to improve visibility of the London Downtown and London South locations, and asked what plans were in place at the London North location where recent construction had impaired visibility. Greg McQueen replied that Libro is reviewing options to make the London North location more visible as part of both short and long-term plans.

Abe Versteeg asked about the impact of rising interest rates on Libro's interest rate swap agreements. Janet Johnson replied that Libro enters into fixed pay swaps to manage interest rate risk. Using mark to market valuation, the locked in fixed pay swaps is based on forward looking interest rate curve. As the interest rate curve goes up, Libro's swaps increase in value, therefore Libro anticipated gains on the swaps during 2022. Libro examines the interest rate risk when entering into new swaps in order to manage exposure to rate changes.

Richard Stewart commented that he is looking forward to Libro's continued success with the new locations as Libro surpasses the mainstream banks. He added that credit unions are the way of the future of participative banking.

## **Report of the Audit and Finance Committee**

Marycatharine Kusch, on behalf of the Audit and Finance Committee, presented this report and reviewed the duties and responsibilities of the Audit and Finance Committee as per the Act, Libro Bylaws and board policy. She concluded with the Audit and Finance Committee opinion that the committee had met the requirements of the Act and policies and further that the system of internal controls in place are sufficient to provide reasonable assurance of the safeguarding of Libro assets, the accuracy of financial reports and compliance with policies and procedures.

## **Report of the External Auditor**

Luda Pradyszczuk-Pitt, on behalf of the external auditors, Ernst & Young, presented this report.

## **Submission of Financial Statements**

Marycatharine Kusch submitted the Financial Statements for adoption as presented at the meeting including the statement on management's responsibility for financial reporting appearing on page 55 and the external auditor's report on pages 56 to 57 of the AGM Workbook.

## **Appointment of External Auditors**

Marycatharine Kusch formally presented the recommendation of the Board of Directors to appoint the firm of Ernst and Young LLP as external auditor for the fiscal year ending December 31, 2022.

## **Owner Representatives approved an electronic motion to:**

- **Accept the Report of the Audit and Finance Committee as printed and presented;**
- **Adopt the Audited Financial Statements for the year ended December 31, 2021 which include the Report of the External Auditor; and**
- **Appoint the firm of Ernst and Young LLP as external auditor for Libro Credit Union for the year ending December 31, 2022.**



Prior to the vote, the following was discussed:

Mira Ratkaj asked if there were any material audit findings. Marycatharine Kusch reported that we had a clean audit opinion with no unadjusted differences.

## **Report of the President & Chief Executive Officer**

Stephen Bolton, Libro President & CEO, made a presentation on passion for:

- Making Money Better: promoting financial resilience, values and Purpose,
- Seamless digital services,
- Increasing our positive impact,
- Profitable growth for a Purpose, and
- Our credit union.

## **Open Question Period**

The following questions and comments were presented to the meeting.

Laura Jean Wilde reflected on advancements and developments in the tech sector and asked about technical support experts at Libro. Mike Smit explained that Libro takes a balanced approach to launching new technology with expertise for the research, launch and post-launch phases. Libro prefers to pilot with smaller groups who can help work through technical issues early in the process so that products can get to market quicker.

Liz Greve asked if there was a way to see a list of businesses who are Libro Owners so that other Owners could consider supporting them. Mike Smit responded that Libro highlights Owners as much as possible in social media and other communications. Libro believes that connecting the community with our business Owners is important.

Lynn Brown asked if Libro has considered marketing itself as a “greener” financial institution. Mike Smit responded saying that Libro is bringing our commitment to climate change to the forefront in promotions and looking for ways to integrate our commitment to fighting climate change into our products and services.

## **Adjournment**

Jacquie Davison concluded the meeting at 12:31 pm.

## Report on Business Arising from the Minutes

The following are updates on selected topics included and questions raised in the minutes of the Annual General Meeting (AGM) of April 17, 2021 for which there is a substantive update or new information to report.

### Series 6 Investment Share Offering

Libro celebrated the biggest and most successful share offering in our history as one of the milestones of 2022, and of our 80-year history as a credit union.

Our Series 6 Investment Share Offering attracted Owners from every part of the credit union and the outcome was wonderful, with \$96.8 million invested. This trust from Owners strengthens our capital base and makes the credit union stronger, while reminding us all; when we invest in our cooperative financial institution, we are helping make good things happen.

### Our Climate Change Journey

Libro recognizes climate change challenges and the increasing demand placed on financial institutions by stakeholders and regulators to take action to fight climate change. We are committed to supporting Owners affected by this complex issue. We have spent 2022 setting the foundations for learning about climate change, our impact and what we can do. As a credit union, we know that our impacts lie in our buildings, operations and in our financial portfolio.

The work we're doing

- Partnered with Green Economy London to track our greenhouse gas (GHG) emissions and working to reduce them.
- Developing a seven-year road map to help us achieve energy reduction through building updates and renewable energy opportunities.
- Integrating sustainable energy design for future branch renovations and builds.
- Calculating our financed emissions impact – defined as the indirect greenhouse gas emissions attributable to financial institutions due to their involvement in providing capital or financing (EY, 2022).
- Joined the Partnership for Carbon Accounting Financials (PCAF).
- Expecting to disclose both operational and financed emissions baselines by 2024 followed by annual reporting on progress in reducing emissions.

More information is found in From Strength to Strength | 2022 Annual Report.

## Report of the Board of Directors

### Building Strength Together

As we reflect on the events of 2022, at Libro Credit Union we can celebrate another remarkable year for our purpose-driven financial institution. We are marking another period of healthy profits and growth, the latest story of success that runs for almost 80 years and includes more than 40 legacy credit unions across southwestern Ontario. A sense of collective strength is at the heart of our credit union. Everyone involved in helping Libro thrive knows that, as a cooperative, a certified B Corp®, it's a team effort. Take a read through *From Strength to Strength | 2022 Annual Report* to discover the strength of Libro's collective success.

The Board of Directors has a responsibility to protect, enhance and monitor the operations and assets of Libro. Directors act in good faith and with the care, diligence, and skill of a prudent person in the best interests of Libro. As a key leadership team at Libro, it is important that the board has the right people, with the appropriate skills, education, experience and commitment to oversee the success of Libro. The Board of Directors has delegated work to its standing committees that give their reports on subsequent pages of this AGM Workbook.

### Key Activities

Key Board of Directors activities from 2022 include:

- Provided independent oversight, and as required approval of decisions, plans, processes and policies of Libro.
- The Board Chair and Vice Chair participated in meetings with the Financial Services Regulatory Authority of Ontario (FSRA) resulting in a stronger relationship with the regulator. Additionally, Marycatharine Kusch, Vice Chair of the Board, was appointed to FSRA's Stakeholder Advisory Committee for Credit Unions, and former director Todd White was appointed to the Consumer Advisory Panel.
- Worked with management to update board policies and Bylaw to align with the Credit Unions and Caisses Populaires Act, 2020, Regulation and Rules that have come into force since March 1, 2022.
- Monitored progress of the Diversity, Equity, Inclusion (DEI) Council as that group worked with an external consultant to develop baseline data that included confidential surveys of staff, directors, Owner Representatives, and Owners. A report on Diversity and Inclusion, including board gender diversity as required by the Act, follows the reports from the Board standing committees.
- Completed the due diligence required for the Series 6 Investment Share Offering completed in the summer. The Investment Share Offering added \$96.8 million to Libro's capital base. This phenomenal

outcome involved Owners from every part of southwestern Ontario, and staff from across the credit union.

- Explored and recommitted to Libro's Why of growing prosperity in southwestern Ontario by transforming banking during the annual planning session.
- Received updates and monitored progress on Libro's response to climate change as Libro begins efforts to take a strategic stance on this issue, leading in key areas aligned to purpose, and deepening understanding of the importance and impact of climate change in our market segments. See the Report on Business Arising and From Strength to Strength | 2022 Annual Report for more details on Libro's progress this past year.
- On a broader basis, the Board adopted an Environmental, Social, Governance (ESG) framework that creates clear lines of accountability across the credit union to ensure we deliver on our commitments.
- Libro Credit Union is the sole member of the Libro Foundation. The Board received updates from the Foundation in April 2022 and March 2023. On both occasions the Foundation board presented resolutions to adopt the Bylaws, financial statements, director elections by acclamation, and appointment of the public accountant (Ernst and Young LLP).
- As the pandemic lessened during 2022, the Board and Regional Councils began a return to in person meetings with an ongoing need to accommodate virtual attendance.
- Libro hosted an in person Fall Forum in October where the keynote speaker was Andrew McClenaghan of The Bicycle Café. The Board thanks the planning committee who made this an entertaining and informative event.
- Actively participated in Regional Council meetings with Owner Representatives and regional management. Each director serves as a Liaison to a Regional Council acting as a conduit between the Regional Council and the Board.

## **CEO Succession**

The appointment of a Chief Executive Officer (CEO) is a critical role that the Board of Directors undertakes, and the Libro Board diligently followed its strong CEO succession planning process to select Libro's new CEO. Beginning with Stephen Bolton's confidential announcement of his retirement to the Board in August 2022, the Board appointed a CEO Search Committee comprised of Jacquie Davison (Board Chair), Marycatharine Kusch (Board Vice Chair), Alan DeVillaer (People and Culture Committee Chair), and Garrett Vanderwyst (Board Member). The Committee was charged

- To conduct a national search with a commitment to find the best possible person to lead Libro's strong team to achieve success into the future;



- To carefully consider skills, experience, values and leadership style alignment to ensure cultural fit; and
- To ensure that candidates from underrepresented groups were invited to participate, and encouraged through the process.

The CEO Search Committee retained the services of an executive search firm to support development of an updated role profile using stakeholder input and various Libro strategic documents, and conducting a robust search process.

On February 12, 2023 the Board shared news of the appointment of Shawn Good to become Libro’s CEO effective May 1, 2023. Additionally, they shared that Carol Normandeau, Libro’s Executive Vice President Advice & Service had agreed to take up the role of Interim CEO beginning March 9<sup>th</sup> to lead Libro during the gap between Stephen Bolton’s retirement and Shawn Good’s start.

### Engagement Survey Scores

	2022	2021	2020	2019
<b>Board of Directors</b>	83%	86%	90%	89%
<b>Owner Representatives</b>	83%	83%	85%	85%

Directors continue to be highly engaged and enthused about their role in governing our credit union. The Board has noted a relationship between board effectiveness and board turnover. The Board recognizes that directors new to the board require time to become comfortable and confident in their role, and an “average” rating (i.e., 4 out of 7) on an assessment is a reflection of time spent in the role rather than dissatisfaction with the role. We continue to explore the survey details to identify areas where additional improvements can be made.

Owner Representatives also continue to be highly engaged in their role and activities. Regional Councils are maturing within the regional governance structure finding ways to embrace the governance and purpose aspects of their role. Councils have reviewed their own survey details and set goals to ensure they have clarity and find value in their roles, and have the opportunity to be meaningfully engaged, on behalf of Libro, within their regions.

### Director Skills and Competencies

The Board of Directors has established a base of desired skills and attributes. The Board uses individual, peer, and team assessments to identify its existing skills but also those skills it wishes to build or strengthen.

Libro’s desired skills and attributes reflect the applicable legal and regulatory requirements and are consistent with the Financial Services Regulatory Authority of Ontario Guidelines.

Annually, directors participate in a self-assessment that identifies ten (10) competency areas. These competencies are considered critical for directors to effectively fulfill their responsibilities. Directors self-rate based on the levels as simply defined below:

- Basic – some knowledge and competency
- Good – fundamental knowledge and competency
- Strong – significant knowledge and competency
- Expert – expert knowledge and competency

We recognize that not all directors will have the skills and attributes set out below at the beginning of their tenure on the Board. Libro invests in Learning and Development opportunities for Board member growth and success.

<b>Competency Category</b>	<b>Board Average Competency Level</b>	<b># Directors at Competency Level</b>
<b>Audit &amp; Compliance</b>	Strong	Expert – 2 Strong – 6 Good – 3 Basic – 0
<b>Board &amp; CEO Performance</b>	Strong	Expert – 5 Strong – 4 Good – 2 Basic – 0
<b>Credit Union Operations</b>	Strong	Expert – 2 Strong – 6 Good – 3 Basic – 0
<b>Financial Literacy</b>	Strong	Expert – 4 Strong – 5 Good – 2 Basic – 0
<b>Ethics and Governance</b>	Expert	Expert – 7 Strong – 3 Good – 1 Basic – 0



# 9<sup>th</sup> Annual General Meeting

April 15, 2023

AGM Workbook

Competency Category	Board Average Competency Level	# Directors at Competency Level
<b>Leadership</b>	Strong	Expert – 6 Strong – 5 Good – 0 Basic – 0
<b>Regulatory Environment</b>	Strong	Expert – 0 Strong – 8 Good – 2 Basic – 1
<b>Risk Management Oversight</b>	Strong	Expert – 4 Strong – 4 Good – 3 Basic – 0
<b>Strategic Planning</b>	Strong	Expert – 3 Strong – 8 Good – 0 Basic – 0
<b>Securitization</b>	Strong	Expert – 1 Strong – 4 Good – 4 Basic – 1

## Board of Directors Activity

One way the Board demonstrates leadership is through commitment to attendance and participation at meetings. The statistics below reflect meetings held since the last AGM.

	# Members	# Meetings	Attendance
<b>Board of Directors</b>	11	11	93%
<b>Audit and Finance Committee</b>	5	5	95%
<b>People and Culture Committee</b>	5	4	100%
<b>Risk and Credit Committee</b>	5	4	100%
<b>Director Recruitment Sub-Committee *</b>	8	5	93%
<b>*4 Directors + 4 Owner Representatives</b>			
<b>CEO Search Committee</b>	4	17	99%

Note: The above attendance statistics refer to formal meetings of the Board and its Committees. Directors also participate in Regional Council meetings, the strategic planning session, and other conferences and events as required as part of their service to the Libro Board.

## Report of the Board Committees

### Audit and Finance Committee

Libro's Audit and Finance Committee is a standing committee of the Board of Directors as required by Section 104 of the *Credit Union and Caisses Populaires Act (2020)*. Five directors form the Committee and we have adopted committee schedules and mandates that include the duties specified in the Act and Regulations (Sections 35-38) to be performed by an Audit Committee.

The Audit and Finance Committee has met five (5) times since our last Annual General Meeting and arranged the agenda to carry out our duties, to meet goals and objectives, and to take appropriate action where necessary. Principal activities and issues undertaken by the Audit and Finance Committee, on behalf of the Board, this past year include:

- Oversight of the activities of the external auditors appointed at our last annual general meeting, including review of the terms of the engagement letter, remuneration, scope, plan and results of the 2022 financial statement audit.
- Review of Libro's annual audited financial statements and recommendation for Board approval.
- Oversight of the activities of Libro's internal auditor to ensure effectiveness, including review and approval of the Internal Audit Charter and annual work plan, review of reports, significant findings, and management response to same.
- Managed the Audit Manager through a "solid" line reporting relationship between the Audit and Finance Committee and the Audit Manager who leads the internal audit function. A "dotted" line relationship exists between the Audit Manager and the CEO and CFO for routine functional support. The Committee confirms that this reporting structure is appropriate to achieve the independence, objectivity and organizational stature for the internal audit function to effectively fulfill its obligations, and to carry out its activities free from management interference thereby remaining organizationally independent.
- In accordance with Libro's Enterprise Risk Management (ERM) Framework, reviewed regular updates and obtained assurances that management has adopted reasonable internal controls and risk mitigation activities that provide for safeguarding the assets of Libro, ensuring accuracy of financial reports, and compliance with policies and procedures.



- Provided opinion and guidance to management on the Recovery Plan prior to recommendation to the Board and submission to the regulator.
- Oversight of the Class I Investment Share Series 6 Offering, in particular the implications to capital.
- Assessed the adequacy of staff to fulfill accounting and financial responsibilities.
- Reviewed policies related to legislative and regulatory compliance, with a particular focus on requirements for liquidity, capital adequacy, interest rate risk management and market risk with a particular emphasis on alignment with the new Act, Regulations and Rules.
- Received regular updates on regulatory contacts and examinations plus resultant action plans.
- Received educational presentations on external audit, securitization, and the Internal Capital Adequacy Assessment Process (ICAAP).
- Reviewed and recommended for Board approval the 2023 and 2024 annual operating budget and related capital and liquidity plans. Further the Committee reviewed the Contingency Funding Plan (CFP) which is a supplement to the annual Liquidity Risk Management Plan.
- Oversight of pension fund filings and financial statements, and approved an updated Statement of Investment Policies and Procedures.
- Reviewed regular reporting on asset liability management.

The Audit and Finance has recommended that the Board appoint Ernst and Young LLP as external auditor for the year ending December 31, 2023 with that recommendation being presented to the Owner Representatives voting at the 9<sup>th</sup> Annual General Meeting. The Audit and Finance Committee conducts an annual review of the performance of the external auditor with a more comprehensive review every five (5) years, that may consist of Request for Proposal (RFP) process. The last comprehensive review took place in 2021, and based on the Ernst and Young services continuing to meet expectations the Committee agrees to retain their services.

Based on its findings, the Audit and Finance Committee issues reports and makes recommendations to the Board of Directors or Executive Leadership Team, as appropriate. There are no significant recommendations made by the Audit and Finance Committee that have not been implemented. In addition, there are no matters which the Audit and Finance Committee believes should be reported or disclosed to the Owners.



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The Audit and Finance Committee is pleased to report to the Owners of Libro that it continues to meet the requirements of its annual mandate in accordance with the Act and Regulations. The Committee receives full cooperation and support from management to enable it to play an effective role in improving the quality of financial reporting to the Owners and enhancing the overall risk management and control structure at Libro.

Respectfully submitted by the Audit and Finance Committee,

Marycatharine Kusch, Chair

Chris Mendes

Garrett Vanderwyst, Vice Chair

Stephanie Soulis

Jeff McCallum

Jacque Davison, ex officio

## People and Culture Committee

Libro's People and Culture Committee is a standing committee of the Board of Directors. Five directors form the Committee and we have adopted committee mandates that ensure Libro's culture aligns with strategy such that Libro attracts and retains people with the right skills and values to serve as staff, directors and Owner Representatives. The Committee met four (4) times since our last Annual General Meeting. The Committee sets its work plan based on the terms of reference that outline duties in the following areas:

- Culture
- Governance
- Oversight of Staff and CEO
- Oversight of Board of Directors
- Oversight of Owner Representatives
- Oversight of Risk Management

During the 2022-2023 year the Committee focused attention in the following areas:

- Oversight of the annual CEO evaluation process, and talent mapping for senior leadership positions at Libro leading into the CEO search that began in August 2022.
- Review of Libro Bylaws through the lenses of the updated Credit Unions and Caisses Populaires Act, 2020 plus its supporting Regulations and Rules, diversity, equity and inclusion (DEI), and general changes in business conduct post-pandemic. This resulted in the Special Resolution to amend the Bylaws being presented at the Annual General Meeting.
- Deliberated on enhancements to the director nomination process including candidate endorsement, receiving agreement from the Board to proceed with a candidate endorsement practice for the 2024 director elections.
- Oversight of the director assessment program, managed by Ahria Consulting, that includes a skills & qualifications self-assessment, board engagement survey, multi-rater assessment, and board effectiveness assessment.
- Considered additional director competencies, specific to the needs of Libro, to add to the skills & qualifications self-assessment. This included defining the competency area, setting desired competency levels, and outlining training paths to achieve those levels.
- Oversight of staff, Owner Representative, and director engagement.
- Monitored progress of the staff-led DEI Council working with the external DEI consultant.
- Received and discussed the first Environmental, Social, Governance (ESG) Framework.
- Engaged external consultants Korn Ferry to advise on CEO and executive compensation.
- Monitored Regional Council performance through feedback from Liaison Directors, and reporting specific to Regional Council turnover, attendance, training, and engagement.



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- Supported and oversaw the Director Recruitment Sub-Committee.
- Reviewed annual risk reporting and board policies specific to the Committee.

Respectfully submitted by the People and Culture Committee,

Alan DeVillaer, Chair

Jodi Simpson, Vice Chair

Jeff McCallum

Ronda Stewart

Garrett Vanderwyst

Jacque Davison, ex officio

Marycatharine Kusch, ex officio



## Risk and Credit Committee

The Risk and Credit Committee supports a comprehensive enterprise risk management (ERM) framework that creates a strong relationship between purpose, strategy and risk. The Committee has met four (4) times since our last Annual General Meeting and arranged the agenda to carry out our duties, to meet goals and objectives, and to take appropriate action where necessary. The Committee sets its work plan based on the terms of reference that outline duties in the following areas:

- Oversight of the Enterprise Risk Management Framework
- Credit Risk Management
- Operational Risk Management including technology, cyber security and operational risks
- Regulatory Compliance including consumer and privacy protection, anti-money laundering, income tax
- Risk exposures and strategies related to climate

Principal activities and issues undertaken by the Risk and Credit Committee this past year include:

- Received educational presentations on Information Technology & Cyber Security Awareness, and the Enterprise Risk Management (ERM) Framework.
- Oversight of Libro's ERM Framework that identifies manages and reports on risk levels inherent to Libro, in accordance with risk appetite, direction and tolerance levels established by the Board. This included guidance on the risk appetite statement approved by the Board of Directors.
- Monitored cyber security, discussed the potential threats to Libro, and were satisfied with the level of protection Libro's cybersecurity team has put in place to protect Libro and its Owners.
- In conjunction with the Audit and Finance Committee, recommended adoption of an Oversight Functions policy to align with section 10 of the Sound Business and Financial Practices Rule.
- Received management's attestation of compliance with the principles, sections and requirements of the Market Conduct Code. The Market Conduct Code enhances the protection and fair treatment of credit union Owners and consumers by establishing a set of conduct requirements.
- Were kept apprised of progress and preliminary outcomes of the Financial Services Regulatory Authority of Ontario (FSRA) examination that took place late in 2022.
- Approved or recommended to the Board of Directors, where required by policy, transactions with Restricted and Related parties as defined in the Act.
- Reviewed Libro's information technology disaster recovery plan that is a significant component of the business continuity plan.
- Received the annual Owner complaints report from management.
- Reviewed compliance reporting including watch list, delinquent loans, large credit exposures, high risk loans, and loan limits and concentrations.
- On behalf of the Board, conducted enhanced oversight of a large, complex lending arrangement to a commercial Owner.
- Monitored emerging risks, information security governance, corporate insurance program, and the impact of proposed regulatory changes.



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- Reviewed policies related to enterprise risk management, information privacy, loans and credit granting, and technology risk. Where appropriate we recommended necessary changes for Board approval.
- Reviewed regular reporting and obtained reasonable assurances with respect to Libro's compliance with legislative and regulatory requirements.

Respectfully submitted by the Risk and Credit Committee,

Bryan Aitken, Chair

Chris Mendes, Vice Chair

Jodi Simpson

Stephanie Soulis

André Vashist

Jacque Davison, ex officio



## Director Recruitment Sub-Committee

Reporting to the People and Culture Committee of the Board, the Director Recruitment Sub-Committee is comprised of an equal number of Owner Representatives and Directors, none of which will be candidates in the upcoming elections. The Director Recruitment Sub-Committee is tasked with securing a number of candidates at least equal to the number of positions becoming vacant at the upcoming Annual General Meeting (AGM).

The Sub-Committee recognizes that Libro is a growing and complex organization committed to recruiting director candidates that bring the skills, education, experience and commitment to govern the credit union. Representation on the Board of Directors needs to reflect Libro's Ownership and as a result, the Sub-Committee includes current director skill sets as well as diversity, equity and inclusion (DEI) in their recruitment decisions.

The Director Recruitment Sub-Committee is pleased to present multiple director candidates who possess a broad range of valuable skills. See pages 30 to 51 for election details and candidate information.

The Sub-Committee met five times since the last AGM and held one virtual Candidate Information Session. In meeting its goals and objectives, the Sub-Committee focused on the following:

- Identifying areas of strength and gaps in the skills and competencies of the Board, as compared to regulatory requirements and Libro leadership attributes.
- Provided feedback to the People and Culture Committee's discussion of slate voting and candidate endorsement practices. This led to support of the decision to enhance director recruitment and elections through adoption of a candidate endorsement process beginning with the 2024 director elections.
- Monitored activity in the area of diversity, equity and inclusion (DEI) to better understand the work underway at Libro plus the opportunities this creates for director recruitment.
- Managed the potential candidate Evergreen list, through routine outreach to those individuals on the list, and those individuals identified as potential additions to the list.
- Met with prospective candidates to discuss the role, responsibilities and obligations of a Libro director. This included prospective candidates for 2023 and future election cycles.



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Respectfully submitted by the Director Recruitment Sub-Committee,

Roman Lalich, Chair

Ronda Stewart, Vice Chair

Bryan Aitken

Elizabeth Baldwin

Lynn Brown

Daniel MacKenzie

Chris Mendes

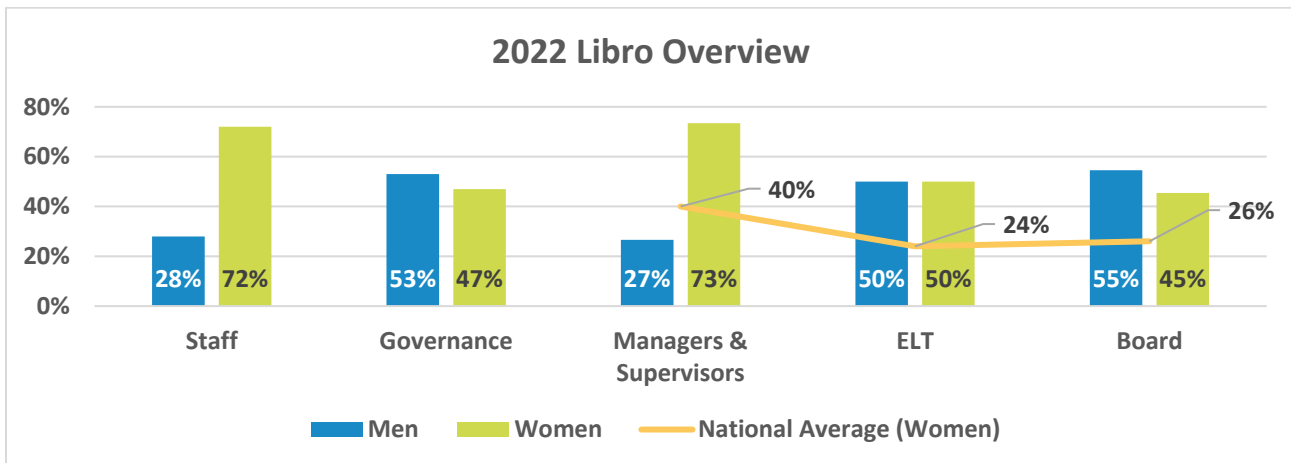
André Vashist

## Diversity and Inclusion

Libro can best achieve our purpose within an inclusive culture, and one that continually respects and incorporates the many perspectives and experiences of the regions we serve. Libro employs Board & Management programs and policies that uphold a culture of inclusivity. Key activities in 2022 include:

- In collaboration with Libro’s Diversity, Equity & Inclusion Council, partnered with Diverse Solutions Strategy Firm to build & deliver a strategic plan to further embed inclusion & equity
- Continued investing in learning, with over 95% of Staff having completed DE&I training
- Launched Lumino, Libro’s new Employee Assistance program, with increased mental health supports for Staff & family and an average satisfaction score of 8.7 out of 10. This complements Libro’s partnership with Employee Wellness Solutions Network, with over 700 wellness sessions delivered, focused on supporting overall Staff wellness.
- Completed pay equity reviews, to ensure equal pay for work of equal value, and review of Libro’s Code of Conduct, and Workplace Mutual Respect policies.
- Investing in resource groups, such as the DE&I Council, Emerging Leaders, and Culture Team
- Rewards & recognitions programs such as *Beyond Libro*, which connects Staff to new learning experiences, and *I Am Libro Awards*, which recognize Staff or outstanding achievements.

One of the many ways we can support a culture of inclusivity is equitable representation. Below you will find a summary of Staff identifying as women and men at Libro across various roles, including a broad 2022 overview with industry comparisons, along with a three-year summary. Work is underway to increase awareness and reporting on diverse populations at Libro.





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## Three Year Overview

<b>Roles</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Women Directors	<b>45%</b>	45%	45%
Women Owner Representatives	<b>47%</b>	55%	49%
Women Executives	<b>50%</b>	50%	50%
Women Managers/Supervisors	<b>73%</b>	70%	73%
Women Staff	<b>72%</b>	76%	77%

**85%** of Staff agree that Libro values diversity

**83%** of Staff agree that Libro has a work environment that is accepting of diverse backgrounds and ways of thinking

\*According to the 2022 Osler Diversity Among Directors and Executives in Canada’s financial services sector, the number of women holding Executive & Director roles in the financial industry is 24% and 26%

\*According to Stats Canada, the proportion of women employed in management positions within retail, trades, and customer services is 40%

## Director Elections and Candidate Information

The Board of Directors has a responsibility to protect, enhance and monitor the operations and assets of Libro. Directors act in good faith and with the care, diligence, and skill of a prudent person in the best interests of Libro. The Board of Directors is a key leadership team at Libro. It is important that the board has the right people, with the appropriate skills, knowledge, experience, and attributes, for the success of Libro.

### **Diversity, Equity and Inclusion**

Libro is committed to building an environment that welcomes and values diversity; where everyone feels engaged and supported regardless of background, religion, race, gender, physical ability or sexual orientation. Differences, including gender, geography, culture, educational background, skill, and professional experiences are essential to promote best governance.

Libro seeks individuals to serve on the Board of Directors who may have:

- knowledge, living or lived experience with diversity, equity and inclusion matters.
- a commitment as a change-agent in diversity, equity and inclusion matters at Libro and in the community.
- experience working in teams, community groups, boards or organizations, with experience in diversity, equity & inclusion working groups.
- a commitment to continuous learning and mutual inclusivity.

### **Director Skills and Competencies**

The Board of Directors has established a base of desired skills and attributes. The Board uses individual, peer, and team assessments to identify its existing skills but also those skills it wishes to build or strengthen. Libro's desired skills and attributes reflect the applicable legal and regulatory requirements and are consistent with the Financial Services Regulatory Authority of Ontario Guidelines.

Libro seeks to build and maintain a diverse Board comprised of leaders with a variety of skills and attributes. We recognize that not all directors will have the skills and attributes set out below at the beginning of their tenure on the Board. Libro seeks candidates with a commitment and aptitude to acquire the skills and attributes to make them effective leaders in our organization.

