

Measuring *Growth*



At PCCU our *measure of success* is how well **we grow our members' money.** We know that *everyone's financial goals are different.* Some have plans for their money *today*, while others are building it for the *future*. That's why we *tailor our services and advice* to each of our members. **It's growth made to measure** and it's as *personal as they are.*





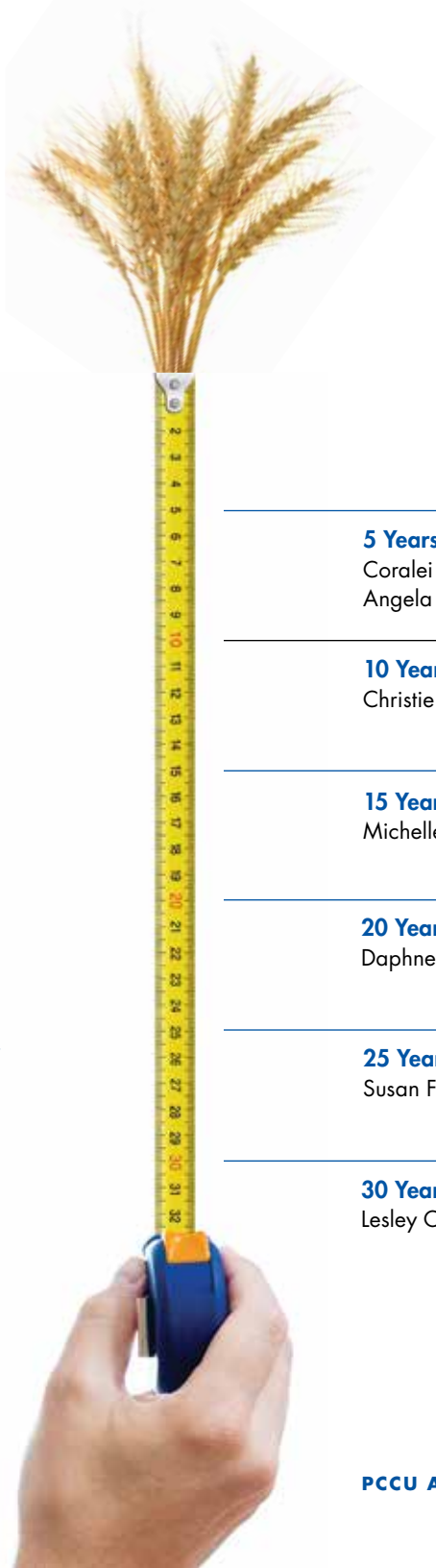
We're fortunate to have some of the **most dedicated and loyal employees in the business.** We *thank them all* for their service and *celebrate their successes and milestones.* Their experience, effort and ability is the **measure of excellence.**

MEASURING EXPERIENCE

At PCCU, we recognize that our people are our most prized asset and we do everything to nurture their growth. To work at PCCU, you have to be deeply invested in helping our members achieve their financial goals and look after their financial well-being. It also means having the knowledge to recommend products and services that really benefit our members.

We heavily invest in ongoing training and development at all levels of the organization. Our team works each day to help individuals, families, farmers, local business people, and members approaching retirement. It's our everyday commitment and we're here to help **Grow Your Money**. Our people are dedicated, helpful, and are constantly looking out for members' best interests.

At this time, we'd like to recognize staff who have shown true dedication and helped us to grow tall and strong! We'd like to thank the following staff for their years of service with PCCU and our members:



5 Years of Service

Coralei Brown
Angela Martens

10 Years of Service

Christie McIvor

15 Years of Service

Michelle Rawson

20 Years of Service

Daphne Kallechy

25 Years of Service

Susan Forsberg

30 Years of Service

Lesley Carlson



MEASURING ACHIEVEMENTS

In 2014 we *awarded*
\$10,500 in *scholarships*.

Last spring, nine Grade 12 students were selected for the PCCU Ach!eve Scholarship Program. PCCU was looking for ways to improve our services for youth, so we went right to the source. We asked Grade 12 students to put on their thinking caps and help us with idea submissions. If their idea was selected, they would be awarded one of the ACH!EVE scholarships. On behalf of everyone at PCCU, we would like to congratulate the following students and wish them the very best in their future endeavours.



RECIPIENTS

TOP ROW (LEFT TO RIGHT)

Rosetown/Harris

Lara Carlson, \$500

Alana Blazek, \$500

Tavia Honecke, \$3500

Elbow/Loreburn

Ashley Norrish, \$500

BOTTOM ROW (LEFT TO RIGHT)

Eston

Anjaly Baby, \$500

Eatonia

Erika King, \$500

Elrose

Dani Hopkins, \$500

MIDDLE ROW (LEFT TO RIGHT)

Outlook

Gabrielle Achtymichuk, \$3,500

Dinsmore

Alysha Jensen, \$500



**IN 2015 PCCU IS
AWARDING \$12,500
IN SCHOLARSHIPS!**

Contact your branch or visit **www.pccu.ca** to see how you can earn \$3,500 towards your post-secondary education.

MESSAGE FROM THE BOARD PRESIDENT



How do you feel about change? Do we really want things to always stay the same?

I came across a bit of wisdom about change not long ago that put some things into perspective for me. The quote was: "If you don't like change, you'll like irrelevance even less."

This holds true for so many things, and there are

many kinds of change. When things grow or improve, that is "change," though generally not the stressful kind. When the world around us gets more complex and we struggle to understand it, or things that we once valued, (like, say, "lego" that you can actually build anything with,) become scarce, that is the kind of change we hate.

