



Diamond North

CREDIT UNION

2017 Annual Report

Real People, Practical Banking & Investment Advice

Vision

Your partner of choice in building financial success
for you and your community.

Mission

Our members are our owners.

Diamond North Credit Union provides value to our owners
through the relationships we build and our shared commitment
to the co-operative principles. Our success allows us
to invest in our owners and communities.



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Diamond North
CREDIT UNION

Serving You Since

1939 - Arctic (PA) 1941 - Arborfield 1942 - Zenon Park 1943 - Choceland
1945 - White Fox 1950 - Albertville & Nipawin 1954 - Carrot River

Welcome Message

From President Maurice Lalonde and CEO John Shenher



Maurice Lalonde, President
and John Shenher, CEO

The year of 2017 was Diamond North Credit Union's 12th year of operation and another positive, strong year.

We continue to be an organization that is focused on people. This includes our member/owners, the communities we serve, and, internally, our employee group. We continue to develop our relationships with our members and communities to provide the best possible service, service that exceeds what any other financial institution is offering in the marketplace. Our business is all about relationships and providing members with sound financial advice. We no longer simply help members with transactional requests; we look to help members succeed financially. As a co-operative, our success is tied to the success of our

member/owners and our credit union wants to deliver on our service promises to have lifetime members. We are continually investing in both employee training and technology in order to have the tools in place to achieve the high level of service we desire for serving members and communities.

Financially, the year of 2017 was another solid year for our credit union as outlined in the Summarized Financial Statements included in this report. Our assets grew 3.00% in 2017 which is an acceptable result given the state of the economy in Saskatchewan. Our assets ended the year at just over \$447M. Our Wealth Management book of business, (which is not included in our on-book assets) also grew 6.14% ending the year at \$101M. Together, our assets under administration grew approximately \$20M in 2017 totaling \$548M at the end of the year. Our net income, after corporate taxes of \$496K and patronage refunds of \$365K was a solid \$2.6M. We are also proud to have contributed \$118,433 in financial support to communities we serve as well as contributing 4,285 hours of staff volunteer time. This is the highest amount of volunteer time that our staff has contributed in one year and we are very proud of their contributions to the success of the community. They have really stepped up and it has been noticed by everyone both inside and outside the credit union. We are also pleased to report that 2017 was another year in which we have approved a patronage payment to our members.

Welcome Message continued

We acknowledge and give a very sincere thank you to our staff, management, and directors for their contributions to make another successful year possible. We also thank our members for their continued support of our credit union. Without our member/owners and communities, our credit union would not exist.

Moving forward in 2018, we can expect to see more challenges and changes. Two of the more significant events would be the potential of having Debden Credit Union Limited, with their branches in Debden and Big River, merge with our credit union and the retirement of our CEO, John Shenher, at the end of June, 2018. While these will be challenges, we do feel that we have anticipated the impacts of these changes and we are well prepared to manage the credit union through these significant events. Our future continues to be very bright and we anticipate that we will continue to prosper.

The board of directors would like to thank John Shenher for his dedication and leadership and to congratulate him on 35 years of service to the credit union system.

Respectfully submitted,



Maurice Lalonde, President



John Shenher, CEO



Credit Union Market Code

Diamond North Credit Union voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets forth the guidelines for the following areas:

Fair Sales– Diamond North Credit Union’s actions and decisions regarding member advice, information and recommendations are objective and reflective of the financial needs and the roles and responsibilities of the members and the credit union. Diamond North Credit Union is committed to providing relevant and meaningful information about products and services to enable members to make informed decisions.

Transparency and Disclosure- Diamond North Credit Union is open and honest in its dealings with existing and potential members. Providing general information about the rights and obligations that arise out of a relationship a member has, relative to the financial services Diamond North Credit Union provides.

Professional Standards for Employees- Diamond North Credit Union is committed to employee development, education, professional designations and/or accreditation standards where appropriate. Business is conducted in a manner that maintains a strong reputation by exercising reasonable, prudent, and professional judgment in the provision of products and services.

Privacy- Diamond North Credit Union protects the interests of members by ensuring all member/client information is kept confidential and used only for the purpose for which it was gathered.

Complaint Handling- Diamond North Credit Union has an established internal complaint handling process that provides timely and responsive service to member’s complaints. The information on complaint handling is available at www.diamondnorthcu.com.

Low Fee Accounts- Diamond North Credit Union offers a basic banking account that will accommodate all persons. A low fee account is an option for individuals who conduct limited monthly transactions.

Cooperative Values

As a true co-operative financial institution, Diamond North Credit Union is guided by the seven internationally recognized principles of co-operation:

Voluntary and Open Membership- Co-operatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control- Co-operatives are democratic organizations controlled by their members, those who buy the goods or use the services of the co-operative, who actively participate in setting policies and making decisions.

Members' Economic Participation- Members contribute equally to, and democratically control, the capital of the co-operative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

Autonomy and Independence- Co-operatives are autonomous, self-help organizations controlled by their members. If the co-operative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative’s autonomy.

Education, Training and Information- Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

Co-operation Among Co-operatives- Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for Community- While focusing on member needs, co-operatives work for the sustainable development of communities through policies and programs accepted by the members.

Saskatchewan Credit Union Director Recognition Program

2018 Recipient, Marcel Brassard

The Saskatchewan Credit Union Director Recognition Program recognizes elected officials who have demonstrated a significant contribution to the Saskatchewan credit union system. Annually, each Saskatchewan credit union may induct one board member, past or present, to the Saskatchewan Credit Union Director Order of Merit Awards.

Award principles include:

- Record of exemplary service to a Saskatchewan credit union
- Demonstrated leadership and an understanding of and commitment to co-operative principles
- Illustrates a positive public profile that reflects favorably on the credit union and the local community

Diamond North Credit Union would like to recognize the hard work and dedication of Marcel Brassard to the credit union and his community.



Marcel Brassard is a great believer in Credit Unions. He is a long time member and served on the board of directors for La Caisse Populaire D' Albertville for 20 years in between the years of 1971 – 1999. Marcel had a break in service during this time as the bylaws specified that you could only be a board member for a stated number of years before having to step down to re-run for a seat on the board. Marcel held the position of President for 9 years. During his tenure Marcel held positions on the Credit and Supervisory Committees of the board. Marcel encouraged his fellow directors to take turns serving on the different committees to assist them in fully understanding the operations of the credit union. Marcel was a very dedicated director who maintained 100% of meeting attendance. From a quick meeting after church on Sundays to more lengthy evening meetings you could always find Marcel at the board table.

Marcel worked as a Machine Tender for Weyerhaeuser and in 2005 retired after 36 years of employment. During that time Marcel farmed and continues to do so and doesn't see himself retiring from farming anytime soon.

Marcel was a great believer in community as he served on several boards, the Begin Grazing Pasture, Albertville Rural Telephone for 16 years and the Albertville Co-op for 30 years.

Marcel and his wife Simone are very proud of their five children and nine beautiful grandchildren with whom they enjoy spending time.

