


Change **Challenge** **Community** **Connections**



**PRAIRIE
CENTRE**
Credit Union

2020 ANNUAL REPORT





**Prairie Centre Credit Union
whole-heartedly believes
there's good business to
be done here and we're
proud to celebrate our rural
roots while continuing to
work towards our vision
of building something
substantial, meaningful,
and relevant for the people
of rural Saskatchewan.**

2020 was a year like no other! Prairie Centre's adaptability and responsiveness was put to the test last year like so many other businesses. The year brought many challenges and we learned to pivot in new directions to help support the needs of our communities. Prairie Centre waived service charge package fees for three months, made significant donations to local food banks, performed many random acts of kindness, supplied senior citizen care homes with iPads to keep them connected to loved ones, made financial contributions to our Royal Canadian Legions by contributing to their poppy campaigns and provided branches with additional funds to help cheer up members that were forced to stay at home – just to name a few.

Members moved through the changes with us and we found new ways to deliver service that kept staff safe, yet never compromised the level of service to members. Community and connection were never so important as they were last year, and we're deeply proud of the way we showed up for our members and communities.



40
YEARS

Katharine Frazer

25
YEARS

Judith Husby
Cindy McKillop

10
YEARS

Nancy Burton
Jennine Ogilvie
Wanda Tullis

Milestones

Prairie Centre recognizes loyal and dedicated employees are the foundation to our success. Congratulations to these Prairie Centre employees on their Long Service Award milestones:

5
YEARS

Jessica Bone
Christina Glowa
Bridgette Hilmoie
Karin Josdal
Crystal Marshall
Brenda McDonald
Cara Nisbet
June Pederson
Isabelle Thomson

The Prairies – our home and way of life.

The iconic skies, expanse of the land and changing colours of the seasons keeps us captivated and in love with where we call home. Much like the members we serve, our determination, grit and passion for the prairies is what helped us grow to a full-service financial institution serving over 15,000 members, managing over \$1 billion in assets and employing over 150 people.

Prairie Centre is full circle banking.

When profit is earned here, profit stays here, jobs stay here and our love of rural Saskatchewan stays here. Members are owners which makes it highly motivating for us to help them achieve financial success right here at home. Unlike traditional banks, our member-owners are rewarded by their belief in us through our Member Rewards program which recognizes the level of participation in PCCU, not account balances. In 2020, this unique program rewarded members with **\$1,579,882 in savings/earnings through reduced loan rates and increased deposit rates.**

In addition to ensuring each community has local staff available to serve, Prairie Centre makes a significant contribution to our communities through the refresh and renewal of infrastructure. We've invested more than \$12 million in infrastructure over the last ten years. This includes significant renovations to four buildings (Dinsmore, Spiritwood, Outlook, and an existing Administration building), as well as three new builds (Eston, Eatonia, and a new Administration complex).



\$240 K

COMMUNITY FUNDS GIVEN IN 2020

Scholarships, donations and
In-kind contributions

Message from the Board President and the 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 2020.

2020 was a year of challenges, with COVID-19 impacting our regional, provincial and national economy. During these difficult times, our agriculture sector remained one of the areas that surpassed expectations. Many of our members had a difficult year, with large impacts to their business and personal lives. At Prairie Centre, we worked with our members and communities to help support their needs. We want to thank our members for their continued support of Prairie Centre and making the best of the environment that we all had to deal with in 2020.

During 2020, we supported our communities with \$240,000 financial support and waived three months of service package fees totaling \$210,000. In addition, our staff continued their volunteerism within our communities to help support organizations and provide local support.

Our assets grew from \$771 million to \$874 million, with member deposits growing by 14%, and loans increasing by 6%, while our off-balance sheet deposits grew by 7%. We now have Assets Under Management in total of \$1.097 billion.

We would like to welcome Delisle Credit Union members to Prairie Centre family. We look forward to meeting your needs, and we will be implementing our products and services in mid-2021.

We are pleased to inform our members that the Member Rewards program benefited members for investments and loans by \$1,579,882. That is an increase of over \$400,000 from 2019.

In closing, we want to thank our members for your continued support and business in 2020, and we look forward to a more normal business year in 2021.

