

north peace  
SAVINGS & CREDIT UNION



2016 - 2017

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# Annual Report



It's your life. Build it here.

## 2017 Annual Report

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# Message from the Chief Executive Officer and the Board Chair



**Mitchel Chilcott,**  
CEO, North Peace  
Savings & Credit Union



**Allan Loberg,**  
Chair,  
Board of Directors

## Coming together, no matter the weather.

For many families in Northeast BC, their history can be traced back to homesteaders who came looking for a better life and a chance to put down roots in a place of their own. With little more than a promise of 160 acres of land for ten dollars, they came together through tough winters and unpredictable summers to build a promising future and life for their families and create the communities we now call home.

While building a life in Northeast BC was never easy, it came with a promise that your name would be put to the work you accomplished, and to the community that had come together—to make it through, no matter what. This past year, our communities have been experiencing yet another harsh season, with jobs being lost and families looking for ways to make it through to the next period of economic prosperity. What makes us immensely proud to call Northeast BC home is that, despite the tough conditions, we've seen just how adaptive and resilient people in our communities are, through these turbulent times.

As your local credit union, what affects our communities, and our members, has a direct impact on our organization. In recent, very prosperous years, our members have taken bold steps, to build businesses and support their families. Our support of their bold steps in the form of business and personal loans and mortgages resulted in rapid growth for our credit union in both

assets and membership. The risk taken in granting some members' loans during this period in time was generous. As our members faced life challenges, financial challenges followed which were reflected in NPSCU's increased delinquencies, loan losses and ultimately, in a 2017 operating loss. Knowing the nature of our communities and the economic cycles which they go through, we are confident NPSCU will continue to be a sound financial institution.

Our mission statement is to help our members succeed in life and in these times of uncertainty we have worked with many members to support them through these leaner times. For others, unable to hang on financially, it has been necessary to write-off their debt and draw upon our retained earnings, which have been prudently built up over the good years. As a financially sound financial institution, knowledgeable of the local area in which we operate, it is something we prepared for. We recognize that it's only because of your ongoing loyalty and trust in your credit union that we've had the opportunity to do so. For that, we thank you.

This year, when considering dividends on member's direct investment into North Peace Savings & Credit Union in the form of equity shares, profitability wasn't the only factor taken into consideration. To acknowledge your investment, your ongoing loyalty and trust, a share dividend of 4% was paid.

As we look to the road ahead, we recognize that while the economic future on the region may appear uncertain, we know that we will face it together, and come out stronger for it, as we have in the past.

We promise to continue to work hard to service your patronage and maintain your trust, focusing on building relationships and providing quality member services to help you succeed in life. We thank you for your business and for your loyalty to North Peace Savings & Credit Union.

# About Us

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North Peace Savings & Credit Union (NPSCU) is a full-service financial organization offering retail and business banking, investment and insurance products. Located in northeastern British Columbia, all of our decisions are made locally, making us quick to meet the optimism and energy of our members with enthusiasm, engagement and financial leadership.

NPSCU has proudly served the north for over 75 years. With 12,700 members amongst our five branches, NPSCU remains committed to the social and economic well-being of the communities we serve. As a local financial institution, we have the ability to provide innovative products and services to meet the personal and business banking demands of our membership.

NPSCU Business Services is committed to delivering resources and expertise to small and medium-sized businesses to help them achieve their goals. Our financial team's specialty skills cover all the local sectors: forestry, oil & gas, mining, land development, agriculture, construction and retail.

We believe that by encouraging the success and well-being of our member-owners, our staff and community, and the support we offer local businesses, we contribute to greater member prosperity, a healthy local economy and a better quality of life for all. It's the story behind our slogan: It's your life. Build it here.



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## Mission

Helping our members succeed in life. We work to simplify and enrich members' lives with exceptional, locally relevant solutions.

## Vision

By 2020, be the preferred financial institution among small and medium-sized enterprises and residents in every community that we serve.

## Values

- Sound financial management
  - Adaptability and dexterity
  - Local knowledge, local decisions
  - Investing in our people and community
  - Positive service experiences, every time
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- A decorative graphic at the bottom of the page consists of three overlapping, wavy bands of color: a light green band at the top, a medium green band in the middle, and a dark blue band at the bottom. The bands are slightly curved and taper towards the right.

# Community Investment

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## Investing in the communities we serve

North Peace Savings & Credit Union (NPSCU) remains committed to the regions we serve through our community investment initiatives. By investing in the community, we provide support for local organizations to thrive and continue to provide services that benefit the community as a whole. Community investment helps establish rewarding relationships with local partners, while contributing to long-term improvements in the quality of life of residents of our communities.


## Donations and Sponsorship \$17,000

We encourage and support local programs and organizations that provide widespread benefit to the community as a whole. Through our donation and sponsorship program, we were able to help fund 23 initiatives in the North Peace and Northern Rockies regions. NPSCU is proud to support local programs by:

- Investing in community projects
- Sponsoring various activities and events
- Participating in education programs aimed at fostering a better understanding of financial matters
- Promoting community economic development

## Social Responsibility \$37,845

Remaining committed to investing in the communities we serve is embodied through our Corporate Social Responsibility program. NPSCU provides funding to organizations that are locally based and supported, and have broad community impact. This year, our Corporate Social Responsibility program supported 11 initiatives in the North Peace and Northern Rockies regions that placed a focus on:

- Literacy and financial literacy
  - Homelessness
  - Building strong families
  - Support for disabled adults
  - Prevention of domestic violence & victim support
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# Governance Report & Executive Overview

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North Peace Savings and Credit Union (NPSCU) is governed by a board of directors elected by the credit union's members. The board of director's is responsible under law for the management of the credit union's business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the credit union in the interests of all members. The duties and responsibilities of the Board are set out in the mandate for the Board and include providing the mission and goal for the credit union, developing a governance system and an overall risk appetite to manage and monitor applicable risks.

