

BORN ON THE
Prairies



Prairie Centre
CREDIT UNION

2019 ANNUAL REPORT

Homegrown



Prairie Centre Credit Union was born on the prairies for people who want to live, work and prosper here. Since 1993, Prairie Centre has provided the residents of rural Saskatchewan with great value and the best access to quality products and services.

Unlike the banks and their shareholders, you own the credit union, and that's powerful. We're accountable to you, and we put every dollar to work right here in rural Saskatchewan by investing in our member-owners, our communities and businesses that keep us strong.

We're a homegrown financial institution with a love for the prairie way of life and a strong belief in the unlimited potential that lives right here in rural Saskatchewan.

With guidance from our members, employees, board of directors and our executive team, our vision for 2020 sets some very clear goals – from enhancing the member experience to our blueprint for financial growth and community support.

Here's to another year of unlimited, homegrown potential.

Milestones

We're committed to building a prosperous future for the people of rural Saskatchewan. In 2019 we invested in building a credit union for our members along with renovations to our Spiritwood branch and the completion of our new Administration Complex.



Rosetown Admin Complex

Staff Milestones

Prairie Centre recognizes our biggest asset in supporting members is our team of dedicated staff. We encourage and support our employees to learn, grow and use their continuing success to effect positive change in their personal lives and communities.

Congratulations to these Prairie Centre employees on their Long Service Award milestones:

35 Years
Lesley Carlson

25 Years
Daphne Kallechy
Carlene Roh

20 Years
Michelle Rawson

10 Years
Coralei Brown

5 Years
Kirk Friggstad
Karen McFaull
Heidi Soggie
Meagan Sparks
Kari Wilson-Hardy
Blair Wingert



Rewarding Our Members



Unlimited guarantee
on deposits



4,000+
ding-free ATMs



Bank anywhere,
anytime



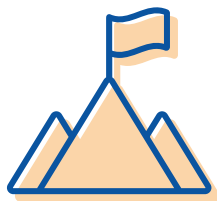
Achieve Grade 12
Scholarship Program



Aspire Scholarship and
Career Start Program

Vision Going Forward

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



Purpose Statement

We will reward our members for their patronage and participation by providing quality services and products.



Commitment To Exceptional Service

We are committed to enhancing the member experience through expansion and refinement of digital services and continued investment in our staff for a phenomenal in-branch experience.

Message from the Board President and the Chief Executive Officer



Greg Hannay
Board President



Al Meyer
Chief Executive Officer

On behalf of the Board of Directors and staff, we are pleased to provide an overview of Prairie Centre Credit Union for 2019.

2019 was the second year of challenges for our regional and provincial economy. Our region is dependent on the resources and agriculture sectors, which has impacted our operations. Even with these challenges, we continued to grow and maintain profitability at reasonable levels.

Our assets grew from \$743 Million to \$770 Million, while our off balance sheet grew to \$208 Million, leaving us with Assets Under Management of \$978 Million.

Effective August 1st, we purchased Moore and Associates Inc., and welcomed the staff to our PCCU Insurance business. As part of the purchase, we have now entered the accounting and real estate business areas. We decided to set up two new subsidiaries through the process, PCCU Accounting Ltd, and PCCU Real Estate Ltd.

During 2019, the Board of Directors and Executive Management completed our new three year strategic plan (2020 – 2022). Our Vision Statement remains in place, with the major change being that we will be more aggressive in the marketplace through mergers and acquisitions, as well as growing our existing business. We feel strongly that we are well positioned to pursue business opportunities.

“Our Vision Statement: Saskatchewan’s largest rural based credit union committed to serving our members and communities everywhere.”

During 2019 we renovated our Spiritwood branch and moved into the facility late January. We are in the final stages of the building of the new administration building and renovations to the existing. Both of these facilities will have grand openings in the near future.

The Board of Directors have been reviewing our governance structure, and plan to bring forward changes to the existing structure that will be in place in early 2021, if approved.

In late 2017, we started offering our new Member Rewards program, which saw members earn \$558,000 in 2018. We are pleased to announce that in 2019, members earned \$1,173,000.

In closing we want to thank you, our members, for your continued support and trust throughout 2019. We will continue our pursuit of meeting your needs in the future.

We also want to thank the Board of Directors, management and staff for your commitment to serving and meeting member needs.

Management Discussion and Analysis

The information that follows is provided to help members understand and assess the current financial position and future plans of Prairie Centre Credit Union (2006) Ltd. and is intended to be reviewed along with the financial statements.

As we look to the future, we are making assumptions which are subject to risk and uncertainties and create the possibility that our predictions and projections will not prove to be accurate. Therefore, readers are cautioned to not place undue reliance on these statements.

Our Business Environment

Although Prairie Centre Credit Union is focused on serving the needs of our members in Saskatchewan, the economic and business conditions beyond our trading area can impact the credit union and our financial position. This includes national and international economic conditions as they influence currency and interest rates.

The Conference Board of Canada determined Saskatchewan slipped into a mild recession in 2019 which was not expected. Agriculture has been depressed with low commodity prices and trade problems. A bright spot is that trade is expected to improve as bans on imports were lifted with China and the amended free trade agreement with US and Mexico was signed in December. There is a trade agreement with the European Union; however, challenges with acceptance of new competitors, global regulation and uncertainty around practices have slowed trade deals.

As a country, the performance of our economy depends heavily on developments in the United States and other global economies. Across Canada, trade tensions are slowing global growth prospects and dampening exports. Governments are reducing spending as well, and with weak economic gains expected, the Bank of Canada may cut rates.