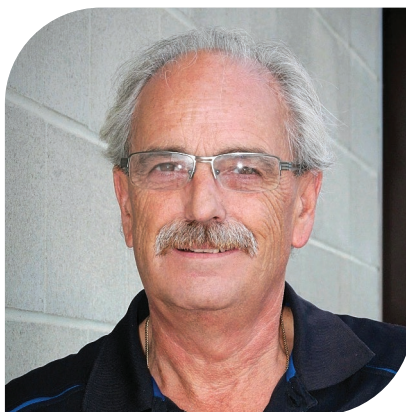
We also want to thank the Board of Directors, Management and Staff for your commitment to serving our members during one of the most difficult years in our history.



Our Vision Statement: 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 & 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 consolidated 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 Canadian dollar has improved relative to the US dollar in recent months and is expected to remain stable. We expect a continuation of low interest rates for an extended period.

The COVID-19 pandemic, which has affected every country and economy worldwide, has had a large economic impact in 2020. The impacts on the economy are likely to persist in the long term

throughout the global and national economy. Lockdowns have led to a worldwide economic downturn despite the efforts of government to provide fiscal and monetary stimulus. The ability of the economy to improve is uncertain given the impact of the COVID-19 pandemic.

As a country, the performance of our economy depends heavily on developments in the United States and other global economies. The economy in the United States is being supported by government injections into the economy, and the rollout of vaccines has allowed for more opening of the economy. The US GDP is expected to grow 5% in 2021 as a result. China has been experiencing economic recovery and a reduction in trade tensions has led to stronger export growth and an improved economy.

The Canadian economy has shown resilience which can be attributed to several factors, including unprecedented Federal Government and Bank of Canada support. People have adapted and learned to live with the restrictions. Going forward, improvements in the economy will depend on the availability of vaccines and a return to more normal activity for people. There is significant uncertainty in this outlook as growth could be weaker than expected if there are delays in the delivery of vaccines as this will weaken confidence and make the recovery less certain.



Saskatchewan was in a mild recession prior to the pandemic, with problems in natural resource sectors such as potash and oil. The uncertainty in pipeline expansion as well as uncertainty in the potash sector have also depressed capital investment by companies further affecting the local economy. Agriculture had been depressed with low commodity prices and trade problems in 2019 but rebounded sharply in 2020. Saskatchewan is well-positioned to expand trade in the coming years once the global economy improves which will be good news for our province and Prairie Centre Credit Union.

Strategic Overview

Prairie Centre is the 6th largest credit union in the province and operates independently in rural Saskatchewan with over 15,000 members through fourteen 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 better in 2020, and it was a year of growth and expansion for our credit union. Canadians also increased their savings rate in 2020 amid the economic uncertainty which also contributed to growth this year.

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. 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 from staff.

Our current strategic plan covers the period from 2020 to 2022. An overview of the strategic areas we are placing additional focus on during this period are 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.**

Management Discussion & Analysis

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 2020 our assets grew consistently throughout the year, \$771 million to \$874 million. Loans also grew 6% during the year increasing from \$610 million to \$646 million. Member deposits grew every month this year, and we were pleased with over 14% growth, ending the year at \$795 million, up from \$695 million the year before. We are very pleased with these results given the current economic environment.

Our members diversify their deposit holdings by opening accounts with our brokers and mutual fund representatives. Currently we administer \$184 million in deposits through our advisory services representatives. In 2020 we reached a new milestone, as we now manage over \$1 billion in assets!


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 reduced loan rates for members was **\$1,579,882 in 2020; 30% more** than our Member Rewards in the prior year. We are thrilled with members profiting through their participation as member-owners.

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. In 2020, Delisle Credit Union members voted to merge with Prairie Centre Credit Union, and we welcomed the membership January 1, 2021. We welcome our new members and look forward to serving members and citizens of this area.

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 2016 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.

Digital Structure

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 2020, our members deposited over 21,000 cheques simply by taking a picture of it; that's 50% more than last year, no doubt in part to members looking for additional ways to bank remotely. Members use e-transfer to send or receive money using an email address or mobile phone number. In 2020 there were almost 1,400 completed every day, adding up to over 500,000 in the year which is 65% more than the previous year. In 2021, 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 to serve members everywhere. We are committed to working to

ensure branches remain profitable and are there to serve our members.

