

north peace
SAVINGS & CREDIT UNION



2017 - 2018

Annual Report



It's your life. Build it here.

2018 Annual Report

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Message from the Chief Executive Officer and the Board Chair



Mitchel Chilcott,
CEO, North Peace
Savings & Credit Union



Bruce Chisholm,
Chair,
Board of Directors

A sincere thank you to you our members for putting your trust in North Peace Savings and Credit Union to meet your financial needs. We exist for our members and we continue to strive towards building strong relationships and living our mission of *'helping our members succeed in life'*.

This past year we witnessed our communities and members undertake the first steps of recovery from the recent economic downturn. We are confident that our region will fully rebound resulting in a strong and prosperous future for our members, communities and our co-operative.

NPSCU continued to work through the consequences of previous rapid growth and some higher risk lending granted prior to the economic downturn. The challenges that our members faced during the downturn resulted in ongoing delinquencies, loan losses and overall operating loss for NPSCU in 2018.

Although a trying time, NPSCU has closely monitored and managed capital and liquidity and we are proud to continue to be a sound financial institution offering support and expert advice to meet member needs.

Members' direct investments into NPSCU in the form of equity shares are an integral component of our capital as a financial institution. Each year dividends are determined based on a number of factors including market conditions, capital strategies, and NPSCU financial performance. A 4% share dividend was paid on both Class A Membership Shares and Class B Investment Shares in 2018.

A renewed vision

Board and Management undertook a comprehensive strategic planning event this year. This involved a critical review, update and revitalization of long term plans to ensure we continue to remain relevant to our membership and communities. We have renewed our vision statement: *"To foster and support a financially thriving membership"*. Beyond ensuring that we have innovative products and services, this vision statement reinforces our commitment to building trusted engaging relationships with our members and our communities. Whether you are opening your child's first bank account, purchasing your first home, building your business, saving for retirement, or seeking advice for your business or personal banking needs, we are here for you.

Giving

In 2018, NPSCU gave over \$54,000 through sponsorships and donations to a variety of causes supporting arts, community, culture, education, health, seniors, sports, and youth. Since 2012, NPSCU has enriched our communities through corporate giving in excess of \$650,000. Volunteer organizations and not for profits are at the core of a thriving community. We acknowledge their remarkable efforts through our financial support.

This year, we are excited to be launching a new financial literacy initiative, Each One Teach One. Providing a financial literacy program empowers members of our communities with the knowledge to make thoughtful financial decisions while supporting two co-operative principles – education and concern for community.

Being relevant in our communities, supporting initiatives that are meaningful and reflect the needs and desires of members and staff is of top priority. We will be looking for more ways this year to motivate and empower staff and our community to make a difference.

Thank you

We were honoured to be named the "Best Financial Institution" for the 9th consecutive year in the 2018 People's Choice Awards, as voted on by residents living in Fort St John and surrounding area.

In closing, we assure members that we remain vigilant in our efforts to earn your continued confidence, trust, loyalty and patronage. To the Staff, Management and the Board of Directors thank you for your commitment during this past year.

About Us

North Peace Savings and 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 12,159 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, 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.





Mission

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

Vision

To foster and support a financially thriving membership.

Values

- Exceptional Service
- Flexible
- Innovative

Community Investment

Investing in the communities we serve

North Peace Savings and 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, South 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, South 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
- 

Governance Report & Executive Overview

North Peace Savings and Credit Union (NPSCU) is governed by a Board of Directors elected by the Credit Union's members. The Board of Directors are 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 interest 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 goals 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/Nominating Committee:

The Committee's primary role is to ensure that the Board of Directors provides for effective governance of the Credit Union which includes the establishment of policies, processes and procedures. The Committee also ensures that governance practices evolve with the needs of the Credit Union and the expectations of its stakeholders (members, employees, community). The Committee supervises the governance system of the Credit Union to ensure that duties by the governance body are being met and regulatory requirements are being fulfilled. 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 time-lines as well as overseeing the voting process to ensure a high level of integrity is maintained.

Audit Committee:

The 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 Committee:

The Conduct Review 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.

Investment & Loan Committee:

The purpose of the Investment and Loan Committee is to ensure that the Credit Union has written an 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 Management 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, 2018, the following structure was in place.