Provincially, we have very low growth projected as our export markets continue to be weak. With trade agreements in place, Saskatchewan is well-positioned to expand trade in the coming years. An increase in household spending helped make up for the lack of exports and contributed to the growth in the economy. Business investment is expected to drop in 2020 as several large projects are scheduled to be complete. Pipeline constraints are a factor in the lack of investment in the energy sector. The mining sector announced several shutdowns and suspensions; however, it is expected that potash production will bounce back in 2020 as global demand for fertilizer and high-protein foods is strong.

Strategic Overview

Prairie Centre is the 6th largest credit union in the province and operates independently in rural Saskatchewan with just over 15,000 members through branch operations located in the communities of Beechy, Dinsmore, Eatonia, Elbow, Elrose, Eston, Harris, Herbert, Kyle, Loreburn, Morse, Outlook, Rosetown, and Spiritwood.

We have over 150 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. We are committed to providing ongoing staff training and development sessions to improve our employee's skills, which allows 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. Farming was challenging in 2019, however we were able to maintain our capital ratios and are looking ahead to 2020 as a year of growth and expansion for our credit union.

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 purpose *“We will reward our members for their patronage and participation by providing quality services and products.”* Our board of directors along with Executive Management, set specific objectives that support our vision and purpose and align with our values. We follow a three-year planning cycle that begins with input from our members garnered through surveys and feedback to staff. We established a new current strategic plan this year which covers the period from 2020 to 2022. An overview of the strategic areas we are placing additional focus on during this period is provided in this report.

Growth

We will continue to grow our member relationships through the increased usage of our products and services. This is in keeping with our value proposition which is to **Grow Your Money**. 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.

Growth is being pursued on many levels. We work with our members to grow their net worth and holdings with the credit union and our wealth management partners. The growth of our members is assisted through our Member Rewards program. This is in place of a traditional cooperative patronage model and was designed based on what our members told us would be a fair level of incentive for their loyalty and doing business with Prairie Centre Credit Union. Member Rewards encourages members to utilize more products and services from Prairie Centre. The financial benefit to our members from Member Rewards through increased deposit rate and lower loan rates for members was **\$1,173,000 in 2019**. This is more than twice what members received in 2018, and we are thrilled with members receiving this value through membership.

Our members diversify their deposit holdings by opening accounts with our brokers and mutual fund representatives. Currently we administer \$174 million in deposits through our advisory services representatives.

Digital Strategy

Prairie Centre Credit Union is committed to providing members with technology-based services for convenience and increased access. Two popular digital options we currently offer are remote deposit capture and e-Transfers. In 2019, our members deposited just under 14,000 cheques simply by taking a picture of it; that’s 1,000 more than last year! Members use e-Transfer to send or receive money using an email address or mobile phone number. In 2019 there were about 879 completed every day, adding up to over 310,000 in the year and 50% more than the prior year. In 2020, we will be updating our mobile banking platform to offer additional security for members and enable future enhancements.

Branch Services

In our strategic plan, particular emphasis has been placed on providing service to rural Saskatchewan based on a service delivery model that balances in person service in our communities with strong technology delivery options in order to serve members everywhere.

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 2019, work progressed on an addition to and renovation of the administration centre in Rosetown. Renovations were made to our Spiritwood branch in order to have all staff in one location. In 2020, we are looking forward to completing the administration centre, and to consider how branches of the future will function.

As Saskatchewan’s largest rural based credit union, we have been focusing on 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. We continue to see growth in agricultural loans.

Management Discussion and Analysis

Member Engagement

As a member owned financial cooperative, it is important to us to ensure we listen to what our members have to say. In our recent surveys, members have told us that we have a strong local presence and act in a socially responsible manner. Members also want to deal with a knowledgeable person that knows and understands them and provides friendly personalized service. We will continue to train our staff to provide the service experience that our members desire. Our members also let us know they like using technology-based services for transactional services, which we will continue to develop and make available.

We are engaged with and strongly support our communities through volunteering and financial support of community organizations and activities. During 2019, \$250,000 was provided to our communities in donations, 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. The dollar value noted here does not include contributions made through volunteer hours our staff members provide on a regular basis. Our staff commitment to volunteering helps build thriving communities and we're very proud of the work they do!

Mergers and Acquisitions

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 actively pursue other credit unions to merge with us.

PCCU Insurance Ltd. is our general insurance subsidiary with offices in Elbow, Harris, Eston, and Rosetown. We offer a full line of products including home, farm, auto, and commercial insurance. We started operations in 2013

in Elbow; in 2017 we purchased an agency in Harris; in 2018 Eston was added and in 2019 we purchased an agency in Rosetown which also offers real estate and accounting services. Through acquisition of local companies, we are keeping these services in our communities while generating additional revenue for operations.

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 2019 our assets grew from \$743 million to \$771 million. Loans stayed fairly level from the prior year and were at \$610 million at year-end. Member deposits ended the year at \$695 million, up from \$672 million the year before. We are very pleased with these results given the current economic environment.

We ended the year with profit of \$4.6 million, which dropped substantially from the prior year when we had extraordinary dividends and gains on investments, as well as loan recoveries that pushed our profit well above expected levels.

Beyond the dollars we earn, we watch our efficiency ratio closely as a measure of our profitability. In 2019 our ratio was 77.3%, which equates to us spending just over 77 cents for every dollar we earn in revenue. This ratio is higher than the prior year when we had record profitability; however, we were able to outperform our budget target of 78.7%. For 2020, we are projecting profit to be slightly below 2019 results and expect our efficiency ratio to be 78.3% due to the continued poor economic conditions, low interest rate environment, and our increased investment in technology related projects. Our goal is to keep our efficiency ratio at a level that optimizes profitability while still providing quality service to our membership and continuing to invest into future operations.

