

# *Understanding* Our Members





*Our focus* at Prairie Centre is simple:  
**We'll Help Grow Your Money.** How?

Now, more than ever, we're investing in *staff development*, ensuring our people understand the *right tools and techniques* to help you *make the most of every dollar you earn*. But that's only part of it. Even *more important* than understanding money is **understanding you.**



## MILESTONES

When you look back at milestones you've achieved in life, what do you remember most? The milestone itself or how you felt achieving it?

The only thing we enjoy more than helping you reach your financial goals is celebrating right along with you! You get the satisfaction of sending your child to university or paying off your mortgage or retiring worry-free — we get to see the look on your face. Now, that is priceless.

At this time, we'd like to recognize staff who are celebrating their own milestones, dedicating years of service to PCCU and our members:

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### 5 Years of Service

Denise Britton  
Nancy Burton  
Jodi Kadler  
Gloria Lane  
Nicole Rorick  
Sharon Tomecek  
Wanda Tullis

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### 10 Years of Service

Tammy Weir

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### 15 Years of Service

Mike Menzies

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### 20 Years of Service

Janet Beyer  
Janet Eskelson  
Judy Husby  
Cindy McKillop  
Elaine Stang

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### 30 Years of Service

Sharie Jensen

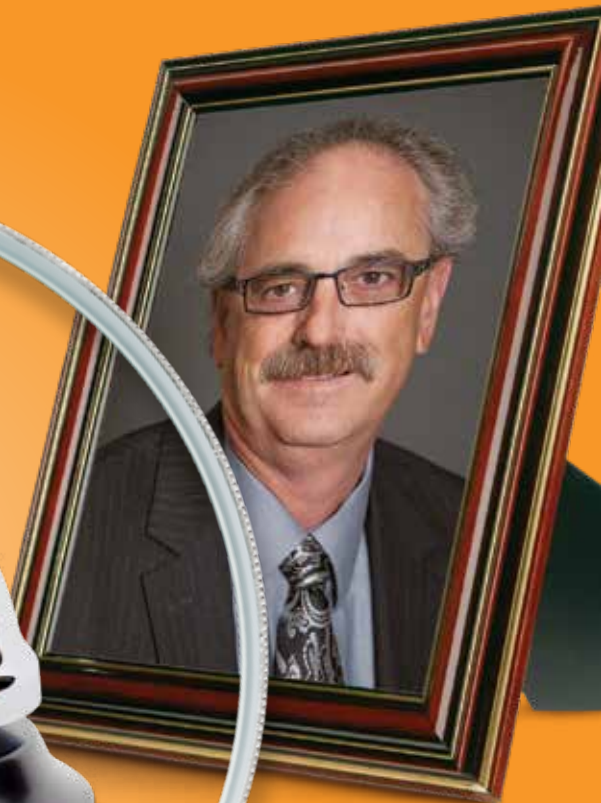
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### 35 Years of Service

Kath Frazer







~ RING for ~  
SERVICE

## MESSAGE FROM THE PRESIDENT, BOARD OF DIRECTORS, AND FROM THE CHIEF EXECUTIVE OFFICER

On behalf of the Board of Directors and staff, it is our privilege to present an overview of a very successful and eventful year at Prairie Centre Credit Union through the information provided in this 2015 Annual Report.

2015 was another year of growth and relative prosperity for our regional economy. Our communities have benefitted from agriculture, resources, and recreational growth over the last several years which has led to the growth of our credit union.

Growth and profitability as a credit union provides us the opportunity to give back. In 2015, PCCU contributed more than \$150,000 into the communities we serve through scholarships, donations, sponsorships, and in-kind contributions. We are deeply rooted here on the prairies and as we continue to grow, so will our investment in our communities. Our contributions do not include the countless volunteer hours our staff donate on a regular basis to help make our communities a little brighter. Our staff commitment to volunteering helps build healthy communities and we're proud of the work they do!

At PCCU, our assets increased by \$45 million to \$592 million and our assets under management increased to \$741 million, for a total increase of \$62 million, which is an increase of 9.0% from the prior year.