- Audit and compliance
- Board and CEO performance
- Credit union operations
- Financial literacy

- Governance and ethics
- Leadership
- Regulatory environment
- Risk management oversight
- Strategic planning

In addition to increasing the diversity of the Board, the Board of Directors is seeking candidates who:

- are values aligned, committed to Libro Owners and the community,
- bring entrepreneurial leadership and resilience to the Board, and
- have experience in agriculture, data governance, strategic planning, and audit and compliance.

## **Board Vacancies**

Four vacancies will be open at the beginning of the elections at the Annual General Meeting on April 15, 2023. All four positions will be for three-year terms. Terms of office expire for Alan DeVillaer, Jeff McCallum, Jodi Simpson and Garrett Vanderwyst.

## **Advance Nominations**

The Advance Nomination Period was open from January 1 to February 28, 2023. During that time advance nominations were received from six Owners and those individuals are candidates in the 2023 director election – Jeff Brown, Alan DeVillaer, John Fyfe-Millar, Jodi Simpson, Andrew Swatridge, and Garrett Vanderwyst.

## **Elections by Ballot**

Libro Owner Representatives exercise the powers, including voting rights attached to membership shares, of the Owners in respect to business that comes before the annual general meeting. As such, Owner Representatives are delegated Owner rights to participate in director elections.

The Board of Directors has appointed the Corporate Secretary as Elections Chair. Since there are a more candidates nominated in advance than vacancies, she will conduct a vote by ballot at the AGM using the following procedures:

- She will ask each candidate to speak to the meeting for a maximum of three (3) minutes.
- Following candidate speeches, she will open the voting so that Owner Representatives can mark their electronic ballots. As per Ontario Regulation 105/22 Section 21 (2), Owner Representatives cast a



number of votes less than or equal to the number of directors to be elected (4) but not more than one vote for one candidate.

- When all ballots are marked the Elections Chair will close the balloting. The Elections Chair will return control of the meeting to the Chair of the Board of Directors who will conduct more of the AGM until the tally is complete.
- When the results are available, the Elections Chair will report the names of those elected and the total number of ballots submitted.
- If there is a tie between candidates determining the difference between being elected or not elected, she will conduct a run off ballot between only the candidates so affected. Again, balloting will open and close at the request of the Elections Chair. The Board Chair will continue with the remainder of the agenda until the results are available.
- The Elections Chair will invite candidates elected to offer their remarks and then close the elections.

Note: The Chair of the Board of Directors may invite any Directors not returning to the Board to offer their remarks at this time.

### **Candidates for the Board of Directors**

Libro guidelines ensure that candidates have a fair and equal opportunity for exposure to the Owner Representatives to communicate their desire to become a director. The candidates have shared profile information and statements on the following pages. They have also prepared short introductory videos that can be viewed on [Libro.ca](http://Libro.ca).

### **Disclosures by Candidates for Election to the Board of Directors**

As Owners, all six candidates (plus related or connected parties) deal with Libro. Their deposit, loan and other service relationships are conducted in the normal course of business subject to the same limits and on the same terms, rates and conditions as are available to Owners generally.

The candidates have declared that they (and all parties related or connected to them) are not involved in any material contract or proposed material contract with the credit union. None of the candidates provides any professional services to the credit union (examples: legal or accounting).

## Jeff Brown



### Educational and Professional Designations

Indigenous Canada Course Certificate, University of Alberta, 2019  
Chartered Director, Director's College, McMaster University 2010  
Quantum Shift, Ivey Business School, 2006  
Investment Management Workshop, CFA Institute, Harvard University, 2005  
Chartered Financial Analyst 1990  
Bachelor of Arts - Hons Business Administration, Ivey School of Business, University of Western Ont., 1985

### Work Experience

Retired January, 2022  
Founder, President & CEO 18 Asset Management April 2010 – January 2022  
Founder and Chief Investment Officer Highstreet Asset Management July 1998 – Dec 2008  
Portfolio Manager London Life February 1994 – July 1998  
Investment Analyst London Life February 1990 – February 1994  
Computer Programmer and Analyst London Life April 1985 – February 1990

### Board and Committee Experience

Chairman – 18 Asset Management Inc. - Apr 2010 to Jan 2022  
Director – Chicago Quantitative Alliance - Oct 2014 to present  
Director – London International Airport Authority - Nov 2005 to July 2016  
Chairman – London International Airport Authority – July 2013 to July 2016  
Director – Ivey Community Small Business Investment Fund - Jan 2009 to July 2016  
Chairman – VanRx PharmaSystems Inc. - Dec 2009 to Feb 2021  
Director – Highstreet Asset Management Inc.- Oct 1998 to Feb 2007  
Director - YEARS Financial Trust - Jan 2001 to Dec 2005  
Director YEARS Financial U.S. Trust - Sep 2001 to Dec 2005

Chairman – Highstreet Business Conduct Review Committee - Oct 2001 to Nov 2003

## Community Involvement and Other Interests

Past Community Activities Include:

Chairman, London International Airport Authority  
 Chamber of Commerce, Business Achievement Award Judge  
 Chamber of Commerce, Asian Business Opportunity Committee  
 Brain Tumor Foundation of Canada, Annual Golf Tournament Committee  
 Ivey Business School, Guest Lecturer  
 Canadian Diabetes Association – The Meal Committee

Current Community Activities Include:

Investment & Granting Committee Member - Gate Key Foundation

## Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

As an investment professional, I have been a change agent for Diversity, Equity and Inclusion. I have engaged with companies in our clients' portfolios advocating for change in areas such as Female representation on corporate boards, Indigenous Rights and Worker Rights.

I believe that my career experiences provide some measure of skill diversity to the Libro Board. I have been both a Portfolio Manager and an entrepreneur in Wealth Management, an area of much strategic importance to Libro.

## I bring skills and experience to the Libro board in the following areas.

- |                                  |                             |
|----------------------------------|-----------------------------|
| ✓ Entrepreneurial leadership     | ✓ Credit union operations   |
| ✓ Resiliency                     | ✓ Financial literacy        |
| ✓ Agricultural industry          | ✓ Governance and ethics     |
| ✓ Data governance                | ✓ Leadership                |
| ✓ Strategic planning             | ✓ Regulatory environment    |
| ✓ Audit and compliance oversight | ✓ Risk management oversight |
| ✓ Board and CEO performance      |                             |

## Candidate Position Statement

I kindly ask for your support in becoming a Libro Board member.

My background: I have lived all my life within Libro's catchment area. Growing up in Ridgetown gave me rural roots. I put myself through Ivey Business School working as a farm hand at the Ridgetown College of Agriculture & Technology. My wife and I chose London to raise our three, now adult children. I have significant governance and entrepreneurial experience, especially in wealth management, an area critical to Libro's future. During my career, I founded two London-based, wealth management firms: Highstreet Asset Management and 18 Asset Management both managed portfolios for individuals, charities and pension plans.



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I am proud to say Highstreet managed a mutual fund that was part of Libro's product offering and 18 Asset Management was a manager of the Libro Employee Pension Plan.

My Libro story: I was denied a mortgage by my then bank of 20+ years because I had left the corporate world to start Highstreet. After one visit to Libro I had a mortgage and a new place to bank. I haven't looked back since and subsequently moved my business accounts to Libro. It would be an honour to be elected to the Libro Board. Should I be so lucky, I look forward to helping Libro maintain its focus on understanding its owners and prospective owners while executing its growth strategies.

Thank you.

Alan DeVillaer



Educational and Professional Designations

Master in Business Administration

Wilfrid Laurier School of Business and Economics,  
Waterloo Ont.

Master in Public Administration

University of Western Ontario, London Ont.

Institute of Corporate Directors Designation

Institute of Corporate Directors, Toronto

Level A, B and C

Credit Union Directors Achievement Program

Project Management Professional Fellow

Insurance Institute of Canada

Canadian Risk Management Professional

Canadian Risk Management Institute

Work Experience

Prior to my retirement, I enjoyed 25 years of work experience in the public sector. During the last 15 years of my public sector career, I have worked for the Municipality of Chatham-Kent in various senior management and administrative capacities, including as an Assistant Chief of Fire and Emergency Services, Contract Administrator for the provision of land ambulance services, Emergency Management Coordinator, and a Project Manager and Team Lead over Project Management Services/Initiatives.

My work experience also includes ten years of working in the private sector for insurance companies in Southwestern Ontario with offices of Sarnia, Chatham, Waterloo and London. I was a qualified claims adjuster in all lines of coverage (accident benefits, bodily injury, and property), a claims examiner for large property loss claims, a risk manager, a project manager and business analyst.

Board and Committee Experience

Over my last two terms as a director with the Libro Credit Union I have served three years on the People and Culture Committee, two years as the chair. I have served on the Audit and Risk Committee for three years. I have also served on the Loans committee for two years with one year as the vice-chair. I have been designated by the Board as their representative on the Prosperity Fund Committee for two years and was elected chair of

that committee. I have also been a member of the Director Recruitment Committee. Recently I was asked to serve by the Board on the Chief Executive Officer selection and recruitment committee.

My other experience as a board member has been with the many years that I have served Chatham-Kent on their United Way's annual fund distribution committees. I also had the experience serving as the Vice-President of the United Way of Chatham-Kent.

## Community Involvement and Other Interests

I look forward to the opportunity to use my education, work experiences and skill sets to serve the Libro Board, not only to get to know and serve my community better, but also to integrate my past time of studying economics and finances with a practical and rewarding purpose.

## Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

I share Libro's commitment to diversity. I can contribute to this commitment through diversity of thought, experience, geographic heritage and education. As Chair of the People and Culture Committee I have supported and encouraged the attendance of the Diversity, Equity and Inclusion Committee at the committee meetings.

I have extensive and varied work experience in both public and private sectors, my past community involvement with the United way, combined with not only a solid educational foundation, but also personal knowledge of Southwestern Ontario combines to provide unique perspectives. Having been raised in a small rural community and returning to retire in the urban centre of London, I believe provides the skills and attributes being sought for the board. I will bring a holistic and multi-view perspective to any issue or initiative being considered.

Additionally, I was a fiscally accountable manager/ administrator in my public sector career, having responsibilities to oversee a \$50 million outsourced contract and a \$10 million annual operating budget. This experience also included legislative compliance, though my responsibilities to ensure provincial mandated service standards and financial reporting in emergency services. I provide to the board my extensive experience with municipal service business plans including participation in overall organizational strategic planning for a regional municipality. As a member of the senior management team, I've led, mentored, promoted, hired, been involved in staff and volunteer performance management, and terminated employees.

Throughout my career I was seconded to other business areas of the organization for program evaluation through various business plans, strategic plans and master plans. I am a trained negotiator with experience in my combined 35 years of public and private sector employment.

As chair of the People and Culture Committee, which is mainly responsible for the initiation and implementation of the Libro Climate Change program, I completed the Institute of Corporate Directors program on Board Governance of Climate Change. A summary of best practices and readings was shared with the Board, CEO and Executive Leadership Team.

## I bring skills and experience to the Libro board in the following areas.

- |                                  |                             |
|----------------------------------|-----------------------------|
| ✓ Entrepreneurial leadership     | ✓ Credit union operations   |
| ✓ Resiliency                     | ✓ Financial literacy        |
| ✓ Agricultural industry          | ✓ Governance and ethics     |
| ✓ Data governance                | ✓ Leadership                |
| ✓ Strategic planning             | ✓ Regulatory environment    |
| ✓ Audit and compliance oversight | ✓ Risk management oversight |
| ✓ Board and CEO performance      |                             |

## Candidate Position Statement

It has been an honour and pleasure to represent all owners, owner representatives and the Board of Libro Credit Union for the past six years.

There are significant changes facing the credit union industry, Libro Credit Union and the Board of Directors. I feel am able to participate and influence this evolution while keeping the ideals and principles that have made Libro successful. I believe the board must be stewards of established Libro values while adapting to the regulatory changes and the expectations of all owners.

My past employment experience has developed my financial and political acumen along with a grounding of responding to the concerns of the stakeholders. This experience has developed my interest in finance and the impact that boards have on organizations.

My particular strength is in strategic planning, executive compensation, project management, government relations, program evaluation and climate change regulatory compliance.

My roots are from rural small-town South-Western Ontario with an understanding of urban issues and complexities. This allows me to appreciate and responsibly represent on the board the concerns of all owners.

I am a believer of life-long learning and have a plan to continue a program of study specifically on the credit union industry and the board of directors.

As a member of the Board of Directors and my 18 years as an owner I have witnessed the impact Libro has on the prosperity of its owners and the regional community.

I ask for your support to become your next re-elected board member.

## John Fyfe-Millar



### Educational and Professional Designations

Certified in Management Designation (C.I.M.) – Canadian Institute of Management at Ivey School of Business  
Professional Manager Designation (P.Mgr.) – Canadian Institute of Management  
Chartered Manager Designation (C.Mgr.) – Canadian Institute of Management  
Many courses through Western Continuing Education and Fanshawe College including:  
Social Media Strategy, Lean Management, Blogging Strategy, Podcasting, Conflict Resolution, Professional Certificate in Business Management, Professional Certificate in Business Analysis

### Work Experience

Ward 13 Councillor, City of London – 2021 – 2022  
President, LBF Group – 2009 - 2022  
President, Pinpoint Publications Limited – 1980 - current  
Committee of Adjustment, City of London – 2014 – current  
Fanshawe Corporate Training Solutions – Program Manager – 2023 – current

### Board and Committee Experience

Covent Garden Market Board – Chair – 2021 - current  
London Executive Association – Board Member – 2015 - current  
Libro Credit Union – Owner Representative – London Elgin Oxford North – 2018 - current  
London Public Library Board – Board Member – 2021 - 2022  
London Downtown Business Association – Board Member – 2014 – 2022  
MainStreet London – Board Member – 2014 – 2022  
Canadian Institute of Management – National Board Member/Treasurer/VP Marketing – 2006 - 2014  
London Chamber of Commerce – Board Member – 2009 - 2014



Regional HIV/AIDS Connection – Board Member/Treasurer – 2006 – 2012  
 Leader of various fundraisers and committees for London Community Players, YMCA of London, Thames Valley Children’s Centre, Kidney Foundation of London, Salvation Army and others.

### Community Involvement and Other Interests

Blackfriar’s Neighbourhood Association  
 Army Navy Airforce Branch 393  
 London Executive Association  
 Downtown Business Association  
 Business Cares Food Drive  
 Fanshawe College – Corporate Training Solutions

### Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

For me, diversity equates to someone’s life story. All different, all meaningful. The more diverse the stories, the more any organization can benefit and grow.

The key component is that diversity is to deliver multiple points of view. Why is that so important? Because diversity builds a stronger, healthier consensus to allow organizations such as Libro to flourish. It empowers us to work harder to achieve outcomes that have a greater impact on the many instead of the few.

For me, I’ve worked closely with W.E.A.N. (Where we are Now) Community Centre, the London Multicultural Community and others to better serve the greater community. I regularly participate in events at Sisters of St. Joseph and in Old East Village and have served as a director on the board for the Regional HIV/AIDS Connection.

I believe that my story and experiences will serve the Libro board well. I’ve worked with many organizations and will continue to work to benefit our community. My history as a small business owner and community leader gives me a very good understanding of our challenges and opportunities.

Lastly, I recognize the need to continue my path of lifelong learning. This is a role where I fully understand the need to further my education and am excited to do so.

### I bring skills and experience to the Libro board in the following areas.

- |                                |                             |
|--------------------------------|-----------------------------|
| ✓ Entrepreneurial leadership   | Credit union operations     |
| ✓ Resiliency                   | ✓ Financial literacy        |
| Agricultural industry          | ✓ Governance and ethics     |
| Data governance                | ✓ Leadership                |
| ✓ Strategic planning           | Regulatory environment      |
| Audit and compliance oversight | ✓ Risk management oversight |
| ✓ Board and CEO performance    |                             |



## Candidate Position Statement

I had the opportunity to join the London Elgin Oxford North (LEON) Council in the fall of 2018. As someone who has participated in so many community events and been a member of Libro for over 20 years, I felt I had a good understanding of what Libro was about. The past five years has shown me this was simply the tip of the iceberg. To our community, Libro is so much more than a Credit Union. It represents a belief that purpose based organizations build lasting community wellbeing. Something that all communities are in such need of right now.

As a Council Member I have chaired the LEON Council for one term and sat on various committees including the Fall Forum, Candidate Recruitment, and Board Recruitment. Today, I chair the Covent Garden Market board and continue as a member of the Committee of Adjustment. I am active in my Neighbourhood Association and build strong alliances within the heart of London.

I lead by example, my beliefs aligning well with those of Libro. My leadership and reliability are qualities that are well suited for this role. My community engagement will continue to be one of my strongest assets. My business acumen over the past forty years has left a lasting effect on many of the organizations I have had the pleasure of serving. It is the bundling of these qualities that make me an excellent choice for directorship.

On April 15, I humbly ask for your support to elect me to the Libro Board of Directors. I am honoured to put my name forward and promise you that I will not disappoint.

Jodi Simpson



#### Educational and Professional Designations

Credit Union Director Achievement Program Graduate (CUDA)  
Licensed Realtor, Real Estate Council of Ontario (RECO)  
Relocation Specialist™, Canadian Employee Relocation Council (CERC)  
Libro Owner Representative Accreditation Graduate (LORA)  
Master of Arts Degree, Anthropology, Western University

#### Work Experience

Business Owner & Founder, CityMatch Inc (2015 – Present)  
Licensed Realtor (2019 – Present)  
Director, Marketing & Community Relations, Harrison Pensa LLP (2010 – 2015)  
Director, Programs & Member Relations, TechAlliance of Southwestern Ontario (2005 – 2010)

#### Board and Committee Experience

After serving for seven years as an Owner Representative, I was elected to the Board of Directors in 2020. Since then, I have been privileged to serve on the following committees and regional councils:

2022-2023

Vice Chair, People and Culture Committee  
Risk and Credit Committee  
Director Liaison: Waterloo Regional Council

2021-2022

Audit and Finance Committee  
Risk and Credit Committee  
Director Liaison: Lambton Kent Middlesex East Regional Council

2020 – 2021

People and Culture Committee

Board Recruitment Committee

Director Liaison: London Elgin Oxford South Regional Council

Previous Service at Libro

- Chair, Libro Board of Director Recruitment Committee
- Chair & Vice Chair, Libro Branch Council, London West
- Organizing Committee, Libro Fall Forum
- Participant, Libro Scenario Planning Workshops
- Committee, Libro Scholarship Awards
- Committee, Libro Prosperity Fund

Outside of Libro, I have served my community with a diverse group of organizations:

Current Committee Service

- Capital Campaign Cabinet Member and Co-Chair of the Equity, Diversity, inclusion, and Decolonization subcommittee, Brescia University College (2018-Present)

Previous Board & Committee Service

- CEO Recruitment Committee, London Downtown Business Association
- Board Director and Committee Chair, Downtown Recruitment Committee, Mainstreet London
- Advisory Committee, DiverseCity onBoard, Pillar NonProfit Network
- Director, VP Communications, VP Membership, London West Federal Riding Association
- Council Member, TechAlliance Technology Leadership Council
- Co-Founder, Director and Board Secretary, Emerging Leaders Community Network
- Committee Member, Mentorship for Newcomer Success Program
- Co-Chair, Pillar Community Innovation Awards

Formal Board & Governance Training Programs

- Graduate of the Credit Union Director Achievement (CUDA) Program (2021)
- Governance webinars hosted by Canadian Credit Union Association, the Institute of Corporate Directors, and Manifest Climate (ongoing)
- Libro Board of Directors Board Orientation (2020)
- All About Boards (4-part, half-day workshop series on non-profit board governance) hosted by Pillar NonProfit Network (2010) with a refresher workshop in 2019.
- Engage London! Learning program offered by the London Community Foundation, provided case study and peer learning program focused on strategic philanthropy, board governance, risk management and impact.

## Credit Union Conferences

- Attended the 2021 Directors' Forum hosted by the Ontario Co-Operative Association
- Attended the CCUA National Conference 2022

## Community Involvement and Other Interests

I have been an active participant, volunteer and donor for many organizations and grassroots initiatives over the years. As my business has become a major focus of my energy, I have continued to find meaningful ways to contribute through both personal philanthropic and corporate giving efforts.

In the work I do helping newcomers find housing, I have become deeply concerned with the urgent need for affordable housing in our communities and the increasing gap between rising housing costs and incomes. I believe that affordable housing improves our quality of life, leads to better health outcomes, adequate jobs, financial stability, security, and greater diversity in our communities and so lend my support to organizations addressing this challenge.

Supporting newcomers is not only central to my business but has become a personal passion. I am committed to advocating for newcomers and finding meaningful ways to remove the barriers and obstacles (both overt and systemic) in their journey to find belonging; from securing housing to accessing services. I believe we all must play a part in creating welcoming communities that celebrate and embrace diversity.

As an 'accidental' rescuer of two senior dogs, I also continue to support organizations that offer rescue, foster care and support to senior dogs in need of homes.

## Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

My experience as an entrepreneur, along with my board and committee service at Libro and other community boards and committees, has provided me with a strong governance and leadership foundation to complement and enhance Libro's Board.

In addition to actively pursuing extensive Director training, I have spent two years serving on the People & Culture Committee and one year on the Director Recruitment Subcommittee. Both Committees have deepened my experience and sharpened my skills in the areas of Board and CEO performance, Governance, Culture, Talent Management and Credit Union Operations. Equally so, my two years of service on the Risk and Credit Committee and the year I served on the Audit and Finance committee has also bolstered my experience and strengthened my expertise in the areas of Enterprise Risk Management, Financial and Compliance oversight while exposing me to the increasing requirements of our regulators.

I fully embrace our commitment to Diversity, Equity and Inclusion and the learning (and unlearning) that is required, and the work needed to bring intentional and true transformational change to our organization. My work supporting newcomers has provided me with a valuable perspective into the challenges newcomers experience navigating systems and finding belonging in our communities that I bring to Board discussions whenever I can.



Libro's purpose beyond profit fuels my passion for the work we do to serve our owners and our communities. Libro is strongly aligned with the values my family and I hold dear. I was an early adopter of socially responsible investment and was introduced early to the B Corp framework when my partner's company became one of the first companies to achieve the certification in London.

Regulators are placing increasing pressure on Boards to demonstrate they have the required knowledge and expertise to serve. Board Directors must keep ahead of the changes that are happening at lightning speed. As a life-long learner, I am committed to bring value to all of the organizations I serve through continuous education and training. I am proud of my well-rounded governance experience and thirst for knowledge and look forward to continuing my learning journey in support of Libro.

### I bring skills and experience to the Libro board in the following areas.

- |                                  |                             |
|----------------------------------|-----------------------------|
| ✓ Entrepreneurial leadership     | ✓ Credit union operations   |
| ✓ Resiliency                     | ✓ Financial literacy        |
| ✓ Agricultural industry          | ✓ Governance and ethics     |
| ✓ Data governance                | ✓ Leadership                |
| ✓ Strategic planning             | ✓ Regulatory environment    |
| ✓ Audit and compliance oversight | ✓ Risk management oversight |
| ✓ Board and CEO performance      |                             |

### Candidate Position Statement

When I reflect on my service on the board, I am honored to have served alongside an incredible group of experienced, knowledgeable, and passionate directors and an exceptional leadership team and staff. In the work we do, all our skills, experience and competencies are fully leveraged in service to Libro. I know that my entrepreneurial background, work with newcomers, my community service, governance training, and overall passion and energy have strengthened the board. I am proud of what we have accomplished together, and I believe I have served Libro well these past three years.

Libro is entering a significant period of change; Increased competition, disruption, shifting customer preferences, ongoing digital transformations, and increased regulatory pressures now form the background in which Libro operates and plans for our future.

Despite this, I am excited about our future, and I am proud of Libro's stellar response to this ever-changing landscape. We are improving operational efficiency, owner advice and service, adopting new digital technologies, embracing an agile mindset, establishing strong business resiliency and sustainability plans while remaining true to our core values as a purpose-led organization.

Serving you as a member of this board has been a privilege and it would be my honour to continue serving you as we navigate the significant shifts ahead and foster a prosperous future for all.

## Andrew Swatridge



### Educational and Professional Designations

Master Business Administration (MBA), Major in Finance - Wilfrid Laurier University

Honours Bachelor's in Arts and Business (BA), Major in Psychology, Minor in Human Resources – University of Waterloo

Financial Modeling and Valuation Analyst Certification (FMVA) - Corporate Finance Institute

### Work Experience

Currently I work at NAVBLUE, an Airbus Company and have held multiple positions over the past 7 years. Below is a description of the company and a few main points of experience that may be relevant.

#### Company Description:

NAVBLUE is the software and services arm of Airbus. Our focus is creating software for Flight Operations & Air Traffic Management solutions and services for airlines, airports, and Air Navigation Service Providers (ANSPs). With offices in Canada, USA, UK, France, Singapore, Thailand, and Sweden, our global teams deliver a reliable, optimum and customized user experience to more than 500 customers worldwide.

#### Job Title: **Business Insights Manager**

#### Highlight of Experiences:

- Responsible for analyzing and consolidating the executive corporate performance report and presenting to the CEO and leadership team monthly.
- Advising and Influencing business unit leaders in the use of data and analytics to improve decision making.
- Leading strategic projects including profitability improvement projects & business modelling analyses.

Job Title: **HR Coordinator**

Highlight of Experiences:

- Lead recruitment activities to scale the business from 350 to 500 employees
- HR Policy work including: Redesigning the Employee Handbook for US Employees, Dress code policy, AODA policy, vacation, sick leave policy
- Created a quarterly dashboard that helped senior management implement changes leading to a reduction in attrition.

## Board and Committee Experience

My board experience has primarily been at two non-profits over the last 8 years. In addition, I have attended the Manulife board governance boot camp as well as training sessions given by the ICD Institute for Corporate Directors. The organizations are described below with highlights of experience.

Organization: **Woolwich Community Health Centre (WCHC)**

Description: *WCHC serves a geographical catchment area that includes the territory of Woolwich Township, Wellesley Township and parts of Perth County. As a Community Health Center (CHC) we mount initiatives that address social, economic and environmental problems negatively impacting people's health. With \$8MM~ in Revenue, WCHC offers healthcare services to priority populations that may experience greater barriers to accessing health resources including Farm families, Mennonite groups, families with young children and seniors in rural settings.*

Highlights of Experience (2021-present):

- Served on the Finance and Audit committee responsible for board oversight of an \$8M budget.
- Currently serving as Board Vice Chair, and a member of the Quality committee as we went through our accreditation period.
- Along with two other members of the Finance Committee, I reviewed and updated our finance policies in 2022.

Organization: **The Literacy Group (TLG)**

Description: *The Literacy Group serves the communities of Waterloo Region through free tutoring to adults over 18 who would like to improve their literacy for the purposes of higher education, employment or life skills. The unique one-to-one and small group tutoring offers a student-centric approach that helps to unlock their clients' potential.*

Highlights of Experience (2015-2021):

- Led collaborative and consensus building strategic planning sessions resulting in an increase of students served in the community by ~15% between 2015 and 2019.
- Served as Board Chair for two years, including through the COVID-19 crisis by collaborating with



colleagues, analyzing working cash flows, and advising on critical operational and headcount decisions.

- Served on the hiring committee responsible for hiring a new Executive Director.
- Provided advice/counsel to the Executive director on HR related issues including employment contracts, ESA/MOL requirements, and strategic compensation.

## Community Involvement and Other Interests

Community involvement is listed above in the charity/non-profit board director roles.

## Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

### Data governance

- Experience working in a data driven environment, with data governance requirements specifically GDPR as well as Export Control measures.

### Strategic planning

- Strategic planning experience, running a planning exercise as board chair.

### Board and CEO performance

- Experienced completing performance reviews for a CEO and rolling out a board evaluation process for a non-profit.

### Financial literacy

- Reading Profit & Loss statements and running projects to improve financial performance. Served on a nonprofit audit and finance committee for an organization with 8M Budget, reviewing our finance policies.

### Governance and ethics

- Eight years' experience serving on non-profit and charity governance board role.

### Regulatory environment

- Board governance experience in a regulated healthcare environment. Work experience in an organization that is ISO 9001 and 27001 certified, in addition to other European Union Aviation Safety Agency EASA Certifications.

### Risk management oversight

- Experience with enterprise risk management in my work and board experience

## I bring skills and experience to the Libro board in the following areas.

Entrepreneurial leadership	Credit union operations
Resiliency	✓ Financial literacy
Agricultural industry	✓ Governance and ethics
✓ Data governance	Leadership
✓ Strategic planning	✓ Regulatory environment
✓ Audit and compliance oversight	✓ Risk management oversight
✓ Board and CEO performance	



## Candidate Position Statement

I am thrilled to submit my application for the board director position at the credit union. I bring experience and expertise to this role, including experience working in a data-driven environment with exposure to data governance regulations and requirements. I have run strategic planning exercises previously as a board chair, and this will allow me to quickly contribute to the credit union's continued growth and development in the oversight of strategy.

Having completed performance reviews for a CEO and rolled out board evaluation processes at previous non-profit organizations, I will contribute to driving accountability and good governance at the credit union. My experience in reading Profit & Loss statements and running projects to improve financial performance in my current job, in addition to my volunteer work on a nonprofit audit and finance committee for a healthcare organization, has given me the necessary skills and insights to contribute to the oversight of the credit union's financial performance.

Having lived experience as a person in the LGBT community, I am committed to ensuring that the credit union remains accessible and inclusive for all members.

I would be grateful for the opportunity to serve the credit union and am committed to serving to the best of my abilities. I am confident that my skillset and experiences make me a strong candidate for the board director position, and I look forward to contributing to the credit union's continued success.

## Garrett Vanderwyst



### Educational and Professional Designations

Honours Bachelor of Commerce Agriculture

### Work Experience

Farms.com, S.I.F Solar Income & Growth Fund, S.I.F Capital Canada,

Parity Capital Corporation, Parity Fund for Sustainable Development,

Argent Electrical Inc., Argent Resources Inc.,

Cargill Ag Horizons, Archer Daniels Midland Company, Kingsmill Grain

### Board and Committee Experience

Libro Credit Union - Board of Directors, Vice Chair Audit and Finance Committee, CEO Search Committee, LKM and LEO Regional Councils, Governance Working Group

London Convention Centre (RBC Place London) – Director, Vice Chair

AMBER Energy Co-operative Inc. – Director, Vice Chair

Elgin Federation of Agriculture (EFA) - Vice President, Governance Review Committee

## Community Involvement and Other Interests

Verge Capital - Investment Review Panel

St. Thomas Chamber of Commerce

London Chamber of Commerce

London Economic Development Corporation

## Explain how you will enhance the diversity of the Libro board and describe your experience in the skills and attributes being sought in director candidates.