Our capital levels are fairly level to the prior year and remain at levels that exceed capital adequacy and regulatory requirements. Capital levels are expanded upon in the section of the report on Capital Management.

Technology

We use technology at all levels in the organization to meet changing service needs and to increase efficiencies. As technology is integral to our operations, we formalized an Information Technology Framework to ensure we align technology investment with our strategic plan. This effectively utilizes our resources and manages risks and threats in the organization. In 2019 we continued to make progress on our multi-year plan to utilize technology for streamlining the delivery of services to our members, and for digitizing the storage of data. In 2020 we will be providing our members with an updated online banking platform and will continue to leverage technology throughout the organization to increase productivity and effectiveness of our services provided to members.

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 that are categorized on our balance sheet as Members' Equity.

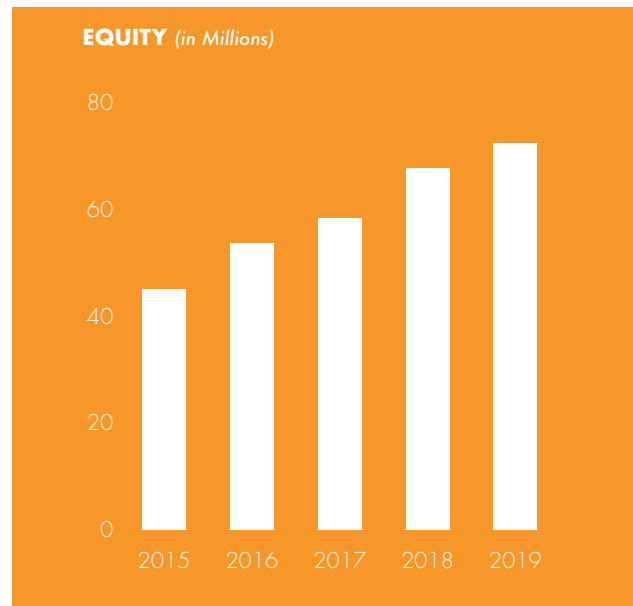
The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated, and unexpected business events. Our main objective remains to preserve and build capital while growing our market share. It is our goal to provide our members with the best service possible,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

Credit unions operate in a highly regulated environment and the primary regulator is the 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. We have a Capital Management Framework and annually assess our capital adequacy through a formal assessment process in accordance with the regulatory expectations that is 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.

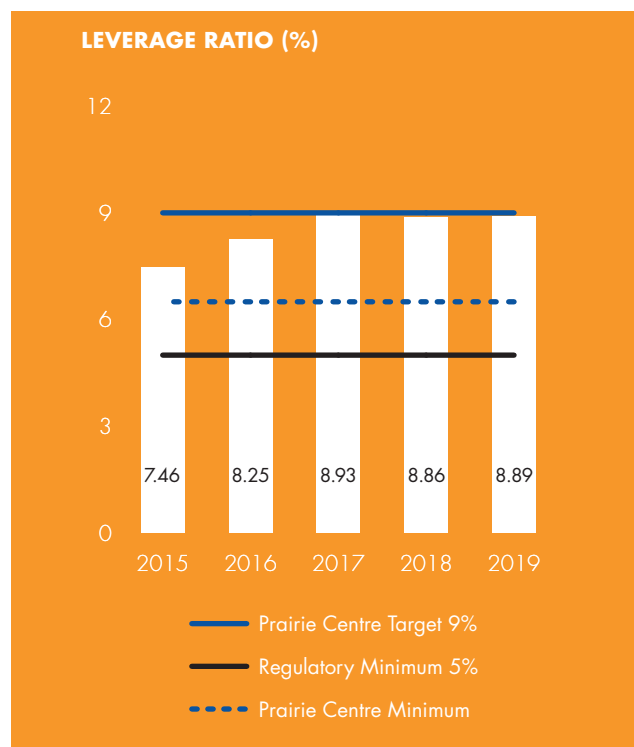
As our capital is comprised of our retained earnings, Prairie Centre Credit Union relies on profitability to grow its capital position. The credit union retains its annual earnings in order to meet the capital requirements and maintain our independence. As the graph reveals, our retained earnings have been growing steadily, and at the end of 2019, capital grew to \$72.4 million.



Management Discussion and Analysis

We utilize two measures of capital. 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 6.5% and a long-term target level of 9.0%. At the end of 2019 our leverage ratio was 8.89%, which is just up from our prior year level of 8.86%, indicating our profit has kept pace with the asset growth of the credit union.