Our net income increased slightly to \$4.5 million from \$4.45 million in 2014. We continue to gain efficiencies in our operations, at the same time as increasing our growth and providing new products and services. A drop in prime in early 2015 caused our interest margins to remain low throughout the year, and we expect 2016 to be a continuation of this trend. We also expect there could be challenges in 2016 related to the decline in oil and gas having a ripple effect to other sectors of the economy.

Over the past six years we have placed significant emphasis on increasing our capital levels through retention of earnings. At the end of 2015, our Tier I capital level increased from 7.20% to 7.46% while our Risk Weighted Assets increased from 11.13% to 11.86%. We will continue to focus on increasing our capital levels to meet our regulatory environment and provide long term sustainability for PCCU.

Our strategic plan which was implemented in 2014 has the following key 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.

In 2015 we introduced mobile apps, upgraded our cards for 'tap and go' payments, and expanded the alerts for members using on-line banking services. We grew our agricultural loan portfolio by over 11% and staff made over 400 visits to farmers throughout the year including our popular Pizzafalooza meal in the field program. Profitability and capital levels both increased as well so we have made strides to achieving our key strategic objectives.

In early 2015 we were approached by both Herbert and Morse Credit Unions regarding the potential to join Prairie Centre. After each credit union had a positive member vote in June, our amalgamation became official on January 1, 2016. We are pleased to have two more rural branches join us and are happy to report our combined assets under management will begin at \$802 million.

The Board of Directors and Executive Management team embarked on Governance Training in 2015 and will become certified as Professional Directors in 2016. The board members provide strategic focus, guidance, and representation of our members and communities and we are very thankful for their commitment and dedication to the credit union.

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. In addition, we would like to thank our staff and management for your continued dedication and commitment to serve our members on a daily basis.

Our primary focus at PCCU is to help our members achieve their financial goals and help "grow your money". We are excited about the journey into 2016 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"


**GREG HANNAY**

Board President

**AL MEYER**

Chief Executive Officer

## MANAGEMENT DISCUSSION AND ANALYSIS



Growth in  
2015 was *strong*  
throughout the  
year and *exceeded*  
*expectations.*

### 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. We're a credit union born on the prairies for people who want to live, work, and prosper here. As at December 31, 2015, Prairie Centre Credit Union had 11,870 members, which is a slight decrease from our membership of 12,100 the prior year.

We have over 110 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 credit union in Saskatchewan, Prairie Centre has reaped the benefits of a strong local farming economy. Growth in 2015 was strong throughout the year and exceeded expectations. We have forecasted 2016 growth at a more moderate level. Our focus is on sustainable growth and we continue to look for ways to reduce costs in order to build our capital levels to stay viable into the future.

### ECONOMIC CONDITIONS

The Conference Board of Canada is forecasting Saskatchewan will have minimal economic gains in the upcoming year as the effects of the decline in oil and gas industry are felt. However, the diverse Saskatchewan economy helps to moderate the highs and lows of individual sectors. Growing conditions are expected to be normal, and this, along with favourable world markets, will be positive for the agriculture industry. Investments in mining construction and projected increases in government spending on infrastructure will moderate the bleak outlook for oil and gas. Nationally, the low interest rate environment is forecasted to continue throughout 2016, with the likelihood that Bank of Canada will not raise rates as economic growth is expected to be moderate, and inflation is in the bank's target range.

Growth globally is expected to be sluggish and reach levels only slightly above last year thanks to a stronger economy in the United States. Uncertainties in global financial markets linked to China's difficulties represent a downside risk to the world economy.



## STRATEGIC OVERVIEW

Prairie Centre Credit Union's mission is to provide "1st Choice Financial Solutions for our Community." To achieve this directive, the directors, along with Executive Management, set specific objectives that support this vision and align with our values. We follow a three year planning cycle, and establish specific goals annually to ensure we accomplish our strategic objectives. We are midway through the current planning cycle of 2014 to 2016. Integral to the plan was input from our members garnered through surveys. The strategic objectives are 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 2015 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 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 \$148 million in deposits through our relationship with the companies of Qtrade Financial Group.