There's no doubt the world is changing, and it will continue to change. If we narrow our focus to the Credit Union world, though, there are a few things that have hardly changed at all. Interest rates, for instance, are remaining at unprecedented low levels, and that has not changed for several years. Prairie Centre, along with many other Saskatchewan credit unions, has again posted strong net earnings, and that has not changed for some years now either, even though the aforementioned low interest rates make that really difficult. The rural economy, powered mainly by agriculture, but also by tourism and resources, remains strong – one more thing that's stayed the same for quite a while.

These few constants are the exception though. For Credit Unions, it's a wild, rollicking, crazy world of change, on many fronts. First and foremost, the regulations that dictate what portion of its assets a financial institution must hold in capital or equity are changing drastically. For credit unions, this means that we absolutely must retain as much of our net earnings as possible, because earnings from operations are the only source of funds we have to build equity to be in compliance with the new rules. You might wonder why we haven't paid out patronage for some time. It's not because we're doing something wrong, it's because the

changes in our external environment have made it impossible.

Another thing that's changed, and changed a lot, has been the number and kind of competitors we now face in our local markets. Previously prohibited from offering banking services, insurance companies in Canada are now free to offer banking and investment services out of their branch offices in our communities, while banks and credit unions remain barred from selling insurance (with the singular exception of specific creditor insurance) out of "our" offices. There is also increased competition in lending, particularly farm lending, where a government agency, exempted from the regulations banks and credit unions must follow, will lend large amounts with comparatively little fuss. Our "playing field" has changed dramatically, and become pretty uneven in places, and as a result, we've changed too.

Perhaps the thing that has always changed the most, though, has been technology, and it's a real double-edged sword: on one hand, it's technology that allows us to do all your routine banking on your home phone or cell phone or computer, so that our staff have more time to help you with more personal services like investments, financial planning and wealth management. In 2014, we rolled out our new E-transfer service that has become very popular, and later in 2015, we will even be able to take your deposits with our Mobile App and Deposit Capture. Better service, global reach, previously unimagined convenience, hard not to love it. Except the crooks and con-men of the world love it too, and hacked email and credit card fraud seem to happen somewhere in the world every day. This imposes a significant additional cost on the credit union to maintain the security of our systems and be vigilant against new threats.

Every day, at every turn, change, both good and bad, is going on around us, and in response we are changing too. We can't really afford not to, because, just as promised in that little quote I found, if we don't change along with the world, pretty soon we won't be a meaningful part of it anymore. Your Board has made a concerted effort to guide Prairie Centre on this course of change, to be sure we are recognizing the changes as they come, and respond accordingly. It doesn't end.

I wish you every success, and only positive changes, for 2015.

CRAIG HANSON

President, Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



2014 was another year of above average growth for our regional economy. Our communities, agriculture, resources, and recreational growth over the last six years have led to the growth of our credit union.

At PCCU, our assets increased by \$36 million to \$547 million and our assets under management

increased to \$679 million, for a total increase of \$59 million, – an increase of 9.5%.

Our net income increased to \$4.45 million from \$4.2 million in 2013. We continue to gain efficiencies in our operations, at the same time as increasing our growth and providing new products and services. Interest margins continue to decrease and with the competition in the marketplace we expect 2015 and beyond to be a continuation of this trend.

Over the past five years we have placed significant emphasis on increasing our capital levels. At the end of 2014, our Tier I capital level increased from 6.99 to 7.20%, while our Risk Weighted Assets increased from 10.68% to 11.13%. We will continue to focus on increasing our capital levels to meet our regulatory environment and provide long term sustainability for PCCU.

Our new three year strategic plan (2014 – 2016) was implemented in 2014, with the following strategic objectives.

- We will be more service orientated, which includes advice and relationship building which will increase member commitment and use of services
- We will position ourselves as a strong agricultural lender
- We will build profitability and capital levels that will sustain the long term future of the credit union

2014 was the first year of our journey to achieve these objectives, and based on the results both financially and from our members, we are very satisfied. We look forward to 2015, and with our dedicated Staff, Management, and Board of Directors, the journey will continue well into the future.

First, we would like to thank our members for your support and input throughout the year, and we look forward to serving you in the future. Secondly, we would like to thank our staff and management for your continued dedication and commitment to serve our members on a daily basis. Lastly, I want to thank our Board of Directors for their strategic focus, guidance, and representation of our members and communities.

We are excited about the journey into 2015 and will continue to work to serve our members' needs for the long term success of PCCU.

"Prairie Centre, 1st Choice Financial Solutions for Our Community."

AL MEYER

CEO



BOARD AND EXECUTIVE TEAM PROFILES



Pictured from left to right back row:
Michelle Brummund, Brian Benson, John Kutz, Evan Sjovold,
Greg Hannay, Cathy Newby, Karen Sinclair
Front row left to right: Craig Hanson, Keith Collins

BOARD OF DIRECTORS

Craig Hanson, President

Elected to the Prairie Centre Board of Directors in 2005. Farmer / Engineer. Chair of the Executive and Governance Committee; sits on the Audit and Risk Committee, and the Conduct Review Committee.

Brian Benson, Vice-President

Elected to the Prairie Centre Board of Directors in 2009. Retired. Sits on the Executive and Governance Committee, the Audit and Risk Committee, the Conduct Review Committee and the Member Engagement Committee.

Keith Collins, Vice President

Elected to the Prairie Centre Board of Directors in 2009. Farmer / Custom Grain Hauler. Sits on the Executive and Governance Committee, the Audit and Risk Committee, the Conduct Review Committee and is chair of the Member Engagement Committee.