## Board Committees:

The Board has regulatory and standing committees that are responsible for carrying out both legislated and delegated functions as described in each committees Terms of Reference.

## Governance Committee:

The Governance Committee is charged with creating and promoting corporate governance policies to build practices consistent with the credit union's core values and rules, to promote an environment where good governance is part of the culture of the Credit Union and to ensure compliance. It reviews and makes recommendations on human resource matters including the compensation of the CEO and remuneration of the Board of Directors, and manages the process of evaluating the performance of the CEO.

## Audit Committee:

Assists the Board of Directors in fulfilling its financial reporting, internal controls, management information systems, capital requirements, enterprise-wide risk management, and compliance responsibilities, including responsibility for the internal and external audit engagements. The Audit Committee meets regularly with both the internal and external auditors.

## Conduct Review & Nominating Committee:

The Conduct Review and Nominating Committee oversees the establishment of standards of business conduct and compliance with legislation and regulatory requirements regarding related party disclosure, conflict of interest, confidentiality, ethical reporting and privacy of personal information. In addition it ensures that the Credit Union fulfills the process of electing persons to the Board of Directors consistent with legislative requirements and the Credit Union Rules. This includes monitoring communications and timelines as well as overseeing the voting process to ensure a high level of integrity is maintained.

## Investment & Loan Committee:

The purpose of the Investment and Loan Committee is to ensure that the Credit Union has written Investment and Lending Policy which reflect prudent standards and ensure procedures are followed and reviewed regularly.

Click [here](#) for the Rules of North Peace Savings and Credit Union

## Executive Overview

The NPSCU executive team works with the Board of Directors to position the Credit Union's strategic direction and develop the annual operating plan. They monitor every aspect of the plan to ensure progress is being maintained and the organization is on track. For the year ending September 30, 2017, the following structure was in place and currently exists.

**Chief Executive Officer:** Mitchel Chilcott

**Chief Information Officer:** Dan Currie

**Chief Financial Officer:** Don McMillan

**Chief People Officer:** Lisa Stewart

**Chief Credit Officer:** Ken Dickson



# Risk Management

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Our business activity exposes us to a wide variety of risks in virtually all aspects of our operations. Our ability to manage these risks is a key competency within the organization and is supported by a strong risk culture and an effective risk management approach.

Taking measured risks is part of North Peace Savings and Credit Union's (NPSCU's) business. As a provider of financial products and services, we consider risk management to be critical and integral to our business success. Our risk profile is determined by our own strategies, actions, and changes to the external business environment. We manage these risks within an enterprise-wide risk management (ERM) framework.

## Risk Management Principles

The following principles guide the management of risks within NPSCU:

- Balancing risk and reward effectively through aligning business strategy with risk appetite, diversifying risk, pricing appropriately for risk, and mitigating risk through preventive and detective controls.
- Viewing risk as acceptable and necessary to build the business. We only accept those risks that can be understood, managed and are consistent with our cooperative values, code of conduct, and board approved policies.
- Believing every employee is essentially a risk manager and must be knowledgeable of the risks inherent in their day-to-day activities and responsibilities.
- Building stronger relationships with members reduces our risks by "knowing our members" and ensuring the services we provide are suitable for, and understood by, each member.
- Aiming risk controls at minimizing uncertainty and maximizing opportunity in a way that optimizes the credit union's capacity to protect, and sustainably grow, value for our members.
- Using common sense and sound judgment in order to manage risk throughout the credit union.

## Enterprise Risk Management Framework

The primary goal of enterprise risk management (ERM) is to ensure the outcomes of risk-taking are consistent with the credit union's business activities, strategies and risk appetite. Our ERM framework provides the foundation for achieving this goal, and it is constantly evaluated to ensure it meets the challenges and requirements faced by NPSCU. The evaluation includes a comparison to industry best practices, as well as compliance with evolving regulatory standards.

## Risk Culture

A strong risk culture emphasizes transparency and accountability. Organizations with a strong risk culture have a consistent and repeatable approach to risk management when making key business decisions, including regular discussions of risk and ongoing reviews of risk scenarios that can help management and members of the board understand the interconnectedness and potential risk impacts.

NPSCU's strong risk culture is the cornerstone of its effective ERM framework. It starts with appropriate leadership that demonstrates and sends clear messages throughout the organization. This strong risk culture is communicated and emphasized by the actions of executive management and the Board of Directors.

# Risk Appetite Statement

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NPSCU's Risk Appetite Statement facilitates a shared understanding of its philosophy concerning acceptable risk and how that philosophy supports NPSCU's Mission and Strategy.

## Mission:

**Helping our members succeed in life.**

**We work to simplify and enrich members' lives with exceptional, locally relevant solutions.**

The Risk Appetite Statement is based on our mission, vision and values in attaining our strategic goals.

- An Enterprise Risk Management ("ERM") framework to identify and quantify the magnitude and probability of individual risks faced by the Credit Union,
- A Risk Tolerance definition of these risks, which allows for the effective measurement and control on the individual risks,
- Corporate policies which outline in detail the risks the Credit Union is willing to engage in and controls which help mitigate against such risks. Integral to these policies are the Capital, Liquidity and Investment & Lending policies,
- The use of an Internal Capital Adequacy Assessment Process ("ICAAP") to determine the appropriate level of capitalization for the Credit Union, given various stress situations,
- And the use of Risk-Capital Allocation tools to ensure that the Credit Union's capital resources are being most effectively utilized against the returns earned on such capital.