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 2020, \$240,000 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!

Management Discussion & Analysis

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.

The sudden decline in the economy and interest rates depressed our profit in 2020 and we ended the year with profit of \$3.3 million. This is lower than the prior year when we earned \$4.6 million and is attributed to the decline in interest rates which decreased our interest margin as well as through an increase in our provisions for loan losses due to the economic downturn. We are forecasting another low profit year in 2021 due to the continued low-interest rate environment and uncertainty in the economy.

Beyond the dollars we earn, we watch our efficiency ratio closely as a measure of our profitability. In 2020 our ratio was 79.4%, which equates to us spending just over 79 cents for every dollar we earn in revenue. This ratio is higher than the prior year and higher than our original budget target of 78.3%. For 2021, we are projecting profit to be on par with 2020 results, and as a result expect our efficiency ratio to be 79.3% 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.

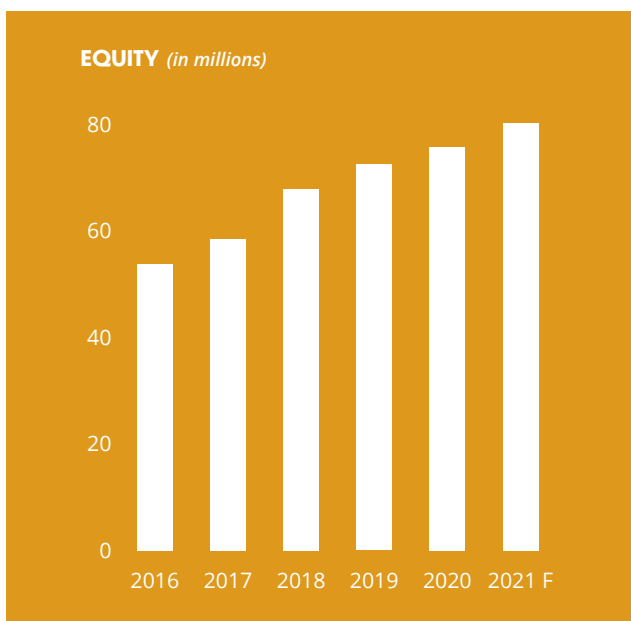
Our capital levels are fairly level to the prior year and remain at levels that exceed capital adequacy and regulatory requirements. Capital levels are expanded upon in the below section on Capital Management.

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 is categorized on our Consolidated Statement of Financial Position 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 Credit Union Deposit Guarantee Corporation (the Corporation). The Corporation sets regulatory guidelines to which all Saskatchewan credit unions



must adhere. 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

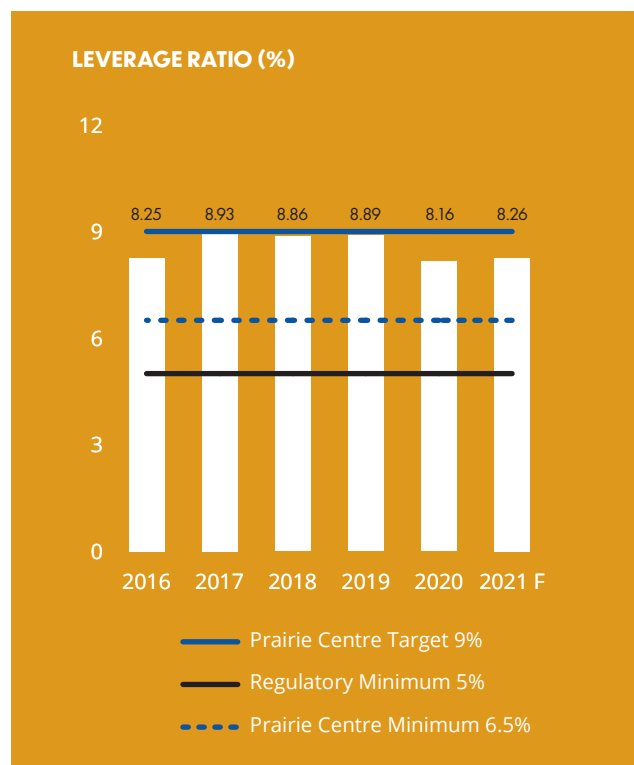
approved by the Board of Directors. The goal of capital management is to achieve and exceed regulatory minimums, maintain an optimal level of capital, meet operational requirements, absorb unexpected losses, implement long term strategic plans, and signal financial strength.