A key differentiator that I bring to the Libro board is diversity of thought through my career as a young director with leadership experience in both business and community roles.

Having leadership experience in governance, agriculture, contracting, sustainability, co-operatives and start-ups gives me a perspective around the board table that is unique.

## I bring skills and experience to the Libro board in the following areas.

- |                                  |                             |
|----------------------------------|-----------------------------|
| ✓ Entrepreneurial leadership     | ✓ Credit union operations   |
| ✓ Resiliency                     | ✓ Financial literacy        |
| ✓ Agricultural industry          | ✓ Governance and ethics     |
| ✓ Data governance                | ✓ Leadership                |
| ✓ Strategic planning             | ✓ Regulatory environment    |
| ✓ Audit and compliance oversight | ✓ Risk management oversight |
| ✓ Board and CEO performance      |                             |

## Candidate Position Statement

I am excited by the opportunity to serve as a Libro Director for another term. Through my first term I have learned a tremendous amount about strategy, credit union operations, compliance, and what it means to be successful in a highly regulated and competitive marketplace. Serving as a fiduciary for an organization that aligns so well with my values has been an honour.

One of the many reasons I am raising my hand to serve Libro again, is that I feel my background and knowledge of small/medium enterprise, agricultural business, and the innovation economy allow me to blend blue-collar and white-collar perspectives in my thinking around the board table.

My alignment with Libro's purpose is evident in all aspects of my personal and professional life and enables me to be a champion for prosperity in Southwestern Ontario. I am confident my commitment to preparedness, learning, growing, and staying informed will continue to make me an asset to the board.

Moving forward, I am excited to build on my experiences and continue to actively listen to stakeholders, ask thoughtful questions, provide oversight, shape strategy, challenge with respectful candor when necessary, and do my part to help Libro achieve our goals.

## Special Resolution to Restate and Amend Bylaw

The Libro Board of Directors adopted a resolution to restate and amend the Bylaws of Libro Credit Union Limited at their meeting on March 8, 2023. The restated and amended Bylaw is presented as a Special Resolution for confirmation by the Libro Owner Representatives voting at the Annual General Meeting (AGM) on April 15, 2023. This Special Resolution requires a two-thirds majority to pass. The Board is requesting and recommending adoption of the Special Resolution.

### **Credit Unions and Caisses Populaires Act, Regulations and Rules**

On March 1, 2022 the Credit Unions and Caisses Populaires Act, 2020 was proclaimed. The new Act is supported by updated Regulations and a number of Rules published by the Financial Services Regulatory Authority of Ontario (FSRA), including the Sound Business and Financial Practices Rule. The new Act provides flexibility for credit unions, more similar to the federal Bank Act, and less prescriptive than the earlier version. Objectives of the new Act include expanded business and investment opportunities, focus on consumer protection through the Market Conduct Code, transfer of some requirement from the Act and Regulations to FSRA supporting their vision of becoming a principles-based regulator, and creating a fair playing field for credit unions by addressing competitive imbalances.

Since March 2022, the Libro Board and management have undertaken a detailed review of Bylaw and board policy to ensure alignment and compliance with the new Act, Regulations and Rules. The review and updating of board policies was completed in December 2022, while the final step in Bylaw review is the adoption of amendments presented herein.

### **Societal Change**

At the same time, we are seeing change in the areas of diversity, equity and inclusion (DEI), and the ways in which we work as we exit the COVID-19 pandemic. This changing landscape offered an opportunity to consider Bylaw amendments that keep pace with the change, such as adopting gender-neutral language, and acknowledging our ever-expanding reliance on technology to support meetings or decision making.

### **Membership Shares**

In the Spring of 2022 Libro started research around Membership share (M-share) requirements to better understand if the current \$50 amount is the right level for growth, new Owner acquisition, brand messaging, financial implications, etc. The Bylaw amendments being recommended by the Board of Directors include a change to Membership share requirements from 10 (Owners under 18 years of age) and 50 (Owners 18 years of age and over plus businesses) shares at \$1.00 each to 5 shares at \$1.00 each beginning January 1, 2024.

Credit unions are cooperative financial institutions and follow cooperative principles. A key cooperative principle is democratic member control with voting rights. Membership shares represent Ownership into Libro Credit Union, and this is a key differentiator when comparing credit unions to banks and other financial institutions. The primary rationale for the reduction in M-share requirements from \$50 to \$5 is to reduce any perceived or actual barriers for new Owners to join Libro. This does not change the value Libro delivers, the story we share, or the importance M-shares play in onboarding and talking to existing or potential Owners. Testing conducted during the 2022 calendar year through Owner and staff feedback confirmed the reduction to be positive in coach interactions and through online onboarding where we have less opportunity to speak with the individual, business, or organization.

Upon researching whether a \$50 M-share amount is a barrier to join Libro we concluded that Libro is more likely to attract additional Owners to bank with us if the share amount is lowered. The \$5 amount maintains the integrity of the share held, while keeping the Ownership differentiator as a key part of our brand promise. This is especially evident in our online channel where we are not as easily able to explain the background and rationale for the \$50 amount which feels more material to people.

Libro seeks to be an inclusive organization and a \$50 M-share requirement is a financial hardship for some, especially in Libro's Young & Connected target audience. Reducing the amount to \$5 is more inclusive and will result in more people banking with us and receiving financial coaching, improving financial resilience in southwestern Ontario. Each year we budget for a certain level of staff decisions to subsidize the share purchase on behalf of the Owner where they feel barriers exist, this number has been growing each year and is more prevalent in emerging markets such as Kitchener Waterloo, and Woodstock. Research has further concluded that Libro has one of the highest M-share requirements in the credit union system in Canada with the majority being \$1 to \$5.

In coming to this proposal, Libro has reviewed options for handling existing M-share holdings, capital and financial implications, and governance or regulatory requirements. One of the key decisions made was to implement this change on a prospective basis, leaving all existing M-share accounts in place at their current level. This approach has been reviewed by legal counsel and the Financial Services Regulatory Authority of Ontario (FSRA) who have found it compliant with the Act, Regulations and Rules. Additionally, Libro Bylaws already contained a statement allowing Owners to hold more than the minimum Membership shares to a maximum of 500 shares.



From a capital perspective, on December 31, 2022, Libro held \$5.4 million total M-shares which represented 1% of overall capital. The change to \$5 M-shares going forward from January 1, 2024 while keeping existing Owner’s M-shares at the legacy amounts, will not impact Libro’s capital structure in a significant way.

With a net new Owner growth target of approximately 4,000 in 2023, the reduction in M-share requirement reduces the expected increase in capital by \$180,000. If we project out slightly higher Owner growth over a 5-year period the impact would be approximately \$1 million. Compared to the annual expected capital increases from investment share and profit share dividends, which both exceed \$10 million annually, this reinforces the immaterial impact of this change on Libro’s capital structure.

The prospective basis presents the most preferred option from a capital standpoint. Capital Adequacy Rules would require replacement of that capital if existing M-share holdings were reduced to \$5 per Owner. The implications of this approach are significant enough that doing so would be prohibitive with required financial shifts outweighing the benefits of the change.

**Summary of Changes**

A summary of the changes is presented below, and a complete, clean copy of the Bylaw follows in the Special Resolution. A blacklined version comparing prior Bylaw to the version adopted by the Board of Directors is available through Libro Spark or on request to the Corporate Secretary by emailing [governance@libro.ca](mailto:governance@libro.ca).

<b>Bylaw Section &amp; Title</b>	<b>Rationale for Revisions</b>
Throughout	Inclusivity through use of gender-neutral pronouns or non-gender specific references.
Throughout	Updated references to the Act and/or Regulations due to the proclamation of the Credit Unions and Caisses Populaires Act, 2020 on March 1, 2022.
Throughout	Bylaw Statements renumbered and references to statements updated as required.
1.01 (a) Definitions: Act	New Act proclaimed March 1, 2022.
1.01 (b) Definitions: Articles	Libro is incorporated under Articles of Amalgamation not Articles of Incorporation.
1.01 (f) Definitions: Authority	Define FSRA as the body with primary regulatory authority over Libro.
1.01 (k) Definitions: Business Day	Libro observes federal statutory holidays in addition to provincial holidays (e.g., National Day of Truth and Reconciliation).

1.01 (t) Definitions: Immediate Family	Inclusivity through gender-neutral words to define family relationships.
1.01 (x) Definitions Owner Representatives	Added reference to language in the Articles related to Owner-Member Representatives, a term used at the time of Amalgamation that has been replaced by Owner Representative. The language in the Articles will be updated when amendments are next made to that document.
1.01 (z) Definitions: Prior By law	Deleted as no longer required due to passage of time since section 4.01 (h) was put in place.
1.02 Gender Plural, etc.	Inclusivity through gender-neutrality, and reference to King/Queen reversed.
3.04 Membership Shares	Replaced with proposed amendment to Membership share requirements reducing from 10 and 50 shares to 5 shares (\$1.00 per share) added with an effective date of January 1, 2024 as detailed above.
Article IV: Regions, Branches and Owner Representatives	Updated reference to section of the Act: 224 Groupings and Delegates to 193 Branches and Other Member Groups.
4.01 (h) Incumbent Member-Owner Representative	Deleted statement as three (3) years have passed since this portion of the bylaw came into effect. Any former Member-Owner Representatives elected under prior bylaw and remaining in elected service have now been elected under current bylaw.
4.02 Owner Representative Terms of Office <i>and Maximum Years of Service</i>	Title updated for consistency with similar statements relating to Directors.
4.02 (b) Member-Owner Representative under Prior Bylaw	Deleted reference to title (Member-Owner Representative) adopted at amalgamation and to prior Bylaws.
4.03 (a) (b) Number of Owner Representatives per Region	Deleted statements related to transition measures for the calendar years 2019, 2020 and 2021 as that period has passed.
4.06 (b) Eligibility for Election as Owner Representatives	New statement regarding minimum age and Ownership standing requirements for Owner Representative service consistent with practice and statements relating to Director eligibility.
4.06 (c) Eligibility for Election as Owner Representatives	Addition to statement regarding ineligibility of staff to serve as Owner Representatives to include the two (2) year period prior to the date of taking office as an Owner Representative consistent with statements relating to Director (in)eligibility.
4.07 (a) Owner Representative Nomination Process	Replace “that” with “in which the Owner Representative candidate seeks election” to create clarity around which Owners can support candidate nominations.
5.02 (b) Director Terms of Office and Maximum Years of Service	Added specific date of January 1, 2014 (amalgamation date) as the start of the effective period for this section of bylaw.



5.04 (f) Director Disqualification	New statement to clarify current practice that an individual who is a member of the immediate family of an incumbent Owner Representative is disqualified from seeking election as a director.
5.07(a) Board Advance Nomination Period	Reduced advance nomination period to the month of January to align with new recruitment practices being put in place for the 2024 elections.
5.08 (c,v) Nominations for the Board	Updated general details and for consistency with the new Act, and proactively addressing Authority Rules, relating to Board nominations, that may come into force.
5.08 (g) Nominations for the Board	Deleted unnecessary detail about who may request nominee information from Bylaw.
5.10 Board Election Information to Owner Representatives	Cleaned up wording regarding timing of communication to Owner Representatives.
5.12 Board Elections Vote by Ballot	(a, b, e) Updated to better reflect the process when using an electronic voting system while maintaining the elements required for paper-balloting.  (c) Adjust for preferred practice of having candidates address the meeting in alphabetical order by surname.  (d) Updated as per Regulation 21.2 that stipulates that voters cast a number of votes less than or equal to the number of directors to be elected but they may not cast more than one vote for one candidate.
5.13 Tie Votes and Run-Off Board Elections	(a, b, c) Updated to better reflect the process when using an electronic voting system while maintaining the elements required for paper-balloting. See also notes above re: 5.12 (d).
5.19 Board and Committee Meetings by Telephonic and Electronic Means	Strengthened wording to allow for telephonic or other electronic meetings of the Board and Committees as per Bylaw rather than consent by individual directors.
5.26 Presumption of Assent	New statement adding certainty around presumed assumption of agreement to decisions made when a director is present at or absent from a meeting, and how they must submit dissent.
5.28 Written Consent to Action by Directors	New statement explicitly permitting directors to take action outside of a meeting through a written consent signed by all directors.
5.31 Diversity Reporting	New statement to conform with the Act section 102(5) and Regs 34 requiring the Board to report on the gender diversity of the board as per the bylaws.
6.04 (b) Audit Committee	Updated for consistent language with Regulation 35.4 related to frequency of Audit Committee meetings at least once every quarter.
7.05 Chief Executive Officer	Additional wording, consistent with Regulation 39.5, stating that the CEO shall be an employee appointed by the Board.



## 9<sup>th</sup> Annual General Meeting

April 15, 2023

AGM Workbook

8.02 Virtual Meetings	New statement explicitly allowing for fully virtual Owner meetings (annual & special general meetings) at the discretion of the board.
8.03 Business at an Annual General Meeting	Added context and confirmation of the rights of Owner Representatives to exercise the powers, including voting rights, of Owners at Annual Meetings.
8.06 Notice to Owners	Deleted reference to posting notices in branch as a bylaw requirement. Notices may be posted in branch or other channels at the discretion of the Board and / or management.
8.07 Record Date	Replaced outdated notice by newspaper with notice by credit union website.
8.13 Proposals	Adjust required receipt date for proposals to be placed before an annual meeting from 60 to 90 days before the meeting for greater consistency with Regulation 84.7a which states 90 days before the anniversary of the previous meeting.
11.04 Record Date for Dividends and Rights	Updated to align with policy and practice of setting a record date in advance (i.e., December 31 <sup>st</sup> ) for dividend eligibility.
12.05 Virtual Meetings	New statement explicitly allowing for fully virtual shareholder meetings at the discretion of the board.
12.08 Record Date for Notice	Replaced outdated notice by newspaper with notice by credit union website.

**BE IT ENACTED AND IT IS HEREBY ENACTED** as a restatement and amendment to By-Law No. 1 of Libro Credit Union Limited (hereinafter called the *Credit Union*) as follows:

**BY-LAW NO. 1**

**A by-law relating generally to the conduct of the affairs of  
Libro Credit Union Limited**

**ARTICLE I: INTERPRETATION**

**Definitions**

- 1.01 In this By-law of the Credit Union, unless the context otherwise requires:
- (a) **Act** means the Credit Unions and Caisses Populaires Act, 2020 and the regulations and guidelines made pursuant thereto, as from time to time amended, and every statute that may be substituted therefore, and, in the case of such substitution, any reference in this By-law to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;
  - (b) **Articles** means the articles of amalgamation of the Credit Union;
  - (c) **appoint** includes “elect” and vice versa;
  - (d) **Audit Committee** means the committee established, from time to time, pursuant to section 6.04(a);
  - (e) **Audit Committee Chair** has the meaning given in section 6.04(b);
  - (f) **Authority** means the Financial Services Regulatory Authority of Ontario as defined in the Act;
  - (g) **Board** means the board of directors of the Credit Union;
  - (h) **Board Advance Nomination Period** has the meaning given in section 5.07(a);
  - (i) **Board Election Chair** has the meaning given in section 5.07(b);
  - (j) **Branch** means an operational location or office of the Credit Union at which Owners may transact business with the Credit Union and at which an Owner’s membership shares are recorded;
  - (k) **Business Day** means a day other than a Saturday, a Sunday or any other day that is a statutory holiday observed by the Credit Union;
  - (l) **By-laws** means this By-law and all other by-laws of the Credit Union from time to time in force and effect;

- (m) **Chair** means the Chair of the Board;
- (n) **Committee** means a committee of the Board;
- (o) **Council** has the meaning given in section 4.14;
- (p) **Credit Union** means Libro Credit Union Limited;
- (q) **Director** means a duly elected director of the Credit Union;
- (r) **Document** as indicated by the context, includes any or all of the following:
  - (i) contracts, agreements, memoranda of understanding, instruments or other papers in writing;
  - (ii) cheques, orders for payment or other negotiable instruments;
  - (iii) promissory notes; deeds; mortgages; hypothecs; charges; conveyances; transfer and assignments of property, real or personal, movable or immovable;
  - (iv) releases, receipts and discharges for the payment of money or other obligations;
  - (v) certificates, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures, promissory notes or other securities;
  - (vi) affidavits, certificates or statements of facts; and
  - (vii) application forms and information returns;
- (s) **Elections Returning Officer** has the meaning given in section 4.08;
- (t) **Immediate Family** means an individual's parents, children, including step-parents and step-children, spouse, siblings;
- (u) **In Good Standing** when used in reference to an Owner, means an Owner who at the date on which good standing is determined has purchased, paid for and holds the number of membership shares required under this by- law, is not more than ninety (90) days delinquent in any obligation to the Credit Union and not facing expulsion under section 3.07;
- (v) **Meeting Location** has the meaning given in section 8.01;
- (w) **Owner** means a person who has acquired membership shares of the Credit Union and whose application for Ownership has been approved in accordance with the Act, the Articles and the By-laws;

- (x) **Owner Representative** (and otherwise referred to in the Articles of Amalgamation as Member-Owner Representatives) means an individual Owner elected in accordance with Article IV of this By-law to represent the Owners whose membership shares are recorded in the Branches within a given Region, and, collectively with the other elected Owner Representatives for the same Region, exercise the powers of the Owners whose membership shares are recorded at Branches within or assigned to such Region at all meetings of the Owners, including annual and special meetings, but excluding Regional Meetings;
- (y) **Owner Representative Advance Nomination Period** has the meaning given in section 4.07(d);
- (z) **Person** means and includes individuals, bodies corporate, cooperatives, companies, partnerships, syndicates, trusts, unincorporated organizations, entities; government bodies and any number or aggregate of persons;
- (aa) **Recorded Address means**, in the case of an Owner, Owner Representative or Shareholder, such Owner's, Owner Representative's or Shareholder's address and electronic address (including e-mail address and facsimile contact number) as recorded in the Owners or securities register; and, in the case of joint Owners or Shareholders, the address appearing in the Owners or securities register in respect of such joint holding, or the first address so appearing if there is more than one; and, in the case of a Director, officer, auditor or member of a committee of the Board, such Director's, officer's, auditor's or member of a committee's latest address and electronic address (including e-mail address and facsimile contact number) as recorded in the records of the Credit Union;
- (bb) **Region** has the meaning given in section 4.01(a);
- (cc) **Regional Election** has the meaning given in section 4.08(b);
- (dd) **Regional Meeting** has the meaning given in section 4.15;
- (ee) **Remote Meeting Locations** has the meaning given in section 8.01;
- (ff) **Shares** means membership shares and any other shares issued by the Credit Union, unless a form of share is specifically excluded in this By-law or the context otherwise requires;
- (gg) **Shareholder** means the holder of any share of the Credit Union, other than membership shares;
- (hh) **Signing Officer** means, in relation to any Document, any individual authorized to sign the same on behalf of the Credit Union by section 2.04 or by a resolution passed pursuant thereto;
- (ii) **Vice Chair** shall mean the Vice Chair of the Board; and
- (jj) **Voting Period** has the meaning given in section 4.09(a).

All terms contained in this By-law and which are defined in the Act shall have the meanings given to such terms in the Act.

**Gender Plural, etc.**

1.02 In this By-law: Where the context requires, the singular shall include the plural, the plural shall include the singular, any gender shall include all other genders; and, any reference to the King shall be deemed to include the Queen.

**Article, Section and Paragraph References**

1.03 References in this By-law to an article, section or paragraph, without further qualification, refer to the corresponding article, section and paragraph of this By-law.

**Act Governs**

1.04 This By-law is in all respects subordinate to the Act and shall not be interpreted as permitting any action that is prohibited by the Act. Whenever the provisions of this By-law are more restrictive than the requirements of the Act, such restrictions shall bind the Credit Union.

**ARTICLE II: BUSINESS OF THE CREDIT UNION**

**Purpose of the Credit Union**

2.01 The purpose of the Credit Union includes, but is not in any way limited to or restricted by, the creation of a positive impact on society and the environment, taken as a whole, from the business and operations of the Credit Union, which impact is material in view of the size and nature of the Credit Union's business.

The directors shall, in accordance with their applicable statutory and regulatory duties and requirements and in alignment with the co-operative principles of the Credit Union and its purpose, act with a view to the best interests of the Credit Union. In considering the best interests of the Credit Union, the directors shall consider the interests of the Credit Union's Owners, shareholders, employees, suppliers and creditors, as well as the government, the natural environment, and the community and society in which the Credit Union operates (collectively, the "Stakeholders") and the short-term and long-term interests of the Credit Union, to inform their decisions. In discharging their duty to act with a view to the best interests of the Credit Union, the directors shall consider the interests of all of the Credit Union's Stakeholders and shall not be required to consider the interests of any particular Stakeholder as determinative, in exercising their judgment.

**Corporate Seal**

2.02 The Credit Union may adopt a corporate seal, and may change that seal, by resolution of the Board.

**Financial Year**

2.03 The financial year of the Credit Union shall end on December 31.

**Execution of Instruments**

2.04 (a) Documents requiring the signature of the Credit Union may be signed on behalf of the Credit Union by any two (2) officers or Directors, and instruments in writing so signed shall be binding upon the Credit Union without any further authorization or formality. Notwithstanding the foregoing, the Board shall have the power, from time to time, by resolution to appoint any Director or Directors, officer or officers, or any individual or individuals either to sign Documents generally, or to sign specific Documents on behalf of the Credit Union.

(b) The seal of the Credit Union may, when required, be affixed to Documents signed as provided in subsection 2.04(a).

(c) The signature of any Signing Officer may, if specifically authorized by resolution of the Board, be printed, engraved, lithographed or otherwise reproduced upon Documents of the Credit Union, executed or issued by or on behalf of the Credit Union, and all Documents of the Credit Union upon which the signature of any such Signing Officer is so reproduced shall be deemed to have been manually signed by such individuals and shall be as valid to all intents and purposes as if it had been signed manually, notwithstanding that such Signing Officer may have ceased to hold office at the date of the delivery or issue of such Documents of the Credit Union.

**Banking arrangements**

2.05 Subject to section 2.05 of this By-law and the Act, the banking business of the Credit Union, or any part thereof, including, without limitation, the borrowing of money and, subject to the Act, the giving of security therefore, shall be transacted with such financial institutions, bodies corporate or other organizations as may, from time to time, be designated by or under the authority of the Board. Such banking business, or any part thereof, shall be transacted under such agreements, instructions and delegations of power as the Board may from time to time by resolution prescribe or authorize.

**Borrowing**

2.06 The Credit Union shall be authorized to borrow money on the credit of the Credit Union at such rates of interest and on such conditions as the Board may determine, provided that the Credit Union shall not borrow in the aggregate an amount exceeding twenty-five (25) per cent of its regulatory capital and deposits.

**ARTICLE III: OWNERSHIP AND BOND OF ASSOCIATION**

**Bond of Association**

3.01 The Credit Union's bond of association exists between persons who reside or work in the Province of Ontario.

**Ownership**

3.02 Ownership in the Credit Union shall be limited to:

- (a) persons who come within the Credit Union's bond of association, subject to any conditions that may be imposed by the Act or any regulation passed thereunder;
- (b) employees of the Credit Union;
- (c) related persons or entities of such Owners qualifying under subsections 3.02(a) and (b) above and under the Act;
- (d) persons not otherwise qualifying for ownership under the Credit Union's bond of association, as long as the aggregate number of such Owners does not exceed 3% of the number of Owners of the Credit Union, where the admission of such persons has been approved by the Board;
- (e) a person who originally qualified for and became an Owner under subsections 3.02(a), (b) or (c) above or who originally qualified for and became a member of the Credit Union under an earlier by-law of the Credit Union and who no longer qualifies under subsections 3.02(a), (b) or (c) above; and
- (f) any other person that is eligible to acquire membership shares of the Credit Union under the Act.

**Ownership Application**

3.03 Application to become an Owner shall be made in writing and the Board may, from time to time, specify the form of such application.

**Membership Shares**

- 3.04 (a) Up to and including December 31, 2023, no person shall become an Owner of the Credit Union until:
- (i) the person has fully paid for fifty (50) membership shares of the Credit Union, except for individuals who are less than eighteen (18) years of age, in which case, they have fully paid for ten (10) membership shares of the Credit Union; and





- (ii) that person's application to become an Owner has otherwise been approved by the Board or by a committee or employee of the Credit Union authorized by the Board to approve such applications on the Board's behalf.
  
- (b) Up to and including December 31, 2023, unless such individual has given notice of withdrawal as contemplated in this Bylaw, upon reaching the age of eighteen (18) years, any holder of membership shares who holds less than fifty (50) membership shares of the Credit Union (as contemplated in subsection 3.04 (a) above), shall be required to acquire and the Credit Union shall issue that number of additional membership shares of the Credit Union, such that the individual thereafter holds fifty (50) membership shares of the Credit Union, in the aggregate in order to remain an Owner In Good Standing.
  
- (c) On and after January 1, 2024, no person shall become an Owner of the Credit Union until:
  - (i) the person has fully paid for five (5) membership shares of the Credit Union; and
  - (ii) that person's application to become an Owner has otherwise been approved by the Board or by a committee or employee of the Credit Union authorized by the Board to approve such applications on the Board's behalf.
  
- (d) For purposes of certainty, no person who acquired membership shares of the Credit Union prior to January 1, 2024 shall be entitled to have any membership shares of the Credit Union held by them repurchased by the Credit Union by reason of the requirements for the acquisition of the stipulated number of membership shares on and after January 1, 2024 being less than the stipulated requirements on and before December 31, 2023.
  
- (e) The price of each membership share shall be one dollar (\$1.00).
  
- (f) The maximum number of membership shares which may be issued to an Owner is five hundred (500).

### **Suspension**

3.05 An Owner that does not hold the minimum number of membership shares required in section 3.04 may not exercise any rights an Owner may exercise under this By-law or the Act.

### **Voting Rights**

3.06 Each Owner In Good Standing has one (1) vote in elections for Owner Representatives for the Region within which the Branch at which their membership shares are recorded is located or to which it has otherwise been assigned to by the Board. No Owner of the Credit Union under the age of sixteen (16) years shall be entitled to vote in respect of their membership shares.

**Expulsion**

- 3.07 (a) Subject to a successful appeal as outlined below, an Owner may be expelled from ownership (which for purposes of interpretation has the same meaning as being expelled from membership as contemplated under the Act) by a resolution passed at a meeting of the Board held not fewer than ninety (90) days before the next occurring annual general meeting of Owners, as a result of the Owner:
- (i) committing an act of misconduct in the affairs of the Credit Union, including, but not limited to, failing for any reason to hold the required number of membership shares of the Credit Union;
  - (ii) failing to abide by the By-laws, the Articles or the Act;
  - (iii) failing to repay indebtedness to the Credit Union in accordance with the conditions of repayment;
  - (iv) being listed within the meaning of the United Nations suppression of terrorism regulations under the United Nations Act (Canada);
  - (v) being convicted of an offence involving theft or fraud; or
  - (vi) conducting themselves in a manner which is abusive of or offensive to employees of the Credit Union.
- (b) Prior to resolving to expel an Owner, the Credit Union shall provide to the Owner:
- (i) ten (10) days' advance notice of the Board meeting where such resolution is to be considered, such notice to be provided personally or by prepaid mail addressed to such Owner at such Owner's Recorded Address; and
  - (ii) the right to make submissions, appear and be heard at such Board meeting and to be represented by an individual authorized under the Law Society Act.
- (c) The Credit Union shall advise the Owner within five (5) days of the decision of the Board to expel the Owner by registered letter addressed to the Owner at the Owner's Recorded Address. Such Owner may appeal the decision of the Board at the next annual general meeting of Owners and will have the right to be reinstated if, at such meeting, the Owner Representatives, by a majority of the votes cast at the meeting (including votes cast by any alternative permitted means approved by the Board), set aside the resolution of the Board expelling the Owner.
- (d) Where an Owner wishes to appeal their expulsion, such Owner must, within twenty-one (21) days of receiving notice of expulsion, give written notice to the Board of their intention to appeal. The Owner may make written representations of no more than 2,000 words in length. The Credit Union shall make

available, for its Owner Representatives' review, any such written representations, by: mail; delivery; e-mail; posting same to an internal website or portal to which the Owner representatives have access; or such other means as may be approved by the Board so long as such means provides the Owner Representatives with notice as to how they may access such written representations.

### **Withdrawal**

3.08 Where an Owner wishes to withdraw from the Credit Union (which for purposes of interpretation has the same meaning as withdrawal as a member as contemplated under the Act), such Owner shall give written notice of their intention to withdraw to the Credit Union. In addition, if an Owner in any manner requests their account(s) with the Credit Union to be closed, or they initiate a process intended to result in the closing of such account(s), and they are credited for their membership shares, they shall be deemed to have surrendered their membership shares and ceased to be an Owner.

### **Payment upon Withdrawal or Expulsion**

3.09 Subject to the Act, the Credit Union shall, after deduction of all amounts due from the withdrawing or expelled Owner to the Credit Union, remit the balance of said Owner's membership shares and deposits to such Owner within ninety (90) days of such Owner giving notice of their intention to withdraw or the date of the Board resolution expelling the Owner, unless the Owner appeals the decision of the Board, then ninety (90) days from the date of the annual general meeting at which such appeal is to be heard, unless the resolution of the Board expelling the Owner is set aside. Payment of the balance of an Owner's membership shares shall constitute evidence of the surrender and transfer of the subject membership shares to the Credit Union.

### **Language**

3.10 The Credit Union's language of operation shall be English.

### **Records**

3.11 Each Owner is entitled to a record specifying the amount paid upon shares, deposits and loans by the Owner. Such record may be in electronic form.

## **ARTICLE IV: REGIONS, BRANCHES AND OWNER REPRESENTATIVES**

### ***Section 193 Branches and Other Member Groups***

4.01 Effective January 1, 2019:

(a) As permitted by section 193 of the Act, the Credit Union hereby establishes (and may in the future amend, vary or establish additional) Owner groupings to be known as regions ("Regions"). Regions shall be geographic areas within which one or more Branches are located or assigned to pursuant to this By-law.