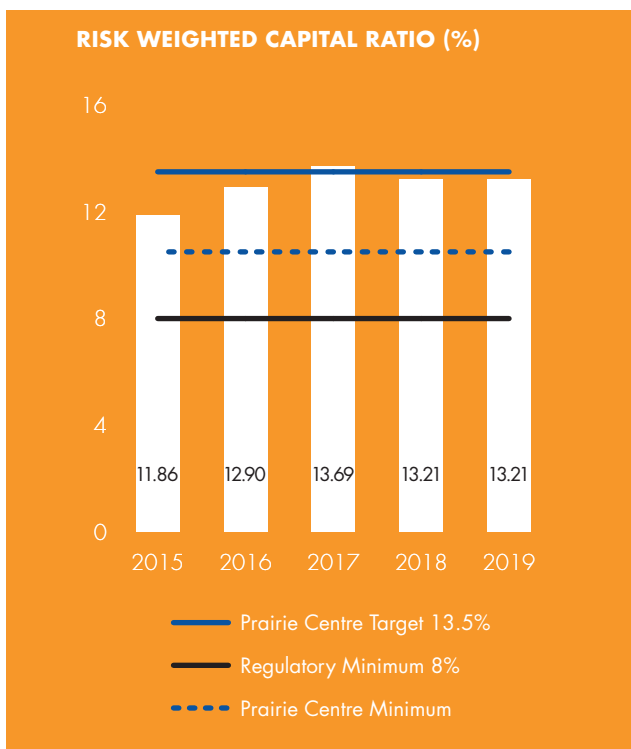
Credit unions assess additional capital requirements based on the risks faced by their individual operations using an Internal Capital Adequacy Assessment process (ICAAP). ICAAP evaluates requirements for capital relative to strategic plans and the credit union's risk appetite. The assessment of risks 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 10.50% and this is our policy minimum for risk weighted capital. Our long-term target level has been set at 13.50% to ensure we have adequate capital relative to our risk profile. We completed 2019 with a ratio of 13.21%; level with the prior year. Looking ahead to 2020, the leverage ratio is budgeted to increase to 9.00% and risk weighted capital ratio is expected to decline slightly to 12.91%. We monitor this closely to ensure we continue to have adequate capital to continue our strategy to pursue mergers and acquisitions which will benefit the credit union in the long term.

Enterprise Risk Management

As a financial institution, Prairie Centre Credit Union is exposed to a variety of risks. Risk is the downside that exists in almost every component of the credit union's activities. Risk represents the potential negative impact, financial loss or risk to reputation that is possible as we work to achieve our goals. Managing and appropriately balancing risk with business opportunities is the top priority for the board of directors and management of Prairie Centre Credit Union.

Our risk philosophy is that we will take on a moderate amount of risk to generate adequate profitability to support our business growth, member commitment, and fulfill our capital plan, without undue loss exposure.



Our primary risk offset is our capital position. An adequate amount of capital allows the credit union to absorb unexpected losses, implement long term strategic plans and signal financial strength. As discussed earlier, we utilize a Capital Management Framework to assess capital adequacy and set targets for capital. Prairie Centre has a moderate level of capital and therefore takes a moderate approach to risk.

To actively manage risk, Prairie Centre utilizes an Enterprise-Wide Risk Management (ERM) System to identify, measure, and monitor risks which is detailed in an ERM Framework. The framework categorizes risks and explains how risk management functions at Prairie Centre. The board of directors is responsible for approving the overall business strategies, for understanding the major risks, setting acceptable risk tolerance and defining risk appetite levels. Annually, the board of 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 engages management and staff in risk identification. For optimal risk management we establish sound policies and operational processes throughout the credit union. Annually, in conjunction with the business plan, Executive Management reviews emerging risks from planned activities, and from changes occurring in the marketplace. Required actions 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.

The credit union's operations undergo regular independent assessment through external audit, internal audit and regulatory reviews to ensure that key risks are being mitigated and any potential impacts to capital are reported accordingly.

The following key risk categories form part of the Credit Union's overall Enterprise Risk Management approach:

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.

Management Discussion and Analysis

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 and industry standards 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.

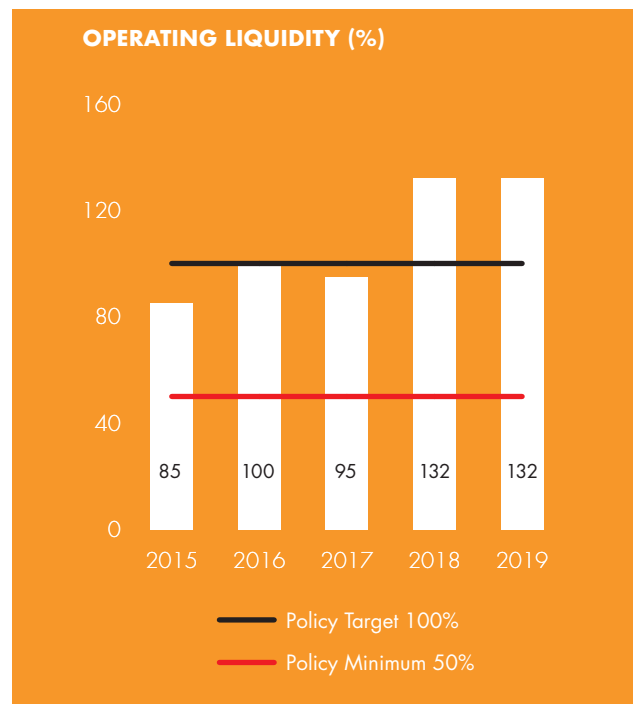
Liquidity Risk

Liquidity is a measure of our ability to meet our financial obligations and our members' day to day cash needs and loan demands without incurring unacceptable losses. Adequate liquidity is dependent upon our ability to efficiently meet both expected and unexpected cash flows and collateral needs without adversely affecting either daily operations or our financial condition.

The primary role of liquidity risk management is to proactively assess the need for funds to meet obligations and ensure the availability of cash or collateral to fulfill those needs at the appropriate time by coordinating the various sources of funds available to the institution under normal and stressed conditions.