Cathy Newby, Vice President

Elected to the Prairie Centre Board of Directors in 2005. Farmer / Business Owner. Sits on the Executive and Governance Committee, the Human Resources and Policy Review Committee, and the Member Engagement Committee.

Evan Sjovold

Elected to the Prairie Centre Board of Directors in 2005. Farmer. Chair of the Audit and Risk Committee and the Conduct Review Committee.

Greg Hannay

Elected to the Prairie Centre Board of Directors in 2009. Farmer / Seed Cleaning Plant Owner. Sits on the Human Resources and Policy Review Committee.

Karen Sinclair

Elected to the Prairie Centre Board of Directors in 2010. Subject Matter Expert, CFS Ministry of Social Services. Chair of the Human Resources and Policy Review Committee.

Michelle Brummund

Elected to the Prairie Centre Board of Directors in 2010. Accountant / Farmer. Sits on the Audit and Risk Committee and the Conduct Review Committee.

John Kutz

Elected to the Prairie Centre Board of Directors in 2011. Farmer. Sits on the Human Resources and Policy Review Committee.

EXECUTIVE TEAM

Al Meyer, Chief Executive Officer (CEO)

In his role as CEO, Al is responsible for implementing the corporate strategic direction, mission, and values, along with overseeing the overall credit union operations. With over 35 years of financial institution experience, Al provides leadership within Prairie Centre, the credit union system, and Prairie Centre communities through corporate and community involvement. Since starting with the credit union system, Al has held a number of managerial positions both in Saskatchewan and Alberta, and has been with Prairie Centre since 1993, and CEO since 2000. Al has been a member of the SaskCentral Board of Directors since 2007 and sits on the Executive Committee. Al is a director of Co-operative Superannuation Society and Concentra Financial.

Tim Askin, Chief Operating Officer (Retail)

Tim is responsible for deposit related activities of all eleven retail service centres along with advisory services which includes; financial planning, mutual funds, brokerage, and insurance. Tim oversees the development of the credit union's marketing strategy, and spearheads product and service development initiatives pertaining to retail deposit operations. He also handles all branch facilities and properties owned by the credit union. Tim has over 25 years of experience in various credit unions in the system and has completed the Executive Certificate in Applied Leadership at Queens Business College.

Colleen Harmatiuk, Chief Operating Officer (Corporate)

Colleen is responsible for overseeing and providing corporate technology strategy, maintaining efficient human resource functions, overseeing internal audit, compliance and risk management for the credit union, and supporting board governance. This includes researching and implementing best practices, reviewing and maintaining prudent process for Enterprise Risk Management, Business Continuity, Privacy, Anti-Money Laundering, Market Code, and other areas of credit union compliance. Colleen has close to 25 years of experience in various credit unions in the system. Colleen holds an Accounting for General Business Certificate and has completed numerous credit union specific courses. Over her career, she has sat on a number of credit union system committees and boards.



Pictured from left to right:

Blair Wingert, Colleen Harmatiuk, Al Meyer, Lesley Carlson, Tim Askin

Lesley Carlson, Chief Financial Officer

As the Chief Financial Officer, Lesley is in charge of monitoring the overall financial performance of the credit union and overseeing the operations of the Finance and Accounting Division. This includes financial forecasting, asset and liability management, as well as capital and liquidity management for the credit union to ensure Prairie Centre is at the forefront of emerging requirements for prudent financial oversight and control. Lesley has over 30 years of credit union experience in a variety of positions - frontline, marketing, deposits, advisory services, and now finance. Lesley has completed numerous industry related courses, is a Certified Financial Planner, has completed the Associate Credit Union Institute of Canada Designation with Honors, and earned a Bachelor of Management Degree with Distinction.

Blair Wingert, Chief Credit Officer

In his role as Chief Credit Officer, Blair spearheads the loan related activities in all eleven retail service centres. Blair provides leadership and strategic execution of PCCU's credit management, underwriting standards, loan quality, and overall credit administration. Blair has over 10 years of experience in the financial industry in a management capacity leading people and managing branches as well as projects. Blair has a Bachelor of Commerce degree as well as industry related training.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Prairie Centre Credit Union is the 7th largest credit union in Saskatchewan and operates as an independent regional credit union owned by our members operating in branches located in the communities of Beechy, Dinsmore, Eaton, Elbow, Elrose, Eston, Harris, Kyle, Loreburn, Outlook, and Rosetown. As at December 31, 2014, Prairie Centre Credit Union had 12,100 members, which is a slight decrease from our membership of 12,215 the prior year.

We have over 120 people working and living in the trading area. Our staff provides full financial services to our members with a focus on helping members grow their money. Our staff continues to attend ongoing training and development sessions to improve their skills allowing us to better assist and serve our members.

As the largest rural based Saskatchewan credit union, Prairie Centre Credit Union has seen the benefits of our strong Saskatchewan economy. Growth started out a bit slower, however picked up by the end of the year making 2014 another year of strong asset growth. We expect growth in 2015 to be at a lower level than prior years due to uncertainty in the economy. Our focus is on sustainable growth and continuing to look for ways to reduce costs in order to build our capital levels to stay viable into the future.

The Conference Board of Canada is forecasting Saskatchewan will achieve modest economic gains in the upcoming year. The diverse Saskatchewan economy helps to moderate the highs and lows of individual sectors. Grain volume requirements set by the federal government were extended into 2015 helping to move the backlog of grain from 2013. Saskatchewan's unemployment levels remain very low and are forecasted to remain low as well. The low interest rate environment is forecasted to continue in the first half of 2015, with the likelihood that Bank of Canada will raise rates in the second half of 2015 as the economy is expected to approach full potential. The Bank of Canada is concerned that our economy is vulnerable due to the high household debt levels and the potential correction in home prices in Canada which provides uncertainty in the forecast.