- (b) The Board shall have authority, by resolution, to from time to time amend, vary and redefine previously established Regions and to establish new Regions. The Regions established by the Board as at the date of the enactment of this By-law are:
- (i) Windsor-Essex North – being the area historically or traditionally served by Branches in the communities of Belle River, Essex, Windsor and Woodslee;
  - (ii) Windsor-Essex South – being the area historically or traditionally served by Branches in the communities of Amherstburg, Harrow, Kingsville and Leamington;
  - (iii) Lambton-Kent-Middlesex East – being the area historically or traditionally served by Branches in the communities of Arkona, Strathroy and Watford;
  - (iv) Lambton-Kent-Middlesex West – being the area historically or traditionally served by Branches in the communities of Blenheim and Sarnia;
  - (v) London-Elgin-Oxford North – being the area historically or traditionally served by Branches in the communities of London Downtown, London East and London North;
  - (vi) London-Elgin-Oxford South – being the area historically or traditionally served by Branches in the communities of London South, London West, St. Thomas and Woodstock;
  - (vii) Huron-Perth North – being the area historically or traditionally served by Branches in the communities of Clinton, Goderich and Wingham;
  - (viii) Huron-Perth South – being the area historically or traditionally served by Branches in the communities of Exeter, Listowel and Stratford;
  - (ix) Waterloo – being the area historically or traditionally served by Branches in the communities of Cambridge, Kitchener (Downtown Kitchener, Williamsburg), and Waterloo (Waterloo, Beechwood); and
  - (x) Haldimand-Norfolk – being the area historically or traditionally served by Branches in the communities of Caledonia, Cayuga, Hagersville and Simcoe.
- (c) Whenever the Board amends or varies a Region, or establishes a new Region, the Board shall either confirm or determine that Region’s official name.
- (d) The Board may establish and discontinue Branches from time to time. Upon establishing a Branch, the Board shall: determine the Branch’s official name; and, determine which Region it is to be deemed to be, and otherwise treated as being, within.

(e) For purposes of this By-law, Owners will be deemed to belong to, and to be an Owner within, the Region in which the Branch at which their membership shares are recorded is located or to which such Branch has been assigned by the Board. For purposes of same, the expression of being “an Owner within a Region” or derivations thereof is sometimes used in this By-law. No person may be considered an Owner with more than one Region.

(f) As permitted by section 193 of the Act, it is hereby determined that Owner Representatives shall serve as the delegates of the Owners within the respective Region that elected them (pursuant to section 4.08), to exercise the powers, including voting rights attached to membership shares, of such Owners at all meetings of Owners, including, without limitation, annual and special meetings of Owners, but excluding Regional Meetings.

(g) Owner Representatives shall be elected in accordance with this Article. Owner Representatives for each Region are elected by the Owners within that Region in the number and manner determined by this By-law.

#### **Owner Representative Terms of Office and Maximum Years of Service**

4.02 (a) Subject to the remaining sections of this section 4.02 and section 4.03: each Owner Representative shall be elected or acclaimed to hold office for: a term of three (3) years; or, until their successor is elected. The standard term of office for an Owner Representative shall be three years, starting on the first day of January following their election by the Owners within the Region in question, unless this By-law indicates otherwise. Terms of office among Owner Representatives in each Region will be staggered so that, more or less, one third of the Owner Representatives in each Region have terms of office expiring each year. For purposes of achieving such staggering objectives, the Elections Returning Officer, shall be entitled to provide that the term of one or more Owner Representatives to be elected shall be less than three (3) years.

(b) In the event an individual has served as an Owner Representative for an aggregate of fifteen (15) consecutive years, they shall not stand for re-election as an Owner Representative, until at least one year has passed from the time they ceased to be an Owner Representative.

(c) In the event an Owner Representative resigns, dies or otherwise ceases to hold such position prior to the expiry of their term, the Owner Representatives for the Region for which such Owner Representative was appointed may, by majority vote, appoint an Owner to replace said Owner Representative to serve until the next election of Owner Representatives in that Region.

#### **Number of Owner Representatives per Region**

4.03 The number of Owner Representatives for each Region for the twelve month period beginning on the first day of January in each year shall be determined by dividing: the number of Owners within that Region as at the last day of March in the year preceding that first day of January; by, one thousand (1,000), and rounding the quotient thereby derived to the nearest whole number.

**Annual Declaration of Owner Representative Vacancies to be Filled by Election**

4.04 Every April, the Elections Returning Officer will produce and distribute to the Owner Representatives a report that will include:

- (a) the total number of Owners per Region as of March 31st of the same year;
- (b) the total number of Owner Representative positions to be allocated per Region in accordance with section 4.03 for the year beginning the next January 1st;
- (c) the number of Owner Representative positions, by Region, required to be filled in the respective Regional Elections to be held during the Voting Period in that same year. Such number is based on:
  - (i) the number of positions to be allocated per Region;
  - (ii) the number of positions per Region occupied by Owner Representatives with terms expiring in future years;
  - (iii) the number of positions per Region occupied by Owner Representatives with terms expiring at the end of that same year; and
  - (iv) the number of Owner Representative positions already vacant due to resignations or other circumstances in each Region in that same year; and
- (d) the applicable terms of office (i.e., one, two or three years) for each Owner Representative position vacancy in each Region (as contemplated in section 4.02).

**Owner Representative Candidate Recruitment Committees**

4.05 The Owner Representatives for each Region shall, prior to the start of each Owner Representative Advance Nomination Period, appoint a candidate recruitment committee for this respective Region. Such committees shall be composed of individuals who cannot or will not be candidates in the election for Owner Representatives in that same year. The duties and responsibilities of, as well as the procedures to be followed by, such committees will be determined by the Board from time to time.

**Eligibility for Election as Owner Representatives**

4.06 In order to be eligible to stand for election as an Owner Representative, an individual must meet the following criteria:

- (a) the same criteria for persons who qualify or are disqualified for election as a director of a credit union under sections 83 and 84 of the Act, and section 29 of the Regulations shall apply with respect to qualification for election as an Owner Representative, with such changes in interpretation as are necessary to give proper meaning to same;



- (b) at least eighteen (18) years of age and an Owner In Good Standing as of the date of their nomination;
- (c) not be an employee of the Credit Union, whether full-time, part-time or an individual on contract with the Credit Union at any time during the two (2) year period prior to the date the individual would take office as an Owner Representative; and
- (d) not be a Director, unless the individual resigns as a Director upon being elected an Owner Representative.

For purposes of certainty, an Owner whose membership shares are recorded in a Branch which is within one Region may stand for election as an Owner Representative of a different Region, but may only stand for election in a single Region.

### **Owner Representative Nominations Process**

- 4.07
- (a) Nominations for an Owner Representative shall be submitted on forms, the format and content of which will be approved by the Board from time to time. A nomination form for an Owner Representative candidate must be signed by at least three Owners within the Region in which the Owner Representative candidate seeks election, each declaring their support of such nomination.
  - (b) Owners may nominate more than one individual for election as an Owner Representative for that Owner's Region.
  - (c) Employees of the Credit Union, whether full-time, part-time, or individuals on contract with the Credit Union, may not nominate a candidate for Owner Representative, nor assist or participate in any way in the completion of such forms (except to answer general questions on how such forms are to be completed and submitted).
  - (d) Nominations for Owner Representatives will only be accepted during the Business Days in the months of September and October immediately preceding the Regional elections for Owner Representatives in November each year (the "Owner Representative Advance Nomination Period").
  - (e) Nomination forms for the position of Owner Representatives may be hand delivered, mailed or sent by facsimile or other electronic transmission such that they are received by the Elections Returning Officer after the opening and before the closing of the Owner Representative Advance Nomination Period.
  - (f) The Elections Returning Officer shall keep a record of all nominations received during the Owner Representative Advance Nomination Period. Any Owner may inquire of the Elections Returning Officer at any time during normal business hours as to which Owners have been nominated to stand as Owner Representatives in the Regions.

## **Regional Elections for Owner Representatives**

4.08 The Board shall in each year at least one month prior to the Owner Representative Advance Nomination Period, appoint the Corporate Secretary or other officer or employee of the Credit Union as the elections returning officer for the Regional Elections (the “Elections Returning Officer”). The Elections Returning Officer (based on the report contemplated in section 4.04), will determine, for each Region, in each year whether elections for the position of Owner Representative are required in each of the Regions and shall act as follows:

(a) If the number of nominations for Owner Representatives for a Region received during the Owner Representative Advance Nomination Period is less than or equal to the number of vacant Owner Representative positions for that Region, as determined by section 4.04, then the Elections Returning Officer shall declare such nominees as nominated and acclaimed as Owner Representatives for that Region. The varying terms of office to be allocated among the candidates shall be by drawing of lots prior to the start of a term of office on January 1st.

(b) If the number of nominations for Owner Representatives for a Region received during the Owner Representative Advance Nomination Period is greater than the number of vacant Owner Representative positions for that Region as determined by section 4.04 of this By-law, then the Elections Returning Officer, notwithstanding section 193(3) of the Act, shall conduct an election (a “Regional Election”) for that Region in accordance with section 4.09.

## **Conduct of Regional Elections**

4.09 In each of those Regions and in those years that an election of Owner Representatives is necessary, the Elections Returning Officer shall conduct an election as follows:

(a) The voting period for a Regional Election shall be at a minimum the last ten (10) days in the month of November each year (the “Voting Period”).

(b) Notice of a Regional Election will be posted in all of the Branches within the subject Region at least ten days prior to the start of the Voting Period, which notice may be supplemented by such other communications to the Owners within the Region, including, without limitation, e-mail and other electronic communications. Such notice to include:

- (i) the number of Owner Representative positions to be filled;
- (ii) the name of each candidate and other information as may be provided by each candidate;
- (iii) notification of the Voting Period during which Owners within that Region may vote and cast ballots in the election, utilizing such methods and modalities as have been approved by the Board, which may include the casting of votes by both electronic and paper ballots; and
- (iv) clear instructions for voting.





## **Regional Owner Eligibility to Vote**

4.10 The following Owners within a Region are each entitled to cast a single ballot each in a Regional Election for their Region:

- (a) Individuals who are at least 16 years of age; and
- (b) All Owners who are not individuals may vote by proxy using proxy forms and ballots as may be approved by the Board from time to time.

## **Conduct of Elections for Owner Representatives**

- 4.11
- (a) Elections of Owner Representatives shall take place during the Voting Period.
  - (b) Voting for Owner Representatives may occur either by way of an in-branch voting system or by electronic voting system or a combination of both methods, as may be approved by the Elections Returning Officer.
  - (c) The Elections Returning Officer shall be entitled to utilize such resources as they may reasonably consider appropriate for purposes of running the elections.
  - (d) The Elections Returning Officer shall cause the votes to be tallied and produce an elections result report for each Region within seven (7) Business Days following the close of the Voting Period, such report to include:
    - (i) the number of votes cast for each candidate;
    - (ii) the total number of valid ballots submitted;
    - (iii) the total number of spoiled or invalid ballots;
    - (iv) the total number of ballots submitted; and
    - (v) the names of those candidates elected as Owner Representatives and, if applicable, their respective terms of office.
  - (e) In cases where varying terms of office were applicable to vacant Owner Representative positions, the candidates receiving the greater number of votes will be allocated the longer terms of office.

## **Tie Votes in Regional Elections**

- 4.12
- (a) If a tie vote results in the inability to allocate varying terms of office on the basis of section 4.11(e) as between two or more candidates and not whether those candidates will be elected to office, the “tied” candidates shall draw lots for the terms of office.

(b) If a tie vote between two or more candidates determines the difference between being elected as an Owner Representative or not being so elected, the Elections Returning Officer will conduct a run-off election during the month of December in the same calendar year as the Voting Period as follows:

- (i) only the names of the candidates receiving the equal number of votes will appear on the run-off ballot;
- (ii) only the then serving Owner Representatives for the subject Region will be eligible to vote in such run-off election, regardless of whether they have already participated in the Regional Election for that Region in the year in question; and
- (iii) run-off elections may occur utilizing either paper ballots or electronic ballots or a combination of both methods, as may be approved by the Elections Returning Officer.

#### **Voting Rights and Duties of Owner Representatives**

- 4.13 (a) All voting rights of Owners at meetings of Owners, including annual and special meetings, but excluding Regional Meetings, and the right to move or second a motion at those meetings, shall be vested in the Owner Representatives. Owners not elected as Owner Representatives may attend and speak at such meetings, subject to the rule of the chair of the meeting, but may not vote or move or second a motion.
- (b) Every Owner Representative who, during their term of office, is present at any meeting of Owners (other than Regional Meetings), shall have one vote in elections for the Board and on any and all motions or resolutions presented at such meetings.
- (c) In each year, every Owner Representative will be required to commit to a code of professional conduct for Owner Representatives and sign a form pledging same.
- (d) All the Owner Representatives shall, while in office, serve on a Council on the basis provided for in section 4.14.
- (e) The Board may adopt Terms of Reference for Owner Representatives that are more specific than, but not in conflict with, this By-law.

#### **Councils**

- 4.14 (a) The Board shall, from time to time, establish one or more groupings of Owner Representatives within a Region to form a council (“Council”); provided that, if a Region has more than one (1) Council, each Owner Representative within that Region must be assigned to one (1) of those Councils (“Councils”) within each Region. The Board may vary the number of Councils it establishes within a Region, from time to time, and amend or vary assignment of Owner Representatives for a particular Region to a different Council within that Region.

- (b) The role and duties of each Council shall include:
  - (i) receive, analyze and discuss implications of reports on the Credit Union’s operations within their Region;
  - (ii) provide non-binding input to the Board on operational and other matters which may be of concern to Owners within their Region;
  - (iii) serve as credit union ambassadors and promote the Credit Union and its vision, mission and values generally;
  - (iv) research, plan and suggest the disbursement of strategic community investments in their Region; and
  - (v) on request, advise management with respect to business development and operations.
- (c) The Board may, from time to time, adopt, amend and vary: terms of reference for Councils that are more specific than, but not in conflict with, this By-law; and, determine and establish rules and procedures for Council meetings, including, without limitation, with respect to the appointment of chairpersons, secretaries and other officiants for purposes of such meetings.
- (d) For purposes of certainty, Councils shall be advisory bodies only and do not have authority over the Credit Union, the Board or management of the Credit Union.

## **Regional Meetings**

4.15 The Board may, from time to time, elect (whether on the suggestion of a Council or otherwise), to convene and hold Regional meetings of Owners (“Regional Meetings”). The purpose of any such meetings, however, would be for informational purposes only, in circumstances when the Board considers it to be in the best interests of the Credit Union to convene such meetings for purposes of seeking the input of the Owners on such issues as the Board may determine. The authority of Owners to vote at meetings of Owners, having been delegated to the Owner Representatives pursuant to section 4.13, shall not have the right or power to vote at any such meeting in a manner which would be intended to bind the Credit Union, the Board or management of the Credit Union. The Board may adopt, amend or vary policies, procedures and terms of reference for such Regional Meetings that are more specific than, but do not conflict with, this By-law.

## **ARTICLE V: DIRECTORS**

### **Number of Directors and Quorum**

- 5.01 (a) The number of Directors shall be eleven (11).

(b) The quorum for the transaction of business at any meeting of the Board shall be a majority of the Directors or such greater number of Directors as the Board may from time to time by resolution determine.

### **Directors Term of Office and Maximum Years of Service**

5.02 (a) Except where an election is held or an appointment is made to fill the unexpired portion of a Director's term under 5.16 or 5.17 as applicable, Directors shall be elected or acclaimed to hold office for terms of three (3) years or until their successors are elected or appointed. In the event that a Director is appointed pursuant to section 5.17, at the next occurring annual election of Directors, the position associated with such directorship, for purposes of such annual election, shall be the remainder of the term of office the Director who had vacated office would have otherwise enjoyed.

(b) Notwithstanding 5.02 (a) above, if an individual has served as a Director of the Credit Union for a period of fifteen (15) consecutive years (such period commencing for all Directors January 1, 2014), after that date, the individual shall not stand for re-election as a Director until a period of not less than (1) year has elapsed from the date he ceases to be a Director.

(c) The Corporate Secretary shall keep records of service for every Director and following each annual general meeting of the Credit Union, shall report on terms of office expiring at the next annual general meeting of the Credit Union and the eligibility of individual Directors for re-election.

### **Qualification**

5.03 In order to be eligible to stand for election as a Director, an individual must be:

(a) A Canadian citizen or an individual lawfully admitted to Canada for permanent residency who is ordinarily resident in Canada; and

(b) At least eighteen (18) years of age and an Owner In Good Standing as of the date of their nomination, and for at least one (1) year prior to January 1 of the year in which the respective election will be held have been:

(i) an Owner In Good Standing; or

(ii) a member of another credit union all of the shares or assets of which have been purchased by the Credit Union.

### **Disqualification**

5.04 Any individual for or to whom any of the following apply is not eligible, to remain on the Board, to stand for election, or to be elected, as a Director:

(a) An individual disqualified from becoming or acting as a Director pursuant to the Act;

(b) An individual who is or becomes an employee, Director, officer or agent of: (i) an organization in a competitive business to the Credit Union including a bank, trust company, loan company, savings and loan association, deposit taking institution, lending institution, mortgage or deposit broker, or any other entity which the Board (or its delegate) determines is engaged in or concerned with or interested in, any business or any part of the business from time to time carried on by the Credit Union, unless the Board determines, in its sole discretion, that the relationship is so remote or insignificant in its nature that it cannot reasonably be regarded as likely to influence the individual when carrying out their duties as a Director; or (ii) another credit union (other than a Director of a central credit union) or their controlled subsidiaries;

(c) An individual who is, or was at any time during the two (2) year period prior to January 1 of the year in which the election will be held, an employee of the Credit Union or any of its subsidiaries or affiliates;

(d) An individual who is a member of the Immediate Family of an individual who is standing for election as a Director or is an incumbent Director and who would be on the Board at the same time as that individual if that or those individual(s) was or were elected;

(e) An individual who is a member of the Immediate Family of an individual employed by the Credit Union;

(f) An individual who is a member of the Immediate Family of an individual who is an incumbent Owner Representative; or

(g) An individual who has commenced, or caused to be commenced, a legal proceeding against the Credit Union, or who the Credit Union has commenced a legal proceeding against.

### **Vacation of Office**

5.05 A Director ceases to hold office on the earlier of the expiry of their term of office and when they: die; resign; are removed from office by the Owner Representatives or the Authority in accordance with the Act; upon being elected as an Owner Representative; if they refuse to resign as an Owner Representative upon being elected as a Director; and, there occurs any circumstance(s) which would otherwise disqualify such Director from being eligible to stand for election, or to be elected, as a Director under section 5.04.

### **Elections for Board of Directors**

5.06 Directors are elected by Owner Representatives in elections conducted at: annual meetings of Owners; and, meetings of Owners held pursuant to section 5.17.

**Board Advance Nomination Period**

- 5.07 (a) The board advance nomination period for each year shall include, at a minimum all the Business Days in the month of January, and the specific start and end dates will be specified as determined below. (the “Board Advance Nomination Period”).
- (b) Every year, at least one month prior to the start of the Board Advance Nomination Period, the Board shall appoint the Corporate Secretary, or other individual, to serve as the board elections chair (the “Board Elections Chair”) for the upcoming Directors’ election.
- (c) Prior to the start of the Board Advance Nomination Period, the Board Elections Chair shall produce and distribute to all Owner Representatives a report which will include:
- (i) the name of the Directors whose term of office expires as at the next annual general meeting of Owners;
  - (ii) the number of vacant positions on the Board to be filled by an election at that meeting;
  - (iii) the term of office for each vacancy; and
  - (iv) the specific dates of the start and end of the Board Advance Nomination Period for the current year.

**Nominations for the Board**

- 5.08 (a) Owners must submit their nomination for election to the Board during the Board Advance Nomination Period.
- (b) Such advance nominations must be submitted on such forms and in such format as approved by the Board from time to time.
- (c) In order to be accepted as a Director candidate, a nominee must state in writing, in such form as is prescribed by the Board, that they are willing to:
- (i) stand for election;
  - (ii) comply with the conflict of interest provisions and the code of conduct for Directors, as adopted by the Board, from time to time;
  - (iii) comply with the By-laws and the procedures relating to the election process and conduct of the election process;
  - (iv) comply with policies set by the Board, from to time, pertaining to the responsibilities of Directors; and



- (v) comply with the Act, Regulations, and Authority Rules, as issued, from time to time.
- (d) Nominations for the Board must be supported by six (6) other Owners, at least three (3) of whom must be currently serving Owner Representatives. All six (6) nominators may be Owner Representatives. No employee of the Credit Union may nominate a candidate. Each nominator must sign the candidate's nomination form and this shall be conclusive evidence that individual acting as a nominator. Owners may nominate more than one candidate for election to the Board.
- (e) No employees, whether full-time or part-time, of the Credit Union nor any individual on contract to the Credit Union may assist in any way in the completion of a candidate nomination form (other than to answer questions regarding its proper completion and submission), or solicit or gather support.
- (f) Nomination forms for the position of a Director may be hand delivered, mailed or sent by facsimile or other electronic transmission such that they are received by the Board Elections Chair after the opening and before the closing of the Board Advance Nomination Period.
- (g) The Board Elections Chair shall keep a record of all nominations received and accepted for the position of a Director. The list of nominees will be posted on the Credit Union's web-site.
- (h) Notwithstanding the above requirements, nominations for election to the Board will only be considered complete and only accepted by the Board Elections Chair after the nominee has been recorded as attending and participating at a candidate information session conducted by a committee of the Board. Such candidate information session or more than one such session may occur after the close of the Board Advance Nomination Period, but must occur before the distribution of the official notice of meeting for the meeting of Owners at which the elections to the Board are to take place.
- (i) The Board may, in its discretion, determine from time to time whether campaigning shall be permitted and/or the method and manner in which nominees shall be permitted to campaign for election, and nominees shall campaign in accordance with the method and manner as determined by the Board.

### **Board Candidate Recruitment**

5.09 Each year, prior to the start of the Board Advance Nomination Period, the Board shall either appoint a committee of the Board or ensure that one of its standing committees has the duties and responsibilities regarding Board candidate recruitment as delegated to it by the Board.

### **Board Election Information to Owner Representatives**

5.10 The Board Elections Chair shall cause the following information to be included in the materials enclosed with the formal invitation and notice of meeting:

- (a) the names of Directors with terms expiring as at the upcoming annual meeting of Owners;

- (b) the number of vacant positions on the Board to be filled by election at the annual meeting of the Owners and the terms of office of such positions; and
- (c) the number and names of Owners nominated for election to the Board during the Board Advance Nomination Period and other information as may be supplied by each nominee on their nomination form.

### **Board Elections Process**

5.11 At the annual meeting of Owners, during the time provided by the meeting agenda for Board elections, the Board Elections Chair shall:

- (a) if the number of nominations received during the Board Advance Nomination Period is equal to the number of vacant positions to be filled, ask the Owner Representatives present at the meeting to adopt a resolution confirming the election of such nominees to the Board by acclamation without opening the floor to nominations;
- (b) open the floor to further nominations only if the number of nominations received during the Board Advance Nomination Period is less than the number of vacant positions to be filled. A nomination from the floor must be moved and seconded each by an Owner Representative;
- (c) close nominations from the floor after having called for such nominations three (3) times;
- (d) conduct a vote to confirm election of Directors by acclamation if the total number of candidates, nominated in advance and from the floor, equals the number of vacant positions on the Board; and
- (e) if the number of nominations received during the Board Advance Nomination Period exceeds the number of vacant positions to be filled on the Board, proceed to conduct a vote by ballot without opening the floor to nominations.

### **Board Elections Vote by Ballot**

5.12 If a vote by ballot is required, the Board Elections Chair will conduct such vote as follows:

- (a) Appoint a scrutinizing committee to monitor the conduct of the elections.
- (b) Ensure every Owner Representative at the meeting has a proper unmarked ballot.
- (c) Allow each candidate to speak to the meeting for up to a maximum of three (3) minutes, in alphabetical order by surname;
- (d) Direct Owner Representatives to mark their ballots for a number of candidates less than or equal to the number of vacant positions to be filled, and not more than one vote for one candidate;
- (e) Report the results to the meeting at an appropriate time after the results have been tabulated; and



- (f) Ask the Owner Representatives present at the meeting to adopt a resolution to confirm the election results, destroy the ballots and discharge the scrutinizing committee.

**Tie Votes and Run-Off Board Elections**

5.13 If two or more candidates receive an equal number of votes and only in circumstances when there are a greater number of candidates having received an equal number of votes than there are Director positions available to them, the Board Elections Chair shall conduct a run-off election as among these candidates as follows:

- (a) distribute a special run-off ballot to each Owner Representative at the meeting;
- (b) direct the Owner Representatives to mark their special run-off ballot for a number of candidates less than or equal to the number to the positions to be filled in such run-off election, and not more than one vote for one candidate;
- (c) report the results to the meeting at an appropriate time after the results have been tabulated; and
- (d) ask the Owner Representatives to adopt a resolution to confirm the election results, destroy the ballots and discharge the scrutinizing committee.

**Allocation of Varying Terms of Office**

5.14 If the vacant positions to be filled carry varying terms of office, such terms of office shall be allocated as follows. If the election was:

- (a) concluded by acclamation, the elected candidates shall draw lots at the meeting;
- (b) conducted by vote by ballot, those candidates receiving the higher number of votes will receive the longer terms of office; and
- (c) conducted by vote by ballot and two or more elected candidates received an equal number of votes, those candidates shall draw lots at the meeting.

**Additional Election Rules and Forms**

5.15 The Board may adopt additional and more specific rules regarding the Board and the election of Directors with respect to forms and procedures; terms of reference for individuals or groups involved in the candidate recruitment and electoral processes; provisions for in-branch and/or electronic voting; and campaigning by candidates. Such rules may be more specific than, but not contrary to, this By-law.

**Removal of Directors by Owner Representatives or the Board**

- 5.16 (a) Subject to the provisions of the Act, the Owner Representatives may, by special resolution passed at a meeting specially called for such purpose, remove any Director from office, and the vacancy created by

such removal shall be filled at the same meeting. If the Owner Representatives remove a Director from office, they shall elect another Director at the same meeting to hold office in their stead for the remainder of the term of office which would otherwise have been enjoyed by the Director removed from office.

(b) In the event a Director, without reasonable cause, fails to comply with policies established by the Board with respect to attendance at Board and committee meetings, training requirements, Director conduct, or other Director duties, the Board may, by resolution, declare that Director's position vacant.

### **Vacancies on the Board**

5.17 Subject to the Act, a quorum of the Board may fill a vacancy on the Board by appointing a qualified individual, who is an Owner to serve until the next annual meeting of Owners. In the absence of a quorum of the Board, the Directors then in office shall forthwith call a meeting of Owners to fill the vacancy, whereat the powers and voting rights of the Owners shall be exercised by the Owner Representatives as contemplated in this By-law. If the Directors then in office fail to call such meeting or if there are no Directors then in office, any Owner Representative may call such meeting.

### **Action by the Board**

5.18 The Board shall manage or supervise the management of the business and affairs of the Credit Union. Subject to section 5.19, the powers of the Board may be exercised at a meeting at which a quorum is present. Where there is a vacancy on the Board, the remaining Directors may exercise all the powers of the Board so long as a quorum of the Board remains in office.

### **Board and Committee Meetings by Telephone and Electronic Means**

5.19 Directors may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all individuals participating in the meeting to communicate with each other simultaneously and instantaneously, and a Director participating in such a meeting by such means is deemed to be present at the meeting.

### **Place of Board Meeting**

5.20 Meetings of the Board may be held at any place within Ontario.

### **Calling of Board Meetings**

5.21 Subject to the Act, meetings of the Board shall be held from time to time, on such day and at such time and at such place as the Board, the Chair of the Board, the Vice-Chair or any three (3) Directors may determine, and the Corporate Secretary, when directed by the Board, the Chair of the Board, the Vice-Chair or any three (3) Directors, shall convene a meeting of the Board.

## **Notice of Board Meetings**

- 5.22 (a) Notice of the date, time and place of each meeting of the Board shall be given in the manner provided in section 15.01 to each Director not less than forty-eight (48) hours (exclusive of any part of a day that is not a Business Day) before the time when the meeting is to be held. A notice of a meeting of Directors need not specify the purpose of or the business to be transacted at the meeting, except where the Act requires such purpose or business to be transacted thereat to be specified.
- (b) A Director may, in any manner, waive notice of or otherwise consent to a meeting of the Board. Attendance at a meeting, either in person or by telephone or electronic means, shall be deemed to be consent to the holding of the meeting, unless such attendance is for the sole purpose of objecting to the holding of the meeting on the ground of a lack of notice.

## **First Meeting of New Board**

- 5.23 Notwithstanding section 5.22, provided a quorum of Directors is present, each newly elected Board may, without notice, hold its first meeting immediately following the annual meeting of Owners which follows an annual election of Directors.

## **Adjourned Board Meeting**

- 5.24 Notice of an adjourned meeting of the Board is not required if the time and place of the adjourned meeting is announced at the original meeting.

## **Regular Board Meetings and Minimum Number of Meetings**

- 5.25 (a) The Board may appoint a day or days in any month or months for regular meetings of the Board, at a place or places and hour to be named or named later. A copy of any resolution of the Board fixing the place and time of such regular meetings or a copy of minutes of a Board meeting containing such resolution, shall be sent to each Director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.
- (b) The Board shall meet at least quarterly during each financial year of the Credit Union.

## **Presumption of Assent**

- 5.26 A Director who is present at a meeting of the Board or a committee at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless the director:
- (a) at such meeting, requests that their dissent be entered in the minutes of the meeting;
- (b) sends a written dissent to the secretary of the meeting before the meeting is terminated; or

- (c) sends a dissent by registered mail or delivers it to the registered office of the Credit Union immediately after the meeting is terminated.

A director who was not present at such a meeting at which a resolution was passed or action taken is deemed to have consented thereto unless within seven days after becoming aware of the resolution the director:

- i. causes their dissent to be placed in the minutes of the meeting; or
- ii. sends their dissent by registered mail or delivers it to the registered office of the Credit Union.

### **Conduct of Board and Committee Meetings**

5.27 At all meetings of the Board and committees of the Board, every question shall be decided by a majority of the votes cast on the question, unless the Act, the Articles, this By-law or Roberts Rules of Order determine otherwise. The Chair shall only be entitled to vote to create or to break an equality of votes. In all other aspects, Board meeting procedures not covered by this By-law shall be as set forth in the then most current edition of Roberts Rules of Order.

### **Written Consent to Action by Directors**

5.28 Any action required to be taken at a meeting of the Directors or any other action which may be taken at a meeting of the Directors or of a committee, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors, or all of the members of the committee, as the case may be. Such consent shall have the same legal effect as a unanimous vote of all the Directors or committee members.