## Key Principles:

The following principles guide in the management of risks within NPSCU:

- That the strategic direction of NPSCU is aligned with ensuring that risk management targets are achievable and maintained,
- Ensuring that the Credit Union is appropriately rewarded for the risks that it takes in its operations
- Through effective policies, controls, reporting and auditing, ensure that procedures are followed that help mitigate risks associated with credit unions activities, such as lending and investing,
- Limiting the risks associated with our lines of business, through marketing segmentation and geographic diversification,
- And empowering our employees, through training, education and decision-making, to manage risk within their individual responsibilities.

## Ownership

Performance against the targets mentioned in this document, shall be reported to the Board, at minimum, on a quarterly basis. Management will also provide projections of these targets out 36 months, on a quarterly basis.

The Board will also ensure that any action plans arising out of non-performance of Risk Tolerance definitions, are carried out in an effective and timely manner.

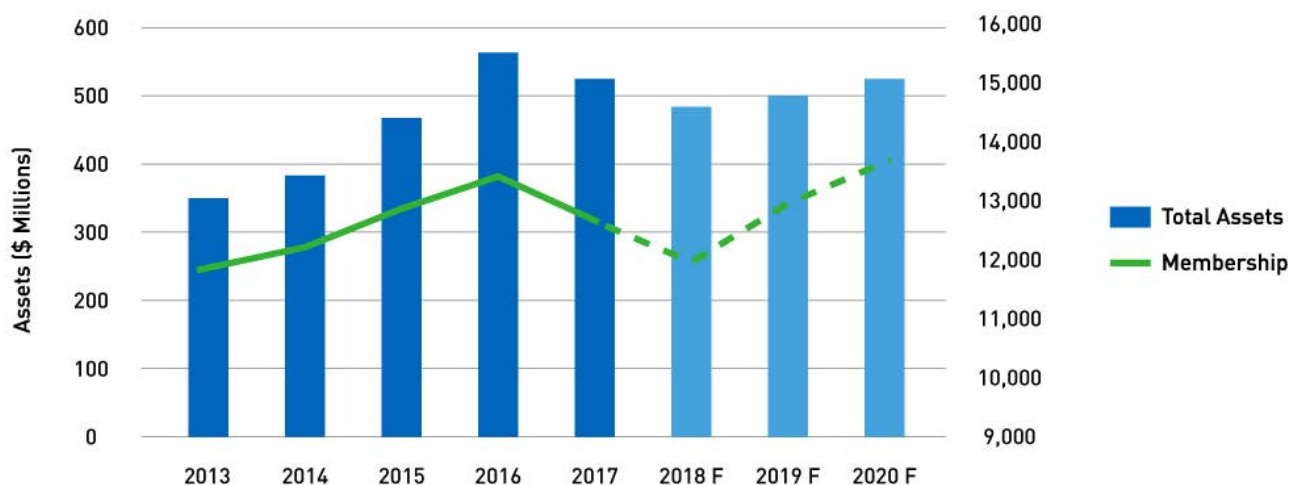
At minimum, annually, Management and the Board of Directors will review the appropriateness of this Risk Appetite Statement and the targets contained within. The Board will ensure that the strategic direction of the Credit Union aligns with the Risk Appetite Statement.

# Management Discussion and Analysis

2017 continued to present challenges to the economy of Northeastern BC, as well as to the growth and profitability of North Peace Savings and Credit Union (NPSCU). While the economy struggled to find its footings and provide greater certainty of future growth, the Credit Union experienced losses related to the recent downturn in the regional economy.

As such, the Total Assets of the Credit Union declined by 6.9% in 2017. The majority of the decline was as a result of a shrinking loan portfolio (down 11.5%), as repayment exceeded new borrowings in this time of uncertainty. As at September 30, 2017, the Credit Union's Total Assets were \$514.2 Million.

The number of Members also declined over the year, falling by 5.9%, to end the year at 12,727. The reduction of 800 members was primarily driven by a clean-up of dormant accounts by the Credit Union. Dormant accounts are member relationships which have been inactive for 12 months or more. Many of these relationships have gone dormant as members move away from Northeastern BC.



## Member Loans

Loans and mortgages to members amounted to 80% of the Credit Union's assets, of which 24.3% were business loans and mortgages.

Residential mortgages accounted for 68% of NPSCU's lending, followed by Business mortgages (19%) and Personal Lines of Credit (5%). Compared to 2016, every category of lending saw a decline in both dollar volume and count, as the economy shrank in the region.

In 2017, both the allowance for loan loss and actual write-off of bad loans increased. NPSCU allocated \$4.3 Million to the allowance for loan loss, a reflection of general losses anticipated across the loan portfolio and anticipated losses related to specific loans. Write-offs for the year amounted to \$3.7 Million, of which \$3.3 Million was attributed to business loans and mortgages. As of September 30, 2017, the Credit Union identified all loans and mortgages which it feels have a risk of impairment. The amount of this risk has been incorporated into the allowance for loan loss in 2017. NPSCU expects that loan losses for future years will be significantly lower than 2017, as the economy recovers in the region.