Global markets are forecasting growth in 2015 to mirror 2014 based on the United States continuing to grow, and some recovery in European economies. The uncertainties related to geopolitical upheaval in the world makes it difficult to predict global growth levels.

STRATEGIC OVERVIEW

Prairie Centre Credit Union's mission statement is to provide "1st Choice Financial Solutions for our Community." To achieve this directive, the Board of Directors along with Executive Management set specific objectives that support this vision. We follow a three year planning cycle, and establish specific goals annually to ensure we accomplish our strategic objectives. We have completed the first year of our three year strategic planning cycle of 2014 to 2016. Integral to the plan was input from our members, which we garnered through surveys in 2013 and were followed up on in 2014. The Board of Directors considered all the input and determined the following objectives to be the priority for the next three years as highlighted below:

Member Relationships

Our value proposition is to Grow Your Money – it's what we're in business to do. Our members have told us that they want their financial institution to help them grow their money and we agree. It's a win-win proposition as when our members grow their money, we grow our money.

In 2014 we continued to provide full financial services to all of our members. We are pleased to offer members a comprehensive selection of financial services from loans, deposits, and registered savings plans, to financial planning, mutual funds, securities, and tax free savings accounts. Our trained and experienced staff members are here to serve our members' needs wherever our members deem it is most convenient.

Our members diversify their deposit holdings by opening accounts with our brokers and mutual fund representatives and we administer over \$130 million in deposits through our relationship with the companies of Qtrade Financial Group.

We expanded our services to include general insurance with the purchase of Elbow Agencies in 2013. The agency will be

We grew our profit to a record high **\$4.45 Million**



renamed PCCU Insurance in 2015. We offer a full line of products including home, farm, auto, and commercial insurance. We were very pleased with our first full year of operations as our return on investment for the agency in 2014 was 19%.

Prairie Centre Credit Union is committed to elevating the member service experience by focusing on ways to enhance service delivery channels to our members. In our strategic plan particular emphasis will be placed on development of agriculture related products and services as we want to grow our agriculture portfolio. This is a reflection of our rural roots and our belief in the importance of agriculture to our economy and our credit union. By partnering with our members, we grew our agriculture portfolio over 20% in 2014 and we look forward to further growth in the years ahead.

Throughout the province, credit unions continually assess their ability to remain as stand-alone operations. Prairie Centre Credit Union has a position that we will consider requests from smaller or mid-size credit unions in regard to merger provided there is an overall benefit for existing and new members.

We ensure our facilities are welcoming and secure and we have been upgrading branches ever since Prairie Centre Credit Union was formed in 1993. In 2014 we worked on plans for another branch renovation and an expansion to the administration building to handle our growing number of services. Watch for further announcements in 2015!

Profitability and Capital

We have a strong focus on profitability to build capital, manage risk, and develop and maintain services within the communities.

As highlighted by our CEO Al Meyer, in 2014 our assets grew \$36 million dollars to \$547 million from 2013 levels of almost \$511 million. The strong asset growth was accompanied by an increase in our loans to \$436 million from \$417 million the year prior. Member deposits are at \$503.7 million showing large increases from the prior year of \$469.3 million.

Interest margins continued to be low as the low interest rate environment remained constant throughout 2014. Through expense control and stronger non-interest revenue, we were able to achieve profitability above targeted levels. We grew our profit

to a Prairie Centre Credit Union high of \$4.45 million; very close to our prior year record result of \$4.2 million.

In 2015, we are projecting slightly lower profit levels due to the continued low interest margin, which reduces our net interest revenue. We will continue to look for ways to gain efficiencies and reduce operating costs as well as look for methods to earn additional revenue in order to reach our targeted profitability and grow the capital levels of our credit union.

Internal Support and Risk Systems

In order for our front-line staff to provide our members with services, we require back-office support in the areas of technology, human resources, audit, and risk management.

In 2014 we launched our re-designed website, making it easier for members to process transactions, and we updated our calculators to assist members in making financial decisions. We performed upgrades to our Automated Teller Machines to ensure they have the latest software. In 2015 continued upgrades to the banking system and equipment are ongoing in order to have the latest technology for our members including the potential to deposit a cheque with a picture!

In 2014, a staff committee completed a review of the job profiles and related compensation to ensure we attract and retain experienced and qualified staff. This is completed every two years to keep our pay systems up to date and provides the opportunity for staff to have input and insight into this process. 2015 priorities include a study of our rewards system and continued emphasis on the training and development of staff to provide the utmost in service excellence to our members.

Risk management is part of everyday life at a financial institution. We utilize an enterprise wide risk management system to ensure we manage and monitor potential risk areas and set aside required capital both for regulatory purposes and to build a safety net that is in place in the event of an economic downturn. In 2014 we implemented a Travel Notification Service, asking members to notify us about travel plans that will take them out of country so we can take the necessary precautions to reduce inconveniences for members while travelling.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL MANAGEMENT

One of the primary measures of financial strength of any financial institution is its capital position. Worldwide, all financial institutions are tasked with building capital to ensure downturns in the economy can be withstood. Prairie Centre Credit Union builds capital through retained earnings which is found on our balance sheet in Members' equity.