### **Conflict of Interest**

5.29 Subject to the Credit Union's conflict of interest policy, a Director or officer of the Credit Union who: is a party to; is a director or officer of or has a material interest in any person who is a party to; or, is an Immediate Family member of an individual who is a party to or a director or officer of or has a material interest in any party to, a material contract or transaction, or proposed material contract or transaction, with the Credit Union, shall disclose in writing to the Credit Union, or request to have entered in the minutes of the meetings of the Directors, the nature and extent of such interest and relationship, at the time and in the manner provided by the Act. Any such contract or transaction, or proposed contract or transaction, shall be referred to the Board for approval, even if such contract is one that, in the ordinary course of the Credit Union's business, would not require approval by the Board, and a Director interested in a contract so referred to the Board shall not vote on, or be present at the consideration of, any resolution to approve the same, except as permitted by the Act.

### **Director Remuneration and Expenses**

5.30 The Directors shall be paid such remuneration for their services as the Board may from time to time determine. The Directors shall also be entitled to be reimbursed for travelling and other expenses properly



incurred by them in attending meetings of the Owners, Owner Representatives, Shareholders, the Board, or any committee of the Board, or otherwise in the performance of their duties, as authorized by the Board or the Chair.

### **Diversity Reporting**

5.31 The Board shall report annually on gender diversity, including on the gender diversity of the Board, in accordance with the Act. The Board shall determine from time to time the form and format of such reporting.

## **ARTICLE VI: COMMITTEES**

### **Committee of Directors**

6.01 The Board may appoint any number of committees of Directors, including an executive committee, however designated, and delegate to such committees any of the powers of the Board, except those which, under the Act or other applicable legislation, cannot be delegated to a committee of the Board. The terms of reference for a committee will clearly stipulate any powers of the Board that may have been delegated to it, and the role, function, duties and responsibilities of a committee and its committee members.

### **Committee Members**

6.02 Members of Board committees shall be elected or appointed for a term of office as determined by the Board in terms of reference for the committees.

### **Transaction of Business**

6.03 The powers of a committee of Directors may be exercised by a meeting at which a quorum of the committee is present.

### **Audit Committee**

6.04 (a) The Board shall appoint annually from among its number an audit committee (the "Audit Committee"), to be composed of a minimum of three (3) Directors.

(b) The chair of the Audit Committee (the "Audit Committee Chair") shall be elected by the Board from among the members of the Audit Committee in accordance with procedures established by the Board, from time to time, and meetings of the Audit Committee shall be at the call of the Audit Committee Chair, the Credit Union's auditor or a Director, provided that the Audit Committee shall meet at least once every quarter.

(c) The Audit Committee shall perform such duties as are set out in the Act and the regulations for an Audit Committee, and such other duties as may be delegated to it by the Board. For internal purposes, the Audit Committee may be designated by such other name as the Board may from time to time determine.

**Advisory Panels and Task Forces**

6.05 The Board may establish such other panels, task forces and groups as it may deem advisable. The scope of actions shall be clearly stipulated in written terms of reference for each such panel, task force or group.

**Procedure**

6.06 Subject to this By-law and unless otherwise determined by the Board, each committee shall have power to fix its quorum at not less than a majority of its members, to elect its Chair and to regulate its procedure.

**ARTICLE VII: OFFICERS**

**Appointment and Remuneration**

7.01 The Board shall appoint a Chair and a Vice Chair and appoint a Corporate Secretary, a Chief Executive Officer, and such other officers as the Board may determine. The Board shall specify the duties of and, in accordance with this By-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Credit Union. Subject to section 7.02 through 7.05, inclusive, an officer may but need not be a Director, and one (1) individual may hold more than one (1) office. All officers shall sign such Documents as require their respective signatures. In the case of the absence or the inability or refusal to act of any officer, or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of such officer to any other officer, or to any Director for the time being. The Board shall determine the Credit Union's procedure and policies for the remuneration of its officers and employees.

**Chair of the Board**

7.02 (a) Subject to any continuing term of the Chair, within thirty (30) days of each annual meeting of Owners, the Board shall appoint the Chair who shall be a Director and shall, when present, preside at all meetings of the Board, the Owners, and Shareholders, but not Council meetings or Regional Meetings. The Chair shall be vested with and may exercise such powers and shall perform such other duties as may, from time to time, be assigned to them by the Board. During the absence or the inability or refusal to act of the Chair, their duties shall be performed and their powers shall be exercised by the Vice Chair.

(b) The term of Chair is for one (1) year and the same individual may serve a maximum of five (5) consecutive terms, where a 'year' is from an annual meeting of Owners to the next annual meeting of Owners. An individual who has served five (5) consecutive terms as Chair is not able to hold that position again until such time as a period of at least one (1) year has elapsed.

(c) The Board may by special resolution remove an individual from the position of Chair during a term.

## **Vice Chair**

7.03 Within thirty (30) days of each annual general meeting the Board shall appoint the Vice Chair who shall be a Director and shall have such powers and duties as the Board or the Chair may specify. The Vice Chair shall be vested with all the powers and shall perform all the duties of the Chair in the absence or the inability or refusal of the Chair to act.

## **Corporate Secretary**

7.04 The Corporate Secretary shall give or cause to be given, as and when instructed, all notices to Owners, Owner Representatives, Shareholders, Directors, officers, auditors and members of committees of the Board; and shall ensure that the By-laws and the minutes of meetings of the Board are kept up to date; and the Corporate Secretary shall have such other powers and duties as the Board may specify or as this By-law provides.

## **Chief Executive Officer**

7.05 The Chief Executive Officer shall be an employee of the Credit Union appointed by the Board, shall not be a Director, and shall be the chief executive officer of the Credit Union and shall be charged, subject to the authority of the Board, with the general supervision of the business and affairs of the Credit Union.

## **Powers and Duties of Other Officers**

7.06 The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board may specify.

## **Variation of Powers and Duties**

7.07 The Board may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

## **Terms of Office**

7.08 The Board, in its discretion, may remove any officer of the Credit Union from their office with or without cause, without prejudice to such officer's rights under any employment contract. Otherwise, each officer appointed by the Board shall hold office until their successor is appointed, or until the earlier of their resignation, retirement, or death, or the expiry of any applicable term.

## **Terms of Employment and Remuneration**

7.09 The terms of employment and the remuneration of an officer appointed by the Board shall be settled by it from time to time. The fact that any officer or employee is a Shareholder of the Credit Union shall not disqualify them from receiving such remuneration as may be so determined.

**Conflict of Interest**

7.10 An officer shall disclose their interest in any material contract or transaction, or proposed material contract or transaction, with the Credit Union in accordance with section 5.27 and the Act.

**Agents and Attorneys**

7.11 The Board shall have the power, from time to time, to appoint agents or attorneys for the Credit Union in or outside Canada, with such power of management or otherwise (including the powers to sub delegate) as may be thought fit.

**Fidelity Bonds**

7.12 Subject to the Act, the Board shall require directors, officers, employees and agents of the Credit Union receiving or having charge of money to furnish bonds for the faithful discharge of their powers and duties, provided by an insurer licensed under the Insurance Act (Ontario) to write surety and fidelity insurance, and in an amount at least equal to any minimum amount required by the Act or calculated in accordance with the formula specified in the Act, but no Director shall be liable for failure to require any such bond or for, the insufficiency of any such bond, or any loss by reason of the failure of the Credit Union to receive any indemnity thereby provided.

**ARTICLE VIII: MEETINGS OF OWNERS**

**Owner Meetings and Location of Meetings**

8.01 The annual meeting of the Owners of the Credit Union shall be held within 120 days following the financial year end of the Credit Union and may be held at such time and at such place (the “Meeting Location”), within the Province of Ontario, as the Board shall determine. If permitted by the Board, other locations (“Remote Meeting Locations”) may be connected to the Meeting Location, or any general meeting of the Owners, by such communication links as permit any individual attending the meeting at any Remote Meeting Location to communicate simultaneously and instantaneously with any individual attending the meeting at the Meeting Location (or any general meeting) or at any other Remote Meeting Location, and, in that event, those attending the meeting at the Remote Meeting Locations shall be deemed to be present at the meeting for the purpose of section 8.09, and shall have all the rights of an Owner Representative attending the meeting at the Meeting Location.

**Virtual Meetings**

8.02 Notwithstanding the provisions in 8.01, the Board of Directors shall have the power and authority to determine that any annual or special general meeting be held solely by means of remote communication, in lieu of being held at any designated place, and participation in such a meeting in the manner determined by the Board shall constitute presence in person at the meeting for the purpose of section 8.09.



## **Business at an Annual General Meeting**

8.03 At the annual general meetings of Owners of the Credit Union, the Board shall place before the Owners and Owner Representatives:

- (a) minutes of the prior annual meeting of Owners;
- (b) the audited financial statements;
- (c) the report of the Audit Committee;
- (d) the report of the auditor;
- (e) the election of Directors; and
- (f) such further information respecting the financial position of the Credit Union and the results of its operations as this By-law requires or as the Board may by resolution direct.

As contemplated in Section 4.10(f) of this By-law, the Owner Representatives shall exercise the powers, including voting rights attached to membership shares, of the Owners in respect to the foregoing and in relation to the conduct of such other business as may come before the meeting, as is required by the Act, as is identified in the meeting notice or as may be properly put before the meeting.

## **Notice of Meeting**

8.04 Notice of all meetings of Owners of the Credit Union shall be given by the Corporate Secretary, who shall, not later than ten (10) days before the date of the meeting or earlier than fifty (50) days before the date of the meeting, give notice of the meeting to each Owner of the Credit Union who, on the record date for notice, appears on the records of the Credit Union as an Owner.

## **Notice to Owner Representatives**

8.05 The notices addressed in section 8.04 shall be given to Owner Representatives by:

- (a) sending the notice by prepaid mail to the Recorded Address of the Owner Representative; or
- (b) sending the notice electronically to the electronic address of the Owner Representative provided to the Credit Union by the Owner Representative, if not listed as a Recorded Address; or
- (c) delivering the notice to the place of employment of the Owner Representative.

In addition to the above, the Corporate Secretary may post the notice on the Credit Union's web-site.



## **Notice to Owners**

8.06 The notices addressed in section 8.04 shall be given to Owners who are not Owner Representatives by posting same on the Credit Union's website, and in such other manner (if at all) as may be determined by the Board from time to time.

## **Record Date**

8.07 The Board may fix in advance a date, preceding the date of any meeting of Owners by no more than fifty (50) days and not less than ten (10) days, as a record date for the determination of the Owners entitled to notice of the meeting, provided that notice of such record date shall be given not less than seven (7) days before such record date on the Credit Union's website. If no record date is fixed, the record date for determining the Owners entitled to notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given.

## **Accidental Omission**

8.08 The accidental omission to give notice to any Owner Representative, or the non-receipt of the notice by any Owner Representative, shall not invalidate any resolution passed, or any proceedings taken, at the meeting.

## **Quorum**

8.09 (a) At all annual and special meetings of Owners, a number of Owner Representatives equal to or greater than 50% of the total number of Owner Representatives then serving shall constitute a quorum.

(b) If no quorum is present, the presiding officer of the meeting shall adjourn the meeting to a date not less than seven (7) or more than fifteen (15) days thereafter, and the decision(s) of the adjourned meeting shall be binding upon the Credit Union regardless of the number of Owner Representatives then present.

(c) Notice of the adjourned meeting shall be given by the Corporate Secretary in the manner herein provided, at least seven (7) days prior to the date of the adjourned meeting.

## **New Business**

8.10 At all meetings of the Owners of the Credit Union, only the business stated in the notice calling such meeting may be transacted. In particular, and without limiting the generality of the foregoing, due notice shall be given of any proposed By-law amendments.

## **Voting**

8.11 Every Owner Representative who receives notice of a meeting of Owners shall be entitled to one (1) vote on matters to be voted upon thereat, including, ordinary and special resolutions. In addition, the Board may set by



resolution the methods and conditions by which voting shall be carried out, including in person, by mail, by telephone or electronic means, or by any combination of the same, and any votes properly cast in such manner shall be included in the computation of votes cast in respect of a resolution or other matter.

### **Conduct of Owners' Meetings**

8.12 Subject to any determination of the Board, meetings of Owners shall be conducted in accordance with the then current edition of Roberts Rules of Order.

### **Proposals**

8.13 Upon receipt of a written proposal from an Owner Representative to raise an issue at an annual meeting of Owners and a request that a statement in relation to that issue be attached to the related notice of meeting, the Board shall, within ten (10) days of its receipt, meet to consider whether or not the proposal is to be included in the notice of meeting, and, where the Board refuses to include the proposal in the notice of meeting, the Chair shall notify the Owner Representative submitting it of the refusal, and give reasons for its decision. A written proposal will not be considered if it is received by the Credit Union later than 90 days before the meeting.

### **Requisitions**

8.14 Upon the written request of five percent (5%) of the Owners or 33% of the Owner Representatives, stating the general nature of the business to be presented at the meeting, the Board shall call a meeting of Owners (to be represented by the Owner-Representatives as contemplated by this By-law) for the transaction of that business not later than twenty-one (21) days from the date the written request was deposited at the head office of the Credit Union, and such meeting shall be held within sixty (60) days from the date of the deposit of the request.

### **Adjournment**

8.15 The chair at the meeting of Owners may, with the consent of the meeting and subject to such conditions as the meeting may decide, or where otherwise permitted under the provisions of the Act, adjourn the meeting from time to time and from place to place. If a meeting of Owners is adjourned for less than thirty (30) days except for lack of quorum pursuant to section 8.09, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of Owners is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

## **ARTICLE IX: PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

### **Submission of Contracts or Transactions to Shareholders for Approval**

9.01 The Board, in its discretion, may submit any contract, act or transaction for approval, ratification or confirmation at any meeting of the Owners or Shareholders called for the purpose of considering the same, and any contract, act or transaction that shall be approved, ratified or confirmed by a resolution passed by a majority of



the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Credit Union's Articles or any other By-law) shall be as valid and as binding upon the Credit Union and upon all the Owners and Shareholders as if it had been approved, ratified or confirmed by every Owner or Shareholder of the Credit Union.

## **Indemnity**

9.02 Subject to the limitations contained in the Act, the Credit Union shall indemnify a Director, officer, or committee member, a former Director or officer or committee member, or an individual who acts or acted at the Credit Union's request as a Director or officer of a body corporate of which the Credit Union is or was a member, shareholder or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a party by reason of being or having been a Director or officer of the Credit Union or such body corporate, if:

- (a) such individual acted honestly and in good faith with a view to the best interest of the Credit Union; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such individual had reasonable grounds for believing that such individual's conduct was lawful.

The Credit Union shall also indemnify such individual in such other circumstances as the Act permits or requires.

## **Insurance**

9.03 Subject to the Act, the Credit Union may purchase and maintain insurance for the benefit of any individual referred to in section 9.02, against such liabilities and in such amounts as the Board may, from time to time, determine.

## **ARTICLE X: SHARES**

### **Allotment**

10.01 Subject to the Act, the Articles and this By-Law, the Board may, from time to time, allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Credit Union, at such times and to such persons and for such consideration as the Board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

### **Commissions**

10.02 Except in respect of membership shares and subject to the Act, the Board may, from time to time, authorize the Credit Union to pay a reasonable commission to any person in consideration of their purchasing or

agreeing to purchase shares of the Credit Union, whether from the Credit Union or from any other person, or procuring or agreeing to procure purchasers for any such shares.

### **Registration of Transfers**

10.03 Subject to the provisions of the Act, no transfer of shares (other than membership shares which are subject to transfer restrictions under the Act) shall be registered in a securities register except upon presentation to the Credit Union's head office of an executed transfer request on the Credit Union's prescribed form together with the certificate which is the subject of the transfer request (if one has been issued) or written acknowledgement (in a form approved by the Board from time to time) evidencing the loss of any such share certificates and the holder's liabilities in respect thereof, with an endorsement which complies with the Act made thereon or delivered therewith, duly executed as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the Board may, from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the Board, upon compliance with such restrictions on transfer as are authorized by the Articles, and upon satisfaction of any lien referred to in section 10.05.

### **Transfer Agents and Registrars**

10.04 The Board may, from time to time, appoint one (1) or more agents to maintain, in respect of each class of securities of the Credit Union issued by it, a securities register and one (1) or more Branch securities registers. Such a person may be designated as transfer agent and registrar according to their functions, and one (1) person may be designated both registrar and transfer agent. The Board may at any time terminate such appointment.

### **Lien for Indebtedness**

10.05 The Credit Union shall have a lien on any share registered in the name of a Shareholder or their legal representatives for a debt of that Shareholder to the Credit Union, provided that, if the shares of the Credit Union are listed on a stock exchange recognized by the Ontario Securities Commission, the Credit Union shall not have such lien. The Credit Union may enforce any lien that it has on shares registered in the name of a Shareholder indebted to the Credit Union by the sale of the shares thereby affected (including, a purchase for cancellation), or by any other action, suit, remedy or proceeding authorized or permitted by law, and, pending such enforcement, the Credit Union may refuse to register a transfer of the whole or any part of such shares.

### **Non-recognition of Trusts**

10.06 Subject to the provisions of the Act, the Credit Union may treat the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership regarding such share, irrespective of any indication to the contrary through knowledge or notice or description in the Credit Union's records, on the share certificate, or on the written acknowledgement evidencing such shares.



## Share Certificates

- 10.07 (a) The Credit Union shall not issue certificates for membership shares, provided that an Owner shall be entitled to a statement of the number of membership shares held by the Owner upon request.
- (b) Subject to paragraph 10.07(a), the Credit Union shall not issue share certificates to other holders of one or more shares of the Credit Union unless a holder requests, in writing, that a share certificate be issued to them. However, the Credit Union shall issue to such holder of shares a non-transferrable written acknowledgement setting out the number, class, and/or series of shares held by such holder as shown on the Credit Union's securities register.
- (c) Share certificates and acknowledgements of a Shareholder's right to a share certificate, respectively, shall be in such form as the Board shall from time to time approve. Any share certificate shall be signed in accordance with section 2.03, and need not be under the corporate seal, provided that, unless the Board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar.

## Replacement of Share Certificates

- 10.08 The Board or any officer or agent designated by the Board may, in its or such officer's or agent's discretion, direct the issue of a new share certificate or written acknowledgement in lieu of and upon cancellation of a share certificate or written acknowledgement that has been mutilated, or in substitution for a share certificate or written acknowledgement claimed to have been lost, destroyed or wrongfully taken, on payment of such fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may, from time to time, prescribe, whether generally or in any particular case.

## Joint Shareholders

- 10.09 If two (2) or more persons are registered as joint holders of any share, the Credit Union shall not be bound to issue more than one (1) certificate or written acknowledgement in respect thereof, and delivery of such certificate or written acknowledgement to one of such persons shall be sufficient delivery to all of them. Any one (1) of such persons may give effectual receipts for the certificate or written acknowledgement issued in respect thereof, or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such shares.

## Deceased Shareholders

- 10.10 In the event of the death of a holder, or of one (1) of the joint holders, of any share, the Credit Union shall not be required to make any entry in the securities register in respect thereof, or to make payment of any dividends thereon, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Credit Union and its transfer agents.

## **ARTICLE XI: DIVIDENDS, PATRONAGE RETURNS, AND RIGHTS**

### **Distribution of Profits**

11.01 Subject to the provisions of the Act, the Board may make provision, at least annually, for the distribution of profits of the Credit Union and in addition to making allocations from such profits to the reserves of the Credit Union, may, from time to time declare dividends, stock dividends, and patronage returns, including rebates of interest on loans, or bonus interest on deposits, payable to Owners and Shareholders according to their respective rights and interest in the Credit Union as determined by the Board from time to time. Dividends and patronage returns may be paid in cash, or by issuing patronage shares, or by issuing fully paid shares (other than membership shares), of the Credit Union or in a combination of two (2) or more forms or dividends as described earlier, or dividends may be paid in property with the approval of the Authority.

### **Dividend Payments**

11.02 A dividend and patronage payable in cash may be paid by cheque drawn on the Credit Union's bankers or one of them, to the order of each registered holder of shares of the class or series in respect of which it has been declared, and mailed by prepaid ordinary mail to such registered holder at their Recorded Address, or credited to the holder's account with the Credit Union, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders, and mailed to them at their Recorded Address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend, to the extent of the sum represented thereby, plus the amount of any tax which the Credit Union is required to and does withhold.

### **Non-receipt of Cheques**

11.03 In the event of non-receipt of any dividend payment by the person to whom it is sent as aforesaid, the Credit Union shall issue to such person a replacement payment for a like amount, on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may, from time to time, prescribe, whether generally or in any particular case.

### **Record Date for Dividends and Rights**

11.04 The Board may fix in advance a date as a record date for the determination of the persons entitled to receive payment of such dividend, or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than seven (7) days before such record date on the Credit Union's website. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Credit Union shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the Board.

**Unclaimed Dividends**

11.05 Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited, and shall revert to the Credit Union.

**ARTICLE XII: MEETINGS OF SHAREHOLDERS**

**Not to Govern Owner Meetings**

12.01 This Article XII shall not apply to Owner meetings, which shall be conducted in accordance with Article VIII hereof.

**Meetings**

12.02 Subject to the Act, meetings of Shareholders and/or of any holders of any class or series of shares shall be held at such time as the Board or the Chair, from time to time may determine, for the purpose of transacting any business required by the Act or the Articles to be placed before the Shareholders and/or the holders of any class or series of shares, and for the transaction of such other business as may properly be brought before any such meeting.

**Special Meetings**

12.03 The Board or the Chair shall have power to call a special meeting of Shareholders and/or the holders of any class or series of shares at any time.

**Place of Meetings**

12.04 Meetings of Shareholders and/or the holders of any class or series of shares shall be held at a place, within the Province of Ontario, as determined by the Board.

**Virtual Meetings**

12.05 Notwithstanding the provisions in 12.04, the Board of Directors shall have the power and authority to determine that any special meeting of Shareholders be held solely by means of remote communication, in lieu of being held at any designated place, and participation in such a meeting shall constitute presence in person at the meeting for the purpose of section 12.11.

**Notice of Meetings**

12.06 Notice of the time and place of each meeting of Shareholders and/or the holders of any class or series of shares (except for meetings of the holders of the Class P Shares, to which Section 8.03 or 8.04 shall apply if the Credit Union obtains an order of the Authority exempting it from the requirement to deliver a management



information circular and proxy form to each such shareholder regarding that meeting), shall be given in the manner provided in section 15.01, not less than ten (10) days nor more than fifty (50) days before the date of the meeting, to each Director, to the auditor and to each Shareholder who, at the close of business on the record date for notice, is entered in the securities register as the holder of one (1) or more shares carrying the right to vote at the meeting. Notice of a meeting of Shareholders and/or the holders of any class or series of shares shall state, or be accompanied by a statement of the nature of, such business in sufficient detail to permit the applicable Shareholder to form a reasoned judgment thereon, and shall contain the text of any special resolution to be submitted to the meeting. A Shareholder and any other person entitled to attend a meeting of Shareholders and/or the holders of a class or series of shares may, in any manner, waive notice of, or otherwise consent to, such a meeting.

### **List of Shareholders Entitled to Notice**

12.07 For every meeting of Shareholders, the Credit Union shall prepare a list of Shareholders and/or the holders of a class or series of shares entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each Shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 12.07, the Shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the Shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or, where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any Shareholder during usual business hours at the registered office of the Credit Union or at the place where the central securities register is maintained, and at the meeting for which the list was prepared.

### **Record Date for Notice**

12.08 The Board may fix in advance a date, preceding the date of any meeting of Shareholders and/or the holders of a class or series of shares by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of the Shareholders entitled to notice of the meeting, provided that notice of any such record date shall be given not less than seven (7) days before such record date on the Credit Union's website, and, if any shares of the Credit Union are listed for trading on a stock exchange in Canada, by written notice to each such stock exchange. If no record date is so fixed, the record date for the determination of the Shareholders entitled to notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given, or, if no notice is given, the day on which the meeting is held.

### **Chair, Secretary and Scrutineers**

12.09 The chair of any meeting of Shareholders and/or the holders of a class or series of shares shall be the first mentioned of such of the following officers as have been appointed who is present at the meeting: the Chair; or, the Vice Chair. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, the individuals present and entitled to vote shall choose one (1) of their number to be chair. If the Corporate Secretary of the Credit Union is absent, the chair shall appoint some individual, who need not be a Shareholder, to



act as secretary of the meeting. If desired, one (1) or more scrutineers, who need not be Shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

### **Persons Entitled to be Present**

12.10 The only persons entitled to be present at a meeting of Shareholders and/or the holders of a class or series of shares shall be those entitled to vote thereat, the Directors, the officers, the auditor of the Credit Union, and others who, although not entitled to vote thereat, are entitled or required under any provision of the Act, the Articles or the By-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

### **Quorum**

- 12.11 (a) Subject to section 12.13 two (2) individuals present in person, each being a holder of a class or series of Class I investment shares as described in the Articles (“Investment Shares”) entitled to vote at a meeting of holders of that class or series of Investment Shares, or a duly appointed proxy holder for another holder of such class or series of Investment Shares entitled to vote at such meeting, shall be a quorum at any such meeting, for the choice of a chair of such meeting and the adjournment of such meeting; for all other purposes, a quorum at any meeting of the holders of a class or series of Investment Shares, unless a greater number is required to be present, or a greater number of that class or series of Investment Shares is required to be represented, at such meeting by the Act or by the Articles or any other By-law, shall be individuals present in person, each being a holder of the respective class or series of Investment Shares entitled to vote at such meeting, or a duly appointed proxy holder for another holder of that class or series of Investment Shares entitled to vote at the respective meeting, not being less than two (2) in number, and holding or representing by proxy not less than twenty percent (20%) of the total number of the issued Investment Shares of that class or series for the time being enjoying voting rights at such meeting.
- (b) Subject to section 12.13, regarding any class of shares, other than Investment Shares or membership shares, fifty (50) persons present in person, each being a Shareholder entitled to vote at the meeting, or a duly appointed proxy holder for an absent Shareholder entitled to vote at the meeting, shall be a quorum at any meeting of the Shareholders.
- (c) Regarding any meeting of Shareholders and/or of holders of a class or series of shares, if there is no quorum, then the meeting shall be adjourned to such date, not being less than ten (10) days later, and to such time and place as may be announced by the chair at the meeting, and, subject to paragraph 12.19, it shall not be necessary to give notice of the adjourned meeting.
- (d) At such adjourned meeting, the persons present at such meeting, provided that there are at least two (2) such persons present in person, each being a Shareholder entitled to vote at the meeting, or a duly



appointed proxy holder for another Shareholder entitled to vote at the meeting, shall be a quorum for the transaction of the business for which the meeting was originally called.

## **Right to Vote**

12.12 Subject to the provisions of the Act as to authorized representatives of any person who is not an individual, at any meeting of Shareholders and/or the holders of any class or series of shares for which the Credit Union has prepared the list referred to in section 12.06, every person who is named in such list shall be entitled to vote the shares shown opposite their name, except to the extent that such person has transferred any of their shares after the record date determined in accordance with section 12.08, and the transferee, having produced sufficient evidence of the transfer of such shares to the transferee, or having otherwise established that he owns such shares, has demanded, not later than ten (10) days before the meeting, that their name be included in such list. In any such case, the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of Shareholders and/or the holders of any class or series of shares for which the Credit Union has not prepared the list referred to in section 12.07, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one (1) or more shares carrying the right to vote at such meeting.

## **Proxies**

12.13 Every Shareholder entitled to vote at a meeting of Shareholders and/or the holders of any class or series of shares may appoint a proxy holder, or one (1) or more alternate proxy holders, who need not be Shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing, duly executed by the Shareholder and shall conform with the requirements of the Act.

## **Time for Deposit Proxies**

12.14 The Board may, by resolution, specify in a notice calling a meeting of Shareholders and/or the holders of any class or series of shares a time, preceding the time of such meeting or an adjournment thereof by not more than forty-eight (48) hours, exclusive of any part of a day which is not a Business Day, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Credit Union or an agent thereof specified in such notice, or, if no such time is specified in such notice, only if it has been received by the Corporate Secretary of the Credit Union or by the chair of the meeting or any adjournment thereof prior to the time of voting.

## **Joint Shareholders**

12.15 If two (2) or more persons hold shares jointly, any one (1) of them present in person, or represented by proxy, at a meeting of Shareholders and/or the holders of a class or series of shares may, in the absence of the



other or others, vote the shares; but if two (2) or more of those persons are present in person, or represented by proxy, and vote, they shall vote as one (1) the shares jointly held by them.

### **Votes to Govern**

12.16 At any meeting of Shareholders and/or the holders of a class or series of shares, every question shall, unless otherwise required by the Articles or By-laws, be determined by a majority of the votes cast on the question. In case of an equality of votes, either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote and the motion shall be lost.

### **Voting**

12.17 The Board may set by resolution the method(s) and conditions by which voting shall be carried out, including in person or by mail or by telephone or electronic means or any combination of same, and votes shall be counted; provided that, in circumstances when the approval by way of resolution of the holders of a class or series of shares of the Credit Union is required by the Act or the Articles, such resolution will be voted upon by way of ballot, unless the chair of the meeting at which such resolution is to be voted upon is able to determine, based on reasonable evidence communicated to the meeting, that the resolution will be passed by such number or proportion of votes cast by or on behalf of the persons entitled to vote in respect of that resolution as is required by the Act and/or the Articles.

### **Adjournment**

12.18 The chair at the meeting of Shareholders and/or the holders of a class or series of shares may, with the consent of the meeting and subject to such conditions as the meeting may decide, or where otherwise permitted under the provisions of the Act, adjourn the meeting from time to time and from place to place. If a meeting of Shareholders and/or the holders of a class or series of shares is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of Shareholders and/or the holders of a class or series of shares is adjourned by one (1) or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

### **Requisitions**

12.19 Two (2) or more Shareholders who together hold not less than five percent (5%) of the issued and outstanding shares of a class or series of shares having voting rights at the meeting sought to be held, may require that the Board call a meeting of the Shareholders of that class or series, for purposes stated in the requisition.

**Conduct of Shareholder Meetings**

12.20 Subject to any determination of the Board, made by resolution of the Board made pursuant to section 12.16 or otherwise, meetings of Shareholders shall be conducted in accordance with the then current edition of Roberts Rules of Order.

**ARTICLE XIII: LENDING**

13.01 Subject to the Act and the Credit Union's Board policies, the Credit Union is authorized to make the following types of loans, as each is defined by the Act:

- (a) agricultural loan;
- (b) bridge loan;
- (c) commercial loan;
- (d) institutional loan;
- (e) personal loan;
- (f) residential mortgage loan;
- (g) Syndicated loan, whether or not acting as a syndicating credit union;
- (h) loan to an unincorporated association.