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 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 2020 are at \$75.7 million.

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 2020 our leverage ratio was 8.16%, which is lower than our prior year level of 8.89%, due to our high growth during the year coupled with lower than normal profitability. We expect this ratio to grow slightly to 8.26% in 2021.

Management Discussion & Analysis



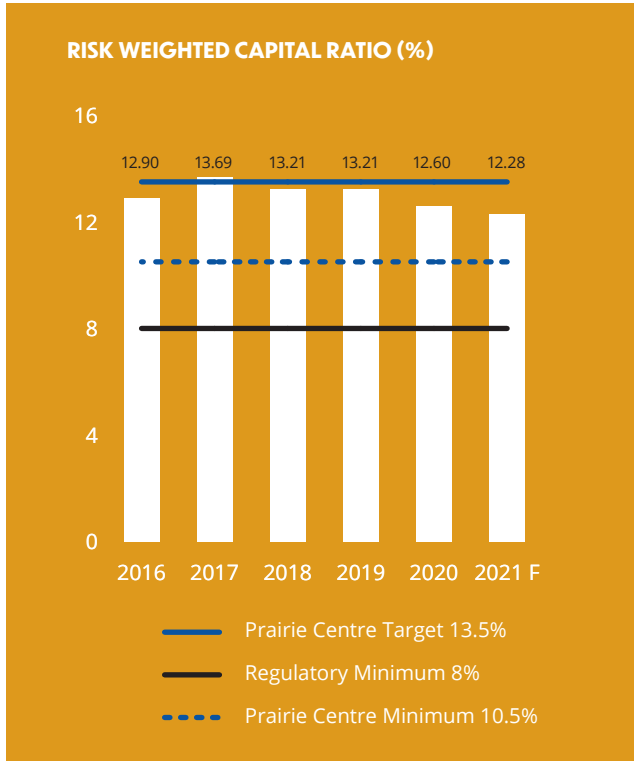
Credit unions assess additional capital requirements based on the risks faced by their individual operations using an Internal Capital Adequacy Assessment process (ICAAP). ICAAP evaluates requirements for capital relative to strategic plans and the credit union's risk appetite. The assessment of risks 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 2020 with a ratio of 12.60%; lower than 13.21% of the prior year-end. Looking ahead to 2021, we expect equity to grow to just over \$80 million while the risk weighted capital ratio declines to 12.28% as we continue to pursue loan growth. 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 exposing PCCU to undue loss.

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. 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.

Management Discussion & Analysis

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.

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.

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 commitments and respond to 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 daily 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:



Management Discussion & Analysis

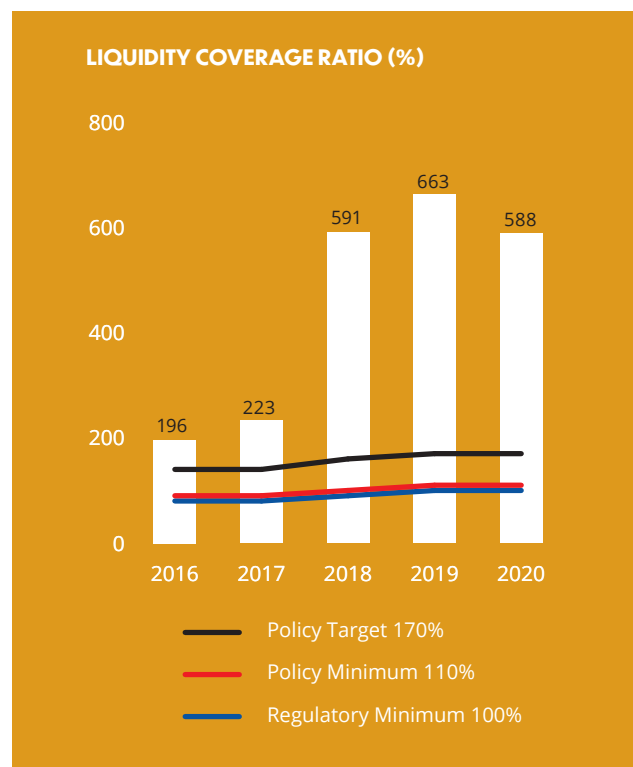
We also evaluate liquidity using the Liquidity Coverage Ratio (LCR), which assesses liquidity in a stressed situation, comparing the value of our high-quality liquid assets to potential net outflows. We have set policy requirements above the regulatory standard for the Liquidity Coverage Ratio. The finance 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 in the adjacent graph. 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 in 2020 were higher than normal, however are within target levels and are closely monitored. We also saw historic levels of loan deferral activity in 2020 due to job loss and economic uncertainty. The vast majority of loans have resumed payments and we are working with members in situations where they continue to struggle due to the pandemic.