Chief Executive Officer: Mitchel Chilcott

Chief Information Officer: Dan Currie

Chief Financial and Risk Officer: Jannine Scheurmann

Chief People Officer: Lisa Stewart

Chief Credit Officer: Kevin Jolly

Risk Management

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 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 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 regularly evaluated to ensure it meets the challenges and requirements faced by NPSCU. The evaluation includes ensuring compliance with evolving regulatory standards and comparison to industry best practices.

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.

A strong risk culture is the cornerstone of an 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 Management and the Board of Directors.

Risk Appetite Statement

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

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

The Credit Union's risk management tools and activities, which are based on best practices, include:

- 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,
- 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 effectively utilized in relation to the returns earned on such capital.

Key Principles:

To ensure effective risk management, key principles are embraced through:

- Aligning the Strategic direction of the Credit Union through structured operating plans, budgets and related targets that are conservative and achievable. Risk tolerance levels are established and monitored on an ongoing basis for key targets.
- Ensuring that the Credit Union is appropriately rewarded for the risks that it takes in its operations;
- Designing and implementing effective policies, controls, reporting and auditing, to ensure that procedures are followed and help mitigate risks associated with Credit Union's activities, such as lending and investing,
- Limiting the risks associated with our lines of business, through market segmentation and geographic diversification; and,
- Empowering our employees, through training, education and decision-making protocols, to manage risk within their individual responsibilities.

Ownership

At minimum, annually, Management and the Board of Directors review the Risk Appetite Statement for appropriateness and alignment with the strategic direction of the Credit Union. In conjunction with this process, the Board also establishes Risk Tolerance levels to aid in monitoring risks.

Performance against operating plans, budgets and related targets, are reported to the Board, at minimum, on a quarterly basis. Monitoring against Risk Tolerance levels for key targets is also reported. The Board ensures that any action plans requiring further monitoring or that are needed to bring targets back within acceptable levels are carried out in an effective and timely manner.

Management Discussion and Analysis

2018 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 directly related to the prolonged regional downturn.

As such, the Total Assets of the Credit Union declined by 8.3% in 2018. The majority of the decline was due to the contraction of the loan portfolio by 10.0%, as repayment exceeded new borrowings in this time of uncertainty. As at September 30, 2018, the Credit Union's Total Assets were \$472 Million.

Membership in the Credit Union also declined over the year, falling by 4.5%, to end the year at 12,159 members. The reduction of 568 members was primarily driven by individuals and families moving away from Northeastern BC and the closing of dormant memberships. Dormant memberships are memberships that have been inactive for 12 months or more.

Member Loans

Loans and mortgages to members amounted to 78% of the Credit Union's Total Assets, of which 23% were business loans and mortgages.

Residential Mortgages accounted for 71% of NPSCU's lending, followed by Business Mortgages (19%) and Personal Lines of Credit (6%). Compared to 2017, every category of lending saw a decline in both dollar volume and count, as the economy struggled in the region.

In 2018, both Allowance for Loan Impairment increased while actual write-off of bad loans decreased over 2017 results. NPSCU allocated \$3.1 Million to the Allowance for Loan Impairment, as a reflection of general losses anticipated across the loan portfolio and anticipated losses related to specific loans. Write-offs for the year amounted to \$2.5 Million, of which \$1.7 Million was attributed to business loans and mortgages. As of September 30, 2018, the Credit Union identified all loans and mortgages which have a potential risk of impairment. This potential risk of impairment has been quantified and is reflected in the Allowance for Loan Impairment. It is expected that loan losses of future years will be significantly lower than 2018, as the economy recovers in the region.

Allowance for Loan Impairment (000's)	2018	2017
Balance, beginning of year	1,680	1,077
Provision for loan impairment	3,148	4,321
	4,828	5,398
Less: loans written off	(2,484)	(3,718)
Balance, end of year	2,344	1,680

Write-Offs (000's)	#	2018	#	2017
Personal	68	763	53	431
Business	6	1,721	16	3,287
Total	74	2,484	69	3,718

Member Deposits

Member deposits ended the year at \$400 Million, a decline of 7.9% over the prior year. The majority of Member deposits are held in Demand accounts (72%), followed by Term Deposits (20%). As the lending portfolio contracted over the course of 2018, the Credit Union strategically reduced the amount of deposits held, as holding excess deposits negatively impacts Financial Margin.