Diamond North Credit Union is pleased to induct Mr. Marcel Brassard to the Saskatchewan Credit Union Director Recognition Program and to present him with the Order of Merit.

Past Order of Merit Recipients

2017	Gordon Wilmot	White Fox
2016	Andre Laforge	Carrot River
2015	Bill Weighill	Carrot River
2014	Carman Dodge	Prince Albert
2013	Bruce Smith	Arborfield
2012	Adlard Blair	Choiceland
2011	Richard Daoust	Zenon Park
2010	Robert Samson	Albertville
2009	Dorothy Morrow	Nipawin
2008	Osborne Craig	Carrot River
2007	Mike Nycholat	White Fox

Corporate Structure and Governance

Board of Directors

Anchored in the co-operative principle of democratic control, Diamond North Credit Union is governed by a member-elected Board of Directors. The board is accountable for leading and nurturing the long term strategic direction of the credit union while creating and maintaining value for its members, and the communities in which it does business.

The board respects the role that outside agencies play in ensuring fair practices, consumer protection and a level playing field with competitors. The credit union is committed to following the regulations and guidelines set for it by the Government of Saskatchewan, Credit Union Deposit Guarantee Corporation and in the *Credit Union Act 1998*, *The Standards of Sound Business Practice*, and its own bylaws and policies.

In 2013 the credit union adopted The Policy Governance model which focuses on the functions rather than the structure of governance. Carefully established written board policy sets the strategic direction for the credit union and provides both the board and management with clear boundaries around who is accountable for specific outcomes and the means for seeing those outcomes achieved.

BOARD OF DIRECTORS as of March 31, 2018					
Name	Occupation	Years of Service	District	Term Expiry	Meeting Attendance *
Head, Marcel	Carpenter	1	At Large	2018	100%
Hind-Hluchaniuk, Heather	CAO Town Administrator	3	Nipawin	2018	93%
Kirk, Roger	Farmer	23	Nipawin	2019	81%
Lalonde, Maurice <i>President</i>	Businessman	20	Zenon Park	2019	95%
Nickel, Kent	Businessman	1	At Large	2020	100%
Pagan, Greg	Bison Rancher	8	Choiceland	2018	100%
Serack, Leslee	Retired Finance Director	4	At Large	2020	100%
Thompson, John	Retired Forester	20	Arctic (Prince Albert)	2019	100%
Trew, Brandie	Teacher	.50	At Large	2018	100%

* Although meeting attendance is tracked for the electoral year (April – March); it is only reported up to the time of printing (to February 26, 2018). Only those meetings scheduled for a director's attendance are included when calculating attendance.

Board Composition

Directors, whom are elected, serve 3 year terms that expire on a rotational basis. With the change to our Bylaws in November, 2016 a director can sit on the board for a maximum of 12 years. An election was held in 2017 and we did see a change in our board compliment as we bid farewell to Rick Lindsay and Darryl Sande who chose to step down from the board. In July 2017 Shawna Kozun resigned from the board. At that time the board contacted Brandie Trew, as she was the runner up in the 2017 election, to determine if she would like to join the board. Brandie accepted and the board appointed her to fill the director vacancy until the Annual Meeting in April, 2018. In accordance with our Bylaws as current directors terms expire these positions will now become “at large” positions thereby removing the past community representation.



(L - R): Brandie Trew, Heather Hind-Hluchaniuk, Roger Kirk, Greg Pagan, Maurice Lalonde, John Thompson, Kent Nickel, Leslee Serack, Marcel Head

Mandate and Responsibilities

The Board of Directors governs on behalf of the members. With an emphasis on outward vision, diversity in viewpoints, strategic leadership and a clear distinction of roles between the Board and the CEO, the board translates its members' wishes into credit union performance. The board maintains policies that are responsive to the needs of its members and designed to maximize the potential for the long term viability of the organization as a whole.

Director Training

Diamond North Credit Union is committed to the on-going professional development of its directors and has established policies that provide the financial resources to do so. Policy requires that new directors complete the first of three levels of training available through the national Credit Union Director Achievement program (CUDA) in their first year.

Kent Nickel has completed the CUDA Level A training requirement. Maurice Lalonde and John Thompson attended the Canadian Conference for Credit Union Leaders in May. Heather Hind-Hluchaniuk attended CUDA training in November. As well, the board arranged an in-house CUDA training session which was held at Nipawin in November which was attended by all nine directors.

Directors also attended seminars and system meetings as necessary throughout the year. Attendance and training is tracked on a yearly basis.

Corporate Structure and Governance, continued

Board of Directors, continued

Director Committees

The Board of Directors believes that a fundamental principle of sound governance is ensuring that members of the board have equal access to all information, discussion and options requiring board approval and therefore takes a minimalistic approach to the use of committees to preserve the wholeness of the board's job. However, to ensure compliance with governing legislation, the following board committees have been appointed:

Audit Committee: The purpose of the Audit committee is to ensure an independent review of the credit union's operations on areas deemed necessary to maintain the integrity of financial data, adequacy of internal controls, and adherence to requirements of The Credit Union Act, 1998, The Credit Union Regulations, 1999, and the Standards of Sound Business Practices. All directors serve on the committee which meets during regular board meetings.

Conduct Review Committee: The Conduct Review Committee ensures that Diamond North Credit Union acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. All directors serve on the Conduct Review Committee which meets during regular board meetings.

Elections Committee: The Elections Committee oversees the nomination and election processes for the election of Credit Union directors. The committee is comprised of each member of the board not seeking re-election in the next board election cycle. The minutes of its meetings are submitted to the board and it reports to the Board during regular board meetings.

CEO Succession Committee: The CEO Succession Committee oversees the recruitment and hiring process of the CEO position for the credit union. The committee was formed in 2017 and will be active until the CEO position has been filled and will conclude once the CEO position has been filled in 2018. The committee keeps minutes and reports in-camera to the board of directors.

Note: Other oversight committees include: Asset/Liability, Risk Management, and Credit Management. These committees are facilitated by management and report to the Board as required.

Diamond North Credit Union directors receive remuneration for items related to Diamond North Credit Union business or training. Allowable reimbursable expenses are for meetings, travel, meals, accommodations, mileage, and training. In addition, Diamond North Credit Union pays insurance premiums on behalf of the directors.

In 2017 the budgeted remuneration amount was \$61,000, actual paid was \$60,351. Directors were reimbursed an additional \$16,439 for out of pocket expenses. Insurance premiums that were paid on behalf of the directors totaled \$7,260.

Evaluation

The purpose of board self-evaluation is to compare what the board does and produces with what it said it would do and produce. With this in mind, the board reviews its policies that address board behavior and performance at least annually to ensure they accurately reflect expectations. Compliance with these policies is assessed regularly throughout the year.