Allowance for Loan Impairment (000's)	2017	2016	Write Offs	#	(000's)
Balance, beginning of year	1,077	1,066	Personal	53	431
Provision for loan impairment	4,321	175	Business	16	3,287
	5,398	1,241	Total	69	3,718
Less: loans written off	(3,718)	(164)	<b>Budget</b>		<b>300</b>
<b>Balance, end of year</b>	<b>1,680</b>	<b>1,077</b>			

## Member Deposits

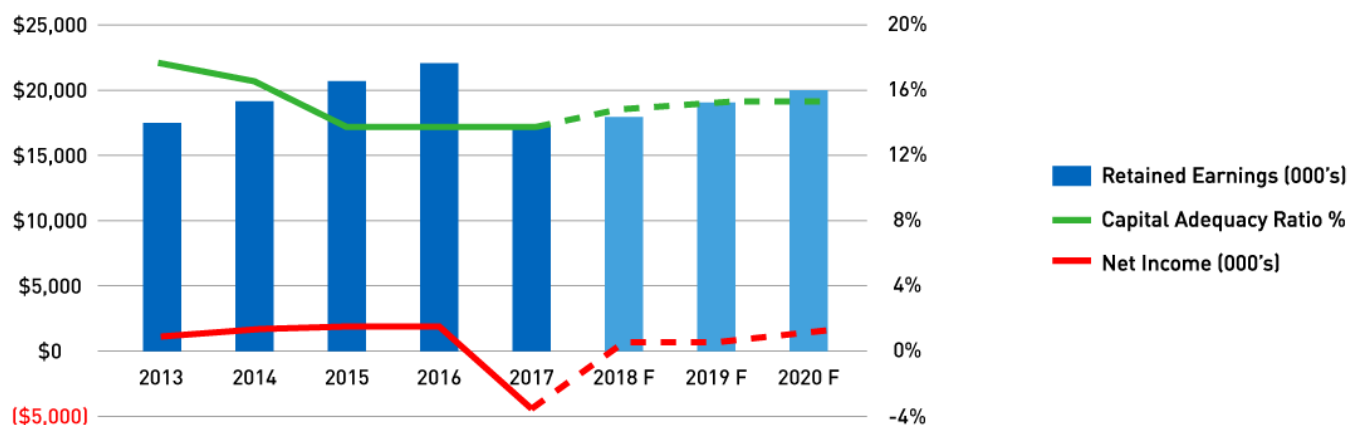
Member deposits ended the year at \$435 Million, a decline of \$24.3 Million or 5.3% over the prior year. The majority of member deposits are held in Platinum Plan accounts, followed by Term Deposits and various chequing accounts. As the Total Lending of the Credit Union has declined, NPSCU has made an effort to reduce the amount of deposits held by certain institutional depositors, as holding excess deposits has a negative impact on the Financial Margin of the Credit Union. Institutional deposits declined by \$50.1 Million in 2017, partially offset by growth in deposits (\$25.8 Million) from personal/business members.

## Members' Equity

Members' Equity consists of the value of shares held by the Credit Union plus Retained Earnings, which is the cumulative profit of the organization. Members' Equity declined by \$3.3 Million in 2017, a reflection of the Net Income Loss incurred over the year, partially offset by an increase in shares held by members. Retained Earnings also declined by \$277,000, as a 4% dividend was paid to holders of Member Equity and Investment Shares in 2017. As the dividend was paid in shares, this distribution contributed to the increase in share capital. The Credit Union declared a 4% dividend on Equity and Investment shares held by members. From the Credit Union's perspective, as the dividend was made as a Share Dividend, there was no net effect on the Capital position of NPSCU.

Under the Financial Institutions Act of British Columbia, the Credit Union must hold a minimum percentage of Capital (which is Members' Equity plus the Credit Union's share of Central 1 capital) against a risk weighted calculation of Total Assets. As at September 30, 2017, the Credit Union was in compliance with the FIA Capital requirements

## Retained Earnings



## Operating Income

Consolidated Operating Income for the year ending September 30, 2017 was a loss of \$5.5 Million. Increased loan loss allowance, the write-off of certain extraordinary items and additional costs associated with the conversion of our banking systems contributed to the loss. The Credit Union anticipates a return to profitability in 2018 and subsequent years.

## Financial Margin

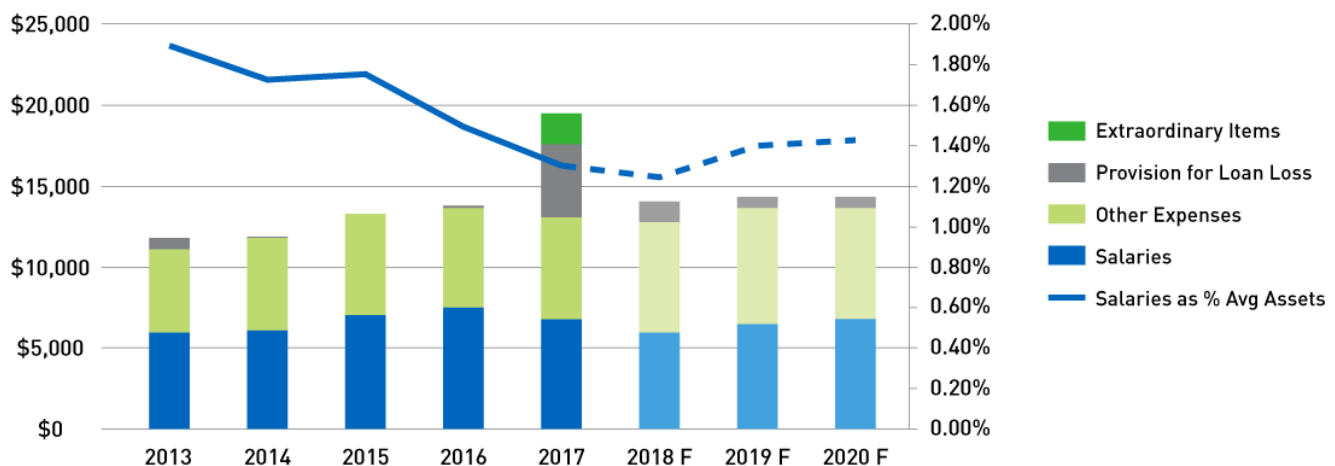
Financial Margin is the difference between interest earned on assets (investments, loans and mortgages) and interest paid on deposits, including borrowings. The amount also includes the net cash proceeds (\$789,000) of derivative income during the period. In 2017, our Financial Margin was \$11.8 Million, slightly less than the \$11.9 Million Financial Margin earned in 2016. Higher market interest rates largely offset the impact of the decline in the volume of loans over the period. The Credit Union has not forecasted any further increase in interest rates, for its budgetary purposes, as the impact on Financial Margin of a rate increase is not material.