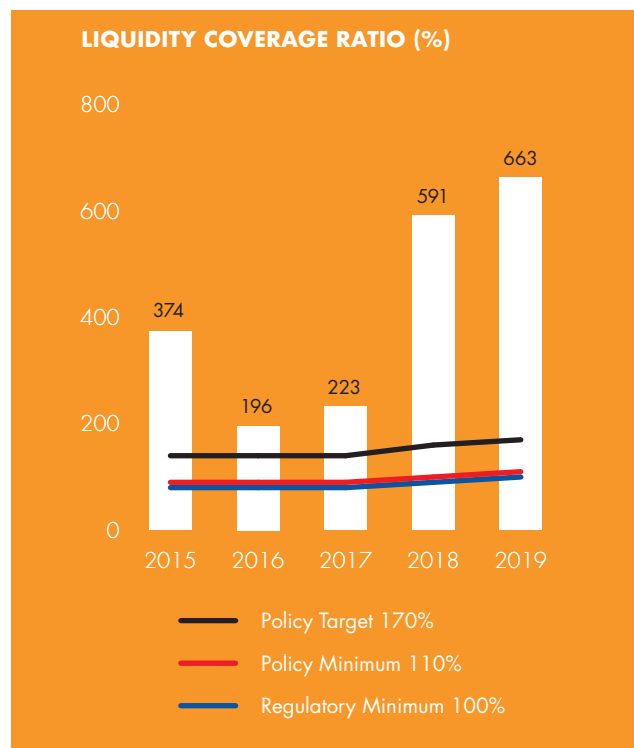
We manage liquidity in accordance with our Liquidity Risk Management Framework. The credit union's framework outlines policy and regulatory requirements and includes strategies to maintain sufficient liquid resources to continually fund our balance sheet commitments and member demand. For our operating liquidity requirements, we hold a portfolio of liquid assets and have established borrowing facilities. Actual and anticipated inflows and outflows of funds are calculated on a daily basis to allow us to detect a potential liquidity event at the earliest possible stage. We also have a comprehensive liquidity crisis management plan to follow in the unlikely event that this occurs.

Our Operating Liquidity Ratio is an internal measure which considers projected cash inflows as a percentage of projected cash outflows. Our board has defined our target as 100%, with a minimum level of 50%. Operating Liquidity and policy level comparisons are provided below:



We also evaluate liquidity using the Liquidity Coverage Ratio (LCR), which assesses liquidity in a stressed situation, comparing the value of our high-quality liquid assets to potential net outflows. We have set policy requirements above the regulatory standard for the Liquidity Coverage Ratio. The finance division provides quarterly liquidity reports to the Asset and Liability Committee (ALCO) who oversee liquidity risk exposure and management.

Our liquidity coverage ratio position, policy, and regulatory requirements are provided below:



We are well above required liquidity levels and continue to manage our liquidity to align with policy and regulatory specifications.

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. 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 remained higher than historical levels in 2019, however are within 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.

Management Discussion and Analysis

The credit union monitors its exposure to potential credit losses and maintains both specific and collective loan allowances accordingly. Specific allowances are reviewed regularly by examining the individual loans and estimating the value we will receive versus the full carrying value. Our collective allowance is calculated by taking into consideration current economic conditions, historical losses, and delinquency in our loan portfolio. We also consider forward looking future information when establishing the value of the collective loan allowance. Loans are presented in our financial statements at the net realizable value.

One of the larger areas of lending tends to be residential mortgages. In order to manage the risk associated with mortgage lending we take a balanced approach to structuring the portfolio. We utilize both insured and uninsured mortgages in financing home purchases, and also provide lines of credit to members using home equity as security. Insured residential mortgages are mortgages whereby our exposure to default is mitigated by insurance through the Canada Mortgage and Housing Corporation (CMHC) or other private mortgage default insurers.

A breakdown of our residential mortgages is provided in the chart below and reveals over half of our mortgage portfolio is insured, while we also have \$75M in mortgages and \$6.3M in line of credits that are uninsured.

Residential mortgages and home equity lines of credit as of Dec 31, 2019

	Residential Mortgages			Home Equity Lines
Region	Insured	Uninsured	Total	Total
Total	\$85,418,651 (53%)	\$74,590,721 (47%)	\$160,009,372	\$6,346,937

Residential Mortgage Portfolio by Amortization Period

Mortgages are repaid over a longer period of time. The following table provides a breakdown of the remaining amortization period of our mortgage portfolio by percentage of the outstanding amount for performing insured and uninsured mortgages.

Remaining amortization period	%	Insured Dollars	%	Uninsured Dollars
10 years and less	4%	\$3,274,452	17%	\$13,996,637
10 to 20 years	38%	\$32,101,533	36%	\$29,375,943
20 to 25 years	57%	\$48,737,444	46%	\$36,901,192
Greater than 25 years	2%	\$1,305,222	1%	\$663,886
Total	100%	\$85,418,651	100%	\$80,937,658

Over half of our residential mortgage portfolio is insured which lowers credit risk. To reduce the risk on uninsured mortgages we require a larger down payment, resulting in a lower loan to value ratio. The following table provides the loan to value ratio for newly originated uninsured residential mortgages and home equity line of credits granted in 2019.

Mortgage Originated in 2019	Loan to Value
Uninsured Mortgages	64%
Home Equity Line of Credit	34%

In the event of an economic downturn, the lower loan to value ratio provides a cushion of equity in the property which incents homeowners to maintain payments and retain their property. To be conservative, we set loan to value ratio minimums based on the risk profile of the community we are lending in. We perform a stress test on the uninsured portfolio to recognize the value of mortgages that are exposed to a 20% drop in the value of the collateral pledged for the mortgage. This stress test is run quarterly and reveals that the risk is well controlled. Our exposure at the end of 2019 was minimal at 0.08% of the portfolio.