Executive Management

The Diamond North Credit Union Executive Management team is responsible to oversee the operations of the credit union within the context and strategies outlined by the board. The Executive Management team is comprised of four members:

Chief Executive Officer (CEO), John Shenher

CEO responsibilities include developing and implementing high level strategies, making major corporate decisions and managing the overall operations and resources of the credit union. John is the communication link between Diamond North Credit Union's Board of Directors and the operations of the credit union. John has worked in the credit union system for 35 years; 25 of those years in the CEO/General Manager role, providing a wealth of knowledge and experience to our organization. John has been the CEO of Diamond North Credit Union since inception in 2006; he has also served as a director and president on many credit union system and community boards over the years. In 2017, John was a director on the Credit Union Electronic Account Management Services Association Board (CEAMS) and was a director and President of the Nipawin Regional Health Foundation Inc. John has given notice that he will be retiring at the end of June, 2018.



L: Jason Panchyshyn, Kevin Isaacson
R: Brenda Lehmann, John Shenher

Vice President of Corporate Services, Brenda Lehmann

Brenda, as the VP of Corporate Services is responsible for leading the business areas that support the retail function of the credit union. As a member of the executive management team, Brenda works with the rest of the leadership team to deliver on Diamond North Credit Union's mission & vision. Primary areas of responsibility include Compliance, Human Resources, Marketing and Technology. Brenda holds a Business Administration Certificate from the University of Saskatchewan, Certification in Credit Union Management Studies and a Professional Leadership Certification from the University of Regina. Brenda has 34 years of experience in the cooperative system, the past 28 years holding positions within credit unions.

Vice President of Finance, Kevin Isaacson

As VP of Finance, Kevin is responsible to oversee and direct the corporate accounting function and financial and statistical reporting of the credit union. Kevin also leads the Asset and Liability Committee which monitors the cash, investments, loans and member deposits to ensure that there is a balance between growth and profitability that meets the risk appetite of the credit union and provides long-term viability. Kevin has held many positions in his 23 years of credit union experience. The last 15 years has been with Diamond North Credit Union as a member of the Branch Management and Operational Management teams.

Vice President of Retail Services, Jason Panchyshyn

As VP of Retail Services for Diamond North Credit Union, Jason is responsible for the retail branches and the Credential Financial Strategies office; he ensures back office and administrative departments function fluidly and leads the Credit Management Committee. He works closely with the branch managers and supervisors in the areas of deposits, lending, and wealth management to generate the business results required to support our long-term strategic plan. Jason holds a Bachelor of Commerce degree from the University of Saskatchewan, is a Fellow of the Credit Union Institute of Canada and is currently pursuing his Certified Chief Executive designation with CUES. Jason has worked in the financial industry for 23 years. Prior to joining Diamond North Credit Union, in 2006, he worked in the public accounting field.

Our Company

Diamond North Credit Union

Diamond North Credit Union has physical branch locations in eight communities across northeast Saskatchewan. Three of the branches, Prince Albert (Arctic), Nipawin and Carrot River provide scheduled lending and wealth services to the branches of Albertville, Arborfield, Choceland, White Fox and Zenon Park. Diamond North Credit Union provides employment to 90 employees across the region. A variety of different positions are required ranging from front line transactional, wealth, lending, agriculture and small business specialists to administration and management jobs. Diamond North Credit Union continues to invest in our employees through on the job and specialized training as well as the development of our new vision and mission for 2017.



Nipawin Building Grand Re-Opening

This beautiful multi-million dollar project encompassing a total renovation of our Nipawin branch building began in February 2016. This building is home to our retail branch, executive offices, Credential Financial Strategies (CFS) Centre and several administration departments. A national contractor, NewGround, who specializes in the design and construction of credit union branches was hired to complete the renovation. Member needs continue to evolve to more specialty and financial advice and away from transactional. This newly renovated facility is designed with more offices and privacy to accommodate members for today and well into the future.

The Grand Re-opening consisted of a hosted wine/cheese evening for our Business members on Wednesday, October 18, 2017 and a Grand Re-Opening ceremony for the general public on Thursday, October 19, 2017 which was held in conjunction with Credit Union Day. The ceremony included speeches from dignitaries, ribbon cutting and tours of the building provided by staff. A draw for a pair of diamond watches was made and the winners were Ken Skibinsky and Irma Isaacson, both of Nipawin.

We would like to thank our members and staff for the patience they have demonstrated as we worked through the various stages of this renovation project.



Choice Service is a journey to provide our members and fellow employees our very best at every interaction - to go beyond the transaction at hand and provide valuable advice that enhances your service experience and ensures you reach your financial goals.



Choice Service is about being **authentic and reliable**.
It shows our members that **we care** for them and **it builds trust**.
It's meeting people face to face, **putting ourselves in their shoes**
and **seeing the world through their eyes**. Choice Service is an experience,
it gets people talking about our **personalized service**;
it means **empowering our members** with options and knowledge. It gets members **excited!**
Choice Service **elevates our organization** above the competition and pushes us to **continue learning**
and to **keep getting better**. It shows diversity.
This is our service promise.



In 2017, we implemented digital marketing in the branches of Nipawin, Carrot River and Prince Albert (Arctic). This initiative improves the efficiency of the marketing department by allowing current promotions and product and service information to be uploaded simultaneously from a central location. It also improves the in-branch member experience by providing a consistent visual between members that visit our branches to those that choose to utilize our services on www.diamondnorthcu.com.

We are currently utilizing 5 social media platforms. The objective of our social media platforms is to (1) increase awareness of our organization; (2) enhance our member service experience by providing responsiveness and attention to areas of concern or member issues; and (3) develop a communication channel for two way conversation with existing and prospective members.



We continue to provide our members with access to their banking information through our Android™ and Apple apps. These apps allow members to access banking anytime, anywhere. At the end of 2017, we introduced Touch ID for Apple products. This allows members to log into their MemberDirect Online banking through a fingerprint.



Corporate Social Responsibility

Corporate Social Responsibility is belief in a company's accountability to community; the belief that a company should take into account the social, ethical, and environmental effects of its activities on its staff and the community around it.

Diamond North Credit Union believes that supporting communities and demonstrating social and economic leadership are not optional – they're fundamental to who we are, what we do, and how we serve our members. We demonstrated this in 2017 through donations to our communities and many hours of volunteerism.

In 2017, Diamond North Credit Union donated \$118,433 to various organizations, charities, non-profit clubs, parks and projects. That's 3.00% of 2016's pre-tax profit. These funds supported a variety of endeavors for a range of people. From young children, for example through Carrot River and Churchill's Invitational Figure Skating Competition, to seniors, through the Pioneer House Gazebo, and everyone in between. Our community investment initiatives strengthened and added to our communities. Funds supported cultural and recreational projects, clubs and organizations, community events, parks and much more.

Our 90 employees donated over 4,285 hours of their time to various volunteer activities and organizations in 2017. Without the willingness of our employees and the strength of our membership, we would not be able to give back as we have.