Credit unions operate in a regulated environment with our primary regulator Credit Union Deposit Guarantee Corporation (CUDGC). CUDGC sets regulatory guidelines which all Saskatchewan credit unions must adhere to. In order to assess capital adequacy, CUDGC is following standards adopted by financial institutions around the world, including Canadian banks. The standards are evolving and reflect the importance of having a strong banking sector to withstand financial crisis.

The Board of Directors and Management believe in maintaining a strong capital position. The capital management plan is developed in accordance with the regulatory capital framework and is regularly reviewed and approved by the Board of Directors. The goal of capital management is to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans, and signal financial strength.

Prairie Centre Credit Union relies on profitability to grow its capital position as our capital is comprised of our retained earnings. The credit union retains its annual earnings versus paying member patronage in order to meet the capital requirements and maintain our independence. We updated our capital plan in 2014 and confirmed that we need to continue to strengthen our capital position. Required levels increase as assets grow, and in 2016 there is additional capital required by regulation as a conservation buffer of 2.50% added to minimum required levels.

Recent increases to the federal tax rate also reduce the capital growth of a credit union. This increase prompted a nation-wide initiative called "my credit union matters" whereby the differences between credit unions and banks in regard to capitalization were

brought forward. As stated, credit unions rely on retained earnings generated through profits for their capital, whereas banks can issue shares in capital markets.

In Saskatchewan, the provincial government kept tax rates at current levels. Credit unions were acknowledged for the important role of providing loans to small businesses and providing service to more than 500,000 Saskatchewan residents making credit unions an integral part of the provincial economy and a vital support in fostering Saskatchewan's economic growth.

To calculate capital levels we use two measures. The first is called the leverage test and is a calculation of eligible capital to leverage assets; and the second measure is a risk based test which compares eligible capital to risk weighted assets. Minimum and target measures are established in policy and regular reviews of capital requirements are completed.

Currently our regulator requires that a credit union holds a minimum leverage ratio of 5.0%, whereas Prairie Centre has established a minimum level for the leverage ratio of 7.0% and a long term target level of 9.0%. At the end of 2014 our leverage ratio (eligible capital divided by leverage assets) increased to 7.20% compared to a level of 6.99% at the end of 2013.

The regulator's current minimum ratio of eligible capital to risk weighted assets is 8.0% plus the credit union's assessment for internal capital adequacy. Prairie Centre's minimum level for risk weighted capital is set at the regulatory minimum plus our internal capital assessment level. Our target level is to increase by a further 1% over the minimum in order to continue to grow capital ahead of asset growth and for unanticipated risks.

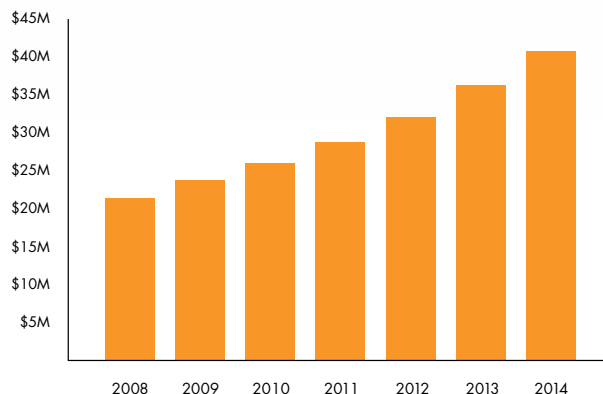
Credit unions assess additional capital requirements based on the risks faced by their individual operations. We use a process to assess requirements quarterly and continually monitor risk levels to adjust as necessary. At the end of 2014 our minimum required level was at 9.60%. We completed 2014 with an eligible capital ratio of 11.13% which is an increase from 10.68% in 2013.

Looking ahead to 2015, we believe our leverage ratio could reach 7.90% and the eligible capital ratio is expected to be at 11.83% which will be in line with our trend of capital growth as evidenced in the graphs depicting our capital ratios.

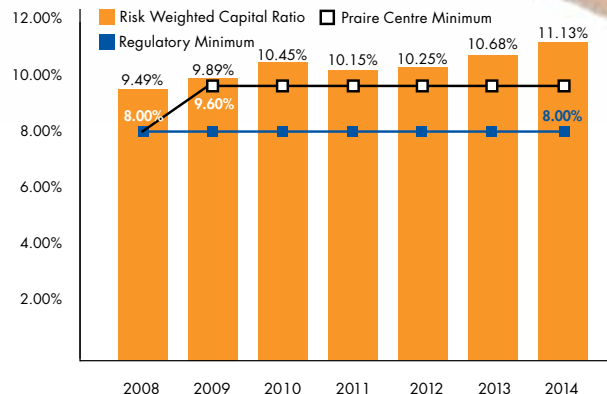
We completed 2014 with an *eligible capital ratio* of **11.13%**



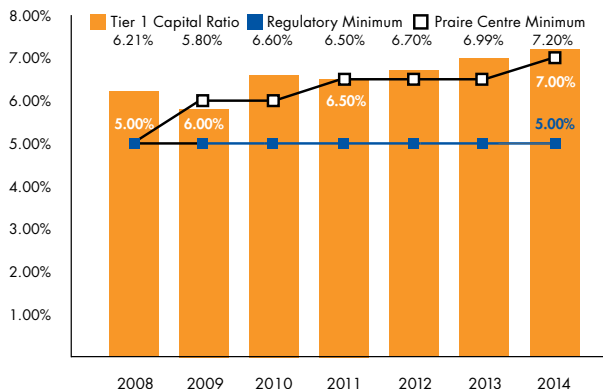
RETAINED EARNINGS



RISK WEIGHTED CAPITAL ASSETS



TIER 1 CAPITAL RATIO (LEVERAGE TEST)



Enterprise Risk Management

As a financial institution, Prairie Centre Credit Union is exposed to a variety of risks. The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Prairie Centre has a moderate level of capital and therefore takes a moderate approach to risk. Our main objective remains to preserve and build capital while growing our market share.