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.

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. In 2020, we assessed an additional value for our collective allowance based on loan deferrals that had been granted as this represents an increase in credit risk. Loans are presented in our consolidated financial statements at the net realizable value. A full breakdown of loans, delinquency and allowances is found in the notes section of the consolidated financial statements.

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.

Management Discussion & Analysis

A breakdown of our residential mortgages is provided in the chart below and reveals just under half of our mortgage portfolio is insured, while we also have \$80M in mortgages and \$5.6M in line of credits that are uninsured.

Residential mortgages and home equity lines of credit as of Dec 31 2020

	Residential Mortgages			Home Equity Lines
Region	Insured	Uninsured	Total	Total
Total	\$73,621,693 (48%)	\$79,212,420 (52%)	\$152,834,113	\$5,614,833


Residential Mortgage Portfolio by Amortization Period

Mortgages are repaid over a longer period. 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	4.6%	\$3,410,191	15.5%	\$13,166,349
10 to 20 years	47.8%	\$35,177,120	40.1%	\$34,041,758
20 to 25 years	47.4%	\$34,905,433	44.0%	\$37,281,874
Greater than 25 years	0.2%	\$128,949	0.4%	\$337,272
Total	100%	\$73,621,693	100%	\$84,827,253

The portion of our residential mortgage portfolio that is insured has additional protection against 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 2020.

Mortgage Originated in 2020	Loan to Value
Uninsured Mortgages	65%
Home Equity Line of Credit	36%



In the event of an economic downturn, the lower loan to value ratio provides a cushion of equity in the property which incentivizes 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 2020 was minimal at 0.06% 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 by 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 using 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.

Management Discussion & Analysis

Corporate 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.

Credit Unions are established as co-operative financial institutions and use the co-operative principles as guidelines for our values. Members elect a board of directors to look after their interests.

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 2020, the Board of Directors held five regular meetings and had three special meetings. Our Directors place strong emphasis on learning and development and participate in training every year.

Board of Directors

The Board continues to participate with Credit Union Director Achievement (CUDA) training, nine of twelve Directors have graduated from the program. Nine of our twelve Directors and four of 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.



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.



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.



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.



Jason Gaboury

Representative of District #6

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

Board of Directors



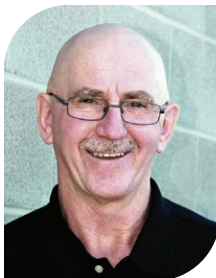
John Kutz, DIP. AG., PRO.DIR
Representative of District #3

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



Norman McIntyre, DIP. AG,
BAC PRO.DIR
Representative of District #3

Elected to the Prairie Centre Board of Directors in 2020. Farmer. Sits on the Member Engagement 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.



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.



Evan Sjovold, 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.



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.

Governance Investment

Honorariums	Per Diems	Training	Travel	Office/Other Costs	Total
5,100	77,938	3,792	8,295	8,083	103,208

Management Discussion & 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 two meetings in 2020.

Audit and Risk Committee

Five Directors serve on the Audit and Risk Committee and they met twice in 2020. 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 once in 2020, 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 once in 2020.

