

re:

{ knowledge }

Members and employees believe the top way PCCU
helps members grow their money is with our
knowledge of strong financial advice.







re:



{ products }

Our selection of **products** was rated by members and employees as one of the top three ways PCCU helps members grow their money.

At the core of Prairie Centre
we continue to *focus on our members* and
how we can **help you grow your money.**

In 2016 we conducted *research* to explore
the *perceptions* of our members and employees.
Overall *satisfaction* with PCCU has increased,
as has member perception of PCCU delivering
exceptional service . The pillars of that service,
knowledge , *products*  and
friendliness  are the investment we make
in your **financial well-being.**

re:



{ friendliness }

Members commonly say that PCCU provides exceptional service by having professional and helpful staff that are **friendly** and polite.

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:



30 Years

Susan Forsberg
Valerie Hagen

25 Years

Colleen Harmatiuk

20 Years

Glenda Huebner
Tanya Morris

15 Years

Kara Gowen
Jason Hunter
Mariam Kazeil
Tammy Pregizer-Legge
Sarah Weir

10 Years

Bev Arnold
Patricia Bakus
Lee-Ann Cordes
Trina Hamilton
Rechelle Norrish
Colleen Ponto
Debra Schlivert
Camela Stubbins
Laurie Wagner

5 Years

Dean Bencharski
Jillian Carlson
Kaitlyn Clark
Melanie Cruse
Debbie Dubois
Pearl Latsay
Shannon Schellenberg

re:



{ *service* }

PCCU members believe that
we are providing exceptional **service**.

MESSAGE FROM THE BOARD PRESIDENT AND THE CHIEF EXECUTIVE OFFICER

On behalf of the Board of Directors and staff, it is our privilege to present an overview of the year at Prairie Centre Credit Union through the information that is provided in this 2016 Annual Report.

2016 was a year of challenges for our agriculture and resource sectors, which directly impacts our growth and all of the businesses in our communities. Compared to previous years, our balance sheet remained flat while our off balance sheet business grew steadily.

In 2016 we welcomed Herbert and Morse members to our PCCU family. A number of our staff were engaged in the banking system conversion and the offering of new products and services to their members. We are already seeing growth in each of these communities.

Your Board of Directors and Executive Management embarked on governance training in 2015 and completed the program in 2016. All Directors and Executive Management have received their Professional Directors Certification Designation. We are very proud of this accomplishment and in our continued work in governance practices.

Over the past three years we have been working on our current strategic plan that emphasizes relationship building, member advice, and agriculture lending, while building profitability and capital levels. We are very proud of the programs that we have put in place, the

training and development, and the commitment of our staff to achieve these goals. Although 2016 was a difficult year for our regional economy, we achieved most of our goals within the plan. We are also pleased that we have achieved a strong and consistent profitability record as well as increasing our capital levels.

Effective January 1, 2017, we purchased Angus Insurance at Harris through our subsidiary PCCU Insurance Ltd. We now operate two insurance agencies, located in Elbow and Harris.

Late in 2016, the Board of Directors and Executive Management completed a new strategic plan for the next three year cycle (2017 – 2019). The emphasis of the plan is to the growth and commitment to rural Saskatchewan. As the largest rural credit union in Saskatchewan, we want to re-emphasize our commitment to meeting our existing and potential members' needs for the future.

Our Vision Statement for PCCU:

"Saskatchewan's largest rural based credit union, committed to serving our members and communities everywhere."

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. We would also like to thank our staff and management for your commitment to service and meeting our members' needs.

Our Vision Statement for PCCU:

*"Saskatchewan's
largest rural based
credit union, committed
to serving our members
and communities
everywhere."*



GREG HANNAY
Board President



AL MEYER
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

re:



*Our members have told us
that they want their financial
institution to help them grow
their money and we agree.*

INTRODUCTION

Prairie Centre Credit Union is the 7th largest credit union in Saskatchewan and operates as an independent rural-based credit union owned by our members operating in branches located in the communities of Beechy, Dinsmore, Eaton, Elbow, Elrose, Eston, Harris, Herbert, Kyle, Loreburn, Morse, 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, 2016, Prairie Centre Credit Union had 13,531 members, an increase of 1660 from our membership of 11,870 the prior year primarily due to the mergers with Morse and Herbert.