**ARTICLE XIV: INFORMATION AVAILABLE TO OWNERS AND SHAREHOLDERS**

**Annual Financial Statements**

14.01 Every Owner or Shareholder applying in writing therefore shall be entitled to receive a copy of the Credit Union's annual financial statement. Copies of the annual financial statements of any subsidiaries of the Credit Union shall be open to inspection by the Owners and Shareholders, and to the making of extracts thereof, during normal business hours free of charge.

**Information Available to Shareholders**

14.02 Except as provided by the Act, no Shareholder shall be entitled to discovery of any information respecting any details or conduct of the Credit Union's business which, in the opinion of the Directors, it would be detrimental to the interests of the Credit Union to communicate to the public.



## **Directors' Determination**

14.03 The Directors may, from time to time, subject to the rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers, and accounting records of the Credit Union or any of them shall be open to the inspection of Shareholders, and no Shareholder shall have any right to inspect any document or book or register or accounting record of the Credit Union, except as conferred by statute, or authorized by the Board.

## **Copy of By-laws**

14.04 An Owner shall be entitled to a copy of the Credit Union's By-laws upon payment of a fee of twenty-five (\$25.00) (or such lesser amount as the Board may from time to time establish).

## **ARTICLE XV: NOTICES**

### **Method of Giving Notices**

15.01 Subject to any limitations in the Act, any notice (which term includes any communication or Document) to be given (which term includes sent, delivered or served), pursuant to the Act, the Articles, the By-laws or otherwise, to an Owner, Owner Representative, Shareholder, Director, officer, auditor or member of a committee of the Board, (the "Recipient") shall be sufficiently given if delivered personally to the person to whom it is to be given, delivered to their Recorded Address, mailed to them at their Recorded Address by prepaid mail, or if sent to them at their Recorded Address by electronic means, including e-mail or facsimile transmission. A notice so delivered shall be deemed to have been given when it is delivered personally or to the Recorded Address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box, and shall be deemed to have been received on the fifth day after so deposited; and a notice so sent electronically shall be deemed to have been given when sent. The Corporate Secretary may change or cause to be changed the Recorded Address of any Recipient in accordance with any information believed by them to be reliable.

### **Signature to Notices**

15.02 The signature of any Director or officer of the Credit Union on any notice or Document to be given by the Credit Union may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

### **Proof of Service**

15.03 A certificate of the Chair, the Vice Chair, the Corporate Secretary, or of any other officer of the Credit Union in office at the time of the making of the certificate, or of a transfer officer of any transfer agent or Branch transfer agent of shares of any class of the Credit Union, as to the facts in relation to the mailing or delivery of any notice or other Document to any Recipient, or publication of any notice or other Document, shall be conclusive evidence thereof, and shall be binding on every Recipient as the case may be.



## **Notice to Joint Shareholders or Owners**

15.04 All notices with respect to shares registered in more than one (1) name shall be given to all of such joint Shareholders or Owners at their Recorded Address, and notice so given shall be sufficient notice to the holders of such shares.

## **Computation of Time**

15.05 In computing the date when notice must be given under any provision requiring a specified number of days notice of any meeting or other event, both the date of giving the notice and the date of the meeting or other event shall be excluded.

## **Undelivered Notices**

15.06 If any notice given to an Owner, Owner Representative or Shareholder pursuant to section 15.01 is returned on three (3) consecutive occasions because they cannot be found, the Credit Union shall not be required to give any further notices to such Owner, Owner Representative or Shareholder until they inform the Credit Union in writing of their new address so that it may become their Recorded Address.

## **Omissions and Errors**

15.07 The accidental omission to give any notice to any Recipient, or the non-receipt of any notice by any such person, or any error in any notice not affecting the substance thereof, shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

## **Deceased Owners or Shareholders**

15.08 Any notice or other Document delivered or sent in accordance with section 15.01 by post, or left at the Recorded Address of any Owner or Shareholder, shall, notwithstanding that such Owner or Shareholder be then deceased, and whether or not the Credit Union has notice of their decease, be deemed to have been duly served in respect of the shares held by such Owner or Shareholder (whether held solely or with any person or persons), until some other person be entered in their stead in the records of the Credit Union as the holder or one of the holders thereof, and such service shall for all purposes be deemed a sufficient service of such notice or Document on their heirs, executors or administrators and on all persons, if any, interested with them in such shares.

## **Persons Entitled by Death or Operation of Law**

15.09 Every person who, by operation of law, transfer, death of an Owner or Shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the Owner or Shareholder from whom they derive their title to such share prior to their name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which they became so entitled) and prior to their furnishing to the Credit Union the proof of authority or evidence of their entitlement as prescribed by the Act.



## Waiver of Notice

15.10 Any Owner, Owner Representative or Shareholder (or their duly appointed proxy holder), Director, officer, auditor, member of a committee of the Board or advisory committee, or loans officer may at any time waive any notice, or waive or abridge the time for any notice, required to be given to them under any provision of the Act, the regulations thereunder, the Articles, the By-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing, except that a waiver of notice of a meeting of Owners, Shareholders (including holders of any class or series of shares) or of the Board or of a committee of the Board may be given in any manner.

## ARTICLE XVI: EFFECTIVE DATE

### Effective Date

16.01 Subject to the Act, this By-law shall come into force April 15, 2023.

**PASSED** by the Board of Directors of Libro Credit Union Limited at a meeting duly constituted on the 8th day of March, 2023.

**TO BE CONFIRMED** by at least two-thirds of the votes cast by the Owner Representatives voting on behalf of the Owners at a duly called meeting of the Owners of Libro Credit Union Limited held on the 15th day of April, 2023.



## Management's Responsibility for Financial Reporting

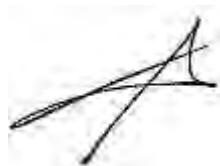
The accompanying financial statements of Libro Credit Union Limited and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors (the "Board").

The financial statements have been prepared by Management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial information presented in the financial statements.

Libro maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the credit union's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Audit and Finance Committee is appointed by the Board. The Audit and Finance Committee meets periodically with Management, and the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the owners.

The financial statements have been audited by Ernst & Young LLP, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the owners. Ernst & Young LLP has full and free access to the Audit and Finance Committee.



Stephen Bolton  
President and  
Chief Executive Officer



Janet Johnson  
Executive Vice President Finance and  
Chief Financial Officer

March 8, 2023

## Independent Auditor's Report

To the Owners of **Libro Credit Union Limited**

### **Opinion**

We have audited the financial statements of Libro Credit Union Limited (the "Credit Union"), which comprise the balance sheet as at December 31, 2022, and the statement of income, statement of comprehensive income, statement of owners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis of opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information included in the Credit Union's 2022 Annual Report**

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report and Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

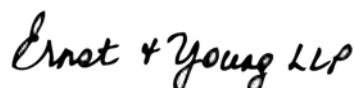
## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants  
Licensed Public Accountants

London, Canada  
March 8, 2023



## Balance Sheets

As at December 31

[thousands of dollars]	Note	2022	2021
<b>Assets</b>			
Cash and cash equivalents	10	21,462	43,364
Accrued interest receivable		10,808	7,279
Investments	4	463,617	760,490
Other assets	9	13,041	32,669
Loans to owners	5, 6	5,084,691	4,478,900
Derivative financial instruments	15	19,647	2,669
Property and equipment	7	60,148	57,926
Intangible assets	8	1,352	1,402
Pension assets	13	398	-
Deferred tax assets	19	1,343	5,470
<b>Total assets</b>		<b>5,676,507</b>	<b>5,390,169</b>
<b>Liabilities and owners' equity</b>			
Owners' deposits	16	4,900,217	4,893,683
Accrued interest payable		17,076	15,171
Accrued and other liabilities	22	22,203	20,962
Income taxes payable	19	3,716	136
Pension and other employee obligations	13	-	17,203
Derivative financial instruments	15	692	1,519
Loans payable	10	71,474	-
Securitization liabilities	20[a]	129,195	72,651
		<b>5,144,573</b>	<b>5,021,325</b>
<b>Liabilities qualifying as regulatory capital</b>			
Owners' capital accounts	11	289,796	182,140
Stock dividends payable	11	19,624	13,959
		<b>309,420</b>	<b>196,099</b>
<b>Total liabilities</b>		<b>5,453,993</b>	<b>5,217,424</b>
Contributed surplus		60,998	60,998
Retained earnings		151,674	114,178
Accumulated other comprehensive gain (loss)		9,842	(2,431)
		<b>222,514</b>	<b>172,745</b>
<b>Total liabilities and owners' equity</b>		<b>5,676,507</b>	<b>5,390,169</b>

See accompanying notes

On behalf of the Board of Directors:

Ms. J Davison, Chair of the Board

Ms. M Kusch, Vice Chair of the Board



## Statements of Income

Years ended December 31

[thousands of dollars]	Note	2022	2021
<b>Interest income</b>			
Interest on loans	17[a]	185,034	148,492
Investment income		8,974	6,570
		<b>194,008</b>	155,062
<b>Interest expense</b>			
Interest on owners' deposits	17[a]	56,822	40,869
Dividends on Class I Investment shares	11	9,401	4,593
Interest on borrowings		3,025	3,909
		<b>69,248</b>	49,371
<b>Net interest income</b>			
Non-interest income	17[b]	40,683	26,917
<b>Total revenue</b>			
Provision for (recovery of) credit losses	6	(1,791)	4,168
<b>Non-interest expenses</b>			
Salaries and employee benefits		72,796	66,768
General and administrative		11,326	11,488
Marketing and business development		3,708	3,605
Insurance		5,703	4,996
Systems and technology		8,097	6,758
Occupancy		8,682	8,285
Corporate and branch governance	12	777	763
Amortization of core deposit intangibles	8	195	344
		<b>111,284</b>	103,007
<b>Income before the undernoted</b>			
Dividends and profit sharing distributions	11	10,189	9,279
<b>Income before income taxes</b>			
		<b>45,761</b>	16,154
<b>Provision for (recovery of) income taxes</b>			
Current	19	7,714	3,702
Deferred	19	551	(870)
		<b>8,265</b>	2,832
<b>Net income for the year</b>			
		<b>37,496</b>	13,322



## Statements of Comprehensive Income

Years ended December 31

[thousands of dollars]	2022	2021
<b>Net income for the year</b>	<b>37,496</b>	13,322
<b>Other comprehensive income (loss)</b>		
Items that will not be reclassified to income:		
Actuarial gain in employee defined benefit plans	<b>19,648</b>	11,678
Related income taxes	<b>(3,576)</b>	(2,125)
	<b>16,072</b>	9,553
Items that may be subsequently reclassified to income:		
Unrealized loss on investments	<b>(4,644)</b>	(2,189)
Related income taxes	<b>845</b>	398
	<b>(3,799)</b>	(1,791)
<b>Other comprehensive income for the year, net of income taxes</b>	<b>12,273</b>	7,762
<b>Total comprehensive income for the year, net of income taxes</b>	<b>49,769</b>	21,084

See accompanying notes

## Statement of Owners' Equity

Years ended December 31

[thousands of dollars]	2022	2021
<b>Contributed surplus</b>	<b>60,998</b>	60,998
<b>Retained earnings</b>		
Balance as at beginning of year	<b>114,178</b>	100,856
Net income for the year	<b>37,496</b>	13,322
Balance as at end of year	<b>151,674</b>	114,178
<b>Accumulated other comprehensive income (loss), net of income taxes</b>		
Balance as at beginning of year	<b>(2,431)</b>	(10,193)
Other comprehensive income for the year	<b>12,273</b>	7,762
Balance as at end of year	<b>9,842</b>	(2,431)
<b>Total owners' equity as at end of year</b>	<b>222,514</b>	172,745

See accompanying notes



## Statements of Cash Flows

Years ended December 31

[thousands of dollars]	Note	2022	2021
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net income for the year		37,496	13,322
Add (deduct) non-cash items:			
Depreciation and amortization		8,022	8,315
Provision for (recovery of) credit losses		(1,791)	4,168
Deferred income taxes		4,127	1,255
Unrealized gain on interest rate swap agreements		(17,805)	(4,868)
Changes in operating assets and liabilities:			
Increase in stock dividends payable		5,665	6,247
Decrease (increase) in accrued interest receivable		(3,529)	2,394
Increase (decrease) in income taxes payable		3,580	(809)
Decrease (increase) in other assets		19,628	(1,524)
Increase in loans to owners		(604,000)	(620,664)
Increase in owners' deposits		6,534	482,923
Increase (decrease) in accrued interest payable		1,905	(4,241)
Increase in accrued and other liabilities		1,241	3,228
Decrease in pension and other employee obligations		(1,529)	(765)
Increase in securitized loans	20	92,473	-
Repayments of securitization liabilities		(35,929)	(67,966)
<b>Cash used in operating activities</b>		<b>(483,912)</b>	<b>(178,985)</b>
<b>Financing activities</b>			
Increase in owners' capital accounts		107,656	5,564
Increase in loans payable		71,474	-
<b>Cash provided by financing activities</b>		<b>179,130</b>	<b>5,564</b>
<b>Investing activities</b>			
Decrease in investments		293,074	203,328
Net purchases of property and equipment		(7,980)	(5,814)
Purchase of intangible assets		(2,214)	(1,938)
<b>Cash provided by investing activities</b>		<b>282,880</b>	<b>195,576</b>
<b>Net increase (decrease) in cash during the year</b>		<b>(21,902)</b>	<b>22,155</b>
Cash and cash equivalents as at beginning of year		43,364	21,209
<b>Cash and cash equivalents as at end of year</b>		<b>21,462</b>	<b>43,364</b>

See accompanying notes

## Notes to the Financial Statements

December 31, 2022

[in thousands of dollars, except as noted or as per share]

### 1) REPORTING ENTITY

Libro Credit Union Limited (“Libro” or the “credit union”) is incorporated under the *Credit Unions and Caisses Populaires Act* (Ontario) (the “Act”) in Canada, is a member of Central 1 Credit Union (“Central 1”) and the activities of the credit union are regulated by the Financial Services Regulatory Authority of Ontario (“FSRA”). The corporate office is located at 217 York Street in London, Ontario.

The credit union is primarily involved in providing a full range of retail, commercial and agricultural financial services to its Member/Owners in southwestern Ontario. The credit union has 36 locations across southwestern Ontario.

### 2) BASIS OF PREPARATION

#### [a] Statement of compliance

Libro follows accounting policies appropriate to its activities and governing legislation, which conform, in all material respects, to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on March 8, 2023. The Board of Directors has the power to amend the financial statements after issuance only in the case of discovery of an error.

#### [b] Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following:

- (i) Derivative financial instruments, fair value through profit or loss (“FVPL”) financial assets and fair value through other comprehensive income (“FVOCI”) financial assets are measured at fair value; and
- (ii) The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets.

#### [c] Currency

The financial statements are presented in Canadian dollars, which is the credit union’s functional currency. All values are rounded to the nearest thousand dollars, except where otherwise indicated.



### 3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the credit union are summarized below.

#### [a] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting years. Actual results may differ from those estimates. Estimates and judgments are continually evaluated and are made based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. The credit union's results and operations were impacted by the COVID-19 pandemic and related uncertain macroeconomic environment. The events introduced additional uncertainty around estimates, including a higher degree of uncertainty in determining reasonable and supportable forward-looking information and assessing significant increase in credit risk used in measuring expected credit loss ("ECL").

The most significant uses of estimates and judgments include the following:

#### (i) Fair value of financial instruments

Where the fair value of financial assets and liabilities cannot be derived from active markets, Libro uses valuation techniques that include inputs derived from either observable market data or management's judgment. Note 18 provides detailed information about the determination of the fair value of financial instruments.

#### (ii) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9, *Financial Instruments* ("IFRS 9") requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The credit union's ECL allowance calculations are outputs of complex models with a number of underlying assumptions. Note 3[e] and note 6 further describe elements of the ECL models that require judgments and estimates.

#### (iii) Retirement benefit obligations

Libro estimates the present value of employee retirement benefit obligations that depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The actuarial valuation involves assumptions including discount rates, future salary increases, mortality rates, and other cost increases. Note 13 provides detailed information about the employee retirement benefit obligations.

#### (iv) Classification of financial assets

Determining the appropriate business model for financial assets and assessing whether cash flows generated by an asset constitute solely payments of principal and interest ("SPPI") can be complex and may require significant judgment.

**[b] Foreign currency translation**

Assets and liabilities denominated in foreign currencies, primarily US dollars, are translated into Canadian dollars at rates prevailing at the year-end date. Income and expenses are translated at the exchange rates in effect on the date of the transactions. Exchange gains and losses arising on the translation of monetary items are included in net income for the year.

**[c] Interest income and expense**

Interest income and expense is recognized in the Statements of Income for all interest-bearing financial instruments using the effective interest rate (“EIR”) method.

The EIR method is a method of calculating the amortized cost of a financial asset or liability and allocating the interest income or expense over the relevant period. The EIR is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument. The application of this method has the effect of recognizing income and expense on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest, the credit union estimates cash flows (using projections based on its experience of owners’ behaviour) considering all contractual terms of the financial instruments but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the EIR. Where it is not possible or practical to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated using the payments or receipts specified in the contract, and the full contractual term.

**[d] Fees**

Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided and reported on the Statements of Income as non-interest income.

**[e] Financial assets and financial liabilities**

**(i) Classification**

**Financial assets**

All financial instruments are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments carried at FVOCI are recorded at fair value at initial recognition. Subsequent remeasurement in fair value is recorded in OCI, except for interest recognized using the effective interest rate method or the remeasurement of ECL, both of which are recognized in profit and loss. A

debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL unless an irrevocable election is made to designate them at FVOCI upon purchase. All other financial assets are classified as measured at FVTPL.

The details of the business model assessment and contractual term conditions referenced above are outlined below:

### **Business model assessment**

The credit union assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the business model and the way those risks are managed;
- How managers of the business are compensated; and
- The expected frequency, value and timing of sales.

### **Contractual cash flow characteristics**

The credit union assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely principal and interest. Management assesses whether the terms indicate a basic lending arrangement, where the most significant elements of interest are typically the consideration for the time value of money and credit risk. If contractual terms introduce an exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, the financial asset is measured at FVTPL.

### **Financial liabilities**

The credit union classifies its financial liabilities as measured at amortized cost or at FVTPL. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

### **Financial assets and liabilities at FVTPL**

Financial assets and financial liabilities measured at FVTPL are those that are designated by management upon initial recognition, assets part of a portfolio managed on a fair value basis and

assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets and financial liabilities at FVTPL are recorded in the Balance Sheets at fair value. Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

**(ii) Derecognition of financial assets**

**Derecognition due to substantial modification of terms and conditions**

The credit union derecognizes a financial asset, such as a loan to an owner, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the credit union records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

**Derecognition other than for substantial modification**

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The credit union also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The credit union has transferred the financial asset if the credit union has transferred its contractual rights to receive cash flows from the financial asset or it retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

When the credit union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the credit union’s continuing involvement, in which case, the credit union also recognizes an associated liability.

**(iii) Impairment on financial assets**

The credit union recognizes an ECL allowance on all financial instruments not recorded at FVTPL, which includes loans to owners, investments and certain loan commitments. Equity instruments are not subject to impairment under IFRS 9. The credit union measures ECL at an amount equal to lifetime ECL or 12-month ECL. The portion of ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date are referred to as the 12-month ECL.

The impairment model measures ECL using a three-stage approach as described below:

- Stage 1: When a financial asset has not shown a significant increase in credit risk since origination, the credit union records a 12-month ECL.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the credit union records a lifetime ECL.

- Stage 3: When a financial asset is credit-impaired, the credit union records a lifetime ECL or the asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the gross carrying amount net of impairment allowance for financial assets in Stage 3.

### **Significant increase in credit risk**

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The credit union has established thresholds for significant increases in credit risk based on both a risk rating and change in probability of default relative to its initial recognition. In addition, instruments that are 30 days past due are also considered to have experienced a significant increase in credit risk.

### **The measurement of ECL**

The credit union measures ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The ECL is based primarily on the product of the following variables:

- The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. The PD for each instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- The Loss Given Default (“LGD”) is an estimate of the amount that may not be recovered in the event of default. LGD takes into consideration the amount and quality of any collateral held as well as reasonable and supportable information about future economic conditions.
- The Exposure at Default (“EAD”) is an estimate of the outstanding amount of credit at a future default date.

### **Expected life**

When measuring ECL, the credit union considers the maximum contractual period over which it is exposed to credit risk. For facilities without a maximum contractual period, the credit union uses the period that the entity is expected to be exposed to credit risk and the expected losses are not mitigated by credit risk management actions.

### **Definition of default**

The credit union considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) in all cases when the borrower becomes 90 days past due on its contractual payments. The credit union also considers a variety of qualitative characteristics that may indicate an unlikelihood to pay, in which case the credit union may determine a loan defaulted before contractually past due.

**Forward-looking information**

The credit union relies on a broad range of forward-looking information as economic inputs, such as unemployment rates, Central Bank base rates, and house price indices. The estimation and application of forward-looking information requires significant judgment.

**Purchased or originated credit impaired financial assets (“POCI”)**

POCI financial assets are initially recognized at fair value with no initial ECL allowance. Changes in lifetime ECL since initial recognition are recorded in the allowance for credit losses.

**Write-offs**

Financial assets are written off either partially or in their entirety only when the credit union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to loan provision expense.

**[f] Derivatives and hedge accounting**

Derivative financial instruments are contracts that require or provide the opportunity to exchange cash flows or payments determined by applying certain rates, indices or changes therein to notional contract amounts. Libro uses derivative financial instruments, primarily interest rate swaps, in order to manage interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; and
- Cash flow hedges when hedging the exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, Libro formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how Libro will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedges that meet all of the qualifying criteria for hedge accounting are accounted for, as described below:

**Fair value hedges**

The changes in fair value of a hedging instrument are recognized in the Statements of Income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the Statements of Income.

For fair value hedges relating to items carried at amortized cost, any adjustments to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for

changes in its fair value attributable to the risk being hedged. If the hedge is re-recognized, the unamortized fair value is recognized immediately in profit or loss.

**Cash flow hedges**

Applying cash flow hedge accounting enables the credit union to reduce the cash flow fluctuations arising from interest rate risk on loans. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income (loss) (“OCI”), while any ineffective portion is recognized immediately in the Statements of Income as investment income. The amounts and timing of future cash flows are projected for each portfolio of financial assets and liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the effective portion of gains and losses on the derivatives designated as cash flow hedges.

If a cash flow hedge is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Certain derivatives embedded in other financial instruments, such as the embedded option in an index-linked term deposit, are treated as separate derivatives when they can be separated from the host contract. These embedded derivatives are separately accounted for at fair value as derivative assets and liabilities with changes in fair market value recognized in the Statements of Income.

**[g] Cash and cash equivalents**

Cash and cash equivalents include cash on hand, current accounts, and cheques and other items in transit. Given their short-term nature, the carrying value of cash and cash equivalents equals fair value.

**[h] Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Assets are generally depreciated on the following basis:

Buildings	40 to 50 years straight-line
Building components	15 to 30 years straight-line
Leasehold improvements	5 to 20 years straight-line
Furniture and equipment	5 to 10 years straight-line
Electronic equipment	3 to 5 years straight-line
Computer equipment	2 to 7 years straight-line

Depreciation in the first year is prorated based on the number of months the asset is in service. Depreciation methods, useful lives and residual value are reviewed annually and adjusted if necessary.

**Impairment of non-financial assets**

Non-financial assets are subject to an impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Impairment charges are included in the Statements of Income, except to the extent they reverse gains previously recognized in OCI.

**[i] Intangible assets**

Intangible assets are carried at cost less accumulated amortization. Amortization in the first year is prorated based on the number of months the asset is in service. Intangible assets are amortized over their expected lives on the following basis:

Computer software	1 to 3 years straight-line
Banking system software	5 to 10 years straight-line
Core deposit intangibles	7 years straight-line

The core deposit intangibles were acquired through business combinations. They represent the fair market value of the cost savings inherent in acquiring a portfolio of demand deposits with a lower cost of funding versus attracting funds in the open market. Intangible assets are subject to impairment review as described under note 3[h].

**[j] Income taxes**

The credit union follows the asset and liability method of tax allocation used in accounting for income taxes. Under this method, deferred tax benefits and obligations are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Tax expense recognized in the Statements of Income comprises the sum of deferred tax and current tax not recognized in OCI or directly in equity.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income, based on the credit union's forecast of future operating results. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the credit union has a right and intention to set off current tax assets and liabilities for the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in the Statements of Income, except where they relate to items that are recognized in OCI or directly in equity, in which case the related deferred tax is also recognized in OCI or equity, respectively.

**[k] Employee benefit plans**

Libro maintains three pension plans for current employees and retirees, and one sick leave benefit plan. The pension plans consist of a Defined Benefit Plan ("DB"), a Supplementary Employee Retirement Plan ("SERP"), and a Defined Contribution Plan ("DC").



Full actuarial valuations of the DB, SERP, and sick leave benefit plans are conducted no less frequently than every three years. The most recent valuation of these plans was prepared as at December 31, 2021.

**(i) Defined benefit plans**

For the DB pension plan, the SERP and the sick leave plan, plan assets are valued at fair market values. Benefit costs and accrued benefits are determined based upon actuarial valuations using the projected benefit method prorated on service and management's best estimates. The expected return on plan assets is based on the fair value of plan assets. Actuarial gains and losses are recognized immediately through OCI.

Service cost is the change in the present value of the defined benefit obligation resulting from employee service in either the current year or prior years and from any gain or loss on settlement. Net interest is the change in the net defined benefit liability or asset that arises from the passage of time. Both service cost and net interest are recognized immediately in salaries and employee benefits.

Remeasurements of the net defined benefit liability include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets excluding amounts included in net interest and changes in the effect of any asset ceilings. Remeasurements are recognized immediately in OCI.

Net defined benefit assets recognized by the credit union are subject to a ceiling which limits the asset recognized on the Balance Sheet to the amount that is recoverable through refunds of contribution holidays. In addition, where a regulatory funding deficit exists related to a defined benefit plan, the credit union is required to record a liability equal to the present value of all future cash payments required to eliminate that deficit.

**(ii) Defined contribution pension plan**

For the DC pension plan, annual pension expense is equal to the credit union's contribution to the plan. The assets of the plan are held in independently administered funds. This plan was closed to new members effective July 1, 2014.

**[l] Cheques and other items in transit, net**

Libro records cheques and other items in transit, representing uncleared settlements with other financial institutions, at cost. The net value of these items is included in accrued and other liabilities or other assets on the Balance Sheets.

**[m] Leases**

Libro identifies whether a contract is a lease by whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Libro applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Libro recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**(i) Right-of-use assets**

Libro recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated

depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated over the earlier of the useful life of the underlying asset or the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 3[h].

**(ii) Lease liabilities**

At the commencement date of the lease, Libro recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under any residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by Libro and payments of penalties for terminating the lease, if the lease term reflects Libro exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Libro has lease contracts that include extension and termination options. Judgment is applied in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease based on an assessment of all relevant factors. After the commencement date, the lease term is reassessed if there is a significant event or change in circumstances that is within Libro's control and affects Libro's ability to exercise or not to exercise the option to renew or to terminate.

For real estate leases, Libro cannot readily determine the interest rate implicit in the lease and, therefore, uses the incremental borrowing rate ("IBR") to measure lease liabilities. For vehicle leases, Libro uses the rate implicit in the lease. The IBR is the rate of interest that Libro would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Libro estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

**(iii) Short-term leases and leases of low-value assets**

Libro applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as an expense on a straight-line basis over the lease term.

**[n] Transfer of financial assets**

**(i) Securitization**

When Libro transfers loans in a securitization transaction, loans are derecognized only when the contractual rights to receive the cash flows from the assets have ceased to exist or substantially all the risks and rewards of the loan have been transferred. If the criteria for derecognition have not been met, the securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method.

Securitized residential mortgages generally do not meet the derecognition requirements of IFRS 9 and as a result, all loans are measured at amortized cost in the Balance Sheets. The securitization is reflected as a financing transaction and the related liability is initially recorded at fair value and subsequently measured at amortized cost, using the EIR method. The credit union retains mortgage servicing responsibilities but does not receive an explicit servicing fee.

**(ii) Government loan programs**

As a result of the COVID-19 pandemic, the Government of Canada launched several loan programs. Under the Canada Emergency Business Account (“CEBA”) program, funding is provided by the Government of Canada and loans issued under the program are not recognized on Libro’s Balance Sheets, as the credit union transfers substantially all risks and rewards in respect of the loans to the Government of Canada. Under the Government of Canada’s loan participation (“Co-Lending”) program, 80% of funding is provided by the Business Development Bank of Canada and Libro provides the remaining 20% of funding. Libro recognizes 20% of the outstanding loans in loans to owners on the Balance Sheets, which reflects its share of risks and rewards in respect of the loans.

**[o] Going concern**

Libro has made an assessment of its ability to continue as a going concern and is satisfied that the credit union has the resources to continue in business for the foreseeable future. Libro is not aware of any material uncertainties that may cause significant doubt regarding the credit union’s ability to continue as a going concern. The financial statements have been prepared on a going concern basis.



**4) INVESTMENTS**

Investments consist of the following:

		December 31, 2022		December 31, 2021	
		Effective		Effective	
		\$	Rate	\$	Rate
<b>Short-term investments (due within 1 year):</b>					
Deposits with financial institutions	i	7,327	3.40%	263,550	0.49%
Marketable securities	iii	244,613	-	80,866	-
Central 1 deposits	i	137,144	3.83%	146,694	0.47%
		<b>389,084</b>	<b>3.17%</b>	<b>491,110</b>	<b>0.40%</b>
<b>Long-term investments (due beyond 1 year):</b>					
Deposits with financial institutions	i	10,000	2.50%	-	-
Marketable securities	iii	55,195	-	220,513	-
Central 1 deposits	i	-	-	40,000	0.69%
Finance lease receivable	i	91	5.00%	120	5.00%
Central 1 class A shares	ii	1,575	-	1,525	-
Central 1 class E shares	ii	6,487	-	6,487	-
Other investments	ii	1,185	-	735	-
		<b>74,533</b>	<b>2.03%</b>	<b>269,380</b>	<b>0.10%</b>
		<b>463,617</b>	<b>2.99%</b>	<b>760,490</b>	<b>0.30%</b>

**Financial Instrument Classifications:**

- i Amortized cost
- ii FVTPL
- iii FVOCI

**Marketable Securities**

The credit union maintains a liquidity reserve portfolio consisting of a number of marketable securities with varying terms and maturities. All securities must meet the definition of High Quality Liquid Assets. The investments are classified as financial assets valued at FVOCI. The terms and conditions of these instruments are consistent with a lending contract whereby cash flows are invested with a commitment to repay the credit union at a specified rate of interest according to pre-set maturity dates.