As well as donations to various events and organizations, Diamond North Credit Union awarded \$6,000 in scholarships to students in our communities. Our 2017 scholarship recipients were: Kaden Nilson (Choiceland), Matthew Guitard (Meath Park), Celeste Fortier (Arborfield), Brianna Grassick (Carlton Comprehensive High School, Prince Albert), Cody Wilson (Carrot River), Marco Pelchat (Zenon Park), Danielle Boulet (Nipawin), Jazzlin Walker (Nipawin), Karly Kreutzwieser (Nipawin), April Rowlett (Nipawin), and Erika Skarpinsky (Member Scholarship, Nipawin).



Carrot River BDM Ryan Nowosad presents a donation of \$5,000 to Miranda Blaber Carrot River Recreational Director for the Carrot River "Heat the Rink" initiative.

Through donations of funding for various projects, time for volunteer activities and student scholarships, Diamond North Credit Union returns the support our members have shown us back to the communities which we live and operate in. We are proud of our communities and by actively participating in community betterment activities, we are creating something much bigger than ourselves.

Staff donated **4,285 hours of their own time** to various community events, projects and committees in 2017. **That's an average of 48 hours per person or 11 hours every day in 2017!**



Nipawin staff volunteering for the 49th Annual Santa Claus Day in December at the Nipawin Branch.



Quenton Martens, BDM of Nipawin & CEO John Shenher, accept an award for a donation towards the new score clock in the Nipawin Arena.



Branch Supervisors , Darci Wlaz of Carrot River and Mary Carpenter of Zenon Park present a cheque to the Tri-Unity Challenge for \$1,000.



Branch Supervisors from Carrot River, Zenon Park and Arborfield along side Jason Panchyshyn, VP of Retail Services show their support at the Zenon Park Sports Gala.



Management showcasing their sexy legs during the Walk A Mile in her Shoes event to raise awareness to end violence against women .



Our White Fox Branch showing their team spirit and enjoying a meal in the field during harvest with the Kreutzwieser family for 2017's Tailgate Parties.



Albertville staff join Leo and Louise Gignac of Gignac Farms Ltd. for a meal in the field, part of the DNCU tailgate parties.



Tyler Venne, BDM of Arctic shows us how to cook up some spudnuts at the Prince Albert Exhibition to help raise money for Big Brothers Big Sisters of Prince Albert and District.



Brandy Burka, Branch Supervisor of Choiceland is presenting Kaylee Pistun a cheque for \$5,000 for winning the CUETS \$5 Grand in Your Hand Contest!

Management Discussion and Analysis

Introduction

Presented herein is the discussion and analysis of the operational and financial position of Diamond North Credit Union as at December 31, 2017, represented in Canadian dollars and prepared in accordance with International Financial Reporting Standards (IFRS). The commentary is tied to, and should be viewed in combination with, the Diamond North Credit Union Consolidated Financial Statements and their accompanying notes. This report will also make note of key areas and items pertaining to Diamond North Credit Union business. Management's Discussion and Analysis is presented to enable readers to make assessments regarding material changes in the financial condition and operating results of Diamond North Credit Union, and with consideration of current and future risks.

Operational Overview

Diamond North Credit Union is an independent regional credit union owned by our members. Under the current credit union legislation, Diamond North Credit Union is able to provide financial services to members (10,168) and non-members 3,682.

Diamond North Credit Union is located in, and provides in-branch financial services (deposit, lending, and wealth services) at eight locations across northeast Saskatchewan. The branches serve the communities of Albertville, Arborfield, Carrot River, Choiceland, Nipawin, Prince Albert, White Fox, and Zenon Park.

With the exception of Prince Albert, Diamond North Credit Union serves a district that is mainly rural, however quite diverse. The agriculture sector is comprised of grain and oilseed producers along with honey, beef, exotic livestock and forage producers. Commercial enterprises range from Mom and Pop store fronts to large manufacturing and processing operations in the agriculture, lumber and natural resources industries. Health care and education round out the other employers and industries in the area creating a diversified membership for the Credit Union allowing its risk exposure to be spread over many market segments.

In 2017, Diamond North Credit Union experienced another successful year attaining \$2.62M in after tax and allocation profitability (2016=\$2.55M, 2015=\$2.54M). Deposit and loan growth were less than budgeted for in 2017, but by maintaining interest margins and controlling expenses we were able to achieve Profitability before Taxes and Allocations of 0.78% (2016 = 0.78%).

Strategy

2017 saw a new strategic plan completed by the board and management. The process included identifying possible scenarios that the credit union could experience over the next 3 - 5 years and the Key Success Factors that the credit union would have to achieve to be successful. In addition to Key Success Factors, the plan identified three Core Competencies that set Diamond North Credit Union apart from the competition and provide value to its member/owners.

Core Competencies

- We Are All Leaders
- Environment of Innovation
- Co-operative Principles

Key Success Factors

- Branch Network
- Member / Owner Relationships

Key Performance Drivers

In order to evaluate the performance of an organization, consideration must be given to, the regulatory nature of the business, the economic environment that it resides in, future objectives of the organization, as well as current organizational position. With these in mind, targets are set to meet the organization's short and long term objectives for financial, regulatory, and cultural health.

The corporate targets are reviewed yearly and are set with a mind to what the key focus the organization should have in the coming year. The targets are evaluated regularly to ensure that the required goals are being met and that the organization is performing as desired. The methodology that Diamond North Credit Union employs for these targets is the Balanced Scorecard.

Results

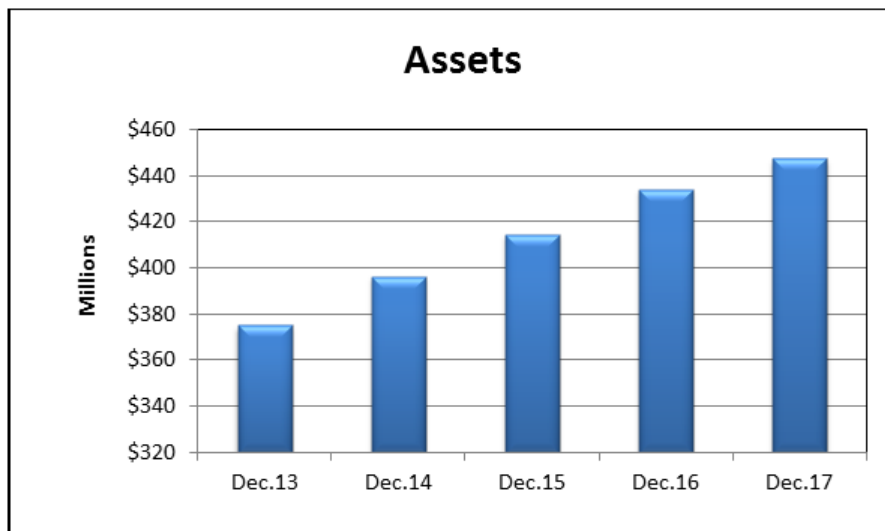
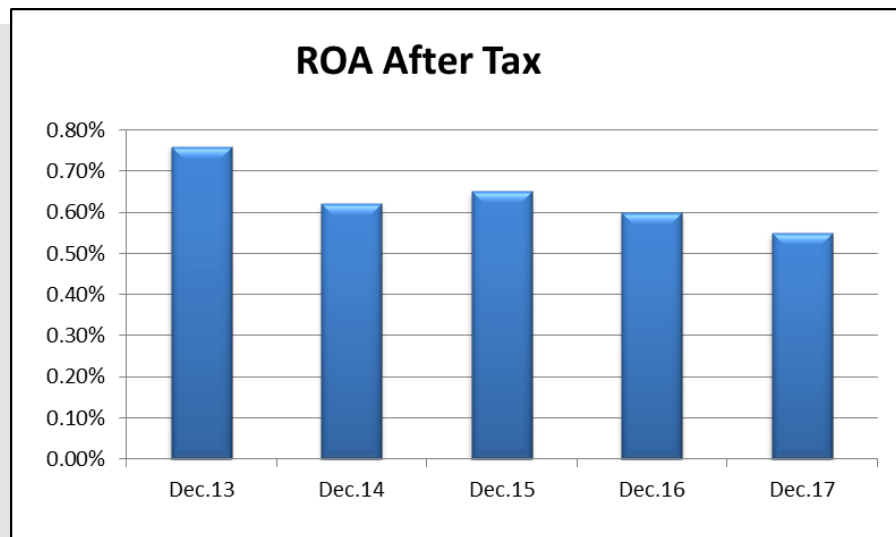
Balanced Scorecard	2017 Targets	Results
Financial Perspective		
Profitability before tax (as % of assets)	≥ 0.76%	0.78%
Total Tier 1 Capital	≥ 10.50%	12.98%
Eligible Capital (RWC)	≥ 11.90%	13.00%
Delinquency	≤ 1.00%	0.61%
Business Process Perspective		
Organizational Efficiency (net of loan writeoffs)	< 77.00%	73.42%
% Lent Out	79.00% - 81.00%	80.71%
Asset Growth	5.00% - 7.00%	3.00%