In support of this commitment, Prairie Centre Credit Union determines what the appropriate levels of control are over all risks faced by the enterprise in the normal course of doing business. An enterprise-wide risk management (ERM) approach is used for the identification, measurement, and monitoring of risks.

Prairie Centre utilizes the ERM framework to actively manage all risks using a methodical approach for each risk category as detailed in this section. Both qualitative and quantitative measures guide risk tolerances. The Board is responsible for approving the overall business strategies, for understanding the major risks, and setting acceptable levels for these risks. Annually, the Board reviews the relevant risks faced by the credit union, and approves an action plan set by Executive Management.

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Management is responsible for implementing strategies and policies approved by the Board and for developing processes that identify, measure, monitor, and control risks. In order to achieve this objective, Executive Management undertakes continuous risk identification and annually, in conjunction with the business plan, reviews emerging risks from activities planned and from changes occurring in the marketplace. Required activities are built into the budget and business plan for the upcoming year.

Strategic Risk

Strategic risk is the risk that adverse decisions or ineffective plans will impact the ability of the credit union to meet its business objectives. The credit union engages in formal planning processes, which result in a three year strategic plan and the formulation of key strategic measurements annually as the business plan is established. The credit union uses a comprehensive reporting process to monitor performance relative to plans and provides regular updates to the Board of Directors. As described above, the Enterprise Risk Management Process further identifies emerging risks and formulates plans as risks are identified.

Market Risk

Market risk is the risk that the financial position or earnings will be adversely affected by changes in market conditions such as interest rates and foreign exchange rates. Prairie Centre's market risk primarily arises from movements in interest rates. The credit union employs comprehensive management processes around our market exposures and risk taking activities.

There is defined policy around numerous risk measures, which is then compared to our current and expected future situation through dynamic modeling. We also utilize income simulation for scenario and stress testing based on changes in interest rates.

Regular reporting of these risk measures and how they compare to credit union policy is provided to the Asset and Liability Committee, Board of Directors, Audit and Risk Committee, and system regulators. We assess the need for mitigating activities and implement appropriate risk mitigating strategies where and when deemed necessary.

Liquidity Risk

Liquidity is required to meet the day to day cash needs and for the loan demands of our members. Liquidity risk arises from general funding activities and through management of our assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdowns of deposits. The credit union's liquidity risk management strategies seek to maintain sufficient liquid resources to continually fund our balance sheet commitments. Liquidity risk management requirements are defined by policies and regulatory standards and limits, and as such we maintain 10% of our deposits in liquidity deposits with SaskCentral.

The Asset and Liability Committee and the finance team oversee liquidity risk exposure and management. Prairie Centre's liquidity risk management process monitors actual and anticipated inflows and outflows of funds on a daily basis. Operational and Statutory Liquidity levels are assessed and reports are provided to management and the Board of Directors quarterly. We actively manage liquidity and funding risk by holding a portfolio of liquid assets as well as by establishing borrowing facilities.

In 2014 liquidity management was enhanced through the utilization of stress testing and implementation of a system to indicate if a liquidity crisis could be developing.

Credit Risk

Credit risk comes primarily from our direct lending activities and syndicated loans (credit products purchased, but not administered by PCCU), and to a lesser extent our holdings of investment securities. Credit risk is the risk of financial loss resulting from a borrower or counterparty's inability to meet its obligations.

Credit risk management focuses on underwriting and pricing loans according to their risk and ensuring the overall portfolio is well diversified. There are five parts to credit risk management including policy, credit granting, monitoring and exposure, portfolio management, and audit.

Lending practices are set by the Board of Directors in policy and put into practice through procedures as established by management. Review and revision of the lending policy and procedures is completed on an ongoing basis.

In 2014 the *board of directors* held 8 meetings



Credit granting is performed in accordance with approved policies, procedures, and applicable legislation. This includes credit analysis, pricing, terms, and documentation of lending. Loan pricing structures are in place to support lenders in pricing decisions and to ensure risk is being offset by rates. Consistent documentation is used by all Prairie Centre branches.

Concentration limits, in regard to industry and size of loans, have been designed to reflect our risk tolerance. Credit risk is further mitigated through in-depth and ongoing training of loans personnel, independent adjudication of larger risk loan applications, and regular monitoring and reporting. As detailed in the notes to the financial statements, we have very low levels of impaired loans and our delinquency levels are also very low.

The credit union's credit portfolio and lending practices undergo regular and ongoing independent assessment through external audit, internal audit, and regulatory reviews. Reports are provided to management and to the Board of Directors through the Audit and Risk Committee.

Legal and Regulatory Risk

Legal and regulatory risk arises from potential non-compliance with laws, rules, regulations, or ethical standards in the jurisdiction in which the organization operates. Prairie Centre Credit Union operates in a heavily regulated and rule-based environment. We have a dedicated risk team who ensure compliance requirements are followed. In addition, all specialized departments are knowledgeable in the regulations that pertain to their areas. We employ an internal auditor who ensures audits are performed on a regular basis to review compliance to regulations and sound business practices. If required, contractors for audit will be hired for additional independence and/or expertise.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Exposure to this risk arises from deficiencies in internal controls, technology failures, human error, or natural disasters.