## Other Income

Other Income is classified as loans fees, service charges, commission income, foreign exchange income and other miscellaneous income. Overall, Other Income declined \$622,000 from the prior year, to a total of \$2.3 Million. Reduced fee income from lending activity accounted for the largest portion of the decline, along with modest reductions in foreign exchange and commission income.

## Operating Expenses

Operating Expenses include costs associated with staffing, building costs and administrative expenses. For the year ending September 30, 2017, Operating Expenses amounted to \$13.8 Million, an increase of \$250,000 over 2016. The majority of the increase in expenses are related to the depreciation and operating expenses associated with the new banking system. These costs were partially offset by reduced salary costs, as staffing levels fell by 26%.



## Extraordinary Items

In 2017, the Credit Union incurred three non-repetitive expenses related to the write-off of other capital assets, amounting to \$1.94 Million.

In 2015 the Credit Union purchased property in Fort St John for the future construction of a new branch and administrative building. Included on the property was a very small and neglected cemetery. The small seven grave cemetery was subdivided off in 2016, and landscaping and fencing were completed in 2017 to bring the asset up to a presentable standard. As the completed cemetery was deemed to have no re-sale value, the associated costs of \$392,000 was written off.

The second item was the costs associated with the design of a potential new branch and head office. These design costs of \$1,106,000 were written off after senior management determined that NPSCU would not be proceeding with the construction of a new branch within the two years remaining on our building permit, based on the existing plans.

The last item was certain costs associated with the conversion to a new banking system. Staff training costs constituted the majority of the \$440,000 in additional expense.

The loss of \$5.5 Million, prior to taxes and distributions to members, resulted in a tax recovery for the Credit Union. The tax recovery amounted to \$1.5 Million, across Current Income Taxes and Future Income Tax.

## Other Comprehensive Income

Other Comprehensive Income is an accounting standard, which classifies certain income, based on their Financial Instruments classification. Financial Instruments classified as "Available-for-Sale" have income related to their valuation classified as Other Comprehensive Income. As the Fair Market Value of an instrument may fluctuate on a daily basis, its value is isolated within Other Comprehensive Income, so that the Statement of Earnings excludes this volatility.

NPSCU has a derivative swap portfolio of interest rate swaps, which are classified as "Available-for-Sale" assets, which hedge against a decline in market interest rates. These swaps qualify for hedge accounting treatment under International Accounting Standards (IAS) and as such, changes in valuation are recorded in Other Comprehensive Income. In 2017, with the increase in market interest rates, the valuation of NPSCU's portfolio fluctuated to result in a loss of \$2.7 Million. The swap portfolio had a negative valuation of \$1.8 Million as of September 30, 2017.

Swaps are settled semi-annually, between the strike price (contract rate) of the swap against the market rate Canadian Dollar Offered Rate multiplied by the notional value of the contract. Any loss or gain on this settlement is offset by increased or decreased Financial Margin income on variable rate loans/mortgages held by NPSCU. In 2017, this settlement produced \$789,000 in income, which compensated for lower income earned on variable rate lending.

The swap portfolio, when held to maturity, will expire with a \$0 valuation. The current market valuation would only be realized, either positive or negative, if the swap portfolio was liquidated prior to maturity.

## Report of the Independent Auditor on the Summarized Consolidated Financial Statements

To the Members of North Peace Savings and Credit Union:

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at September 30, 2017 and the summarized consolidated statements of comprehensive income and changes in members' equity for the year then ended, are derived from the audited consolidated financial statements, prepared in accordance with the International Financial Reporting Standards, of North Peace Savings and Credit Union for the year ended September 30, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated December 13, 2017.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited consolidated financial statements of North Peace Savings and Credit Union. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of North Peace Savings and Credit Union.

### *Managers' Responsibility for the Summarized Consolidated Financial Statements*

Management is responsible for the fair summarization of the complete audited consolidated financial statements of North Peace Savings and Credit Union.

### *Auditors' Responsibility for the Summarized Consolidated Financial Statements*

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, "Engagements to Report on Summary Financial Statements."

### *Opinion*

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of North Peace Savings and Credit Union for the year ended September 30, 2017 are a fair summary of those consolidated financial statements.

Abbotsford, BC  
December 13, 2017

*MNP* LLP

Chartered Professional Accountants

North Peace Savings and Credit Union  
Summarized Consolidated Statement of Financial Position  
As at September 30, 2017

	2017 (000s)	2016 (000s)
<b>Assets</b>		
Cash and cash equivalents	15,405	31,800
Investments	72,194	37,842
Members' loans receivable	410,664	464,873
Income taxes recoverable	1,033	482
Other assets	3,593	7,474
Premises and equipment	10,349	9,461
Intangible assets	883	147
Deferred tax asset	730	213
	514,851	552,292
<b>Liabilities</b>		
Member deposits	434,986	459,171
Borrowings	51,349	62,460
Accounts payable and accrued liabilities	5,541	1,604
Member shares	766	673
	492,642	523,908
<b>Members' equity</b>		
Member shares	6,894	6,055
Retained earnings	17,136	21,404
Accumulated other comprehensive income (loss)	(1,821)	925
	22,209	28,834
	514,851	552,292