We have over 130 staff members working and living in the trading area who provide full financial services to our members with a focus on helping members grow their money. Ongoing staff training and development sessions to improve their skills allow us to better assist and serve our members.

As the largest rural credit union in Saskatchewan, one of our main influences is the local farming economy. Growth in 2016 was flat, a reflection of the challenges in much of our area. We have forecasted 2017 growth at a lower level as a result. 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 forecast for minimal economic gains in 2016 was certainly true for our area. Looking ahead conditions are projected to improve in 2017, but the economy is expected to remain relatively weak over the next few years. Agriculture is anticipated to recover in 2017 after weather hampered harvest in 2016. Investments in mining, construction, and projected increases in government spending on infrastructure are forecast to slow due to the drop in oil prices and a drop in mining production

output. Potash production is expected to increase, however global inventories of potash are high, so risk remains in this industry. Nationally, the low interest rate environment is forecasted to continue throughout 2017. Across Canada, households are highly leveraged which will likely cause the Bank of Canada to raise rates at a much slower pace to avoid a slowdown in consumer spending while consumers adjust to higher debt servicing costs.

Growth in the global economy is expected to be slow. There are many uncertainties in the global economy that contribute to this viewpoint. The Brexit negotiations following the vote for Britain to leave the European Union are underway, and could have ripple effects throughout Europe and the world. Commodity based economies such as Africa and Latin America are facing difficult times due to consistently weak prices. The United States' economic situation is looking brighter as household balance sheets have improved since the recession. GDP growth expectations are above last year thanks to a stronger economy in the United States.

OUR VISION: STRATEGIC OVERVIEW

Our vision for Prairie Centre Credit Union is to be "Saskatchewan's largest rural based credit union committed to serving our members and communities everywhere." This desire forms the basis for our strategic plans. In order to be successful, we have established our mission to provide "1st Choice Financial Solutions for our Community." Our Board of Directors along with Executive Management, set specific objectives that support our vision and mission which align with our values. We follow a three year planning cycle, and establish specific goals annually to ensure we accomplish our strategic objectives. Integral to the plan was input from our members garnered through surveys. Our current plan culminates in 2016, and the strategic objectives and our achievements in 2016 are highlighted below along with an overview of 2017 plans.

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 because when our members grow their money, we grow our money.

In 2017 we are developing a relationship based pricing system to reward members for the level of business they do with the credit union. This is in place of a traditional cooperative patronage model and is designed to encourage members to utilize more products and services from Prairie Centre.

We continue 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 \$155 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 are very pleased with the addition of these services and our third full year of operations saw a return on investment for the agency of over 20% before tax. We are expanding operations and adding an additional agency in Harris in 2017.

Prairie Centre Credit Union is committed to enriching the member service experience. Our members are taking advantage of services that offer increased convenience. In 2016, our members deposited over 9,100 cheques simply by taking a picture of it! Members can use e-Transfer to send or receive money using an email address or mobile phone number, and in 2016 there were about 125 completed every day, adding up to over 45,000 in the year.

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 59% over the last three years 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 and on January 1, 2016 the merger occurred. To our members from Herbert and Morse we say "Welcome to PCCU"; we are glad to have you with us!

Prairie Centre continues to be active in our communities and during 2016 donated more than \$165,000 through scholarships, sponsorships, and in-kind contributions. We are deeply rooted here on the prairies and as we continue to grow, so does our investment in our communities. Our contributions do not include the countless volunteer hours our staff members donate on a regular basis. Our staff commitment to volunteering helps build thriving communities and we're proud of the work they do!

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 2016 we constructed a new branch building and added an Automated Teller Machine (ATM) in Eatonville. We also replaced the cash dispenser in Herbert with a full-service ATM. In 2017 we are reviewing Dinsmore branch requirements and additional space needed for administrative functions. This demonstrates our continued commitment to rural Saskatchewan.

Profitability and Capital

We have a strong focus on profitability to build capital through managed growth and acceptable risk levels, while developing and maintaining services within the communities.