To further expand our service offering, we own PCCU Insurance and operate one agency in Elbow. We offer a full line of products including home, farm, auto, and commercial insurance. We were very pleased with the addition of these services and our second full year of operations saw a return on investment for the agency of 23% before tax.

Prairie Centre Credit Union is committed to enriching the member service experience. In 2015, we added mobile applications for members which included the ability to take a picture of a cheque and deposit it. We upgraded our debit cards with flash technology so members can make payments using 'tap and go'. New alerts were added to on-line banking for members to be notified via text or

email regarding activity on their accounts such as payments due, terms maturing, or balances going below a certain level. Members select the alerts they will receive to assist in management of their accounts.

In our strategic plan particular emphasis has been placed on the development of agriculture related products and services 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. Our agricultural loans grew a further 11.5% in 2015 and we look forward to further growth in the years ahead.

Throughout the province, credit unions continually assess their viability and the value that remaining as a stand-alone operation brings to their membership. The position of Prairie Centre Credit Union is to consider requests from smaller or mid-size credit unions in regard to merger provided there is an overall benefit for existing and new members. Prairie Centre was contacted by two rural-based credit unions, Herbert and Morse, seeking a merger partner. In June, members of both credit unions voted to join with Prairie Centre and on January 1, 2016 the merger occurred. An insert into the annual report provides a summary of each credit union as well as our combined financial position as at December 31, 2015. We welcome members from Herbert and Morse to Prairie Centre!

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 2015 we reviewed our facilities for Eatonia, and in 2016 a new branch will be built. This demonstrates our continued commitment to rural Saskatchewan.

### 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 2015 our assets grew \$45 million dollars to \$592 million from 2014 levels of \$547 million. The strong asset growth was accompanied by an increase in our loans to \$485 million from \$436 million the year prior. Member deposits are at \$544 million posting large increases from the prior year of just under \$504 million.

Interest margins remained low throughout the year and an unforeseen drop in prime in early 2015 dropped revenue below expectations. Through expense control and stronger non-interest revenue, we were able to achieve profitability above targeted levels.

# MANAGEMENT DISCUSSION AND ANALYSIS

We had another year of record profit of \$4.5 million, narrowly exceeding last year's result of \$4.45 million. For 2016 we are projecting slightly lower profit levels due to the continued low interest margin reducing our net interest revenue.

We continue to look for ways to gain efficiencies and reduce operating costs. Methods to earn additional revenue are also explored in order to reach our targeted profitability, and grow the capital levels of our credit union. Our efficiency ratio for 2015 stayed level with 2014 at 71.95% which is the lowest level we have achieved as an organization. This ratio equates to us spending 71.95 cents to earn \$1.00 in revenue. Our goal is to keep this at the lowest level possible while still providing quality service to our membership. We expect our efficiency ratio to be at 74.74% in 2016 which, although higher than this year's result, is equal to the average of credit unions in Saskatchewan in 2015.

## Internal Support and Risk Systems

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

Technology is integral to our operations, and in 2015 we changed back-office processes for imaging cheques which was the catalyst for further efficiency gains. We upgraded bandwidth in several branches as well as continued upgrades to the banking system and equipment in order to have the latest technology for our members.

A full review of human resource policy and procedures was undertaken in 2015. In 2016 there is continued emphasis on the training and development of staff to provide the utmost in service excellence to our members. A staff committee will complete the biennial review of compensation to ensure we keep our pay systems up to date, attract new staff, and retain experienced and qualified staff.

Risk management is part of everyday life at a financial institution. Accordingly, 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. The section in the report on Enterprise Risk Management provides more detail on how we manage risk in the credit union.

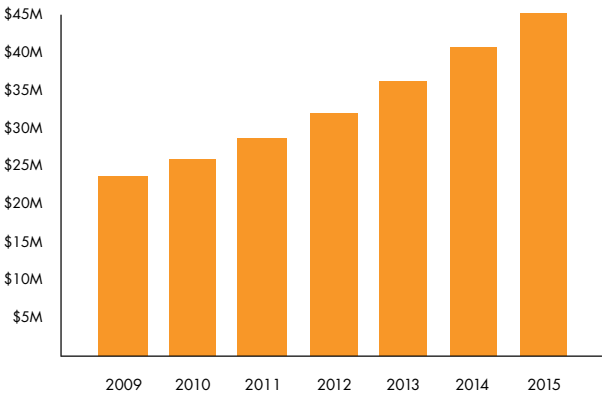
## CAPITAL MANAGEMENT

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 and is categorized on our balance sheet as Members' equity.