Approved on behalf of the Board of Directors






**North Peace Savings and Credit Union**  
**Summarized Consolidated Statement of Comprehensive Income (Loss) and Changes in Members' Equity For the year ended September 30, 2017**

	2017 (000s)	2016 (000s)
<b>Interest income</b>		
Member loans	16,132	15,795
Investments	1,024	850
	17,156	16,645
<b>Interest expense</b>		
Member deposits	4,989	4,552
Borrowings	956	679
	5,945	5,231
Financial margin before provision for loan impairment	11,211	11,414
Provision for loan impairment	4,321	175
Financial margin	6,890	11,239
Other income	3,337	3,978
Financial margin and other income	10,227	15,217
<b>Operating expenses</b>		
Wages and benefits	7,220	8,129
Administrative expenses	6,568	4,360
Occupancy	1,896	1,603
	15,684	14,092
Income (loss) from operations before members' distribution and income taxes	(5,457)	1,125
Members' distribution	(277)	(245)
Income (loss) before income taxes	(5,734)	880
<b>Income taxes (recovery)</b>		
Current	(949)	45
Deferred	(517)	(99)
	(1,466)	(54)
Net income (loss)	(4,268)	934
Other comprehensive income (loss), net of tax	(2,746)	(379)
Comprehensive income (loss)	(7,014)	555
<b>Members' equity, beginning of year</b>		
Net income (loss)	(4,268)	934
Net change in member shares	839	822
Other changes in unrealized gains/losses	(2,746)	(379)
<b>Members' equity, end of year</b>	<b>22,209</b>	<b>28,384</b>

**Note:** Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures required for complete and fair presentation. Copies of the North Peace Savings and Credit Union full financial statements and auditors' report, can be obtained at all of our branches.

# CEO Compensation Disclosure

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Key policies and practices for CEO compensation.

For the fiscal year ending September 30, 2017, the CEO received the following compensation.

Base Salary – \$247,711.00

Bonus paid for FY16-17 – \$0.00

Pension, benefit and perquisites: Please see below.

The CEO's bonus is based on objective and subjective performance factors, with a 50% weight given to objective performance factors and 50% on subjective performance factors. Objective factors are measured through the balanced scorecard and entail financial and risk, members and employee measures. Subjective performance factors are measured using a CEO Evaluation Survey completed by Directors as well as select Managers and Staff. Scorecard/performance targets for the bonus are set based on the strategic plan, operating plan and annual performance plan. These measures are reviewed and approved by the board.

The annual compensation review process involves the following steps. This data is used to determine the appropriate adjustments to the CEO's total cash compensation package, based on the credit union's ability to pay.

1. Compiling an annual external market data review for CEO's of credit unions nationally from the annual Central 1 Canadian Credit Union Executive Compensation Survey to determine the
  - **P75 Total Target Cash position** for comparable credit unions, calculated with respect to NPSCU on balance sheet assets as projected to year end
  - **base salary** by calculating 85% of the P75 Target Cash position
  - **target** (meets expectations) and maximum (exceptional performance) bonus potential
2. Determining the CEO's Total Achievement Score based on assessment of annual performance against targeted goals as determined through objective and subjective performance factors as described above.

Calculated based on results of the objective and subjective performance factors in the annual review, where the CEO achieves a total achievement score for the fiscal year performance of less than 85% (meets expectations), the salary increase, as determined above, and a 15% bonus are granted. Calculated based on results of the objective and subjective performance factors in the annual review, where the CEO achieves a total achievement score for the fiscal year performance of 85% or greater (exceptional performance) the salary increase, as determined above, and a 25% bonus are granted.

For FY16-17, due to financial results, the CEO and all other executive and staff did not receive a salary increase or bonus.

The CEO participates in a Long Term Retention (LTR) plan that is intended to align CEO retirement with a long term CEO retention strategy for NPSCU. In consideration for the CEO's commitment and in recognition that energies remain dedicated to NPSCU's best interests, from October 1, 2014 to September 30, 2019 (five years) NPSCU will accrue 10% of the CEO's base annual salary provided that in the calendar year preceding the LTR entitlement active employment

with the Credit Union is maintained. In 2016-2017, the CEO accrued \$24,771 and the amount accrued as at September 30, 2017 is \$69,768.36. A resignation prior to September 30, 2019 will result in no payouts from the LTR. Effective October 1, 2019 and each October 1 following until (and including) October 1, 2024 LTR will be paid out as follows: In year 6 (October 2019), the CEO may access and withdraw the LTR accrued in year one (October 2014). In year seven (October 2020), the CEO may access and withdraw the LTR accrued in year two (2015) and so forth. After September 30, 2019, provided the required resignation notice is given, the CEO will be eligible for payment of all funds accrued from October 1, 2014 to September 30, 2019. The LTR agreement may be reviewed, renewed and/or renegotiated for additional terms (2019 – 2024; 2025 to 2030) at the mutual agreement of both parties.

## Pension:

The CEO participates in a Defined Contribution (DC) pension plan with the same terms as other executives. The CEO's Pension is calculated at 7% of gross income.

## Benefits:

The CEO participates in the employee BC Medical, extended health, dental, disability and life insurance plans. These programs are the same as the plans offered to all NPSCU's employees.

The CEO's full compensation package is reviewed by the board annually.

The CEO is fully responsible for setting an executive compensation and bonus structure that supports the attraction and retention of key talent to move the organization forward quickly and meet the strategic objectives of a progressive organization. Compensation increases and bonuses are contingent on the overall financial health and stability of the organization.

The compensation packages received by executives considers the 75th percentile for base salaries within roles of similar responsibility as described in the Central 1 Canadian Credit Union Executive Compensation Survey. Executives, excluding the CEO, are eligible to share in the staff profit sharing plan. Executives are also eligible to earn up to an additional 10% of base salary. The additional bonus payments are based on achievement of financial and risk, members and employee measures as established in the balanced scorecard.