Management Discussion and Analysis, continued

Results

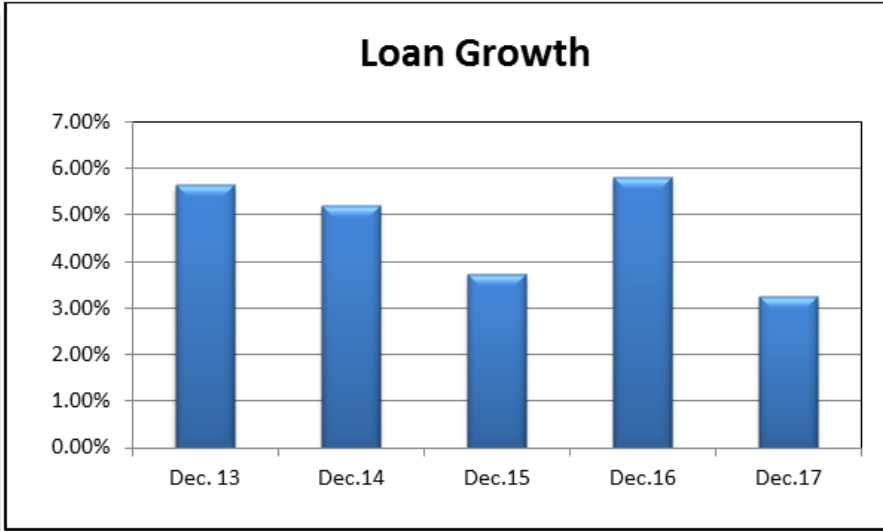
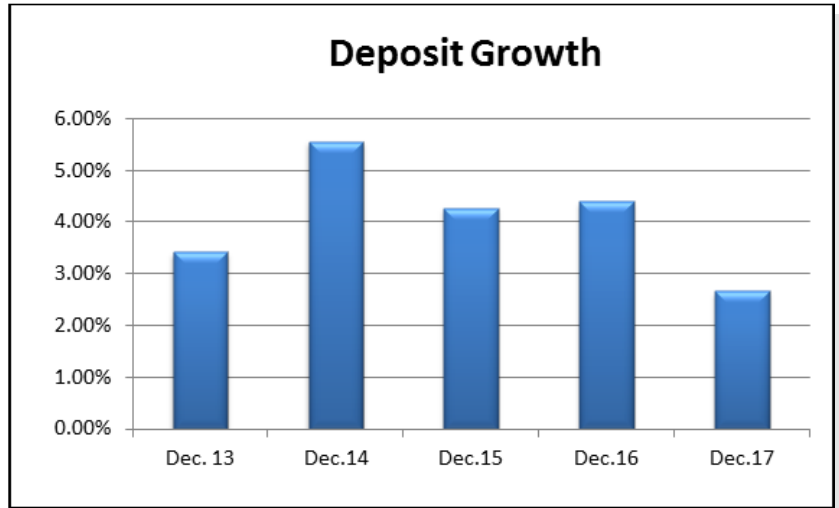
Profitability

The annualized return on assets before tax and allocation for 2017 was 0.78%. This is identical to the return achieved in 2016. Total profit after tax and allocation for the year was \$2.62M, an increase from \$2.55M in the previous year and included a patronage allocation of \$350K.



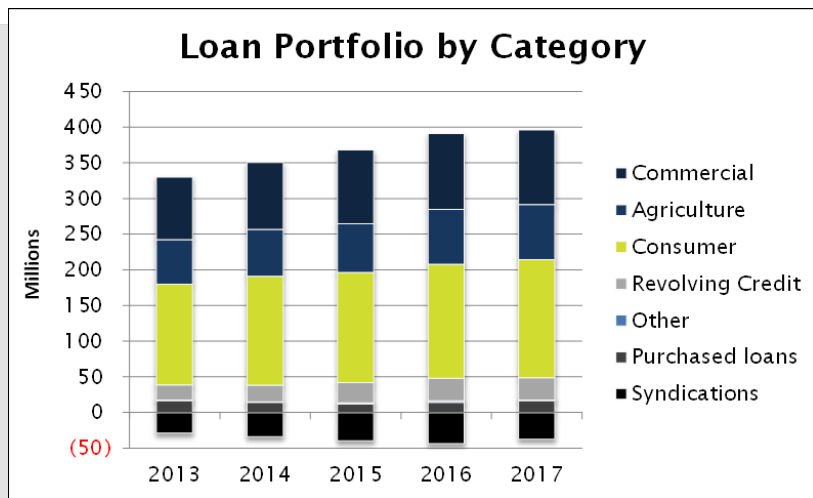
Growth

Total asset growth for the year was 3.0%, increasing total assets from \$434.2M to \$447.4M. If we include off-book (wealth) assets, total assets under administration grew to almost \$550M. Asset growth is derived primarily from increases in values of our investment portfolio, member loans receivable and, to a lesser extent, investment in capital assets. These are in turn funded by growth in member deposit balances. The relationship between these items is managed very closely to ensure that adequate liquidity is maintained and our risk is within tolerable levels. For further details on loan and deposit growth, refer to subsequent commentary.