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

The Board of Directors and Executive Management believe in maintaining a strong capital position. The capital management plan is developed by management 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.

## RETAINED EARNINGS



As our capital is comprised of our retained earnings, Prairie Centre Credit Union relies on profitability to grow its capital position. We are in a capital building mode and as such, the credit union retains its annual earnings rather than paying member patronage in order to meet the capital requirements and maintain our independence. As the graph reveals, our retained earnings have been growing steadily, and at the end of 2015 our retained earnings reached just over \$45 million.

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. The second measure is a risk based capital 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, the regulatory requirement for a credit union is to have a minimum leverage ratio of 5.0%. Prairie Centre has established a minimum level for the leverage ratio of 6.50% and a long term target level of 9.0%. At the end of 2015 our leverage ratio increased to 7.46% compared to a level of 7.20% at the end of 2014.

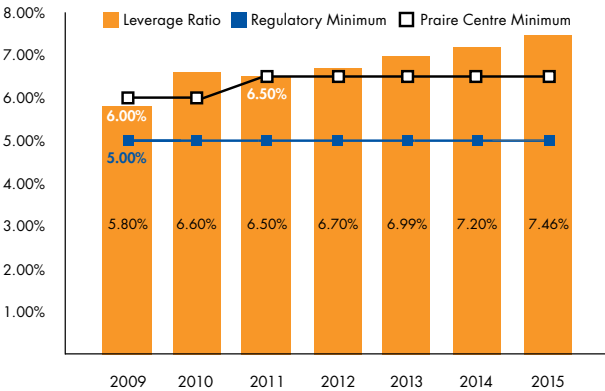
Credit unions assess additional capital requirements based on the risks faced by their individual operations using an Internal Capital Adequacy Assessment process (ICAAP). ICAAP evaluates requirements for capital relative to strategic plans and the credit

union's risk appetite. The assessment of risks with assigned capital requirements is a key tool in making strategic business decisions. Enterprise-wide stress testing and scenario analysis are also used to assess the impact of various stress conditions on our risk profile and capital requirements.

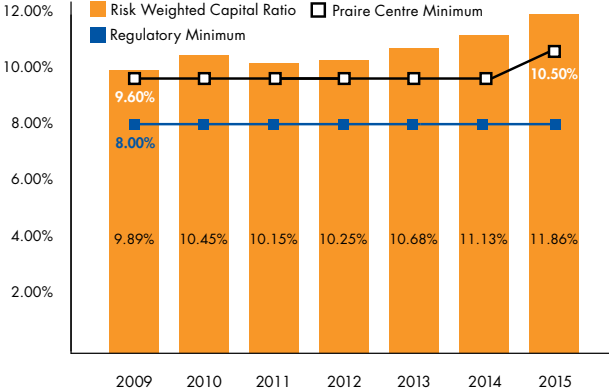
The Corporation's minimum ratio of eligible capital to risk weighted assets is 8%, however early in 2016 a capital conservation buffer of 2.5% will be added to this level and the minimum becomes 10.50%. Therefore Prairie Centre has adopted 10.50% as our minimum for risk weighted capital. Our longer term target level has been set at 13.50% to ensure we have adequate capital relative to our risk profile. We completed 2015 with a risk weighted capital ratio of 11.86% which is an increase from 11.13% in 2014.

In 2015, higher than expected asset growth meant that, although our capital levels increased, we did not achieve budgeted capital levels. Looking ahead to 2016, we are projecting growth in our capital ratios, with the leverage ratio budgeted to increase to 7.69%. The projected risk weighted capital ratio is set at 12.29%. The ratios consider growth in equity levels as well as growth in assets. Asset growth ahead of projections will impact our ability to reach the targeted capital ratios.