For FY16-17, while executives were eligible to earn up to an additional 10% of base salary based on achievement of financial and risk, members and employee measures as established in the balanced scorecard, bonuses were waived by the CEO as financial returns did not warrant general staff profit sharing based bonuses.

Executives receive the same benefits and perquisites as the CEO and employees.

Employees participate in a profit sharing program based on our achievement against overall financial targets. For FY16-17 bonuses were not awarded to employees as financial returns did not meet budget.

Employees also receive a competitive benefits package which includes extended health insurance, dental insurance, employee and family assistance, life insurance, dependent life insurance, short term disability insurance, long term disability insurance, accidental death and dismemberment insurance, a health care spending account of \$500 per year and tuition and educational assistance. NPSCU provides a Defined Contribution pension plan to 1) employees with the following key terms; up to age 50 = 5%, 50 to 54 = 6%, 55 plus = 7% and 2) executive with the following terms; up to age 50 = 6%, 50 plus = 7%. Employee perquisites also include an employee loan program.

# Corporate Governance

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The elected directors serving on the Board of Directors (the Board) must bring the skills, experience and competencies required to enable the Board to effectively guide and oversee our credit union. The Board is responsible for governing North Peace Savings & Credit Union's business as well as the obligation to protect and enhance the assets of the credit union. The Board reviews and approves North Peace Savings & Credit Union's strategic direction and risk appetite, sets and monitors corporate policies, and is responsible for overseeing management and ensuring that NPSCU complies with regulatory and statutory requirements.

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## Governance of North Peace Savings & Credit Union

North Peace Savings & Credit Union uses the Corporate Governance Guidelines for Building High Performance Boards published by the Canadian Coalition for Good Governance as a baseline of best practices.

The Board undertakes a regular process of identifying and reviewing the overall skills and experience required amongst directors to strengthen the Board and to meet the needs of North Peace Savings & Credit Union's governance, both in the present and into the future.

Each year three vacancies occur on North Peace Savings & Credit Union's 9-member Board for three-year terms. After the Annual General Meeting, the Board appoints a Conduct Review/Nominations Committee that is tasked with recommending qualified candidates in the following year for election to the Board. The Committee is responsible for identifying required skills and experience required within the Board to guide and oversee the implementation of North Peace Savings & Credit Union's strategic plan.

The results of each year's Directors election are announced at the AGM by the Chair of the Conduct Review/Nominations Committee.

# Director Remuneration and Expenses

The following table summarizes the attendance of directors at Board and committee meetings and also provides the total remuneration paid for the fiscal year ending September 30, 2017. The table also outlines any other designated meetings and events deemed eligible for payments.

Directors' remuneration for the 2016-2017 fiscal year were calculated as follows:

<b>Honorarium</b>	<b>\$3,000</b>
<b>Chair Honorarium</b>	<b>\$2,700</b>
<b>Board Meeting</b>	<b>\$225</b>
<b>Committee Meeting</b>	<b>\$225</b>
<b>Full day meeting or travel</b>	<b>\$250</b>
<b>Half day meeting or travel</b>	<b>\$125</b>

## Expenses

- Reimbursement of expenses, including travel, accommodation, & meals.
- When out of town for either training/conference/education an incidental stipend of \$25 per day.

The remuneration of Directors of North Peace Savings & Credit Union in relation to their service as directors is established, allocated and distributed to the directors at the discretion of the Board of Directors.

The Governance Committee conducted a full review of the board's remuneration in November 2015. The review is conducted every three years.

Our directors each bring unique value and experience to the board. Profiles of each director are included on the following pages, with more detailed resumes available on our website at [npscu.ca](http://npscu.ca). The following tables summarize the board members, their tenure, roles on the board and total remuneration for the 2016-2017 fiscal year.

## Allan Loberg, Board Chair

### Committees:

Audit  
Investment and Lending  
Governance

**Profile:** Raised in Fort Nelson, B.C, Allan Loberg has been a resident of Fort St. John since 1984. He currently works as an aircraft maintenance engineer, and also owns and operates his own home construction business in the Fort St. John area.

[Read Full Biography Here](#)

**Tenure:** 13 years

BOD Meetings	14	\$3,150
Committee Meetings	31	\$6,975
Honorarium		\$3,000
Honorarium – BOD Chair		\$2,700
Conference/Education		\$2,875
Total Remuneration		\$18,700
Expenses		\$1,997
<b>Total</b>		<b>\$20,697</b>

## Bob Trobak, Director

### Committees:

Audit  
Investment and Lending

**Profile:** A retired Chartered Accountant with over 40 years of experience at a public accounting firm, Bob Trobak has lived in the Fort St. John area since 1968. Over the years, Bob has devoted a significant amount of his spare time to volunteering, especially within the local hockey community.

[Read Full Biography Here](#)

**Tenure:** 9 years

BOD Meetings	13	\$2,925
Committee Meetings	24	\$5,400
Honorarium		\$3,000
Conference/Education		\$875
Total Remuneration		\$12,200
Expenses		\$839
<b>Total</b>		<b>\$13,039</b>

## Carrie Bennett, Director

### Committees:

Governance  
Investment and Lending

**Tenure:** 17 years

**Profile:** Carrie Bennett has called Fort St. John home for over twenty years, seventeen of which she has spent on the North Peace Savings and Credit Union Board of Directors. Carrie has a Diploma in Business Administration, and works as Secretary and Educational Assistant I & II at Bert Bowes Middle School in Fort St. John.