Operational risk is managed through the use of policies and procedures, controls, and monitoring. The credit union mitigates

operational risks through utilization of alert systems, internal audit programs, business continuity planning, appropriate insurance coverage, and secure technology solutions.

CORPORATE STRUCTURE AND GOVERNANCE

Prairie Centre Credit Union's philosophy on corporate governance is to practice transparency in operations and maintain a professional approach and accountability in dealing with our members. The credit union has always focused on maintaining the highest standards by conducting its affairs ethically and lawfully and by sustaining a culture of integrity and professionalism.

Board of Directors

The Board of Directors is comprised of nine directors, all of whom are independent, and who are nominated and elected on a regional basis. The functions of the Board include formulation of strategic business plans, setting up goals for evaluating the performance of the CEO, approving corporate mission, vision and values, monitoring corporate performance against strategic business plans, ensuring compliance with laws and regulations, keeping members informed regarding plans, strategies and performance of the Credit Union, and other important matters.

In acting in the best interests of the credit union and its members, the Board's actions adhere to the standards set out in The Credit Union Act 1998, The Credit Union Regulations 1999, the Standards of Sound Business Practice, Prairie Centre Credit Union's articles and bylaws, and all legislation applicable to credit unions.

During the financial year 2014, the Board of Directors held six regular meetings and had two special meetings. Our directors place strong emphasis on learning and development and participate in training every year. Three directors participated in the Credit Union Director Achievement (CUDA) training certification program and five of our directors have completed the full CUDA program. Credit Union Deposit Guarantee had a workshop which one of our directors attended.

Committees of the Board are established to provide for partitioning of responsibilities which enables a clear focus on specific areas of activity vital to the effective operation of our credit union. Prairie Centre Credit Union has the following Board committees:

MANAGEMENT DISCUSSION AND ANALYSIS

Member Engagement Committee

This committee is made up of three board members and was established late in 2014 to generate ways to stimulate member involvement in the credit union through increasing attendance at annual general meetings, becoming a board member, and recognition of the co-operative difference in having a membership in their financial institution. The committee met once in 2014.

Executive/Governance Committee

The Executive/Governance Committee is comprised of the President and the three Vice-Presidents of the Board. The purpose of the committee is to act in the capacity of, and on behalf of, the Board of Directors between regular or special board meetings as may be required on matters that can be delegated by the Board. Duties related to governance are to set and maintain effective governance guidelines, ensure the performance and succession of senior leadership, and ensure compliance with all policies and Prairie Centre Credit Union bylaws. This committee met three times in 2014.

Audit and Risk Committee

The Audit and Risk Committee, which met three times in 2014, is comprised of five directors. The purpose of the Audit and Risk Committee is to oversee the financial reporting process, review financial statements, liaise with internal and external auditors and regulators, and review internal control procedures at a high level.

Conduct Review Committee

The Conduct Review Committee, which met twice in 2014, is comprised of five directors. The purpose of the Conduct Review Committee is to ensure that all proposed related party transactions with the credit union are fair to the credit union and that best judgment is exercised in all matters of related party relationships.

Human Resources and Policy Review Committee

The Human Resources and Policy Review Committee reviews the existing policies of Prairie Centre Credit Union, for the purpose of recommending any changes, deletions and/or additions

to the Board of Directors, for their approval. The committee is accountable to make recommendations for consideration by the Board of Directors for all human resources planning, the human resources policy, and the total compensation system of the credit union. This committee met twice in 2014.

Nominating Committee

The Nominating Committee oversees the nomination and election processes for election of credit union directors. The committee is comprised of the directors whose terms are expiring the following year and they met once in 2014 to complete the nomination process.

Returning Officer Committee

As per our Bylaws, the Returning Officer Committee consists of the Returning Officer appointed at the previous Annual Meeting and those members of the Board of Directors whose terms expire in two years. The Returning Officer is charged with conducting the election process and, as we did not have an election in 2014, there were no activities required by this committee.

Executive Management

Prairie Centre Credit Union has an experienced Executive Management team. Executive Management is responsible to oversee the operations of the credit union within the context of strategies and policies approved by the Board, and for developing processes that identify measure, monitor, and control risks. Management reports to the Board and committees on a regular basis on performance and risk controls of the credit union relative to the annual business plan, as well as on measures stipulated in policy.

Summary

Thank you to our Board of Directors, management, and staff for their commitment and hard work. We also wish to acknowledge and show appreciation to our members for your support as our organization evolves, and we look forward to meeting all of your financial needs in the future. It is our pleasure to continue to help you, our members...**Grow Your Money.**

MANAGEMENT'S RESPONSIBILITY

To the Members of Prairie Centre Credit Union (2006) Ltd.:

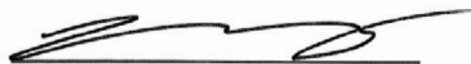
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

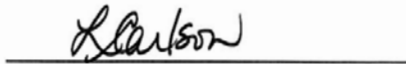
The Board of Directors and Audit and Risk Committee are composed entirely of Directors who are neither management nor employees of the Credit Union. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit and Risk Committee has the responsibility of meeting with management, internal auditors, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Credit Union's external auditors.

MNP LLP is appointed by the members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 5, 2015

A stylized, handwritten signature in dark ink, appearing to read 'Al Meyer', positioned above a horizontal line.

Chief Executive Officer, Al Meyer

A handwritten signature in dark ink, appearing to read 'Lesley Carlson', positioned above a horizontal line.

Chief Financial Officer, Lesley Carlson

Auditors' Report on Summary Consolidated Financial Statements to the Members of Prairie Centre Credit Union (2006) Ltd.