### TIER 1 CAPITAL RATIO (LEVERAGE TEST)



### RISK WEIGHTED CAPITAL ASSETS



# MANAGEMENT DISCUSSION AND ANALYSIS

## Enterprise Risk Management

The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Our main objective remains to preserve and build capital while growing our market share. It is our goal to provide our members with the best service and the products that they require.

As a financial institution, Prairie Centre Credit Union is exposed to a variety of risks. Prairie Centre has a moderate level of capital and therefore takes a moderate approach to risk. To actively manage risk, Prairie Centre has implemented an enterprise-wide risk management (ERM) approach for the identification, measurement, and monitoring of risks.

The ERM framework establishes risk categories and details how risk management is designed and functions at Prairie Centre. The Board of Directors is responsible for approving the overall business strategies, for understanding the major risks, and for setting acceptable tolerance levels. Annually, the directors review the relevant risks faced by the credit union, and approves an action plan set by Executive Management.

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.

An Asset Liability Committee (ALCO), comprised of senior management, meets regularly to monitor present and potential exposure in the areas of interest rate risk, credit risk, operations risk, liquidity risk, and currency risk. ALCO reviews short term and long term interest rate trends and outlines the corrective action to control risk present on the balance sheet of the credit union.

## Strategic Risk

Strategic risk is the risk that business decisions or plans could be flawed, which will impact the ability of the credit union to meet objectives. To manage this risk, 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 ERM 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 interest rate 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, Audit and Risk Committee, Board of Directors, 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 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.

Prairie Centre's liquidity risk management process monitors actual and anticipated inflows and outflows of funds on a daily basis. We actively manage liquidity and funding risk by holding a portfolio of liquid assets as well as by establishing borrowing facilities. The

finance department prepares liquidity reports to the Asset and Liability Committee who oversee liquidity risk exposure and management. Operational and Statutory Liquidity levels are assessed and reports are provided to ALCO and the Board of Directors quarterly. A variety of stress-testing scenarios are reviewed and a system has been established to indicate if a liquidity event could be occurring. In 2016 new liquidity standards will be established by The Credit Union Deposit Guarantee Corporation. In preparation, we measured our liquidity position using the draft standards and we were above the requirements.

### **Credit Risk**

Credit risk originates primarily from our direct lending activities and syndicated loans (credit products purchased, but not administered by Prairie Centre Credit Union) 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 lending policy and procedures is completed on an ongoing basis and a full review of loan procedures is set to occur in 2016.

Credit granting is performed in accordance with approved policies, procedures, and applicable legislation. This includes credit analysis, pricing, terms, and documentation of loans. Consistent documentation is used by all Prairie Centre branches. Pricing parameters are in place to support lenders in pricing decisions and to ensure risk is being offset by rates while remaining competitive in the market.

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 lending 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 rules-based environment.

All employees are accountable for compliance within the scope of their responsibilities and complete annual training to stay up to date in the requirements. Specialized departments are knowledgeable in the regulations that pertain to their areas. We have a dedicated risk team who ensure compliance requirements are followed. Our internal auditor ensures audits are performed on a regular basis to review compliance to regulations and sound business practices. When required, contractors for audit are hired for additional independence and/or expertise.

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, 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 preventative measures including policies and procedures, controls, and monitoring. We employ controls and monitoring such as segregation of duties, employee training, performance management and a structured internal audit program. The credit union mitigates operational risks through utilization of alert systems, business continuity planning, appropriate insurance coverage, and secure technology solutions. We have a dedicated technology department responsible for system security and functionality.




## MANAGEMENT DISCUSSION AND ANALYSIS

### CORPORATE STRUCTURE AND GOVERNANCE

Corporate Governance is the system by which organizations are directed and controlled. Prairie Centre Credit Union operates within a comprehensive regulatory framework. We are established under provincial legislation through *The Credit Union Act, 1998* and regulated by The Credit Union Deposit Guarantee Corporation. The Corporation sets out Standards of Sound Business Practice and provides regulatory guidance for all Saskatchewan credit unions. The Board of Directors is responsible to approve policy and sets the overall direction of the credit union and management is responsible for operations.