Members' Equity

Members' Equity consists of the value of shares held by Members plus Retained Earnings, the cumulative profit of the Credit Union since inception and Accumulated Other Comprehensive Loss, a cumulative loss related to derivative swap portfolio held for hedging purposes. Members' Equity declined by 9.2% in 2018, a reflection of the Total Comprehensive Loss incurred over the year, partially offset by an increase in Member Shares. A 4% dividend was paid to holders of all classes of Member Shares in 2018. The dividend was paid in shares and, therefore contributed to the overall increase in Member Shares.

The Financial Institutions Act of British Columbia (FIA) requires the Credit Union to maintain, at all times, a capital base, which is adequate in relation to the business carried on. The level of capital required is based on a prescribed percentage of the total value of risk-weighted assets of the Credit Union. The Credit Union's capital base primarily consists of Member Shares and Retained Earnings. Regulations prescribe a minimum capital ratio for a Credit Union's fiscal year. As at September 30, 2018, the Credit Union was in compliance with the FIA.

Operating Income

The Consolidated Operating Loss, before Members' Distribution and Income Tax, for the year ending September 30, 2018 was a loss of \$2.1 Million. As the economy of Northeastern BC struggled, Member Loan delinquencies and ultimate write offs continued to be at elevated levels throughout 2018. The focus for the Credit Union in 2018 was on minimizing loan losses through enhanced credit monitoring and on cost containment of Operating Expenses. As the regional economy recovers, the Credit Union anticipates a return to profitability in fiscal 2019 and subsequent years.

Financial Margin

Financial Margin is the difference between the interest earned on the Credit Union's Member Loans, Investments and Derivatives and the interest paid on its Member Deposits and Borrowings. In 2018, Financial Margin, before the Provision for Loan Impairment, was \$11.7 Million, 3.9% more than the \$11.2 Million earned in 2017. Higher lending related interest rates and lagging increases to market driven deposits rates largely offset the impact of the decline in the volume of loans over the period.

Other Income

Other Income includes net loans fees, net deposit service charges, commission income, foreign exchange income and other miscellaneous income. Overall, Other Income declined \$603,000 from the prior year, to a total of \$2.7 Million. Reduced fee income from lending activity accounted for a large portion of the decline, along with modest reductions in foreign exchange and commission income.

Operating Expenses

Operating Expenses include costs associated with staffing, occupancy and administration. For the year ending September 30, 2018, Operating Expenses amounted to \$13.3 Million, a decrease of \$2.4 Million or 15.2% from 2017 results. Given the losses experienced by the Credit Union in 2017 and recognizing that the regional economy was unlikely to fully recover in 2018, the strategy of the Credit Union was to focus on minimizing loan losses through enhanced credit monitoring controls and cost containment of Operating Expenses.

Extraordinary Items

In 2018, the Credit Union incurred a non-repetitive expense related to the final write-off of \$596,000 in deferred costs associated with the design of a potential new branch and head office. These design costs were written off after Management determined that NPSCU would not be proceeding with the construction in the near future.

The Consolidated Operating Loss of \$2.1 Million, before Members' Distribution and Income Tax, for the year ending September 30, 2018 resulted in a tax recovery for the Credit Union. The tax recovery amounted to \$693,000 in Deferred Income Tax.

Other Comprehensive Income

Financial Instruments classified as "Available-for-Sale" have income or loss related to changes in their valuation classified as Other Comprehensive Income or Loss. As the Fair Market Value of an instrument can fluctuate on a daily basis, the change in its value is isolated within Other Comprehensive Income or Loss, so that the Statement of Income or Loss excludes this volatility.

NPSCU has a derivative swap portfolio of interest rate swaps, which are classified as "Available-for-Sale" assets, which hedge its variable rate lending portfolio against a decline in market interest rates. These swaps qualify for hedge accounting treatment under International Accounting Standards (IAS) and as such, changes in their valuation are recorded in Other Comprehensive Income or Loss. In 2018, with several Bank of Canada driven increases in market interest rates, the valuation of NPSCU's derivative swap portfolio fluctuated to result in a loss of \$1.3 Million. The derivative swap portfolio had a negative valuation of \$3.1 Million as of September 30, 2018.