In 2016 our assets grew \$51 million dollars to \$643 million from \$592 million. The strong asset growth was accompanied by an increase in our loans to \$533 million from \$485 million the year prior. Member deposits are at \$585 million increasing from \$544 million one year ago. We had projected higher growth, however due to the challenges in the economy this did not occur.

We achieved profitability just ahead of targeted levels and posted another year of record profit of \$4.6 million, narrowly exceeding last year's result of \$4.5 million. For 2017 we are projecting lower profit levels due to the continued low interest rate environment and higher investments in technology related projects. Profit builds the capital level of the credit union as it is added

MANAGEMENT DISCUSSION AND ANALYSIS

to retained earnings. The section on Capital Management provides further details on our capital position.

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 2016 was 73.36%, lower than our target of 74.80% for the year. This ratio equates to us spending 73.36 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.

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 2016 we formalized an Information Technology Framework to ensure we align technology investment with our strategic plan, effectively utilize our resources, and manage risks and threats in the organization effectively. Starting in 2017 we are making an investment into technology to help us streamline the delivery of services to our members and digitize data storage.

In 2016 our commitment to quality training and development was further demonstrated. On March 17th, we closed all of our branches and each of our employees attended service training in Rosetown as part of our commitment to members to deliver excellence in member service. We completed the biennial review of compensation to ensure we keep our pay systems up to date, attract new people, and retain experienced and qualified staff. In 2017 we look forward to continued employee training and development.

Risk management is part of everyday life at a financial institution. Accordingly, we utilize an enterprise wide risk management system to ensure we address 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

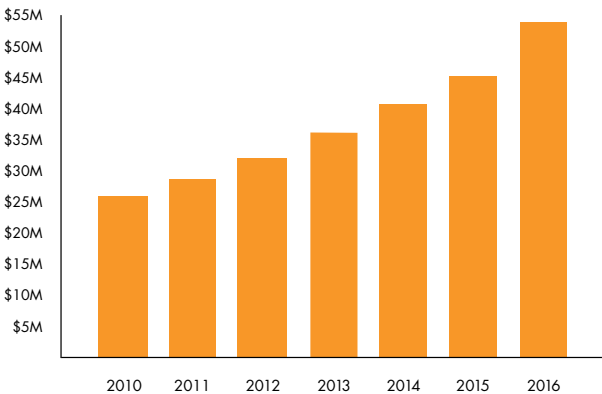
One of the primary measures of financial strength of any financial institution is its capital position. Worldwide, all financial institutions are tasked with building capital to ensure downturns in the economy can be withstood. Prairie Centre Credit Union builds capital through retained earnings which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

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.

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 to which all Saskatchewan credit unions must adhere. In order to assess capital adequacy, the Corporation models standards adopted by financial institutions around the world, including Canadian banks. These standards are evolving and promote the importance of ensuring 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

RETAINED EARNINGS



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.

As our capital is comprised of our retained earnings, Prairie Centre Credit Union relies on profitability to grow its capital position. The credit union retains its annual earnings 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 2016 capital grew to \$53.8 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.

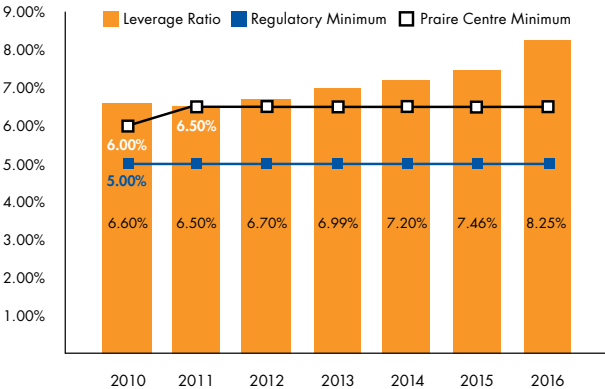
Currently, the regulatory requirement for a credit union is to have a minimum leverage ratio of 5.0%. Prairie Centre has established a minimum level for the leverage ratio of 6.50% and a long term target level of 9.0%. At the end of 2016 our leverage ratio increased to 8.25% compared to a level of 7.46% at the end of 2015.

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.