Prairie Centre'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 voluntarily adheres to a Market Code which consists of business conduct practices that ensure we maintain high standards of professionalism. Our focus is on maintaining the highest standards by conducting affairs ethically and lawfully and by sustaining a culture of integrity and professionalism. We treat all information as private and confidential, maintain reliable banking and payment systems, employ fair sales practices, and deal with any member complaints to ensure a satisfactory resolution.



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### 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 2015, the Board of Directors held six regular meetings and had four special meetings. Our directors place strong emphasis on learning and development and participate in training every year. Four 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 Corporation had a workshop which four of our directors attended. The entire Board of Directors and the Executive Management team enrolled in The Professional Director Certification Program™, a training program delivered by Brown Governance. This intensive and comprehensive training on corporate governance will be completed in 2016.

For enhanced efficiency and effectiveness, well-appointed and structured committees are utilized. Each committee has a mandate outlining its purpose and responsibilities which enables a clear focus on specific areas of activity vital to the effective governance of our credit union.

BOARD OF DIRECTORS



**Greg Hannay, *President***  
Representative of District #2  
Elected to the Prairie Centre Board of Directors in 2009.  
Farmer/Seed Cleaning Plant Owner. Chair of the Governance Committee; Sits on the Audit & Risk Committee and the Conduct Review Committee. Representative of District #2.



**Evan Sjovald**  
Representative of District #4  
Elected to the Prairie Centre Board of Directors in 2005.  
Farmer. Chair of the Audit and Risk Committee and the Conduct Review Committee.



**Craig Hanson, *Vice-President***  
Representative of District #2  
Elected to the Prairie Centre Board of Directors in 2005.  
Farmer/Engineer. Sits on the Governance Committee and the Human Resources and Policy Review Committee.



**Karen Sinclair**  
Representative of District #2  
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.



**Keith Collins, *Vice President***  
Representative of District #1  
Elected to the Prairie Centre Board of Directors in 2009.  
Farmer. Sits on the Governance Committee, the Audit and Risk Committee, the Conduct Review Committee, and the Member Engagement Committee.



**Michelle Brummund**  
Representative of District #1  
Elected to the Prairie Centre Board of Directors in 2010.  
Accountant/Farmer. Sits on the Audit and Risk Committee and the Conduct Review Committee.



**Brian Benson, *Vice-President***  
Representative of District #4  
Elected to the Prairie Centre Board of Directors in 2009. Retired.  
Chair of the Member Engagement Committee and sits on the Governance Committee, the Audit and Risk Committee, and the Conduct Review Committee.



**John Kutz**  
Representative of District #3  
Elected to the Prairie Centre Board of Directors in 2011. Farmer.  
Sits on the Human Resources and Policy Review Committee



**Cathy Newby**  
Representative of District #3  
Elected to the Prairie Centre Board of Directors in 2005.  
Farmer/Business Owner. Sits on the Human Resources and Policy Review Committee and the Member Engagement Committee.

GOVERNANCE INVESTMENT

	Honorariums	Per Diems	Training	Travel	Office/ Other costs	Total
Amount	\$3,900	\$62,099	\$66,090	\$11,827	\$16,160	\$160,076

## MANAGEMENT DISCUSSION AND ANALYSIS

### Governance Committee

The Governance Committee is comprised of the President and the three Vice-Presidents of 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 2015.

### Audit and Risk Committee

The Audit and Risk Committee, which met four times in 2015, 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. The committee also ensures the Enterprise Risk Management framework is reviewed, and oversees the identification, measurement, and development of strategies to manage risks, and oversees compliance with legal and regulatory requirements.

### Conduct Review Committee

The Conduct Review Committee, which met twice in 2015, 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 deemed fair to the credit union and that best judgment is exercised in all matters of related party relationships.

### Human Resources and Policy Committee

The Human Resources and Policy Committee is accountable to make recommendations for consideration by the Board of Directors for all human resources planning, and the total compensation system of the credit union. The committee also 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. This committee met twice in 2015.

### 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 such as increasing attendance at annual general meetings, becoming a director, and recognition of the co-operative difference in having membership in their financial institution. The committee met twice in 2015.

### 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. As part of the Articles of Amalgamation, directors are named to hold office until the first general meeting of the amalgamated credit union which will occur in 2017. Therefore no meetings were required for this committee.