[Read Full Biography Here](#)

BOD Meetings	12	\$2,700
Committee Meetings	20	\$4,500
Conference/Education		\$500
Honorarium		\$3,000
Total Remuneration		\$10,700
Expenses		\$352
<b>Total</b>		<b>\$11,052</b>

## Bruce Chisholm, Director

### Committees:

Conduct Review/Nominating  
Governance  
Audit

**Tenure:** 11 years

**Profile:** Bruce Chisholm retired from his career as an educator after dedicating 33 years to the local education system. Bruce has a Bachelor's Degree in Education and a Master's Degree in Educational Administration, and during his career he fulfilled the roles of teacher, Vice Principal, and Principal.

[Read Full Biography Here](#)

BOD Meetings	11	\$2,475
Committee Meetings	21	\$4,725
Conference/Education		\$1,250
Honorarium		\$3,000
Total Remuneration		\$11,450
Expenses		\$672
<b>Total</b>		<b>\$12,122</b>

## Bryce Kelly, Director

### Committees:

Investment and Lending  
Governance

**Tenure:** 9 years

**Profile:** Bryce Kelly understands the importance of Credit Union values and community spirit in the North Peace Region. Bryce is dedicated to governing with integrity and with a focus on building a stronger future for the Credit Union, its members, and the surrounding community.

[Read Full Biography Here](#)

BOD Meetings	14	\$3,150
Committee Meetings	17	\$3,825
Conference/Education		\$875
Honorarium		\$3,000
Total Remuneration		\$10,850
Expenses		\$274
<b>Total</b>		<b>\$11,124</b>

## Tracy Wolsey, Director

### Committees:

Conduct Review/Nominating  
Audit

**Tenure:** 2 years

**Profile:** Tracey has worked with Suncor since 1998 and has been involved in a variety of oil and gas and wind power projects primarily in Alberta and British Columbia but also in Saskatchewan, the United States and Australia. She is currently the Director of Stakeholder and Aboriginal Relations for Suncor's oil sands operations.

[Read Full Biography Here](#)

BOD Meetings	12	\$2,700
Committee Meetings	14	\$3,150
Conference/Education		\$250
Honorarium		\$3,000
Total Remuneration		\$9,100
Expenses		\$1,844
<b>Total</b>		<b>\$10,944</b>



## Cory Smith, Director

### Committees:

Investment and Lending  
Conduct Review/Nominating

**Tenure:** 2 years

**Profile:** Cory is from Southern Alberta, and has a background in ranching. Like many others, he came to Fort St. John to “stay for 5 years”. 15 years later, Fort St. John is his home; where he and his wife are raising a family, and plan to retire. He feels that the Fort St. John community has given him so much, and he would like to pay it back.

[Read Full Biography Here](#)

BOD Meetings	10	\$2,250
Committee Meetings	12	\$2,700
Conference/Education		\$750
Honorarium		\$3,000
Total Remuneration		\$8,700
Expenses		\$1,761
<b>Total</b>		<b>\$10,461</b>

## Laurie Petrucci, Director

### Committees:

Conduct Review/Nominating

**Tenure:** 1 year

**Profile:** Laurie Petrucci and her husband moved to this region in 1996 to begin their teaching careers and start a family. Laurie holds a Bachelor of Science from the University of British Columbia (UBC), a teachers certificate from Simon Fraser University and a Masters in Educational Technology from UBC. Laurie has served on several volunteer boards in the community.

[Read Full Biography Here](#)

BOD Meetings	5	\$1,125
Committee Meetings	8	\$1,800
Conference		\$375
Honorarium		\$1,500
Total Remuneration		\$4,800
Expenses		\$749
<b>Total</b>		<b>\$5,549</b>

## Donna Stolk, Director

### Committees:

Governance

**Tenure:** 1 year

**Profile:** Donna Stolk has worked at Northern Health since 2012. Donna has a strong business background, from 1989 to 2010 she owned two Panago Pizza restaurants and two additional small independent businesses in Prince George, which gave her a deep understanding of the passion and commitment it takes to be an entrepreneur.

[Read Full Biography Here](#)

BOD Meetings	7	\$1,575
Committee Meetings	6	\$1,350
Honorarium		\$1,500
Total Remuneration		\$4,425
Expenses		\$0
<b>Total</b>		<b>\$4,425</b>

## Jessie Drew, Past Director

**Tenure:** No longer on the Board  
(effective December 2016)

BOD Meetings	3	\$675
Committee Meetings	5	\$1,125
Honorarium		\$750
Total Remuneration		\$2,550
Expenses		\$473
<b>Total</b>		<b>\$3,023</b>

## Leonard Hamilton, Past Director

**Tenure:** No longer on the Board  
(effective February 2017)

BOD Meetings	6	\$1,350
Committee Meetings	9	\$2,025
Conference		\$750
Honorarium		\$1,500
Total Remuneration		\$5,625
Expenses		\$1,380
<b>Total</b>		<b>\$7,005</b>

### Fort Nelson Service Centre

5420 – 50th Avenue North  
Fort Nelson, BC V0C 1R0  
Tel: 250.774.5215

### Hudson's Hope Service Centre

10050 Beattie Drive  
Hudson's Hope, BC V0C 1V0  
Tel: 250.783.5217

### Dawson Creek Service Centre

11040 – 8th Street  
Dawson Creek, BC V1G 4V7  
Tel: 877.787.0361

### Fort St. John Service Centre

10344 – 100th Street  
Fort St. John, BC V1J 3Z1  
Tel: 250.787.0361

### Taylor Service Centre

10007 – 100A St #2  
Taylor, BC V0C 2K0  
Tel: 250.789.9213

### North Peace Financial Planning Services Ltd.

10344 – 100th Street  
Fort St. John, BC V1J 3Z1  
Tel: 250.787.0365