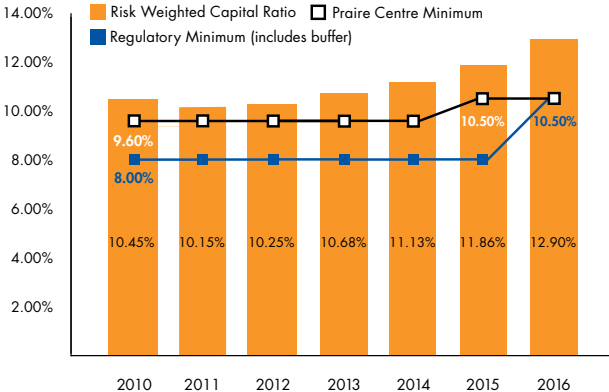
The Corporation's minimum ratio of eligible capital to risk weighted assets was increased from 8% to 10.50% in 2016, and this is our minimum for risk weighted capital. Our longer term target level has been set at 13.50% to ensure we have adequate capital relative to our risk profile. We completed 2016 with a risk weighted capital ratio of 12.90% which is an increase from 11.86% in 2015.

Strong profitability along with lower asset growth in 2016 contributed to capital ratios growing above budget projections for the year. In 2017 we are projecting continued growth in our capital ratios, with the leverage ratio budgeted to increase to 8.58% while risk weighted capital ratio grows to 13.53%. The capital ratios are affected by 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

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 division provides 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. New liquidity standards established by our regulator, Credit Union Deposit Guarantee Corporation, come into effect in 2017 to align

with international standards in response to the financial crisis. 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 level of 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. A full review of loan policy and procedures was completed 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. Reflecting the economic conditions, our level of impaired loans and our delinquency levels raised slightly in 2016, although remain within our target levels and are closely monitored.

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 on the requirements. Specialized departments are knowledgeable in the regulations that pertain to their areas. In 2016, a Compliance Framework was established to ensure all legal and regulatory requirements are understood and adhered to. We have a dedicated risk team who ensure compliance requirements are followed. In addition, compliance is tested through reviews completed by internal and external audit as well as our regulator.

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.



*Prairie Centre continues to be active
in our communities and during 2016
donated more than \$165,000
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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 incorporate and establish bylaws as provided for under provincial legislation through *The Credit Union Act, 1998*. We are 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. Within this framework, 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

There are currently eleven independent members on the Board of Directors, representing the five districts of Prairie Centre Credit Union. 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 2016, the Board of Directors held four regular meetings and had four special meetings. Our directors place strong emphasis on learning and development and participate in training every year. Two directors participated in the Credit Union Director Achievement (CUDA) training certification program and seven of our directors have completed the full CUDA program. 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 was completed in 2016, and everyone earned the Professional Director (Pro.Dir™) designation. This achievement demonstrates the commitment of the credit union to having strong and effective governance practices. Prairie Centre is the first credit union in Saskatchewan to have its full board and executive management team undertake this intensive training and certification program.

BOARD OF DIRECTORS

Greg Hannay, PRO.DIR
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.

Michelle Brummund, B COMM, CPA, CA, PRO.DIR
1st Vice President
Representative of District #1
Elected to the Prairie Centre Board of Directors in 2010. Accountant/Farmer. Chair of the Audit and Risk Committee and the Conduct Review Committee and sits on the Governance Committee.

Keith Collins, DIP AG, PRO.DIR
2nd 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, and the Conduct Review Committee.

Evan Sjovold, B.SC.(AG.), PRO.DIR
3rd Vice President
Representative of District #4
Elected to the Prairie Centre Board of Directors in 2005. Farmer. Sits on the Governance Committee, the Audit and Risk Committee, and the Conduct Review Committee.

Brian Benson, PRO.DIR
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 Human Resources Committee.

Craig Hanson, P.ENG., PRO.DIR
Representative of District #2
Elected to the Prairie Centre Board of Directors in 2005. Farmer/Engineer. Sits on the Audit and Risk Committee and the Conduct Review Committee.

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

Karen Sinclair, PRO.DIR
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 Committee.

John Kutz, PRO.DIR
Representative of District #3
Elected to the Prairie Centre Board of Directors in 2011. Farmer. Sits on the Human Resources Committee.