### 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 2015, there were no activities required by this committee.

### Executive Management

Prairie Centre Credit Union has an experienced Executive Management team who are responsible to oversee the operations of the credit union within the context of strategies and policies approved by the directors, and for developing processes that identify measure, monitor, and control risks. Management reports to the Board of Directors 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.

## EXECUTIVE MANAGEMENT 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 is a director of the Co-operative Superannuation Society and Chairman of the Board for Concentra Financial. Al was a member of the SaskCentral Board of Directors for over ten years and has served on the Celero Management committee.



### **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 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. A strong commitment to member service has led to Lesley co-leading the development and implementation of service standards at Prairie Centre. Lesley has been with Prairie Centre Credit Union since 1989 and has over 30 years of credit union experience in a variety of positions – frontline, marketing, deposits, advisory services, and now finance. Lesley is a Certified Financial Planner, completed the Associate Credit Union Institute of Canada Designation with honors, and earned a Bachelor of Management Degree with Distinction.



### **Tim Askin, Chief Operating Officer (Retail)**

Tim is responsible for managing our corporate strategic projects as well as providing fixed asset management for Prairie Centre Credit Union. Currently he is spear-heading the merger with Herbert and Morse credit unions and planning for current and future facility requirements. Tim has over 25 years credit union experience and has been with Prairie Centre since 1995.

Tim is a representative with the Provincial CEAMS Technology group and has completed the Executive Certificate in Applied Leadership at Queens Business College.



### **Blair Wingert, Chief Credit Officer**

In his role as Chief Credit Officer, Blair spearheads the loan related activities in all eleven retail service centers. Blair provides leadership and strategic execution of PCCU's credit management, underwriting standards, loan quality, and overall credit administration. A strong commitment to member service has led to Blair co-leading the development and implementation of service standards at Prairie

Centre. Starting at Prairie Centre Credit Union in 2014, 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 and has begun work on the Credit Union Institute of Canada designation as well as has completed numerous industry related training courses.



### **Colleen Harmatiuk, Chief Operating Officer (Corporate)**

Colleen is responsible for overseeing human resources, corporate technology, compliance, and risk management for the credit union. Colleen also ensures governance practices for the credit union are managed effectively. In her role Colleen is responsible for researching and implementing best practices, reviewing and

maintaining prudent processes for the Enterprise Risk Management, Business Continuity, Privacy, Anti-Money Laundering, Market Code, and other areas of credit union compliance. Colleen has 25 years of experience in various credit unions and has been with Prairie Centre since 2010.



*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.**







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

The accompanying summary consolidated financial statements of Prairie Centre Credit Union (2006) Ltd. and its subsidiaries, which comprise the summary consolidated statement of financial position at December 31, 2015, 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, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 16, 2016.

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 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 Prairie Centre Credit Union (2006) Ltd. for the year ended December 31, 2015 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

March 16, 2016  
Saskatoon, Saskatchewan

A stylized, handwritten-style signature of "MNP LLP" in black ink.

Chartered Accountants

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 62,408,606	\$ 72,716,634
Investments	39,008,502	32,095,839
Member loans receivable	485,175,463	436,046,466
Other assets	916,629	992,762
Property, plant and equipment	4,878,134	5,274,999
	<b>\$ 592,387,334</b>	<b>\$ 547,126,700</b>
<b>Liabilities</b>		
Member deposits	\$ 543,899,604	\$ 503,729,339
Other liabilities	3,364,917	2,779,388
Membership shares	59,350	60,475
	<b>547,323,871</b>	<b>506,569,202</b>
<b>Members' equity</b>		
Retained earnings	45,063,463	40,557,498
	<b>\$ 592,387,334</b>	<b>\$ 547,126,700</b>