**Central 1 Deposits**

The credit union holds excess liquidity in Central 1 interest deposits with various maturity dates.

**Shares in Central 1**

The Central 1 shares include Classes A and E, and are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Central 1. In addition, the member credit unions are subject to additional capital calls at the discretion of the Board of Directors of Central 1.



Class A Central 1 shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares; however, fair value is determined to be equivalent to the par value due to the fact that transactions occur at par value on a regular and recurring basis.

Class E Central 1 shares are carried at cost, which is considered to be the best representation of fair value given the wide range of possible fair value measurements. These shares are not subject to annual rebalancing. There is no active market for these shares, as they are issued only as a condition of membership in Central 1, and the fair value cannot be reliably measured until such time as a transaction occurs. The fair value of Class E shares cannot be measured reliably as the timing of redemption of these shares cannot be determined; therefore, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

The credit union is not intending to voluntarily dispose of any Central 1 shares as the services supplied by Central 1 are relevant to the day-to-day activities of the credit union. Dividends on these shares are at the discretion of the Board of Directors of Central 1.

## 5) LOANS TO OWNERS

Loans to owners consist of the following:

	December 31, 2022			
	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	2,030,840	708	1,086	2,029,754
Personal loans	251,690	25	987	250,703
Agricultural loans	1,094,869	25	168	1,094,701
Commercial loans	1,717,705	7,302	8,172	1,709,533
	<b>5,095,104</b>	<b>8,060</b>	<b>10,413</b>	<b>5,084,691</b>

	December 31, 2021			
	Principal Balance	Impaired Loans	Allowance for Credit Losses	Net Loans
Residential mortgage loans	1,644,627	-	398	1,644,229
Personal loans	205,355	30	838	204,517
Agricultural loans	1,010,651	6,119	198	1,010,453
Commercial loans	1,632,976	19,088	13,275	1,619,701
	<b>4,493,609</b>	<b>25,237</b>	<b>14,709</b>	<b>4,478,900</b>

Loans to owners can have either a variable or fixed rate of interest and mature within 10 years. Variable rate loans are based on a “prime rate plus/minus” formula with the rate above or below prime being determined by the size of the loan, the type of collateral offered, the purpose of the loan and the owner’s creditworthiness. Interest rates offered on fixed



rate loans vary depending on the size of the loan, the type of collateral offered, the purpose of the loan, the owner's creditworthiness, and the loan term. All loans to owners are recorded at amortized cost.

From time to time, loans to owners may be renegotiated, either as part of an ongoing owner relationship or in response to a change in the circumstances of the owner. Renegotiations and debt restructuring are in the normal course of the credit union's business. It is possible that a renegotiation could result in an extension of the due date of a repayment; however, the new terms and new interest rates would reflect the current market rates and economic environment. These are treated as new agreements and the loan would not be considered delinquent or impaired. If an owner is in financial distress they may be placed on an interest-only payment plan. This will result in the loan continuing to be delinquent and the loan will be considered as part of the impairment policy.

As at December 31, the balances of loans in arrears within the portfolio were as follows:

	<b>December 31, 2022</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total</b>
Current	2,019,511	250,895	1,087,394	1,680,197	5,037,997
Less than 30 days arrears	11,087	449	6,826	21,523	39,885
30–89 days arrears	159	339	649	11,064	12,211
90–179 days arrears	83	3	-	2,121	2,207
180–365 days arrears	-	4	-	2,500	2,504
More than 365 days arrears	-	-	-	300	300
	<b>2,030,840</b>	<b>251,690</b>	<b>1,094,869</b>	<b>1,717,705</b>	<b>5,095,104</b>

	<b>December 31, 2021</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total</b>
Current	1,637,005	204,784	1,000,543	1,603,898	4,446,230
Less than 30 days arrears	7,277	211	5,766	13,203	26,457
30–89 days arrears	-	301	733	13,249	14,283
90–179 days arrears	345	32	2,829	863	4,069
180–365 days arrears	-	-	780	1,763	2,543
More than 365 days arrears	-	27	-	-	27
	<b>1,644,627</b>	<b>205,355</b>	<b>1,010,651</b>	<b>1,632,976</b>	<b>4,493,609</b>



As at December 31, the term to maturity and effective interest rates of the loan portfolio were as follows:

December 31, 2022									
Maturity (in years)	Less		1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	Total
	Variable	than 1							
Total loans	1,117,697	602,612	698,159	730,012	892,818	806,531	122,621	124,654	5,095,104
Effective interest rate	7.63%	3.85%	3.75%	3.45%	2.69%	3.86%	4.14%	3.59%	4.41%

December 31, 2021									
Maturity (in years)	Less		1 to 2	2 to 3	3 to 4	4 to 5	5 to 7	7 to 10	Total
	Variable	than 1							
Total loans	1,108,554	616,336	541,327	598,954	590,770	844,571	89,553	103,544	4,493,609
Effective interest rate	3.67%	3.30%	3.63%	3.45%	3.01%	2.53%	3.99%	3.42%	3.28%

**6) ALLOWANCE FOR CREDIT LOSSES**

The carrying amount of loans and the balance of their respective allowance as at December 31, according to the stage in which they are classified are listed below:

	December 31, 2022							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	1,976,093	775	54,039	309	708	2	2,030,840	1,086
Personal loans	246,396	636	5,269	335	25	16	251,690	987
Agricultural loans	1,039,486	154	55,358	14	25	-	1,094,869	168
Commercial loans	1,600,312	2,843	110,091	4,581	7,302	748	1,717,705	8,172
<b>Total</b>	<b>4,862,287</b>	<b>4,408</b>	<b>224,757</b>	<b>5,239</b>	<b>8,060</b>	<b>766</b>	<b>5,095,104</b>	<b>10,413</b>

	December 31, 2021							
	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses	Gross Carrying Amount	Allowance for Credit Losses
Residential mortgage loans	1,607,282	301	37,345	97	-	-	1,644,627	398
Personal loans	200,151	420	5,174	415	30	3	205,355	838
Agricultural loans	938,089	102	66,443	35	6,119	61	1,010,651	198
Commercial loans	1,355,754	1,869	258,134	6,700	19,088	4,706	1,632,976	13,275
<b>Total</b>	<b>4,101,276</b>	<b>2,692</b>	<b>367,096</b>	<b>7,247</b>	<b>25,237</b>	<b>4,770</b>	<b>4,493,609</b>	<b>14,709</b>



# 9<sup>th</sup> Annual General Meeting

April 15, 2023

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The following table shows the continuity of the allowance for credit losses:

	<b>December 31, 2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Opening balance</b>	<b>2,692</b>	<b>7,247</b>	<b>4,770</b>	<b>14,709</b>
Transfer to Stage 1 ECL	2,025	(2,025)	-	-
Transfer to Stage 2 ECL	(49)	49	-	-
Transfer to Stage 3 ECL	-	(7)	7	-
Net remeasurement of loss allowance	(1,253)	804	2,727	2,278
New financial assets originated or purchased	1,686	487	305	2,478
Financial assets derecognized	(693)	(1,316)	(4,538)	(6,547)
Write-offs	-	-	(2,612)	(2,612)
Recoveries of amounts previously written off	-	-	107	107
<b>As at December 31, 2022</b>	<b>4,408</b>	<b>5,239</b>	<b>766</b>	<b>10,413</b>

	<b>December 31, 2021</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Opening balance	2,489	7,821	337	10,647
Transfer to Stage 1 ECL	788	(771)	(17)	-
Transfer to Stage 2 ECL	(56)	56	-	-
Transfer to Stage 3 ECL	(16)	(1)	17	-
Net remeasurement of loss allowance	(1,183)	(430)	4,575	2,962
New financial assets originated or purchased	983	2,538	6	3,527
Financial assets derecognized	(313)	(1,966)	(42)	(2,321)
Write-offs	-	-	(269)	(269)
Recoveries of amounts previously written off	-	-	163	163
<b>As at December 31, 2021</b>	<b>2,692</b>	<b>7,247</b>	<b>4,770</b>	<b>14,709</b>





# 9<sup>th</sup> Annual General Meeting

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The following table further details the continuity of the ECL by loan category:

	<b>December 31, 2022</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total Allowance</b>
Balance, January 1, 2022	398	838	198	13,275	14,709
Collection of accounts previously written off	-	79	-	28	107
Accounts written off	-	(234)	-	(2,378)	(2,612)
Provision for (recovery of) credit losses	688	304	(30)	(2,753)	(1,791)
<b>Balance, December 31, 2022</b>	<b>1,086</b>	<b>987</b>	<b>168</b>	<b>8,172</b>	<b>10,413</b>
	<b>December 31, 2021</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total Allowance</b>
Balance, January 1, 2021	365	847	198	9,237	10,647
Collection of accounts previously written off	-	98	-	65	163
Accounts written off	-	(149)	(71)	(49)	(269)
Provision for credit losses	33	42	71	4,022	4,168
<b>Balance, December 31, 2021</b>	<b>398</b>	<b>838</b>	<b>198</b>	<b>13,275</b>	<b>14,709</b>



# 9<sup>th</sup> Annual General Meeting

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AGM Workbook

The following table shows the ECL by credit quality and stage:

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
<b>Residential Mortgage Loans</b>				
Above standard	304	14	-	318
Standard	425	170	2	597
Below standard	46	125	-	171
<b>Personal Loans</b>				
Above standard	413	24	-	437
Standard	181	133	1	315
Below standard	42	177	16	235
<b>Agricultural Loans</b>				
Above standard	70	9	-	79
Standard	74	2	-	76
Below standard	9	4	-	13
<b>Commercial Loans</b>				
Above standard	182	-	277	459
Standard	2,662	398	237	3,297
Below standard	-	4,183	233	4,416
	<b>4,408</b>	<b>5,239</b>	<b>766</b>	<b>10,413</b>

	December 31, 2021			Total
	Stage 1	Stage 2	Stage 3	
<b>Residential Mortgage Loans</b>				
Above standard	177	2	-	179
Standard	104	43	-	147
Below standard	20	52	-	72
<b>Personal Loans</b>				
Above standard	360	14	-	374
Standard	60	257	-	317
Below standard	-	144	3	147
<b>Agricultural Loans</b>				
Above standard	49	6	16	71
Standard	50	27	1	78
Below standard	3	2	44	49
<b>Commercial Loans</b>				
Above standard	135	41	-	176
Standard	1,734	566	-	2,300
Below standard	-	6,093	4,706	10,799
	<b>2,692</b>	<b>7,247</b>	<b>4,770</b>	<b>14,709</b>

Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

## Collateral

There are documented policies and procedures in place for the valuation of financial and non-financial collateral. The fair value of non-financial collateral is updated if there has been a significant change in the terms and conditions of the loan or the loan is considered impaired. For impaired loans, an assessment of the collateral is taken into consideration when estimating the expected future cash flows and net realizable amount of the loan.

The amount and type of collateral and other credit enhancements required depend upon Libro's assessment of counterparty credit quality and repayment capacity. Libro's policy is to follow industry standards for collateral valuation, frequency of recalculation of the collateral requirements, documentation, registration and perfection procedures, and monitoring. Non-financial assets accepted as collateral include vehicles, residential real estate, real estate under development, commercial real estate and certain business assets (accounts receivable, inventory, and fixed assets). Financial collateral includes cash and negotiable securities issued by governments and investment grade issuers. Guarantees are also accepted to reduce credit risk.

The fair value of collateral held with respect to assets that are either past due greater than 30 days and/or impaired is \$88,425 [\$34,747 in 2021].

It is not practical to quantify the fair values on security of all loans at the reporting date; however, loans by security type are as follows:

	December 31, 2022			Total Loans
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	
Residential mortgage loans <sup>1</sup>	2,030,840	-	-	2,030,840
Personal loans	197,352	52,571	1,767	251,690
Agricultural loans	1,001,954	90,907	2,008	1,094,869
Commercial loans	1,583,148	133,710	847	1,717,705
	4,813,294	277,188	4,622	5,095,104

	December 31, 2021			Total Loans
	Secured by Real Estate	Secured by Non-Real Estate	Unsecured	
Residential mortgage loans <sup>1</sup>	1,644,627	-	-	1,644,627
Personal loans	157,151	46,768	1,436	205,355
Agricultural loans	920,194	88,011	2,446	1,010,651
Commercial loans	1,516,461	115,471	1,044	1,632,976
	4,238,433	250,250	4,926	4,493,609

<sup>1</sup>Residential mortgage loans include \$217,563 of loans insured by Canada Mortgage and Housing Corporation or Sagen [\$232,798 in 2021].



In accordance with the Act, personal loans secured by collateral first mortgages on owners' residential property have been designated as residential mortgage loans for the purposes of risk-weighted capital requirements [note 12].

**Economic scenarios**

Libro determines ECL using multiple probability-weighted forward-looking scenarios. Libro considers both internal and external sources of information in order to achieve an unbiased, probability-weighted measure of the scenarios used. The “base case” represents the most likely outcome and is given a probability weighting of 80%. The other scenarios represent more optimistic or more pessimistic outcomes and are each given a weighting of 10%.

	December 31, 2022					
	Worst Case		Base Case		Best Case	
	12-month	Thereafter	12-month	Thereafter	12-month	Thereafter
Housing price index	-15.3%	0.8%	-6.5%	1.3%	4.0%	3.1%
3-month banker's acceptance	2.3%	1.7%	4.5%	3.1%	5.2%	4.9%
Unemployment rate	7.5%	7.1%	6.2%	5.8%	5.4%	5.0%

	December 31, 2021					
	Worst Case		Base Case		Best Case	
	12-month	Thereafter	12-month	Thereafter	12-month	Thereafter
Housing price index	-3.6%	0.8%	2.0%	1.7%	4.0%	3.2%
3-month banker's acceptance	0.3%	0.8%	0.6%	2.4%	0.7%	2.8%
Unemployment rate	7.8%	6.7%	6.8%	5.5%	6.5%	5.1%

## 7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2022							
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Right- of-use Assets	Total
<b>Cost:</b>								
Opening balance	54,789	6,599	10,952	9,388	11,112	8,249	12,165	113,254
Additions and adjustments	2,075	-	3,672	739	582	841	2,651	10,560
Disposals	(3,361)	(1,045)	-	(1,151)	(483)	(68)	-	(6,108)
<b>As at December 31, 2022</b>	<b>53,503</b>	<b>5,554</b>	<b>14,624</b>	<b>8,976</b>	<b>11,211</b>	<b>9,022</b>	<b>14,816</b>	<b>117,706</b>
<b>Accumulated depreciation:</b>								
Opening balance	(22,653)	-	(5,108)	(7,224)	(9,694)	(7,305)	(3,344)	(55,328)
Depreciation and adjustments	(2,254)	-	(602)	(474)	(765)	(711)	(952)	(5,758)
Disposals	1,859	-	-	1,119	482	68	-	3,528
<b>As at December 31, 2022</b>	<b>(23,048)</b>	<b>-</b>	<b>(5,710)</b>	<b>(6,579)</b>	<b>(9,977)</b>	<b>(7,948)</b>	<b>(4,296)</b>	<b>(57,558)</b>
<b>Net book value</b>	<b>30,455</b>	<b>5,554</b>	<b>8,914</b>	<b>2,397</b>	<b>1,234</b>	<b>1,074</b>	<b>10,520</b>	<b>60,148</b>

	December 31, 2021							
	Buildings and Components	Land	Leasehold Improvements	Furniture and Equipment	Electronic Equipment	Computer Equipment	Right- of-use Assets	Total
<b>Cost:</b>								
Opening balance	53,998	6,602	9,071	9,339	10,433	7,748	10,624	107,815
Additions and adjustments	1,305	-	1,881	49	679	501	1,541	5,956
Disposals	(514)	(3)	-	-	-	-	-	(517)
<b>As at December 31, 2021</b>	<b>54,789</b>	<b>6,599</b>	<b>10,952</b>	<b>9,388</b>	<b>11,112</b>	<b>8,249</b>	<b>12,165</b>	<b>113,254</b>
<b>Accumulated depreciation:</b>								
Opening balance	(20,847)	-	(4,604)	(6,749)	(8,912)	(6,483)	(1,921)	(49,516)
Depreciation and adjustments	(2,181)	-	(504)	(475)	(782)	(822)	(1,423)	(6,187)
Disposals	375	-	-	-	-	-	-	375
<b>As at December 31, 2021</b>	<b>(22,653)</b>	<b>-</b>	<b>(5,108)</b>	<b>(7,224)</b>	<b>(9,694)</b>	<b>(7,305)</b>	<b>(3,344)</b>	<b>(55,328)</b>
<b>Net book value</b>	<b>32,136</b>	<b>6,599</b>	<b>5,844</b>	<b>2,164</b>	<b>1,418</b>	<b>944</b>	<b>8,821</b>	<b>57,926</b>



Right-of-use assets consist of 16 real estate leases [15 in 2021]. There are no leases with residual value guarantees and lease not yet commenced to which Libro is committed. Interest expense on all lease liabilities is \$255 [\$233 in 2021] and included in occupancy expense in the Statements of Income.

Libro owns properties in which space not used by the credit union is rented to tenants for the purpose of earning rental income. The cost of the land and buildings with respect to floor space rented to tenants by Libro is \$11,378 [\$13,495 in 2021]. The land and buildings have a net book value of \$6,710 [\$7,989 in 2021].

The total gross revenue on credit union owned rental properties in the current year was \$1,643 [\$1,594 in 2021], which resulted in net income of \$134 [\$196 in 2021]. The net rental income has been included in non-interest income.

**8) INTANGIBLE ASSETS**

Intangible assets consist of the following:

	December 31, 2022			
	Computer Software	Banking System Software	Core Deposit Intangibles	Total
<b>Cost:</b>				
Opening balance	8,623	4,086	14,998	27,707
Additions and adjustments	2,214	-	-	2,214
<b>As at December 31, 2022</b>	<b>10,837</b>	<b>4,086</b>	<b>14,998</b>	<b>29,921</b>
<b>Accumulated amortization:</b>				
Opening balance	(7,416)	(4,086)	(14,803)	(26,305)
Amortization	(2,069)	-	(195)	(2,264)
<b>As at December 31, 2022</b>	<b>(9,485)</b>	<b>(4,086)</b>	<b>(14,998)</b>	<b>(28,569)</b>
<b>Net book value</b>	<b>1,352</b>	<b>-</b>	<b>-</b>	<b>1,352</b>

	December 31, 2021			
	Computer Software	Banking System Software	Core Deposit Intangibles	Total
<b>Cost:</b>				
Opening balance	6,683	4,086	14,998	25,767
Additions and adjustments	1,940	-	-	1,940
<b>As at December 31, 2021</b>	<b>8,623</b>	<b>4,086</b>	<b>14,998</b>	<b>27,707</b>
<b>Accumulated amortization:</b>				
Opening balance	(5,627)	(4,086)	(14,462)	(24,175)
Amortization	(1,789)	-	(341)	(2,130)
<b>As at December 31, 2021</b>	<b>(7,416)</b>	<b>(4,086)</b>	<b>(14,803)</b>	<b>(26,305)</b>
<b>Net book value</b>	<b>1,207</b>	<b>-</b>	<b>195</b>	<b>1,402</b>

## 9) OTHER ASSETS

Other assets consist of the following:

	December 31, 2022	December 31, 2021
Prepaid items	2,351	2,318
Other receivables	3,845	3,913
Deferred securitization fees	5,961	215
Cheques and other items in transit, net [note 3[[]]]	884	26,223
	<b>13,041</b>	<b>32,669</b>

## 10) LOANS PAYABLE

Libro has access to line of credit facilities at Central 1:

- A Canadian dollar Clearing Line of Credit for \$45,000 CAD [\$45,000 CAD in 2021]; largest draw \$36,474 CAD
- A US dollar Clearing Line of Credit for \$3,000 US [\$3,000 USD in 2021]; largest draw \$365 USD
- A Core Line of Credit Facility for \$35,000 CAD [\$35,000 CAD in 2021]; largest draw \$35,000 CAD
- A Core Notice Facility for \$50,000 CAD [\$50,000 CAD in 2021]; largest draw \$nil CAD

The balance of the core lines of credit facilities at year-end was \$35,000 [\$nil in 2021] and the balance of the clearing lines of credit facilities was \$36,474 [\$nil in 2021]. The clearing line of credit facility bears interest at 5.20% [1.20% in 2021] and the core line of credit facility bears interest at 5.44% [1.08% in 2021]. The lines of credit are due on demand and subject to renewal on September 30, 2023. The other credit facilities bear a fixed rate depending on the term ranging from seven days to one year. Libro has given a promissory note and pledged an assignment of its assets as collateral.

## 11) OWNERS' CAPITAL ACCOUNTS

### Membership shares

An unlimited number of membership shares have been authorized with a stated value of \$1 per share. Owners who are age 18 and over are required to have a minimum of 50 shares while owners under that age are required to have 10 shares. These shares are redeemable at their stated value only when the owner withdraws from ownership in Libro. As at December 31, 2022, Libro had 113,579 owners [110,425 in 2021] who held a total of 5,392,440 membership shares [5,247,330 in 2021]. Each owner who is age 16 and over is entitled to one vote.

### Class P shares

An unlimited number of Class P non-cumulative, non-voting, non-participating special shares have been authorized having an issue price of \$1. As at December 31, 2022, there were 51,863,029 Class P shares outstanding [45,782,207 in 2021].



## Class I shares

An unlimited number of Class I non-cumulative, non-voting, non-participating special shares have been authorized to be issued in series at a price of \$1. As at December 31, 2022, there were a total of 232,651,135 Class I shares outstanding [131,265,237 in 2021].

As at December 31, 2022, the number of Class I shares outstanding by series were as follows:

<b>[number of shares in thousands]</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Series 1	<b>3,790</b>	3,662
Series 2	<b>3,735</b>	3,608
Series 3	<b>9,693</b>	9,369
Series 4	<b>24,483</b>	23,656
Series 5	<b>94,153</b>	90,970
Series 6	<b>96,797</b>	-
<b>Total</b>	<b>232,651</b>	131,265

Class P and Class I shares are redeemable by the holder only under certain restricted conditions. The aggregate maximum amount that can be redeemed in any year cannot exceed 10% of the outstanding balance of each series, including any dividends declared but not yet paid, of either the Class P or each series of the Class I shares, provided regulatory capital requirements are met. As at December 31, 2022, the aggregate maximum amount that could be redeemed is \$5,186 in Class P shares and \$13,585 in Class I shares.

The continuity of outstanding shares is as follows:

<b>[number of shares in thousands]</b>	<b>Membership Shares</b>	<b>Class P Shares</b>	<b>Class I Shares</b>	<b>Total</b>
<b>Outstanding, January 1, 2021</b>	5,152	45,331	126,247	176,730
New shares issued	314	2,282	-	2,596
Shares redeemed	(219)	(2,130)	(30)	(2,379)
Shares issued as dividends	-	299	5,048	5,347
<b>Outstanding, December 31, 2021</b>	<b>5,247</b>	<b>45,782</b>	<b>131,265</b>	<b>182,294</b>
New shares issued	<b>368</b>	<b>8,874</b>	<b>96,797</b>	<b>106,039</b>
Shares redeemed	<b>(223)</b>	<b>(3,086)</b>	<b>(3)</b>	<b>(3,312)</b>
Shares issued as dividends	-	<b>293</b>	<b>4,592</b>	<b>4,885</b>
<b>Outstanding, December 31, 2022</b>	<b>5,392</b>	<b>51,863</b>	<b>232,651</b>	<b>289,906</b>
Less share issuance costs	-	-	<b>(110)</b>	<b>(110)</b>
<b>Total carrying value of shares</b>	<b>5,392</b>	<b>51,863</b>	<b>232,541</b>	<b>289,796</b>

All owners' capital accounts have been designated as financial liabilities. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.



The credit union harmonized its dividend policy for all six series of Class I Investment Shares to pay a dividend rate equal to or greater than the rate that exceeds by 1.25% the simple average of the yield on the monthly series of the Government of Canada five-year bonds. In 2022, Libro declared a dividend of 5.15% [3.50% in 2021].

Prior to the fiscal year-end, the Board of Directors approved its intent to distribute a portion of the current year's income in the form of stock dividends to be paid in the subsequent year, as follows:

	December 31, 2022	December 31, 2021
Class P Profit share distribution - calculated as \$1.00 for every \$1,000 of average deposit and loan balances [\$1.00 in 2021]	9,874	9,068
Class P Profit share dividend - calculated as 1% on owner Class P Profit share holdings as at year-end [0.70% in 2021]	514	296
Class I, Series 1 Investment share dividend of 5.15% [3.50% in 2021]	195	128
Class I, Series 2 Investment share dividend of 5.15% [3.50% in 2021]	192	126
Class I, Series 3 Investment share dividend of 5.15% [3.50% in 2021]	499	328
Class I, Series 4 Investment share dividend of 5.15% [3.50% in 2021]	1,261	828
Class I, Prosperity Series 5 Investment share dividend of 5.15% [3.50% in 2021]	4,849	3,185
Class I, Series 6 Investment share dividend of 5.15% [nil in 2021]	2,240	-
<b>Stock dividends payable at year-end</b>	<b>19,624</b>	13,959
Accrued dividends from prior years	(34)	(87)
<b>Dividend expense</b>	<b>19,590</b>	13,872

Although owners' shares are regarded as capital for regulatory purposes, they impose a contractual obligation on Libro to pay cash in certain defined future circumstances and have, therefore, been classified as liabilities for the purposes of these financial statements. Correspondingly, dividends paid on those shares have been included in the Statements of Income as a charge to income.

## 12) REGULATORY INFORMATION

### [a] Regulatory capital

Libro's capital management plan is designed to establish a strong base for future growth, the payment of dividends and profit sharing, as well as provide a cushion in the event of market volatility. Libro's capital plan is designed to comply with the Act, which requires Libro to maintain regulatory capital of not less than 3% of a net assets measure and 8% of a risk-weighted equivalent value. The risk-weighted equivalent value is calculated by applying risk-weighted percentages as prescribed by the FSRA Capital Adequacy Requirements Rule (the "Capital Rule") to various assets, operational and interest rate risk criteria. Effective March 1, 2022, FSRA implemented additional capital requirements in the Capital Rule to maintain Tier 1 capital of 6.5% of risk-weighted assets, retained earnings of 3.0% of risk-weighted assets, and a capital conservation buffer of 2.5% of risk-weighted assets. In addition, the Capital Rule requires a minimum total regulatory capital of 10.5% or right-



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weighted assets. The capital ratios at December 31, 2021 are in accordance with the Act in effect at December 31, 2021. As at December 31, 2022, the total risk-weighted equivalent value for Libro was \$3,829,867 [\$3,535,597 in 2021] and net assets was \$6,028,106.

The composition of Tier 1 and Tier 2 capital is as follows:

	December 31, 2022	December 31, 2021
<b>Tier 1 capital</b>		
Membership shares	5,392	5,247
Investment and patronage shares	284,404	176,893
Stock dividends payable	19,624	13,959
Redeemable portion of shares	(18,771)	(17,705)
Retained earnings	151,674	114,178
Contributed surplus	60,998	60,998
Accumulated other comprehensive income	9,842	-
Pension asset	(398)	-
Unqualified portion of fair value adjustments	-	580
<b>Total Tier 1 capital</b>	<b>512,765</b>	<b>354,150</b>
<b>Tier 2 capital</b>		
Redeemable portion of shares	18,771	17,705
Stage 1 and Stage 2 allowance for credit losses	9,647	9,939
AOCI defined benefit plans	-	(641)
<b>Total Tier 2 capital</b>	<b>28,418</b>	<b>27,003</b>
<b>Total regulatory capital</b>	<b>541,183</b>	<b>381,153</b>
<b>% of total assets</b>	<b>-</b>	<b>7.07%</b>
<b>% of net assets</b>	<b>8.98%</b>	<b>-</b>
<b>% of risk-weighted assets</b>	<b>14.13%</b>	<b>10.78%</b>

Libro is in compliance with the Act and regulations and the Capital Rule regarding regulatory capital as follows:

	Minimum Required	December 31, 2022
<b>Capital required per the Act</b>		
Leverage ratio	3.00%	8.98%
Total capital ratio	8.00%	14.13%
<b>Additional capital required per the Capital Rule</b>		
Retained earnings ratio	3.00%	5.55%
Tier 1 capital ratio	6.50%	13.39%
Capital conservation buffer ratio	2.50%	6.13%
Total supervisory capital ratio	10.50%	14.13%

**[b] Restricted party transactions**

As at December 31, 2022, the aggregate value of loans, lines of credit, overdrafts and letters of credit outstanding to directors, officers, their spouses and related corporations amounted to \$5,333 [\$5,091 in 2021]. There was no allowance for credit losses required in respect of these credit facilities. Interest rates and other terms and conditions relating to loans to directors are the same as those offered to all owners of Libro. Terms and rates of loans offered to officers are the same as all terms and rates offered to all Libro staff. Loans committed to restricted parties were nil [nil in 2021].

The total compensation paid to officers was \$3,134 [\$2,777 in 2021] and the total remuneration paid to elected representatives, including directors was \$412 [\$345 in 2021]. In addition to this remuneration, total reimbursement to directors and committee members for travel and out-of-pocket expenses for attendance at meetings was \$218 [\$142 in 2021].

**[c] Executive compensation**

The Act requires disclosure of the five highest paid officers and employees where the remuneration paid during the year exceeded \$175. The names, positions and remuneration paid during the year of these officers and employees are as follows:

Name	Title	December 31, 2022			Total
		Salary	Variable Compensation	Monetary Value of Benefits	
Stephen Bolton	President & CEO	446	318	42	806
Carol Normandeau	EVP Advice & Service Delivery	273	159	35	467
Tania Goodine	EVP Engagement	226	92	31	349
Scott Ferguson	EVP Information Systems	226	90	30	346
Janet Johnson	EVP Finance & CFO	221	58	30	309

Name	Title	December 31, 2021			Total
		Salary	Variable Compensation	Monetary Value of Benefits	
Stephen Bolton	President & CEO	401	241	54	696
Carol Normandeau	EVP Advice & Service Delivery	269	85	33	387
Scott Ferguson	EVP Information Systems	225	72	29	326
Tania Goodine	EVP Engagement	225	72	29	326
Michael Smit	EVP Brand & Digital Delivery	179	48	38	265

The Executive Leadership Team at Libro includes the President & CEO, and all individuals with positions titled Executive Vice President (“EVP”).