Management Discussion and Analysis, continued

Results



Loan Portfolio

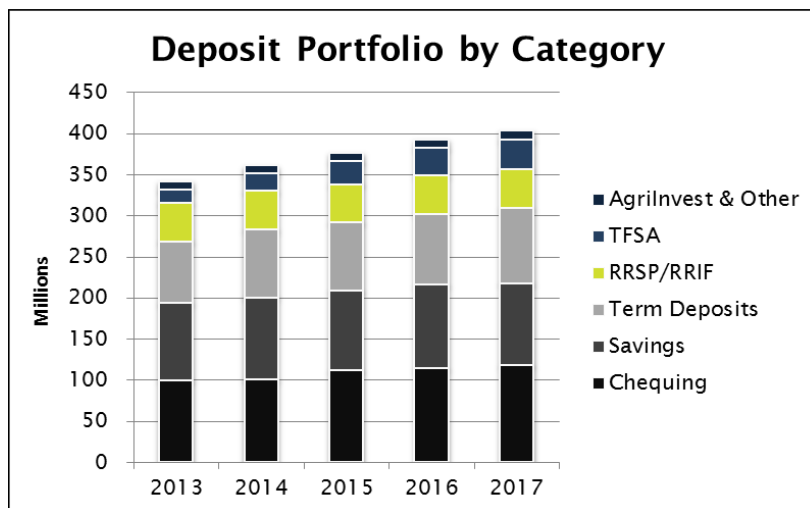
Total outstanding balances of member loans increased \$11.3M in 2017, from \$347.6M to \$358.9M. This represents an acceptable growth rate of 3.24%, but is down from the previous 5 year average of 5.52%.

Diamond North Credit Union's Residential Mortgage portfolio totaled \$134.5M at the end of 2017. Mortgages that are insured through companies such as CMHC or Genworth represent approximately 12.5% of the total. In 2017, the average Loan To Value (LTV) ratio on conventional (uninsured) mortgages was 71%. The legislated maximum LTV on conventional mortgages is 80% compared to 95% on insured mortgages.

Deposit/Wealth Portfolio

Deposit growth was positive, but also less than optimal for 2017. Balances in member deposit accounts grew \$10.5M, from \$393.4M to \$403.9M, or 2.66%. This is below our previous 5 year average of 4.58%. The core components of our deposit base, chequing and savings accounts, remained steady. The largest gains came in Term Deposit and TFSA accounts, as members took advantage of some long awaited rate increases to lock-in some of their investments.

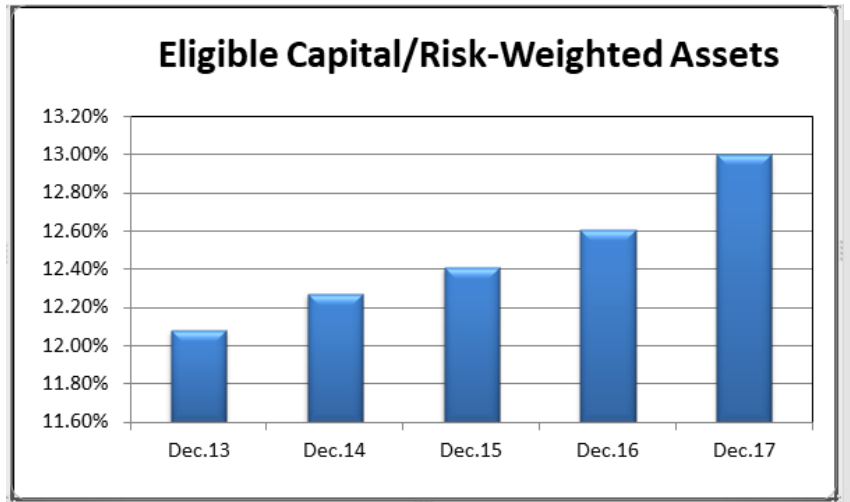
Not reflected in these numbers, are our off-book deposits – primarily member investments held with our in-branch Credential Asset Management (CAM) reps or our Credential Financial Strategies (CFS) office. Balances in these accounts increased 6.14%, or \$5.8M, to close the year over the \$100M level for the first time. These funds are a significant contributor to the strength of the credit union and its members.



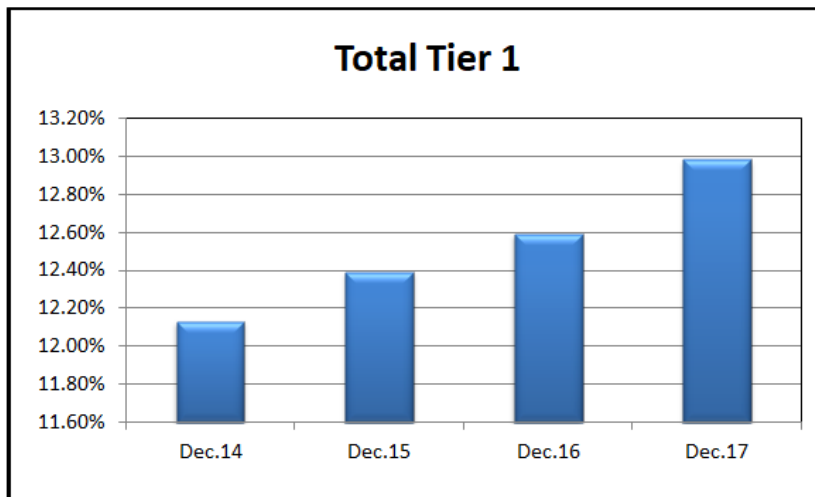
Capital Management

All financial institutions have regulatory oversight. The highest industry regulator for credit unions is the Credit Union Deposit Guarantee Corporation (CUDGC). CUDGC provides the guiding principles that we must operate within to be regulatory compliant. The two key indicators for capital adequacy are Tier 1 Capital and Risk Weighted Capital. These measure the financial strength of an organization.

The required ratios in these areas are Total Tier 1 Capital of 8.50% and Eligible Capital to Risk Weighted Assets of 10.50%. Diamond North Credit Union stands favorably in these measures for 2017 at Total Tier 1 of 12.98% and Eligible Capital of 13.00%.



This organization manages capital requirements by annually developing a Capital Plan that outlines the capital requirements the organization must achieve to remain financially healthy and compliant with regulations. This plan is developed within the regulatory framework (Standards of Sound Business Practice), is provided to the Board of Directors, and is reviewed regularly by management. The plan is developed to ensure that the organization meets and exceeds capital requirements. As such, Diamond North Credit Union policy dictates that our capital levels should exceed regulatory minimums to further mitigate risk if there were to be an unforeseen event that would draw on the capital reserves. Having a strong capital base allows for unexpected losses, as well as the implementation of long term strategic plans, and the ability to grow our assets.



Also included in the capital management category is the management of capital assets and facilities. Diamond North has eight branches, and owns the facilities where the branches are located. The Nipawin renovation project was the largest facility expenditure in 2017 with final expenses for the renovation expected to be paid in the first quarter of 2018.