Legal and Regulatory Risk

Prairie Centre Credit Union operates in a heavily regulated and rules-based environment. Legal and regulatory risk arises from potential non-compliance with laws, rules, regulations, or ethical standards in the jurisdiction in which the organization operates.

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. Our structure, policies, and procedures aid us in complying with laws and regulations. We utilize a Compliance Framework and assign responsibility of day to day management of all legal and regulatory requirements to Business Unit Compliance Officers (BUCOs). Reporting regarding compliance is completed by the BUCOs to our risk department who ensure compliance requirements are followed. Summarized reporting is provided to the board of directors. 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. These include 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.

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.

Management Discussion and Analysis

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.

Board of Directors

There are currently twelve independent members on the board of directors, representing the six 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 2019, the board of directors held seven regular meetings, had one special meeting, and met for strategic planning in October. Our directors place strong emphasis on learning and development and participate in training every year. The board continues to participate with Credit Union Director Achievement (CUDA) training, 8 of 12 directors have graduated from the program. Nine of our twelve directors and the Executive Management team have completed The Professional Director Certification Program™, a training program delivered by Governance Solutions. This intensive and comprehensive training on corporate governance results in participants earning the Professional Director (Pro.Dir™) designation. This achievement demonstrates the commitment of the credit union to having strong and effective governance practices. The board and executive team continue to participate in continuing education opportunities for their designation.

Board of Directors



Greg Hannay, PRO.DIR
Board 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. Director of PCCU Insurance Ltd.



Keith Collins, DIP. AG., PRO.DIR
3rd Vice President
 Representative of District #1

Elected to the Prairie Centre Board of Directors in 2009. Farmer. Sits on the Audit and Risk Committee, Conduct Review Committee and Governance 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. Sits on the Governance Committee and Human Resources Committee



Brian Benson, PRO.DIR
 Representative of District #4

Elected to the Prairie Centre Board of Directors in 2009. Retired. Sits on the Human Resources Committee.



Evan Sjøvold, B.SC.(AG), PRO.DIR
2nd Vice President
 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. Sits on the Governance Committee.



Cathy Newby, PRO.DIR
 Representative of District #3

Elected to the Prairie Centre Board of Directors in 2005. Farmer/Business Owner. Chair of Member Engagement Committee.

Board of Directors



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.



Wayne Pauls
Representative of District #6

Appointed to the Prairie Centre Board of Directors in 2018. Retired. Sits on the Audit and Risk Committee and Conduct Review Committee.



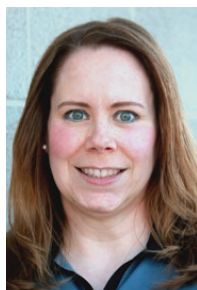
John Kutz, DIP. AG., PRO.DIR
Representative of District #3

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



Jason Gaboury
Representative of District #6

Appointed to the Prairie Centre Board of Directors in 2018. Farmer/Rancher. Sits on the Member Engagement Committee



Heather Wilson-Gerbrandt, BA, TEFL, PRO.DIR
Representative of District #5

Appointed to the Prairie Centre Board of Directors in 2016. Educational Assistant/Rancher. Sits on the Human Resources Committee and Member Engagement Committee



Randy Kelly, B.SC.(AG)
Representative of District #2

Elected to the Prairie Centre Board of Directors in 2019. Farmer. Sits on the Audit and Risk Committee and Conduct Review Committee.

Governance Investment

Honorariums	Per Diems	Training	Travel	Office/Other Costs	Total
5,400	90,201	7,994	13,018	25,351	141,964

Management Discussion and Analysis

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. 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 held four meetings in 2019.

Audit and Risk Committee

Five directors serve on the Audit and Risk Committee and they met three times in 2019. 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 three times in 2019, 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. Five directors serve on this committee and they met twice in 2019.

Member Engagement Committee

This committee is made up of four 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 2019.

Executive Team

Prairie Centre Credit Union has an experienced Executive Management team who work with the board of directors to establish policies and determine our strategic direction. Our executive team are responsible to oversee the operations of the credit union within the context of strategies and policies approved by the directors.

The executive team report to the board of directors and committees on a regular basis with progress relative to the annual business plan. The executive team work with management and staff to develop processes that serve our member needs while ensuring we appropriately manage risk and adhere to compliance requirements.

Management Discussion and Analysis

Summary

As we reflect on the past year, we are proud of the accomplishments of Prairie Centre Credit Union. While we continue to focus on serving the needs of our members, the economic and business conditions we face have an impact on our Credit Union. Despite the challenges we encountered throughout the past year, we were still able to grow our organization, expand the service delivery provided to our members, and find efficiencies that could be reinvested back into our organization for the benefit of our member owners.

Thank you to our board of directors and staff for their commitment and hard work. We also want to acknowledge and show appreciation to our members for your continued support as our organization evolves. 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.

Executive Management Team



Al Meyer, Chief Executive Officer (CEO)

In his role as CEO, Al is responsible for implementing the corporate strategic direction, vision, purpose, and values, along with overseeing the overall credit union operations. With over 40 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. Al has been with Prairie Centre since 1993, and has served as CEO since 2000. Al is a director of the Co-operative Superannuation Society and he is the President of the Board of Directors for PCCU Insurance Ltd. Al has served as a director on the boards of SaskCentral, Concentra Financial Bank and has also served as a member of 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

As Chief Project Officer, Tim is responsible for managing our corporate strategic projects as well as providing fixed asset management for the credit union and our subsidiaries. He is the executive sponsor for our corporate-wide Enterprise Content Management initiative, as well as our work process review strategy. Tim constantly plans for and initiates renovations and new facility builds. Tim has 33 years credit union experience and has been with Prairie Centre since 1995, 20 of those years on the executive team. He is a Director on the Board for PCCU Insurance Ltd. Tim is a past representative with the Provincial Technology group. He has completed the Executive Certificate in Applied Leadership at Queens Business College, and in 2016, graduated from the Brown Governance Professional Director Certification Program giving him a Professional Director (Pro.Dir™) designation.