On an annual basis, the Board of Directors reviews executive compensation and considers market expectations for similar roles in comparable organizations nationally. Variable compensation is based on corporate performance against strategic targets in the previous year. The monetary value of benefits includes a pension plan, dental plan, health plan, automobile benefits (President & CEO), and life and disability insurance.

**[d] Deposit insurance**

The premium paid to FSRA for 2022 deposit insurance and prudential regulation assessment was \$4,933 [\$4,304 in 2021].

**[e] Central 1 fees**

The total fees paid to Central 1 amounted to \$1,280 in the current year [\$1,371 in 2021]. These fees were primarily in respect of banking and clearing services.

**13) EMPLOYEE FUTURE BENEFITS**

Libro sponsors a defined benefit pension plan, a defined contribution pension plan, a supplementary employee retirement plan, and a sick leave benefit plan providing pension and sick leave benefits to eligible employees. The defined contribution pension plan is for staff who were formerly employed by United Communities Credit Union, who were given the option to either remain in the plan or join the defined benefit pension plan. The defined contribution pension plan has been closed to new entrants. The credit union employees' defined benefit pension plan is administered by CUMIS Life Insurance Company, while the defined contribution pension plan is administered by Canada Life.

The defined benefit pension plan is operated under the *Pension Benefits Act* (Ontario) (the "Pension Benefits Act"). The Pension Benefits Act is administered by the Superintendent of Financial Services appointed by FSRA. Plan valuations must be filed with both FSRA and with the Canada Revenue Agency.

The Pension Benefits Act prescribes the minimum contributions that the credit union must make to the plan. The *Income Tax Act* (Canada) places a maximum limit on the amount of employer contributions. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the credit union.

During 2009, the credit union amended its sick leave benefit plan whereby after December 31, 2008, staff members can no longer accrue a benefit to be paid out on termination or retirement. Existing members had their accumulated sick leave days capped at the level achieved as at December 31, 2008.

**[a] Defined benefit plans**

Actuarial valuations of the plans are made based on market-rated discount rates. The following table presents information related to Libro's benefit plans as at December 31, 2022 including the amounts recorded on the Balance Sheets, and the components of net benefit expense:



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	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
<b>Accrued benefit obligation</b>				
Balance as at beginning of year	81,888	1,750	83,200	1,778
Current service cost	5,706	-	6,183	-
Interest cost	2,688	53	2,381	48
Benefits paid	(2,038)	(94)	(2,666)	(45)
Employee contributions	126	-	137	-
Actuarial gain	(29,875)	(166)	(7,347)	(31)
Balance as at end of year	58,495	1,543	81,888	1,750
<b>Plan assets</b>				
Fair value at beginning of year	66,435	-	59,248	-
Expected return on plan assets	2,095	-	1,617	-
Employer contributions	4,211	94	3,799	45
Employee contributions	126	-	137	-
Benefits paid	(2,038)	(94)	(2,666)	(45)
Actuarial gain (loss) on assets	(10,393)	-	4,300	-
Fair value as at end of year	60,436	-	66,435	-
<b>Funded status - plan surplus (deficit)</b>	<b>1,941</b>	<b>(1,543)</b>	<b>(15,453)</b>	<b>(1,750)</b>

The supplementary employee retirement plan is included in the defined benefit pension plan. The weighted average duration of liabilities is 18.7 years [22.8 in 2021] for the defined benefit plan, 8.9 years [11.5 in 2021] for the supplementary employee retirement plan, and 5.6 years [6.8 in 2021] for the sick leave plan.

Assets held within the pension plan consist of balances in the units of Addenda Capital Tactical Balanced Fund (17%), Mawer Investment Management's Balanced Fund (37%), Northwest Ethical Investments Select Balanced RS Portfolio (18%) and an annuity contract with The Co-operators Group Limited (28%).

Contributions for the upcoming year are anticipated to be approximately \$4,328 for the defined benefit plans, and \$261 for the sick leave plan.

Libro's net defined benefit plan expenses recognized in the Statements of Income were as follows:

	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Current service cost	5,706	-	6,183	-
Net interest cost	593	53	764	48
<b>Total included in salaries and employee benefits expense</b>	<b>6,299</b>	<b>53</b>	<b>6,947</b>	<b>48</b>



Libro's net defined benefit plan expenses recognized in OCI were as follows:

	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Actuarial gain (loss) on assets	(10,393)	-	4,300	-
Actuarial gain on liabilities	29,875	166	7,347	31
<b>Total gain recognized in OCI</b>	<b>19,482</b>	<b>166</b>	<b>11,647</b>	<b>31</b>

Included in the above total actuarial gain (loss) on liabilities are the following:

	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Change in discount rate	27,539	188	7,382	48
Other	2,336	(22)	(35)	(17)
<b>Total actuarial gain on liabilities</b>	<b>29,875</b>	<b>166</b>	<b>7,347</b>	<b>31</b>

The assumptions used in the measurement of the benefit obligations are shown in the following table:

[percentages]	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
Discount rate	5.10%	5.10%	3.10%	3.10%
Expected long-term rate of return on plan assets	5.10%	-	3.10%	-
Rate of compensation increase	2.50%	2.50%	2.50%	2.50%

A one percentage point change in assumed discount rates and salary costs would have the following impact on the defined benefit plans:



	December 31, 2022		December 31, 2021	
	Pension Benefits	Sick Leave Benefits	Pension Benefits	Sick Leave Benefits
<b>Change in Benefit Obligations</b>				
1% increase in discount rate	(9,850)	(84)	(15,120)	(87)
1% decrease in discount rate	11,855	89	21,892	151
1% increase in rate of compensation increase	3,087	87	7,563	147
1% decrease in rate of compensation increase	(2,932)	(82)	(4,493)	(83)

Through its defined benefit pension plans and post-employment plans, the credit union is exposed to a number of risks, the most significant of which are detailed below:

**(i) Equity risk**

The plans hold balanced funds, which include equity investments, and are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. However, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long-term strategy to manage the plans efficiently.

**(ii) Changes in bond yields**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's fixed income investments.

**(iii) Inflation risk**

The majority of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan's assets may or may not correlate with inflation, meaning that an increase in inflation may also increase the deficit.

**(iv) Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the employee, so increases in life expectancy will result in an increase in the plan's liabilities.

**[b] Defined contribution plans**

The pension expense for the defined contribution plan in the current year was \$14 [\$14 in 2021]. The contributions for the upcoming fiscal year are anticipated to be approximately \$14 [\$14 in 2021].

**14) COMMITMENTS**

**[a] Loan commitments**

As at December 31, 2022, Libro had commitments to advance loans totalling \$399,235 [\$453,768 in 2021]. The mix of loans committed is consistent with existing funded portfolio balances.

**[b] Undrawn lines of credit**

As at December 31, 2022, Libro had undrawn lines of credit outstanding on behalf of owners amounting to \$1,105,760 [\$1,010,873 in 2021].

**[c] Letters of credit**

As at December 31, 2022, Libro had letters of credit outstanding on behalf of owners amounting to \$50,998 [\$38,128 in 2021].

**[d] ECL on commitments**

Included in the ECL in note 6 is \$807 [\$944 in 2021] related to undrawn lines of credit and unused letters of credit.

**15) DERIVATIVE FINANCIAL INSTRUMENTS**

The following table summarizes the carrying values of the derivative financial instruments held by Libro. The credit union only enters into derivative contracts with a counterparty it has determined to be creditworthy.

	December 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap agreements	18,955	-	1,484	334
Index-linked term deposit hedge agreements	692	692	1,185	1,185
	<b>19,647</b>	<b>692</b>	2,669	1,519

**Interest rate swap agreements**

Libro enters into interest rate swap agreements in order to hedge against exposure to interest rate fluctuations. As at December 31, 2022, Libro was party to six such agreements [six in 2021] with Central 1. The agreements, in aggregate, represent a notional principal amount of \$300,000 [\$250,260 in 2021]. The notional principal amounts are used as the basis for determining payments under the contracts and are not actually exchanged between Libro and its counterparties.

Interest rate swap agreements are valued by netting the discounted variable and fixed cash flows. Variable cash flows are calculated using implied interest rates as determined by current Canadian Dealer Offered Rate (“CDOR”) and swap interest rates, and term relationships. Fixed cash flows are calculated based on the rates stated in the agreements. These notional cash flows are discounted using the relevant points on the zero-interest curve as derived from the month-end CDOR and swap rates.





A summary of Libro’s swap agreements is given below:

Counterparty	Notional Amount	Maturity Date	December 31, 2022		Paying Rate	Receiving Rate	Paying Rate	Receiving Rate	Fair Value
			Paying Rate Index	Receiving Rate Index					
Central 1	50,000	May 2024	5-year swap rate - fixed	30-day CDOR			1.825%	4.705%	2,072
Central 1	50,000	Aug. 2024	5-year swap rate - fixed	30-day CDOR			1.460%	4.575%	2,905
Central 1	75,000	Jun. 2026	5-year swap rate - fixed	30-day CDOR			1.380%	4.523%	6,371
Central 1	50,000	Dec. 2026	5-year swap rate - fixed	30-day CDOR			1.770%	4.613%	3,861
Central 1	50,000	Jul. 2027	5-year swap rate - fixed	30-day CDOR			3.247%	4.663%	1,202
Central 1	25,000	Jun. 2028	7-year swap rate - fixed	30-day CDOR			1.650%	4.523%	2,544
	300,000						1.866%	4.600%	18,955

Counterparty	Notional Amount	Maturity Date	December 31, 2021		Paying Rate	Receiving Rate	Paying Rate	Receiving Rate	Fair Value
			Paying Rate Index	Receiving Rate Index					
Central 1	260	Oct. 2022	10-year swap rate - fixed	30-day CDOR			2.090%	0.440%	(3)
Central 1	50,000	May 2024	5-year swap rate - fixed	30-day CDOR			1.825%	0.450%	(331)
Central 1	50,000	Aug. 2024	5-year swap rate - fixed	30-day CDOR			1.460%	0.445%	28
Central 1	75,000	Jun. 2026	5-year swap rate - fixed	30-day CDOR			1.380%	0.443%	1,240
Central 1	50,000	Dec. 2026	5-year swap rate - fixed	30-day CDOR			1.770%	0.440%	3
Central 1	25,000	Jun. 2028	7-year swap rate - fixed	30-day CDOR			1.650%	0.443%	213
	250,260						1.591%	0.444%	1,150

**Foreign exchange forward contracts**

Libro uses foreign exchange forward contracts to manage liquidity, interest income, and to hedge the exchange risk in products denominated in US dollars. As at December 31, 2022, Libro was not party to any such agreements [none in 2021] with Central 1.

From time to time, Libro enters into foreign exchange forward contracts with some of its owners. Owners enter into these contracts primarily to manage interest expense and hedge against US dollar exchange rates in their own operations. The notional value of these agreements in US dollars was \$1,584 [\$3,445 in 2021] at year-end. Libro enters into offsetting agreements with Central 1 to hedge the exchange risk with its owners. The notional amount of these offsetting agreements in US dollars was \$1,500 [\$3,300 in 2021] at year-end. These agreements represent a fair market value on a combined basis of \$nil [\$nil in 2021] at year-end.

**Index-linked term deposit agreements**

Libro has outstanding \$5,311 [\$7,393 in 2021] in index-linked term deposits to its owners. The index-linked term deposits are three and five-year deposits that pay interest at the end of the term, based on performance of a variety of indices. The embedded derivative associated with these deposits is presented in liabilities and has a fair value of \$692 [\$1,185 in 2021].

Libro has entered into agreements with Central 1 to offset the exposure to the indices associated with each product, whereby the credit union pays a fixed rate of interest for the term of each index-linked deposit on the face value of the deposits sold. At the end of the term, the credit union receives an amount equal to the amount that will be paid to depositors based on the performance of the indices. As at December 31, 2022, Libro had entered into such contracts in the amount of \$5,311 [\$7,393 in 2021]. The agreements are secured by a general security agreement covering all assets of



the credit union. The embedded derivative associated with these agreements is presented in assets and has a fair value of \$692 [\$1,185 in 2021].

**Hedge accounting for interest rate swaps**

As part of its risk management strategy for interest rate risk, the credit union uses interest rate swaps to reduce its exposure. A discussion of the credit union’s approach to management of interest rate risk is in note 21[c].

As at December 31, 2022, Libro had no financial instruments designated for hedge accounting.

**16) OWNERS’ DEPOSITS**

	December 31, 2022	December 31, 2021
Demand deposits	1,055,567	1,019,346
Chequing deposits	1,719,179	1,732,758
Term deposits	1,170,685	1,181,671
Registered savings plans	276,430	302,247
Registered income funds	229,682	220,355
Registered tax free savings accounts	448,674	437,306
	<b>4,900,217</b>	<b>4,893,683</b>

Owners’ deposits are either redeemable on demand or have a fixed date of maturity up to five years. Interest rates are set based upon the type, size and term to maturity of the deposit. All owners’ deposits are financial liabilities and measured at amortized cost.

The term to maturity and effective interest rates of Libro owners’ deposit portfolio were as follows:

Maturity	December 31, 2022						Total
	Demand	1 year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 7 Years	
<b>Total deposits</b>	2,944,198	1,252,429	377,922	166,178	76,546	82,944	4,900,217
<b>Effective interest rate</b>	1.41%	2.69%	3.05%	2.58%	2.23%	3.87%	1.96%

Maturity	December 31, 2021						Total
	Demand	1 year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 7 Years	
<b>Total deposits</b>	2,926,834	1,355,231	287,978	163,800	101,334	58,506	4,893,683
<b>Effective interest rate</b>	0.25%	1.37%	1.85%	2.15%	2.12%	1.52%	0.77%

**17) STATEMENTS OF INCOME AND CASH FLOW DISCLOSURES**

**[a] Interest income and expense**

The amount of income earned from each loan class and interest expense for each type of deposit was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Interest Income</b>		
Residential mortgage loans	<b>49,877</b>	47,190
Personal loans	<b>13,138</b>	8,790
Agricultural loans	<b>41,242</b>	35,775
Commercial loans	<b>80,777</b>	56,737
	<b>185,034</b>	148,492
<b>Interest Expense</b>		
Demand deposits	<b>10,086</b>	2,829
Chequing deposits	<b>9,172</b>	3,364
Term deposits	<b>20,347</b>	18,649
Registered savings plans	<b>5,318</b>	5,510
Registered income funds	<b>4,485</b>	4,227
Registered tax-free savings accounts	<b>7,414</b>	6,290
	<b>56,822</b>	40,869

**[b] Non-interest income**

Non-interest income consists of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Service fees	<b>15,213</b>	14,646
Commissions	<b>5,742</b>	5,439
Foreign exchange	<b>2,096</b>	1,660
Unrealized gains on derivatives	<b>16,427</b>	4,976
Income from property	<b>134</b>	196
Gain on asset sale	<b>1,071</b>	-
	<b>40,683</b>	26,917

**[c] Supplemental cash flow disclosures**

Total interest paid in the year on owners' deposits and securitization liabilities was \$57,942 [\$49,019 in 2021].

Total interest received on loans to owners and investments was \$190,479 [\$157,420 in 2021].



**18) FINANCIAL INSTRUMENTS**

The following table represents the fair values of Libro’s financial instruments. The fair values disclosed do not include the value of assets that are not considered financial instruments. While the fair value amounts are intended to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, some of Libro’s financial instruments lack an available trading market. Consequently, the fair values presented are estimates derived using present value and other valuations techniques and may not be indicative of the net realizable values. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values.

	December 31, 2022			December 31, 2021		
	Book Value	Fair Value	Difference	Book Value	Fair Value	Difference
<u>Amortized Cost</u>						
Loans to owners	5,095,104	4,812,909	(282,195)	4,493,609	4,482,423	(11,186)
Investments	154,562	154,310	(252)	450,364	450,633	269
<u>Fair Value through Profit or Loss</u>						
Investments	9,247	9,247	-	8,747	8,747	-
Index-linked deposits	692	692	-	1,185	1,185	-
Derivative financial instruments	18,955	18,955	-	1,484	1,484	-
<u>Fair Value through OCI</u>						
Investments	299,808	299,808	-	301,379	301,379	-
<b>Total financial assets</b>	<b>5,578,368</b>	<b>5,295,921</b>	<b>(282,447)</b>	<b>5,256,768</b>	<b>5,245,851</b>	<b>(10,917)</b>
<u>Amortized Cost</u>						
Owners' deposits	4,900,217	4,858,998	41,219	4,893,683	4,887,235	6,448
Accrued and other liabilities	22,203	22,203	-	20,962	20,962	-
Securitization liabilities	129,195	127,830	1,365	72,651	73,202	(551)
<u>Fair Value through Profit or Loss</u>						
Index-linked deposits	692	692	-	1,185	1,185	-
Derivative financial instruments	-	-	-	334	334	-
<b>Total financial liabilities</b>	<b>5,052,307</b>	<b>5,009,723</b>	<b>42,584</b>	<b>4,988,815</b>	<b>4,982,918</b>	<b>5,897</b>

- (i) Fair values for items that are short-term in nature approximate their book value. These include cash and cash equivalents, accrued interest receivable, other assets, accrued and other liabilities and accrued interest payable. Fair values for floating rate financial instruments are equal to book value as the interest rates automatically reprice to market.
- (ii) Investments are valued using quoted market prices. Cost is used where no ready market values are available.
- (iii) Fixed-rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks.
- (iv) Fixed-rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms.



Fair values are determined based on a three-level fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels of the hierarchy are as follows:

- (i) Level 1 - Unadjusted quoted prices in active markets for identical financial assets and financial liabilities;
- (ii) Level 2 - Inputs other than quoted prices that are observable for the financial asset or financial liability either directly or indirectly; and
- (iii) Level 3 - Inputs that are not based on observable market data.

The following table illustrates the classification of Libro's financial instruments within the fair value hierarchy:

	<b>December 31, 2022</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Recorded at Fair Value</b>				
<u>Assets</u>				
Index-linked deposits	-	692	-	692
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,575	1,575
Marketable securities	299,808	-	-	299,808
Other investments	-	-	1,185	1,185
Derivative financial instruments	-	18,955	-	18,955
<b>Total assets held at fair value</b>	<b>299,808</b>	<b>19,647</b>	<b>9,247</b>	<b>328,702</b>
<u>Liabilities</u>				
Index-linked deposits	-	692	-	692
<b>Total liabilities held at fair value</b>	<b>-</b>	<b>692</b>	<b>-</b>	<b>692</b>
<b>Fair Value Disclosed</b>				
<u>Assets</u>				
Loans to owners	-	-	4,812,909	4,812,909
Investments	-	154,310	-	154,310
<b>Total assets disclosed at fair value</b>	<b>-</b>	<b>154,310</b>	<b>4,812,909</b>	<b>4,967,219</b>
<u>Liabilities</u>				
Owners' deposits	-	4,858,998	-	4,858,998
Securitization liabilities	-	127,830	-	127,830
<b>Total liabilities disclosed at fair value</b>	<b>-</b>	<b>4,986,828</b>	<b>-</b>	<b>4,986,828</b>



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	December 31, 2021			Total
	Level 1	Level 2	Level 3	
<b>Recorded at Fair Value</b>				
<u>Assets</u>				
Index-linked deposits	-	1,185	-	1,185
Central 1 Class E shares	-	-	6,487	6,487
Central 1 Class A shares	-	-	1,525	1,525
Marketable securities	301,379	-	-	301,379
Other investments	-	-	735	735
Derivative financial instruments	-	1,484	-	1,484
<b>Total assets held at fair value</b>	<b>301,379</b>	<b>2,669</b>	<b>8,747</b>	<b>312,795</b>
<u>Liabilities</u>				
Index-linked deposits	-	1,185	-	1,185
Derivative financial instruments	-	334	-	334
<b>Total liabilities held at fair value</b>	<b>-</b>	<b>1,519</b>	<b>-</b>	<b>1,519</b>
<b>Fair Value Disclosed</b>				
<u>Assets</u>				
Loans to owners	-	-	4,482,423	4,482,423
Investments	-	450,633	-	450,633
<b>Total assets disclosed at fair value</b>	<b>-</b>	<b>450,633</b>	<b>4,482,423</b>	<b>4,933,056</b>
<u>Liabilities</u>				
Owners' deposits	-	4,887,235	-	4,887,235
Securitization liabilities	-	73,202	-	73,202
<b>Total liabilities disclosed at fair value</b>	<b>-</b>	<b>4,960,437</b>	<b>-</b>	<b>4,960,437</b>

## 19) INCOME TAXES

Significant components of the deferred tax assets are as follows:

	January 1, 2022	Statements of Income	OCI	December 31, 2022
Allowance for credit losses	1,896	(126)	-	1,770
Employee future benefits	3,131	373	(3,576)	(72)
Property and equipment	117	96	-	213
Deferred revenue	435	182	-	617
Prepaid expenses	(109)	(1,076)	-	(1,185)
	<b>5,470</b>	<b>(551)</b>	<b>(3,576)</b>	<b>1,343</b>

	January 1, 2021	Statements of Income	OCI	December 31, 2021
Allowance for credit losses	1,883	13	-	1,896
Employee future benefits	4,682	574	(2,125)	3,131
Property and equipment	20	97	-	117
Fair value adjustments on acquisition				
Deferred revenue	372	63	-	435
Prepaid expenses	(232)	123	-	(109)
	6,725	870	(2,125)	5,470

The reconciliation of income tax computed at the statutory rates to income tax expense is as follows:

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Expected tax provision based on combined federal and provincial rate	12,127	26.5%	4,281	26.5%
Credit union deduction	(3,798)	(8.3%)	(1,340)	(8.3%)
Permanent differences	70	0.2%	40	0.2%
Other	(134)	(0.3%)	(149)	(0.9%)
	8,265	18.1%	2,832	17.5%

Tax amounts related to current year OCI are as follows:

	December 31, 2022	December 31, 2021
Tax on actuarial gain (loss)	(3,576)	(2,125)
Tax on unrealized loss on investments	845	398
<b>Net tax recorded in OCI</b>	<b>(2,731)</b>	<b>(1,727)</b>

## 20) TRANSFER OF FINANCIAL ASSETS

### [a] Securitization activity

Libro periodically may securitize mortgages through the transfer of mortgage loans to a special purpose entity as described in note 3[n] through programs sponsored by the Canada Mortgage and Housing Corporation. The following table summarizes Libro's securitization activity in the year:

	2022	2021
Residential mortgages securitized and sold	98,545	-
Net cash proceeds received	92,473	-
Outstanding balance of securitized mortgages sold	126,587	70,279

There were \$nil mortgage loans that were delinquent as at year-end [\$nil in 2021]. In addition, there were no credit losses incurred on the mortgages transferred in 2022 or 2021.

Libro retains a securitization liability for mortgages transferred. The liability bears an average fixed interest rate of 3.58% [2.24% in 2021] and bears a weighted average maturity date of 2025 [2023 in 2021]. As at December 31, 2022, the liability was \$129,195 [\$72,651 in 2021].

**[b] Government loan programs**

As at December 31, 2022, outstanding balances were \$141,008 [\$153,254 in 2021] of loans under the CEBA program and \$573 [\$3,622 in 2021] of loans under the Co-Lending program.

**[c] Loans sales**

Libro has a loan purchasing and servicing agreement with Farm Credit Canada to periodically sell loans. The aggregate outstanding value of loans transferred in 2022 was \$nil [\$9,622 in 2021] and the servicing fees received were \$21 [\$21 in 2021].

## **21) RISK MANAGEMENT**

**[a] Liquidity risk**

Liquidity risk is defined as the risk that the credit union will be unable to pay obligations when they fall due, or become unable to repay depositors when funds are withdrawn, or become unable to meet commitments to lend money. Libro manages liquidity risk within Board of Directors' Policy limits to ensure the credit union has sufficient liquidity to meet its obligations. This is managed by monitoring cash flows and cash forecasts, maintaining a portfolio of high-quality liquid financial assets [note 4], monitoring and managing the remaining contractual term to maturity of its loan and deposit portfolios [notes 5 and 16], and maintaining access to credit facilities through Central 1 [note 10]. Libro achieves this through a combination of active management of organic balance sheet growth, borrowing, whole loan sales, and loan securitization. Since the credit union does not issue redeemable long-term deposit products, liquidity risk will not increase as a result of unexpected prepayments or changing deposit maturity forecasts.

As at year-end, Libro's liquidity coverage ratio was 209% [509% in 2021] and assets held for liquidity purposes totalled \$500,742 [\$786,638 in 2021], consisting of \$344,968 in high quality liquid assets [\$336,057 in 2021] and \$155,774 other qualifying investments [\$450,581 in 2021].

**[b] Credit risk**

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms and arises from the credit union's direct lending, trading, investment and hedging activities. Granting loans to owners is one of the credit union's primary sources of income and Libro grants credit through consideration of an owner's credit history, character, collateral, and capacity for debt. Owners' financial situations are monitored through the life of the loan and all current receivables are expected to be collected. Debt that appears to be in arrears is impaired to the extent that a loss is expected. Libro uses internal risk scoring measures to assess the credit quality of commercial and agricultural borrowers. These measures are derived from the underlying credit experience, collateral, management expertise, and other objective financial measures.





**(i) Credit quality**

Credit quality of retail borrowers is measured in part by a standardized credit rating system, which considers payment history, current debt, age of accounts, type of credit and credit inquiries. Standard is defined as loans with a credit score between 600 and 649 or C commercial paper.

The application of these scoring measures is as follows:

	<b>December 31, 2022</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total</b>
Above standard	1,847,690	238,766	547,804	520,470	3,154,730
Standard	157,101	9,942	496,362	1,116,338	1,779,743
Below standard	26,049	2,982	50,703	80,897	160,631
	<b>2,030,840</b>	<b>251,690</b>	<b>1,094,869</b>	<b>1,717,705</b>	<b>5,095,104</b>

	<b>December 31, 2021</b>				
	<b>Residential Mortgage Loans</b>	<b>Personal Loans</b>	<b>Agricultural Loans</b>	<b>Commercial Loans</b>	<b>Total</b>
Above standard	1,531,275	196,788	465,385	530,687	2,724,135
Standard	73,882	6,020	469,680	990,828	1,540,410
Below standard	39,470	2,547	75,586	111,461	229,064
	<b>1,644,627</b>	<b>205,355</b>	<b>1,010,651</b>	<b>1,632,976</b>	<b>4,493,609</b>

To manage credit risk, Libro secures collateral against all types of loans. In the event that an owner is unwilling or unable to meet their obligations as a borrower, security is liquidated to repay the obligation to Libro. Collateral is taken on each loan funded with regard to the owner’s overall creditworthiness including credit history, character, capacity for debt, and type of loan granted. Note 6 provides detail on collateral held against loans.

**[c] Market risk**

Market risk is defined as the risk that the credit union’s ability to meet business objectives will be adversely affected by volatility in market rates. Libro manages market risk using an earnings at risk approach. The primary objective of this approach is to maximize earnings on a consistent basis while minimizing reductions to net income resulting from changes in future interest rates.

Interest rate risk is the impact that changes in interest rates could have on the credit union’s margins, profit or loss, and equity. Interest rate risk arises from the difference between interest paid related to the credit union’s liabilities and the interest earned on its assets. As part of the credit union’s risk management strategy, the Board of Directors has established limits on the interest rate exposures that are consistent with the credit union’s risk appetite.

The credit union’s policy is to monitor positions on a monthly basis. Libro uses income simulation modeling to measure exposure to changes in interest rates over short-term periods. Earnings at risk is calculated by forecasting the net interest margin for the next 12-month period using most likely assumptions, including



existing hedging activities. Most likely assumptions include management’s best estimates for planned growth rates and the use of future interest rates. Planned growth rates are recorded at the start of the fiscal period as initially set out in the budget and modified to actual experience through the fiscal period. Future interest rates on new business and product renewals are determined using the future interest rates derived mathematically based on the term structure of interest rates. The impact of rate shock scenarios are measured against the most likely forecast (“MLF”) as defined above. The resulting change in the forecast as a result of interest rate shocks is then compared to the MLF to determine the earnings at risk amount. Maximum change limits under these interest rate scenarios have been set out by the Board of Directors. These scenarios are based on hypothetical simulations assuming the markets are shocked with 100 or 200 basis point volatility. At the current time, Libro is in compliance with all limits set by the Board of Directors’ Policy.

The policy limits and most likely projections are as follows:

<b>Asset Liability Management Limits</b>	<b>Maximum Change Limit</b>	<b>Projected Change to Earnings</b>	<b>Status</b>
Most Likely Shocked + 200 basis points	-10%	-1.96%	Compliant
Most Likely Shocked + 100 basis points	-5%	-0.98%	Compliant
Most Likely Forecast Scenario	0%	0.00%	Compliant
Most Likely Shocked - 100 basis points	-5%	0.04%	Compliant
Most Likely Shocked - 200 basis points	-10%	-1.52%	Compliant

**[d] Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign currency rates. Libro’s net income is exposed to currency risk from US dollar investments and owner US dollar deposits. Libro mitigates currency risk of US dollar financial assets and liabilities by investing in offsetting US dollar financial instruments with similar terms. Currency risk is managed in accordance with the Board of Directors’ Policy, which the Board of Directors reviews annually. For a 1% instantaneous increase or decrease in exchange rate, Libro’s net income would change by \$1 [\$1 in 2021].

**22) ACCRUED AND OTHER LIABILITIES**

Accrued and other liabilities consist of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Owner remittances to third parties	3,680	3,271
Salaries payable to employees	7,042	8,415
Accounts payable	488	6
Lease obligations	10,993	9,270
	<b>22,203</b>	<b>20,962</b>



## 9<sup>th</sup> Annual General Meeting

April 15, 2023

AGM Workbook

The lease obligations by maturity date are as follows:

	<b>Leases Maturing</b>
2023	<b>136</b>
2024	<b>20</b>
2025	<b>-</b>
Thereafter	<b>12,825</b>
Less present value discount	<b>(1,988)</b>
<b>Lease obligations</b>	<b>10,993</b>

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## Libro Board of Directors



Jacquie Davison  
Board Chair



Marycatharine Kusch  
Board Vice Chair



Bryan Aitken



Alan DeVillaer



Jeff McCallum



Chris Mendes

## Libro Board of Directors (continued)



Jodi Simpson



Stephanie Soulis



Ronda Stewart



Garrett Vanderwyst



André Vashist

**Libro Executive Leadership Team** as at April 15, 2023



Carol Normandeau  
Interim Chief Executive Officer



Brian Aalbers  
EVP People & Culture



Rhonda Choja  
EVP Operations



Scott Ferguson  
EVP Information Systems



Janet Johnson  
EVP Finance & Chief Financial  
Officer



Michael Smit  
EVP Brand & Digital Delivery



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