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 was not able to meet in 2020.

Management Discussion & Analysis

Executive Team

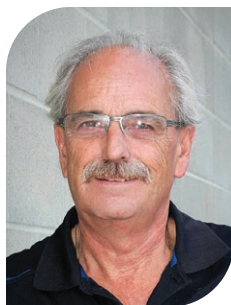
Prairie Centre Credit Union has an experienced Executive Management team who work with the Board of Directors to establish policies and determine our strategic direction. Our Executive team are responsible to oversee the operations of the credit union within the context of strategies and policies approved 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 together with management and staff to develop processes that serve our member needs while ensuring we appropriately manage risk and adhere to compliance requirements.

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 your financial needs in the future.

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, Xpress Home and Mobile Banking project as well as our work process review strategy. Tim constantly plans for and initiates renovations and new facility builds. Tim has 34 years credit union experience and has been with Prairie Centre since 1995, 21 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 36 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



Michelle MacDonald, Chief Information Officer

As Chief Information Officer (CIO), Michelle leads the Information Technology and Marketing Departments, and supports Governance for PCCU. She holds her Master of Arts in Leadership, Bachelor of Commerce in Finance, certificates in municipal governance, and other leadership and management training courses. Michelle joined the Credit Union on the retail team in 2018, bringing with her leadership and executive management experience in areas such as municipal governance, post-secondary education, digital, marketing, project management, and communications. Bringing a commitment to service and connection, Michelle promotes innovation, lifelong learning, and shared purpose amongst her team. She holds a seat on the University of Saskatchewan Senate and volunteers with various organizations in her home community of Eston. Michelle brings a passion for people, change management, innovation, service, and community to everything she does.



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.

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, 2020, 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, 2020.

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 10, 2021.

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 10, 2021

MNP LLP

Chartered Professional Accountants

Summary Consolidated Statement of Financial Position

As at December 31	2020	2019
Assets		
Cash and cash equivalents	\$ 81,601,183	\$ 72,518,182
Investments	125,261,080	67,648,486
Member loans receivable	646,372,617	610,381,347
Other assets	1,918,181	2,458,013
Property, plant and equipment	14,043,634	12,974,375
Intangible assets	4,594,458	4,761,441
	\$ 873,791,153	\$ 770,741,844
Liabilities		
Member deposits	\$ 795,038,381	\$ 694,539,450
Other liabilities	2,985,372	3,751,805
Membership shares	74,455	75,520
	798,098,208	698,366,775
Members' equity		
Retained earnings	69,588,922	66,271,046
Contributed surplus	6,104,023	6,104,023
	75,692,945	72,375,069
	\$ 873,791,153	\$ 770,741,844

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 Sjovold

Summary Consolidated Statement of Comprehensive Income

Year Ended December 31	2020	2019
Interest income	\$ 28,067,240	\$ 30,397,288
Interest expense	8,755,921	9,820,316
Gross financial margin	19,311,319	20,576,972
Other income	5,546,362	5,482,959
Net interest and other income	24,857,681	26,059,931
Operating expenses	19,191,534	19,571,706
Income before provision for (recovery of) impaired loans and provision for income taxes	5,666,147	6,488,225
Provision for (recovery of) impaired loans	1,116,731	522,011
Income before provision for income taxes	4,549,416	5,966,214
Provision for income taxes	1,231,540	1,347,903
Comprehensive income	\$ 3,317,876	\$ 4,618,311

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, 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
Comprehensive income		–	3,317,876	3,317,876
Balance, December 31, 2020	\$	6,104,023	\$ 69,588,922	\$ 75,692,945

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

Summary Consolidated Statement of Cash Flows

Year Ended December 31

	2020	2019
Cash flows provided by (used for) the following activities:		
Operating activities	\$ 5,476,482	\$ 5,809,131
Financing activities	100,092,359	21,536,370
Investing activities	(96,485,840)	(27,267,214)
Increase in cash and cash equivalents	9,083,001	78,287
Cash and cash equivalents, beginning of year	72,518,182	72,439,895
Cash and cash equivalents, end of year	\$ 81,601,183	\$ 72,518,182