Management Discussion and Analysis, continued

Results

Credit Quality

Credit quality is a key facet of lending, and requires diligence. The health of an organization’s loan portfolio is determined by how well the credit of the loan portfolio is performing. This is measured by the delinquency of the portfolio. The performance of the portfolio is vital in relation to risk management and as an indicator of credit quality. Diamond North Credit Union’s delinquency ratio greater than 90 days for 2017 was 0.61%, a decrease from last year’s 0.96% and within the “Exceptional” rating on the Balanced Scorecard. Delinquency and credit adequacy are carefully monitored and reviewed regularly to assess items that may be, or become, impaired. Part of this review encompasses assessing the necessity for allowances and estimating the likelihood that there would need to be an impairment allocated that would change the book value of the assets.

Patronage

In 2017, a patronage payment to members in the amount of \$350,000 was set up in our budget. Details of how the payment will be distributed will be available in early 2018. Member’s Economic Participation is a co-operative value that board and management fully support and paying patronage is one way in which Diamond North Credit Union shares profits with members and the communities it serves.

Other

Net Interest Margin – measures the total interest revenue less the total interest expense. This is a crucial measurement as the majority of a credit union’s profitability is generated by interest margins. Diamond North Credit Union’s net interest margin for 2017 was 2.79%, the same as it was in 2016. Diamond North Credit Union again finished the year with a net interest margin above the provincial credit union system average.

Other Income – included in this category is fixed asset revenue, service charges, and commissions. Other Income for 2017 was \$3M, down from the previous year’s total of \$3.2M.

Operating Expenses – includes various operating expenses such as personnel costs, member security, organizational costs, occupancy, and general business. These costs remained flat year over year.

Outlook

Expectations are that Prime Rate will increase by 0.75% in 2018 and that with these increases we’ll see the spread between deposit and loan rates return to more historical levels. Using this prediction along with budgeting for a 5.00% growth in assets we are expecting the Net Interest Margin for 2017 to be 2.96% and Profitability before Taxes and Allocations to be 0.80%

Net Interest Margin 2.96%

Profitability 0.80%

Asset Growth 5.00%

It is expected that there will not be a large change in the economic environment in our area that will unfavorably and meaningfully affect revenue generating activities. Diamond North Credit Union operates in a region that provides an inherent diversification of economic risk. As always, management keeps a close eye on actual measures compared to budget and makes adjustments as necessary to ensure Diamond North Credit Union remains strong financially.

A Message From ...

Credential[®] Financial Strategies

Diamond North Credit Union is constantly seeking ways to add quality products, services and convenience to your life. That's why we are offering the availability of Credential Financial Strategies, a personal financial planning service offered through the Credential Financial Strategies Centre serving members of our credit union.

Designed exclusively for credit union members, the Credential Financial Strategies program offers various insurance and investment programs that complement traditional credit union savings plans. It can help you realize your full financial potential.



Karla Morris
Representative

Karla Morris is the Credential Financial Strategies Representative located at the Credential Financial Strategies Centre at **100A – 1st Avenue W. in Nipawin**. Karla will work with you to create a personal financial blueprint you can follow to help achieve your monetary objectives.

You may want to consider taking advantage of this service today! You can stop by the Credential Financial Strategies Centre or call Karla today at 306-862-8160 for a no-cost, no-obligation consultation.



Credential Financial Strategies Inc. offers financial planning, life insurance and investments to members of credit unions and their communities.

Enterprise Risk Management

As with all financial institutions, Diamond North Credit Union is exposed to a variety of risks. Each year our credit union invests a significant amount of resources to measure and assess risks to ensure that we are adequately prepared to serve our communities now and in the future. This process is called Enterprise Risk Management (ERM), and is a requirement of credit unions in Saskatchewan as laid out by Credit Union Deposit Guarantee Corporation.

The risk tolerance for Diamond North Credit Union is set out by policy as defined by the Board of Directors and guidelines of the Credit Union Deposit Guarantee Corporation. The Board approved Risk Framework and Risk Appetite Statement sets the organizations boundaries for risk. Management is responsible for overseeing that business decisions are made within these boundaries. On a quarterly basis the Risk Committee, which consists of the executive management team, reviews the identified risks and provides reporting through the Risk Dashboard to the Board as to the status of each risk along with any mitigating actions. The committee is responsible to identify any new risks. These controls are aimed at minimizing uncertainty and maximizing opportunity (mitigating identified risks) while managing the enterprise for growth and stakeholder value.

Following are the risk categories that comprise DNCU's ERM philosophy:

Credit Risk

The risk to earnings or capital arising from a member's failure to meet the terms of any contract with the credit union or otherwise fail to perform as agreed. Credit risk is found in all activities where success depends on counter party, issuer, or borrower performance. Some key individual credit risks are default risk, portfolio concentration risk, inadequate allowance risk, and policy exceptions risk. Diamond North Credit Union has practices and policy in place to mitigate credit risk in the organization. These risks are reviewed and evaluated regularly through the Risk Management Committee to determine and resolve potential risks. Diamond North Credit Union operates within its identified risk profile.

Market Risk

This is the risk from dealing within a market place that has exposure to the fluctuations in market price and/or rates. There is the risk of potential losses if pricing or rates change, thereby adversely affecting the value of assets and liabilities. In our case, Diamond North Credit Union would mainly be affected by increases/decreases in interest rates. Management adheres to a comprehensive risk management plan and procedures to ensure that we are aware of and can mitigate potential risks. Deployment of this is through the defined policy to regularly monitor and measure risks and report them to the appropriate body: ALCO, board, and regulators. Further to this we implement various scenario testing tools and dynamic modeling tools to create simulated situations that may apply to our organization. Based on these practices we take mitigating actions as necessary.

Liquidity Risk

This is the risk to earnings or capital arising from a credit union's inability to meet its obligations when they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Management monitors liquidity on a daily basis to insure current needs are met. The Asset and Liability Committee is charged with the responsibility of managing both long term and short term investments as outlined by Board policy and Credit Union Deposit Guarantee Corporation guidelines. Our investment portfolio consists of demand and fixed term investments, with the majority held at SaskCentral. Credit Unions are required to have a minimum Liquidity Coverage Ratio of 100%. The objective of the LCR is to ensure that a credit union has an adequate stock of unencumbered high quality liquid assets that:

- Consists of cash or assets that can be converted into cash at little or not loss of value; and
- Meets its liquidity needs for a 30 calendar day stress scenario, by which time it is assumed corrective actions have been taken place by the credit union and/or the Corporation.

Diamond North Credit Union maintained an LCR in excess of 200% for 2017.

Major Initiatives Risk

The risk to earnings, capital or image arising from major projects occurring within the organization. Major initiatives can be defined as any project where there are risks such as financial loss, image impacts, and resource impacts. Diamond North Credit Union creates and adheres to a specific risk profile for major initiatives and ensures decision making is aligned with the organization's Risk Appetite Statement.

Legal and Regulatory Risk

This is the risk to earnings or capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards. The financial institution industry is highly regulated therefore Diamond North Credit Union is also closely regulated. Policies and procedures, as well as the structure of the organization assist us with complying with regulatory demands. There are prescribed processes that allow us to review and report on compliance matters regularly. In addition to this we also undergo regular internal, external, and regulatory audits.