Lesley Carlson, Chief Financial Officer

Lesley is in charge of overseeing the operations of the Finance, Accounting and Risk Divisions. In the area of finance and accounting, this includes preparation of financial statements, forecasting, asset and liability management, as well as capital and liquidity management to ensure Prairie Centre is at the forefront of emerging requirements for prudent financial oversight and control. In the risk division, this includes responsibility for the Enterprise Risk Management, Privacy and Compliance functions to ensure Prairie Centre has sound risk management practices, and operates within regulatory and industry requirements while keeping member service top of mind. As part of the Executive Management team, Lesley serves as a member of the board of directors for our PCCU Insurance Ltd.

Lesley has been with Prairie Centre Credit Union since 1989 and has worked in frontline and management positions in each area of operations during her 35 years with credit unions. Lesley is a Certified Financial Planner, has completed the Associate Credit Union Institute of Canada Designation with honours, and holds a Bachelor of Management Degree with Distinction. In 2016 she earned the Professional Director (Pro.Dir™) designation, and in 2018 she completed the Certified Chief Executive program through the Credit Union Executive Society.

Executive Management Team



Blair Wingert, Chief Operating Officer

In his role as Chief Operating Officer, Blair oversees the business activities in all retail service centers; which include all fourteen branches, Wealth Management Services and PCCU Insurance Ltd. Blair provides leadership and strategic execution of Prairie Centre's credit management, underwriting standards, loan quality and overall retail administration. With a strong commitment to member service, Blair drives product and service development initiatives pertaining to retail operations. Starting at Prairie Centre Credit Union in 2014, Blair has over 15 years of experience in the financial services industry in a management capacity, which has involved leading people and managing branches as well as projects. Blair has a Bachelor of Commerce degree, Certified Chief Executive (CCE) designation and an Associate of the Credit Union Institute of Canada (ACUIC). In 2016, Blair completed the Brown Governance Professional Director Certification Program and earned the Professional Director (Pro.Dir™) designation.



Rob Jones, Chief Information Officer

As Chief Information Officer, Rob focuses his enthusiasm on visualizing what's ahead and identifying trends that keep our rural members up at night. His natural curiosity combined with dedication to ask questions aids in his leadership of the Information Team. Through Governance to Digital Services to Engagement, Rob understands that our people are not here to sell products and services; they serve as ambassadors focused on delivering personalized financial solutions to the people that make rural Saskatchewan their home. Rob's results-driven leadership style empowers the Information Team to learn, be curious, and become energized by their passion to exceed expectations and maximize value to internal and external members. Rob's team delivers timely and user-pertinent access to information because they understand that excellence is not a specific act, it's an informed, results producing, habit. Even though it doesn't always seem like work, Rob has the opportunity to exercise his creative muscles through the implementation of competitive and breakthrough information-based strategies consistent with Prairie Centre's strategic direction. Rob's commitment to ongoing learning continues to be realized through his recent completion of the Professional Director (Pro.Dir™) designation and ongoing commitment to the CUES CEO Institute.

Auditor's Report



Report of the Independent Auditor on the Summary Consolidated Financial Statements

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

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2019, and 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. (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements, in accordance with the basis described in Note 1.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 11, 2020.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Saskatoon, Saskatchewan
March 11, 2020

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

Chartered Professional Accountants

Summary Consolidated Statement of Financial Position

As at December 31	2019	2018
Assets		
Cash and cash equivalents	\$ 72,518,182	\$ 72,439,895
Investments	67,648,486	47,110,212
Member loans receivable	610,381,347	612,664,809
Other assets	2,458,013	1,199,410
Property, plant and equipment	12,974,375	7,846,377
Intangible assets	4,761,441	2,056,906
	\$ 770,741,844	\$ 743,317,609
Liabilities		
Member deposits	\$ 694,539,450	\$ 672,151,352
Other liabilities	3,751,805	3,326,094
Membership shares	75,520	83,405
	698,366,775	675,560,851
Members' equity		
Retained earnings	66,271,046	61,652,735
Contributed surplus	6,104,023	6,104,023
	72,375,069	67,756,758
	\$ 770,741,844	\$ 743,317,609

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

Approved on behalf of the Board



Board President, Greg Hannay



Audit & Risk Committee Chair, Evan Sjøvold

Summary Consolidated Statement of Comprehensive Income

Year Ended December 31	2019	2018
Interest income	\$ 30,397,288	\$ 28,923,845
Interest expense	9,820,316	7,912,620
Gross financial margin	20,576,972	21,011,225
Other income	5,482,959	5,358,130
Net interest and other income	26,059,931	26,369,355
Operating expenses	19,571,706	18,834,617
Income before provision for (recovery of) impaired loans and provision for income taxes	6,488,225	7,534,738
Provision for (recovery of) impaired loans	522,011	(2,307,416)
Income before provision for income taxes	5,966,214	9,842,154
Provision for income taxes	1,347,903	2,183,223
Comprehensive income	\$ 4,618,311	\$ 7,658,931