Doreen Schroeder, PRO.DIR
Representative of District #5
Appointed to the Prairie Centre Board of Directors in 2016. Farmer. Sits on the Member Engagement Committee.

Heather Wilson-Gerbrandt, B.A. (HISTORY), TEFL, PRO.DIR
Representative of District #5
Appointed to the Prairie Centre Board of Directors in 2016. Educational Assistant/Rancher. Sits on the Member Engagement Committee.



Top row (l to r): Michelle Brummund, John Kutz, Craig Hanson, Evan Sjovold, Greg Hannay, Cathy Newby
Bottom row (l to r): Keith Collins, Heather Wilson-Gerbrandt, Doreen Schroeder, Karen Sinclair, Brian Benson

Prairie Centre Credit Union is committed to continual development of our governance practices and it is with great pride that we announce that our entire Board of Directors and Executive Management have successfully completed the Professional Director Certification Program™ offered in partnership by Brown Governance Inc. and Johnson Shoyama Graduate School of Public Policy. Prairie Centre is the first credit union in Canada to complete this designation, a program uniquely customized to meet the needs of financial co-operatives, earning each of the graduates their Professional Director™ certification.

GOVERNANCE INVESTMENT

	Honorariums	Per Diems	Training	Travel	Office/ Other costs	Total
Amount	\$4,999	\$67,299	\$71,519	\$11,292	\$17,449	\$172,558

MANAGEMENT DISCUSSION AND ANALYSIS

Governance Investment

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

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 twice in 2016.

Audit and Risk Committee

The Audit and Risk Committee, which met two times in 2016, 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, 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 2016, 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 Committee

The Human Resources 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. This committee met twice in 2016.

Member Engagement Committee

This committee is made up of three Board members and was established 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 2016.

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.

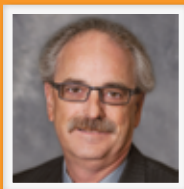
Returning Officer Committee

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 2016, 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 as to progress relative to the annual business plan as well as compliance to legislative, regulatory, and policy requirements.

EXECUTIVE MANAGEMENT TEAM



Al Meyer, Chief Executive Officer (CEO)

In his role as CEO, Al is responsible for implementing the corporate strategic direction, vision, mission, and values, along with overseeing the overall credit union operations. With over 38 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. Al has completed the Professional Director Certification Program through Brown Governance Inc. and Johnson Shoyama Graduate School of Public Policy.



Tim Askin, Chief Project Officer

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 a three year corporate wide Enterprise Content Management initiative and planning for current and future facility requirements. Tim has 29 years credit union experience and has been with Prairie Centre since 1995.

Tim is a representative with the Provincial CEAMS Technology group.

He has completed the Executive Certificate in Applied Leadership at Queens Business College and in 2016, completed the Brown Governance Professional Director Certification Program giving him a Professional Director (Pro.Dir™) designation.



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 honours, earned a Bachelor of Management Degree with Distinction, and in 2016, completed the Brown Governance Professional Director Certification Program earning the Professional Director (Pro.Dir™) designation.



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,

Technology Framework, Board Governance, and other areas of credit union compliance. Colleen has over 25 years of experience in various credit unions and has been with Prairie Centre since 2010. In 2016, Colleen completed the Brown Governance Professional Director Certification Program and earned the Professional Director (Pro.Dir™) designation.



Blair Wingert, Chief Credit Officer

In his role as Chief Credit Officer, Blair spearheads the loan related activities in all 13 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. In 2016, Blair completed the Brown Governance Professional Director Certification Program and earned the Professional Director (Pro.Dir™) designation.



Rob Jones, Chief Operating Officer (Retail)

As Chief Operating Officer (Retail), Rob leads the business activities of our retail service centres including Advisory Services, Qtrade Securities, and Qtrade Insurance Solutions. Rob shares in the responsibility of helping Prairie Centre members "Grow Their Money" and drives product and service development initiatives pertaining to retail operations. As the driver for Prairie Centre's marketing and retail technology strategy, Rob searches for opportunities to celebrate

our members' financial milestones. With a rich blend of knowledge in both the financial and technology industries over the last decade, Rob continues his professional journey in 2017 to promote the Prairie Centre Credit Union story. Graduating from the University of Saskatchewan, Rob continues to draw from his education held within a Psychology Degree and a Bachelor of Commerce Degree. As an advocate of lifelong learning, Rob has achieved his Fellow of the Credit Union Institute of Canada, Personal Financial Planner, participates in numerous industry related leadership courses, and in 2016 completed the Brown Governance Professional Director Certification Program and earned the Professional Director (Pro.Dir™) designation. Rob is currently preparing to enroll in the Edwards School of Business MBA Program.

re:



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.