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position at December 31, 2014, the summary consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Prairie Centre Credit Union (2006) Ltd. for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 5, 2015.

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 Prairie Centre Credit Union (2006) Ltd.

Management's Responsibility for the Summary Consolidated Financial Statements

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

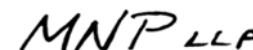
Auditors' Responsibility

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 Prairie Centre Credit Union (2006) Ltd. for the year ended December 31, 2014 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

March 5, 2015
Saskatoon, Saskatchewan



Chartered Accountants

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31	2014	2013
Assets		
Cash and cash equivalents	\$ 72,716,634	\$ 46,863,501
Investments	32,095,839	39,470,536
Member loans receivable	436,046,466	417,015,491
Other assets	992,762	2,123,929
Property, plant, and equipment	5,274,999	5,404,387
	\$ 547,126,700	\$ 510,877,844
Liabilities		
Member deposits	\$ 503,729,339	\$ 469,303,562
Other liabilities	2,779,388	5,406,875
Membership shares	60,475	61,015
	506,569,202	474,771,452
Members' equity		
Retained earnings	40,557,498	36,106,392
	\$ 547,126,700	\$ 510,877,844

Approved on behalf of the Board



Evan Sjøvold, Director



Craig Hanson, Director

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

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

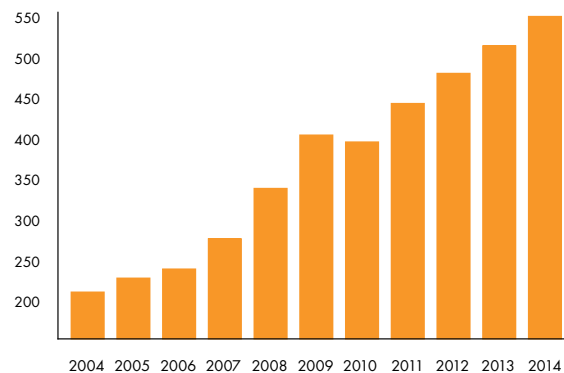
Year Ended December 31	2014	2013
Interest income	\$ 20,264,629	\$ 19,263,204
Interest expense	5,898,555	5,308,756
Gross financial margin	14,366,074	13,954,448
Operating expenses	13,200,671	13,011,141
Other income	3,959,400	3,747,468
Recovery of impaired loans	75,471	190,274
Income before income taxes	5,200,274	4,881,049
Income taxes	749,168	653,164
Comprehensive income	4,451,106	4,227,885

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

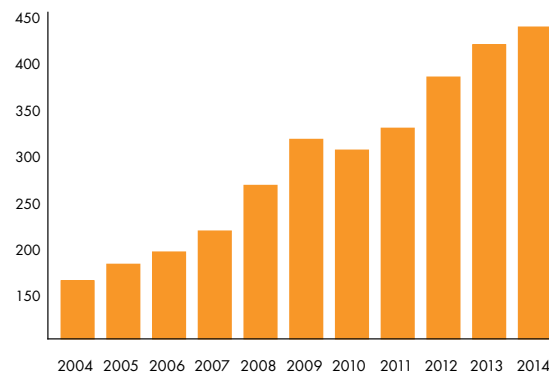
Year Ended December 31

	Retained Earnings	Total
Balance, December 31, 2012	31,878,507	31,878,507
Comprehensive income	4,227,885	4,227,885
Balance, December 31, 2013	36,106,392	36,106,392
Comprehensive income	4,451,106	4,451,106
Balance, December 31, 2014	40,557,498	40,557,498

ASSETS



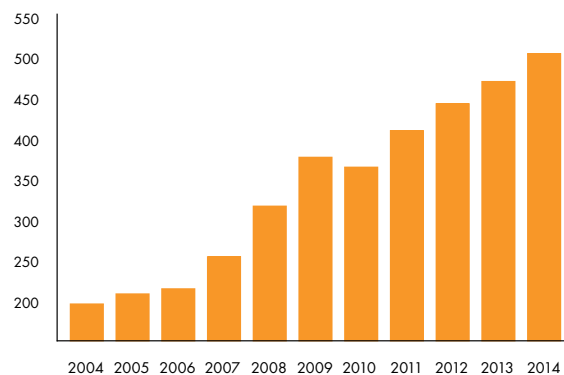
LOANS



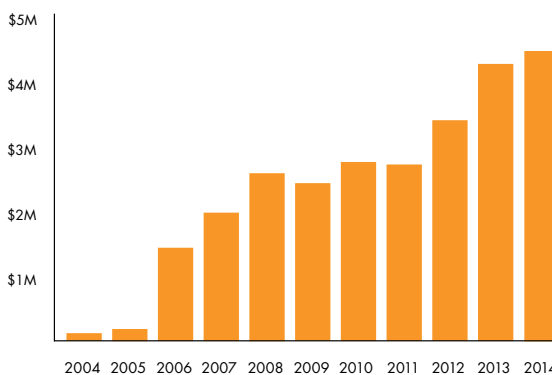
SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31	2014	2013
Cash flows provided by (used in) the following activities:		
Operating activities	\$ 3,713,488	\$ 6,251,311
Financing activities	34,109,985	27,455,754
Investing activities	(11,970,340)	(30,010,070)
Net increase in cash and cash equivalents	25,853,133	3,696,995
Cash and cash equivalents, beginning of year	46,863,501	43,166,506
Cash and cash equivalents, end of year	\$ 72,716,634	\$ 46,863,501

MEMBER DEPOSITS



NET INCOME



For complete details and more information,
contact your branch today or visit **www.pccu.ca**