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 earned on variable rate loans and mortgages held by NPSCU. In 2018, this settlement produced \$142,000 (2017: \$789,000) in income.

The derivative 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 of North Peace Savings and Credit Union and its subsidiary, which comprise the summarized consolidated statement of financial position as at September 30, 2018, and the summarized consolidated statements of comprehensive loss 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, 2018. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated December 20, 2018.

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 and its subsidiary for the year ended September 30, 2018 are a fair summary of those consolidated financial statements.

Abbotsford, BC
December 20, 2018

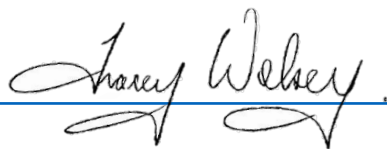
MNP LLP

Chartered Professional Accountants

North Peace Savings and Credit Union
Summarized Consolidated Statement of Financial Position
As at September 30, 2018

	2018 (000s)	2017 (000s)
Assets		
Cash and cash equivalents	42,901	15,405
Investments	44,209	72,194
Member loans receivable	369,722	410,664
Income taxes recoverable	-	1,033
Other assets	3,472	3,593
Premises and equipment	9,468	10,349
Intangible assets	831	883
Deferred tax	1,423	730
	472,026	514,851
Liabilities		
Member deposits	400,440	434,986
Borrowings	46,027	51,349
Accounts payable and accrued liabilities	4,520	5,541
Member shares	869	766
	451,856	492,642
Members' equity		
Member shares	7,824	6,894
Retained earnings	15,457	17,136
Accumulated other comprehensive loss	(3,111)	(1,821)
	20,170	22,209
	472,026	514,851

Approved on behalf of the Board of Directors

North Peace Savings and Credit Union
Summarized Consolidated Statement of Comprehensive Loss
and Changes in Members' Equity
For the year ended September 30, 2018

	2018 (000s)	2017 (000s)
Interest income		
Member loans	15,154	16,132
Investments	1,054	1,024
	16,208	17,156
Interest expense		
Member deposits	3,578	4,989
Borrowings	977	956
	4,555	5,945
Financial margin before provision for loan impairment	11,653	11,211
Provision for loan impairment	3,148	4,321
Financial margin	8,505	6,890
Other income	2,734	3,337
Financial margin and other income	11,239	10,227
Operating expenses		
Wages and benefits	6,477	7,220
Administrative expenses	4,739	6,568
Occupancy	2,081	1,896
	13,297	15,684
Loss from operations before members' distribution and income tax recovery	(2,058)	(5,457)
Members' distribution	(314)	(277)
Loss before income tax recovery	(2,372)	(5,734)
Income tax recovery		
Current	-	(949)
Deferred	(693)	(517)
	(693)	(1,466)
Net loss	(1,679)	(4,268)
Other comprehensive loss, net of tax	(1,290)	(2,746)
Comprehensive loss	(2,969)	(7,014)
Members' equity, beginning of year	22,209	28,384
Net loss	(1,679)	(4,268)
Net change in member shares	930	839
Other comprehensive loss for the year	(1,290)	(2,746)
Members' equity, end of year	20,170	22,209

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

Key policies and practices for CEO compensation.

For the fiscal year ending September 30, 2018, the CEO received the following compensation.

Base Salary – \$247,711.00

Bonus paid for FY17-18 – \$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 FY17-18, 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 2017-2018, the CEO accrued \$24,771 and the amount accrued as at September 30, 2018 is \$99,084. 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. Additional bonus payments may be available to executives from time to time based on achievement of financial and risk, members and employee measures as established in the balanced scorecard.

For FY17-18, executive 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 FY17-18 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

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.

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 Governance/Nominating 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 Governance/Nominating 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, 2018. The table also outlines any other designated meetings and events deemed eligible for payments.

Directors' remuneration for the 2017-2018 fiscal year were calculated as follows:

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

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 scheduled for 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. The following tables summarize the board members, their tenure, roles on the board and total remuneration for the 2017-2018 fiscal year.