ANNUAL REPORT MESSAGE 2016

DEPOSITS FULLY GUARANTEED

Credit Union Deposit Guarantee Corporation (the Corporation) is the primary regulator and deposit guarantor for Saskatchewan credit unions. The Corporation is charged through provincial legislation, The Credit Union Act, 1998, with the main purpose of guaranteeing the full repayment of deposits held in Saskatchewan credit unions. The Corporation has successfully guaranteed the repayment of deposits held in Saskatchewan credit unions for over 60 years. By guaranteeing deposits and promoting responsible governance, the Corporation contributes to confidence in Saskatchewan credit unions.

Responding to regulatory changes at the international and national levels continued to be a key focus for the Corporation in 2016. Federally, a shift in policy direction assigned regulation of the credit union centrals to the provinces. This resulted in the government of Saskatchewan creating and passing the Credit Union Central of Saskatchewan Act, 2016 assigning regulatory responsibilities for SaskCentral to the Corporation. In preparation for assuming these responsibilities in 2017, the Corporation developed regulatory policy and supervisory practices.

At the provincial level, work was finalized on the development of liquidity standards and guidance that align with current international standards. As part of this development, the Standards of Sound Business Practice and Capital Standards of Sound Business Practice were reviewed and updated. These documents were provided to credit unions well in advance of coming into effect on January 1, 2017. These efforts will ensure that the Corporation is in a position to continue to protect credit union depositors which, in turn, contributes to the strength and stability of the Saskatchewan credit union system.

In 2017 the Corporation will continue to monitor the potential implications of the changing regulatory environment in addition to carrying forward its preventive efforts to support credit unions as an effective first level of deposit protection. Maintaining constructive relationships with credit unions and investing in programs that reduce risk to the Deposit Guarantee Fund will continue to be a key priority.

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



Report of the Independent Auditors' on the 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., which comprise the summary consolidated statement of financial position at December 31, 2016, 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, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 9, 2017.

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, 2016 are a fair summary of those consolidated financial statements, in accordance with International Financial Reporting Standards.

Other Matter

The summary consolidated financial statements include unaudited supplementary information not covered by our audit report in the form of graphs, to illustrate the progress of Prairie Centre Credit Union (2006) Ltd. over a 10-year period.

March 9, 2017
Saskatoon, Saskatchewan


Chartered Professional Accountants

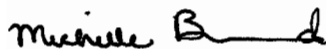
SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2016	2015
Assets		
Cash and cash equivalents	\$ 46,808,255	\$ 62,408,606
Investments	55,358,575	39,008,502
Member loans receivable	533,737,279	485,175,463
Other assets	1,518,943	916,629
Property, plant and equipment	6,067,156	4,878,134
	\$ 643,490,208	\$ 592,387,334
Liabilities		
Member deposits	\$ 585,569,022	\$ 543,899,604
Other liabilities	4,099,133	3,364,917
Membership shares	67,660	59,350
	589,735,815	547,323,871
Members' equity		
Retained earnings	49,670,865	45,063,463
Contributed surplus	4,083,528	–
	53,754,393	45,063,463
	\$ 643,490,208	\$ 592,387,334

Approved on behalf of the Board



Board President, Greg Hannay



Audit & Risk Committee Chair, Michelle Brummund

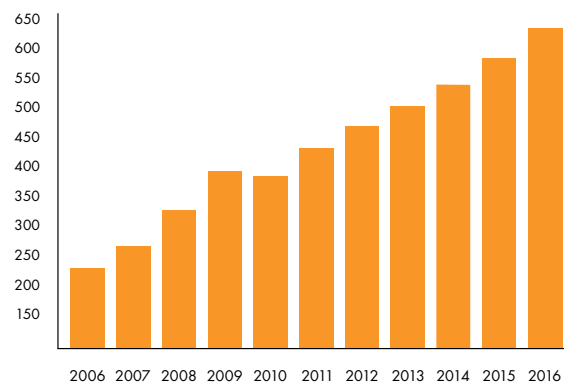
A full set of audited financial statements is available from the Credit Union