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

Summary Consolidated Statement of Changes in Members' Equity

Year Ended December 31

	Contributed Surplus	Retained Earnings	Total
Balance, December 31, 2017	\$ 4,083,528	\$ 54,361,583	\$ 58,445,111
IFRS 9 transition adjustments	–	(367,779)	(367,779)
Comprehensive income	–	7,658,931	7,658,931
Contributed surplus resulting from business combinations	2,020,495	–	2,020,495
Balance, December 31, 2018	6,104,023	61,652,735	67,756,758
Comprehensive income	–	4,618,311	4,618,311
Balance, December 31, 2019	\$ 6,104,023	\$ 66,271,046	\$ 72,375,069

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

Summary Consolidated Statement of Cash Flows

Year Ended December 31	2019	2018
Cash flows provided by (used for) the following activities:		
Operating activities	\$ 5,809,131	\$ 6,993,291
Financing activities	21,536,370	36,815,526
Investing activities	(27,267,214)	(24,339,182)
Increase in cash and cash equivalents	78,287	19,469,635
Cash and cash equivalents, beginning of year	72,439,895	52,970,260
Cash and cash equivalents, end of year	\$ 72,518,182	\$ 72,439,895

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

Note to the Summary Consolidated Financial Statements

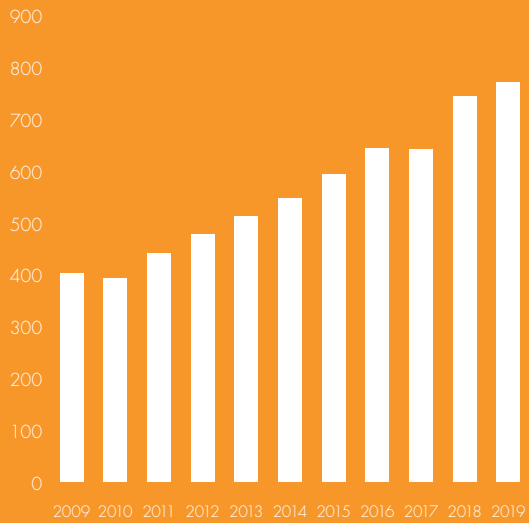
For the Year Ended December 31, 2019

1. Basis of the Summary Consolidated Financial Statements

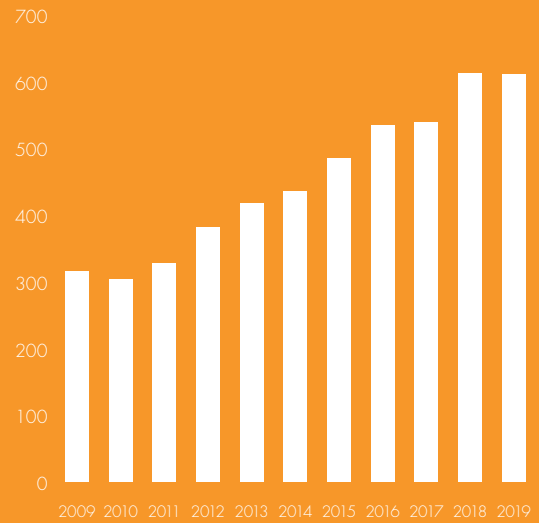
Management has prepared the summary consolidated financial statements from the December 31, 2019 audited consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards. A full set of audited consolidated financial statements is available from the Credit Union. The detailed notes included in the audited consolidated financial statements are not included in these summary consolidated financial statements.

The criteria developed by management for the preparation of the summary consolidated financial statements is as follows: that the information included in the summary consolidated financial statements is in agreement with the related information in the consolidated financial statements, and that the summary consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete consolidated financial statements, including the notes thereto, in all material respects.

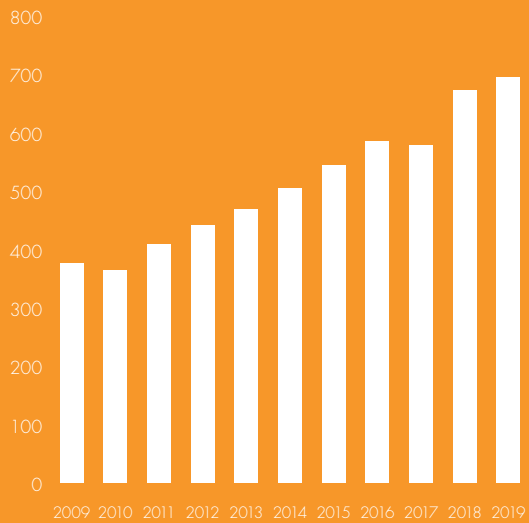
ASSETS (in Millions)



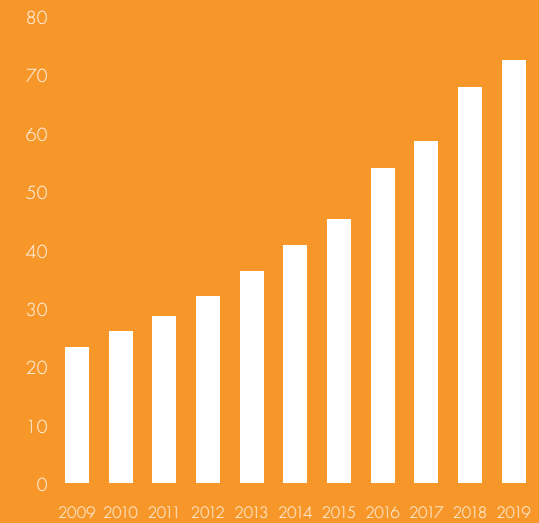
LOANS (in Millions)



MEMBER DEPOSITS (in Millions)



MEMBER EQUITY (in Millions)





BORN ON THE
Prairies



Prairie Centre
CREDIT UNION

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