To read the full biography of each Director, click [here](#)

Bruce Chisholm,

Board Chair

Committees:

Audit
Governance/Nominating

Tenure: 12 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.

BOD Meetings	11	\$2,475
Committee Meetings	21	\$4,725
Honorarium		\$3,000
Honorarium – BOD Chair		\$1,350
Conference/Education		\$3,500
Total Remuneration		\$15,050
Expenses		\$6,830
Total		\$21,880

Bob Trobak, Director

Committees:

Audit
Governance/Nominating

Tenure: 10 years

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.

BOD Meetings	11	\$2,475
Committee Meetings	19	\$4,275
Honorarium		\$3,000
Conference/Education		\$750
Total Remuneration		\$10,500
Expenses		\$0
Total		\$10,500

Carrie Bennett, Director

Committees:

Conduct Review
Investment and Lending

Tenure: 18 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.

BOD Meetings	13	\$2,925
Committee Meetings	16	\$3,600
Conference/Education		\$1,500
Honorarium		\$3,000
Total Remuneration		\$11,025
Expenses		\$540
Total		\$11,565

Allan Loberg, Director

Committees:

Governance/Nominating
Investment and Lending

Tenure: 14 years

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, as well as an oilfield Consultant throughout Western Canada. Allan has achieved the Credit Union Director Accreditation through Dalhousie University.

BOD Meetings	10	\$2,250
Committee Meetings	26	\$5,850
Conference/Education		\$4,250
Honorarium + Chair Honorarium		\$4,350
Total Remuneration		\$16,700
Expenses		\$6,504
Total		\$23,204

Russ Beerling,

Director

Committees:

Governance/Nominating

Tenure: 1 year

Profile: As a community focused entrepreneur Russ has touched many areas and businesses in our community. He spent over a decade with Moose FM, creating and designing the radio station and eventually became the Owner/Operator.

BOD Meetings	5	\$1,125
Committee Meetings	6	\$1,425
Conference/Education		\$500
Honorarium		\$750
Total Remuneration		\$3,800
Expenses		\$555
Total		\$4,355

Tracey Wolsey,

Director

Committees:

Investment and Lending
Audit

Tenure: 3 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.

BOD Meetings	11	\$2,475
Committee Meetings	14	\$3,150
Conference/Education		\$750
Honorarium		\$3,000
Total Remuneration		\$9,375
Expenses		\$769
Total		\$10,144

Donna Stolk, Director

Committees:

Audit
Governance/Nominating

Tenure: 2 years

Profile: Donna has a strong business background, from 1989 to 2010 she owned two Panago Pizza restaurants in Prince George, which gave her a deep understanding of the passion and commitment it takes to be an entrepreneur.

BOD Meetings	12	\$2,700
Committee Meetings	12	\$2,700
Conference/Education		\$1,125
Honorarium		\$3,000
Total Remuneration		\$9,525
Expenses		\$240
Total		\$9,765

Laurie Petrucci,

Director

Committees:

Investment and Lending
Conduct Review

Tenure: 2 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.

BOD Meetings	11	\$2,475
Committee Meetings	10	\$2,250
Conference		\$750
Honorarium		\$3,000
Total Remuneration		\$8,475
Expenses		\$0
Total		\$8,475

David Scott-Moncrieff,

Director

Committees:

Investment and Lending
Conduct Review

Profile: David has lived and worked in Fort St John since 1999 with his wife and three children. His work in both the Automotive and Oil & Gas industries gives him a grounded understanding of the economic drivers in this community.

Tenure: 1 year

BOD Meetings	8	\$1,800
Committee Meetings	8	\$1,875
Honorarium		\$750
Conference		\$500
Total Remuneration		\$4,925
Expenses		\$555
Total		\$5,480

Bryce Kelly, Past Director

Tenure: No longer on the Board (effective February 2018)

BOD Meetings	7	\$1,575
Committee Meetings	16	\$2,025
Honorarium		\$1,500
Conference		\$250
Total Remuneration		\$5,350
Expenses		\$332
Total		\$5,682

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

North Peace Financial Planning Services Ltd.

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

Fort St. John Service Centre

10344 – 100th Street
Fort St. John, BC V1J 3Z1
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Dawson Creek Service Centre

11040 8th Street
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