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

Note to the Summary Consolidated Financial Statements

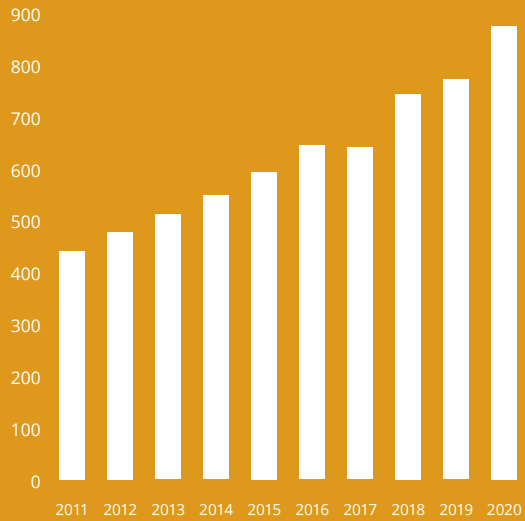
For the Year Ended December 31, 2020

1. Basis of the Summary Consolidated Financial Statements

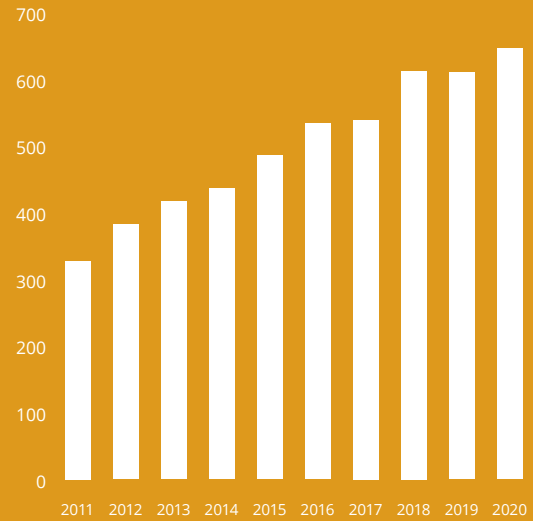
Management has prepared the summary consolidated financial statements from the December 31, 2020 audited consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards. A full set of audited consolidated financial statements is available from the 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.

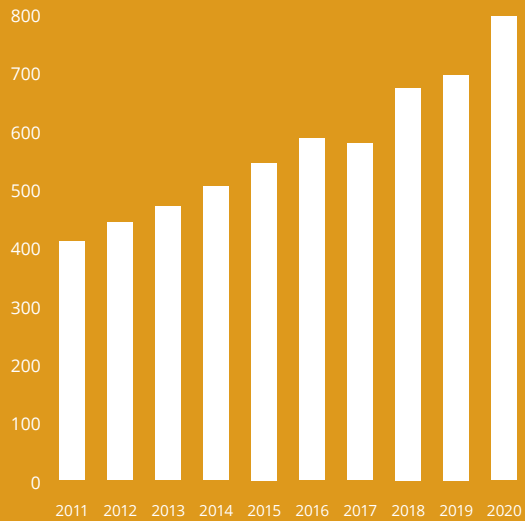
ASSETS *(in millions)*



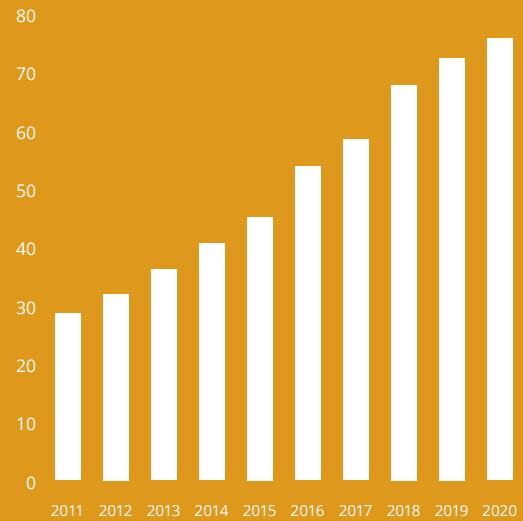
LOANS *(in millions)*



MEMBER DEPOSITS *(in millions)*



MEMBER EQUITY *(in millions)*





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