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

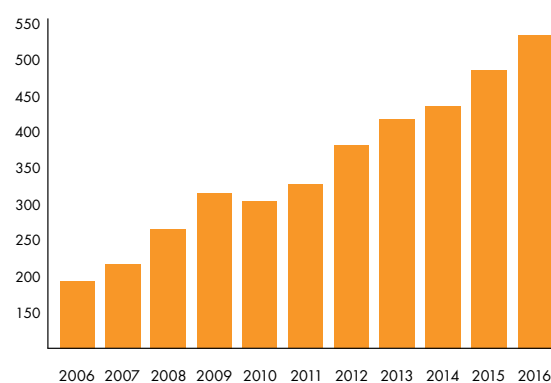
Year Ended December 31	2016	2015
Interest income	\$ 23,124,513	\$ 20,939,207
Interest expense	5,720,529	6,072,287
Gross financial margin	17,403,984	14,866,920
Other income	4,806,203	4,203,281
Net interest & other income	22,210,187	19,070,201
Operating expenses	16,294,030	13,743,704
Income before provision for impaired loans & income taxes	5,916,157	5,326,497
Provision for impaired loans	354,516	4,068
Income before income taxes	5,561,641	5,322,429
Provision for income taxes	954,239	816,464
Comprehensive income	4,607,402	4,505,965

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

ASSETS



LOANS



SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year Ended December 31

	Contributed Surplus	Retained Earnings	Total
Balance, December 31, 2014	–	40,557,498	40,557,498
Comprehensive income	–	4,505,965	4,505,965
Balance, December 31, 2015	–	45,063,463	45,063,463
Comprehensive income	–	4,607,402	4,607,402
Contributed surplus resulting from business combination	4,083,528	–	4,083,528
Balance, December 31, 2016	4,083,528	49,670,865	53,754,393

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31

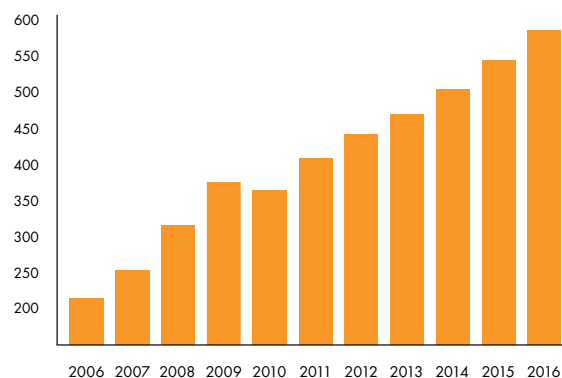
2016

2015

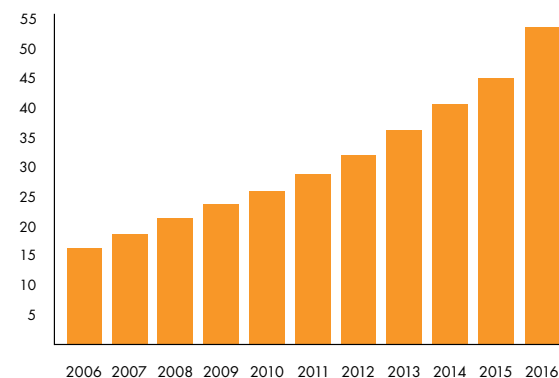
Cash flows provided by (used in) the following activities:

Operating activities	\$ 5,080,413	\$ 5,540,533
Financing activities	(11,203,058)	40,342,184
Investing activities	(9,477,706)	(56,190,745)
Decrease in cash and cash equivalents	(15,600,351)	(10,308,028)
Cash and cash equivalents, beginning of year	62,408,606	72,716,634
Cash and cash equivalents, end of year	\$46,808,255	\$ 62,408,606

MEMBER DEPOSITS



MEMBERS' EQUITY



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