Strategic Risk

Strategic risk is the risk that the organization will be unable to meet objectives due to adverse business decisions, ineffective business plans, or failure to respond to changes in the competitive environment. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals, and the quality of implementation. Diamond North Credit Union has a strategic plan in place that addresses various economic scenarios and plans. Identified strategic risk for our organization is the possibility that there is not a robust enough long term growth/capital strategy (inclusive of wealth management and information technology strategies) that also encompasses the risks of remaining autonomous or not being a competitive, rate matching institution. In this economic time of low interest rates, uncertainty, and slim margins this risk is not unique to our organization. In order to try to alleviate this risk Diamond North Credit Union directors and management are diligent in keeping abreast of current economic conditions and trends, doing research on pricing, and making timely and relevant decisions. Diamond North Credit Union has a formal strategic planning process that involves the Board of Directors and senior management. This process is facilitated through an annual planning session to develop objectives, measures, and key initiatives. Comprehensive reporting to the Board on performance to the strategic plan is presented by management quarterly. All strategies are reviewed regularly, and if necessary, are adapted to meet the changing financial and economic landscape.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity, or natural disasters. Operational risks could be identified as operational situations that were not planned for. Diamond North Credit Union manages operational risk through its policies, along with controls and procedures that are monitored regularly. Operational risk is mitigated with the implementation of business continuity and disaster recovery planning, appropriate and robust insurance coverage, and proper structure.

Technical Risk

Technical risk is the risk to earnings, capital, or image arising from inadequate processes, procedures, and policies in regard to technology. Diamond North Credit Union has policies, procedures, and controls in place to minimize technical risk. Technical strategies are aligned with the organization's Risk Appetite Statement. Diamond North Credit Union uses a process of continuous monitoring to ensure the organization and staff have the capacity to deal with the pace and scale of technological change. Additionally, we partner with third party providers and contractors to gain efficiencies of scale when working on credit union projects.



CREDIT UNION DEPOSIT GUARANTEE CORPORATION ANNUAL REPORT MESSAGE 2017

January 2018

Deposits Fully Guaranteed

Credit Union Deposit Guarantee Corporation (the Corporation) is the deposit guarantee for Saskatchewan credit unions, and the primary regulator for credit unions and Credit Union Central of Saskatchewan (SaskCentral) (together, Provincially Regulated Financial Institutions or “PRFIs”).

The Corporation is charged through provincial legislation, *The Credit Union Act, 1998*, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation was the first deposit guarantor in Canada and has successfully guaranteed deposits since it was established in 1953. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

For more information about deposit protection, the Corporation’s regulatory responsibilities, and its role in promoting the strength and stability of Saskatchewan PRFIs, talk to a representative at the credit union or visit the Corporation’s web site at www.cudgc.sk.ca.

Auditors' Report on Summary Consolidated Financial Statements

To the Members of Diamond North Credit Union,

The accompanying summary consolidated financial statements of Diamond North Credit Union, which comprise the summary consolidated statement of financial position as at December 31, 2017, the summary consolidated statement of comprehensive income, changes in members' equity, and cash flows for the year then ended are derived from the audited consolidated financial statements of Diamond North Credit Union for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 26, 2018.

The summary consolidated financial statements do not contain all disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Diamond North Credit Union.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation and fair representation of a summary of the audited consolidated financial statements in accordance with International Financial Reporting Standards.

Auditors Responsibility

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

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Diamond North Credit Union for the year ended December 31, 2017 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

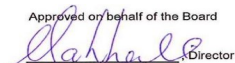
February 26, 2018
Saskatoon, Saskatchewan


Chartered Professional Accountants

Summary Consolidated Financial Statements

Diamond North Credit Union		
Summary Consolidated Statement of Financial Position		
As at December 31	2017 <i>(In thousands)</i>	2016 <i>(In thousands)</i>
Assets		
Cash and cash equivalents	\$ 23,414	\$ 21,423
Investments	52,623	55,817
Member loans receivable	361,146	348,733
Other assets	787	395
Property, plant and equipment	9,470	7,871
	<u>\$ 447,440</u>	<u>\$ 434,239</u>
Liabilities		
Member deposits	\$ 405,817	\$ 395,464
Other liabilities	3,611	3,392
Membership shares	50	49
	<u>409,478</u>	<u>398,905</u>
Members' equity		
Retained earnings	37,962	35,334
	<u>\$ 447,440</u>	<u>\$ 434,239</u>

A full set of audited consolidated financial statements is available from the Credit Union

Approved on behalf of the Board
 Director

 Director

Diamond North Credit Union		
Summary Consolidated Statement of Comprehensive Income		
Year Ended December 31	2017 <i>(In thousands)</i>	2016 <i>(In thousands)</i>
Interest income	\$ 16,238	\$ 16,050
Interest expense	3,942	4,203
Patronage	350	338
Gross financial margin	<u>11,946</u>	<u>11,509</u>
Other income	3,015	3,234
Operating expenses	11,102	11,114
Provision for impaired loans	735	592
Income before provision for income taxes	<u>3,124</u>	<u>3,037</u>
Provision for income taxes	496	483
Comprehensive income	<u>2,628</u>	<u>2,554</u>

Diamond North Credit Union
Summary Consolidated Statement of Cash Flows

Year Ended December 31	2017 <i>(In thousands)</i>	2016 <i>(In thousands)</i>
Cash flows provided by (used for) the following activities:		
Operating activities	\$ 3,503	\$ 3,600
Financing activities	10,505	16,904
Investing activities	<u>(12,017)</u>	<u>(32,378)</u>
Increase (decrease) in cash and cash equivalents	1,991	(11,874)
Cash and cash equivalents, beginning of year	<u>21,423</u>	<u>33,297</u>
Cash and cash equivalents, end of year	<u>\$ 23,414</u>	<u>\$ 21,423</u>

Diamond North Credit Union
Summary Consolidated Statement of Changes in Members' Equity

Year Ended December 31	<i>(In thousands)</i>	
	Retained Earnings	Total
Balance, December 31, 2015	32,780	32,780
Comprehensive income	2,554	2,554
Balance, December 31, 2016	<u>35,334</u>	<u>35,334</u>
Comprehensive income	2,628	2,628
Balance, December 31, 2017	<u>37,962</u>	<u>37,962</u>



Diamond North CREDIT UNION

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P 306.929.4714

ARBORFIELD

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Arborfield, SK S0E 0A0
P 306.769.8581

ARCTIC (PA)

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Prince Albert, SK S6V 4S9
P 306.922.8252

CARROT RIVER

Box 639, 10 Main St
Carrot River, SK S0E 0L0
P 306.768.2703

CHOICELAND

Box 39, 100 Railway Ave
Choceland, SK S0J 0M0
P 306.428.2152

NIPAWIN

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Nipawin, SK S0E 1E0
P 306.862.4651

WHITE FOX

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