Approved on behalf of the Board



Greg Hannay, Director



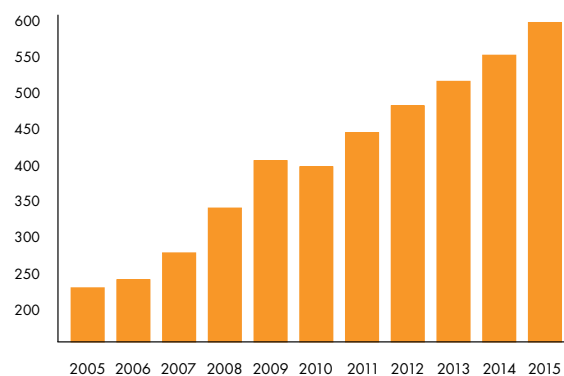
John L. Kutz, Director

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

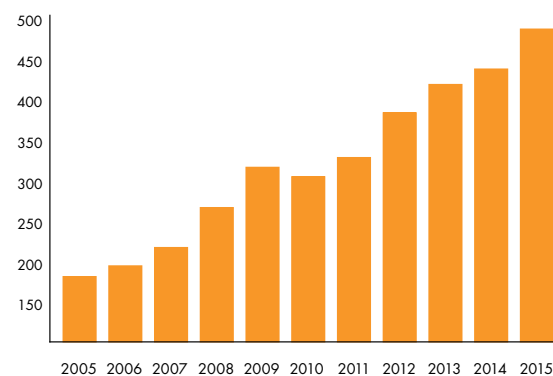
## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31	2015	2014
Interest income	\$ 20,939,207	\$ 20,264,629
Interest expense	6,072,287	5,898,555
Gross financial margin	14,866,920	14,366,074
Other income	4,203,281	3,959,400
Net interest and other income	19,070,201	18,2325,474
Operating expenses	13,743,704	13,200,671
Income before impaired loans & income taxes	5,326,497	5,124,803
Provision for (recovery of) impaired loans	4,068	(75,471)
Income before income taxes	5,322,429	5,200,274
Provision for income taxes	816,464	749,168
Comprehensive income	4,505,965	4,451,106

## ASSETS



## LOANS



## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year Ended December 31

	Retained Earnings	Total
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
<b>Comprehensive income</b>	<b>4,505,965</b>	<b>4,505,965</b>
<b>Balance, December 31, 2015</b>	<b>45,063,463</b>	<b>45,063,463</b>

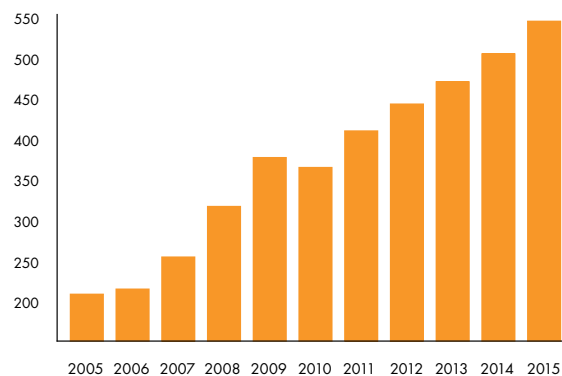
## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31

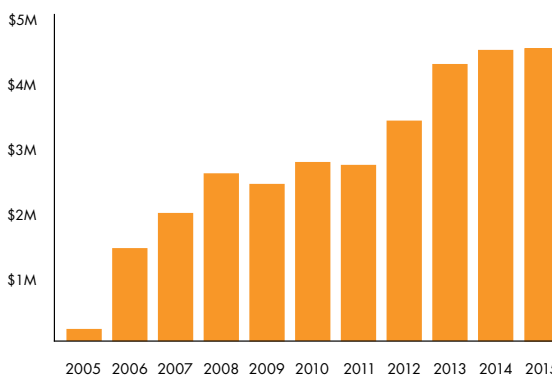
Cash flows provided by (used in)  
the following activities:

	2015	2014
Operating activities	\$ 5,540,533	\$ 3,713,488
Financing activities	40,342,184	34,109,985
Investing activities	(56,190,745)	(11,970,340)
Increase (decrease) in cash and cash equivalents	(10,308,028)	25,853,133
Cash and cash equivalents, beginning of year	72,716,634	46,863,501
Cash and cash equivalents, end of year	\$ 62,408,606	\$ 72,716,634

## MEMBER DEPOSITS



## NET INCOME





For complete details and more information,  
contact your branch today or visit [www.pccu.ca](http://www.pccu.ca)

