



Home grown.

Banking built for the prairies.



2022 ANNUAL REPORT



VISION

We will be Saskatchewan's leading rural-based credit union, committed to connecting with our communities and members anywhere.

PURPOSE

We are here to help create a Saskatchewan where our people and communities can thrive together. We cultivate growth by building relationships and empowering people to improve their financial health through sound advice and local access to leading global financial tools.

VALUES

Connection
Curiosity
Sustainability
Growth

Values in Action



Connection

Build strong connections in our work environment, the communities and members we serve, and relationships with our trusted partners through collaboration, knowledge-sharing, and resources.

Curiosity

Curiosity will guide us, and we will invite inquiry to help spark innovation while working together to become better problem solvers.

Sustainability

Achieve through decision-making that builds a strong and loyal member base, create resilient business practices, and works to attract and retain employees.

Growth

Grow our relationships, our brand, our footprint in rural Saskatchewan, and our communities. We want to grow as individuals by taking personal responsibility to improve our skills because it not only adds value to our bottom line, but also helps us to develop both personally and professionally.

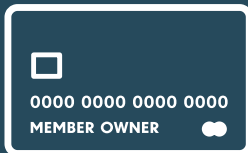
Prairie Centre at a Glance



16
Rural SK Branches
(and 5 subsidiary locations)



172
Employees



17,000 +
Members



\$1.8 Million
Member Rewards



\$1.5 Billion +
Managed Assets

The People of Prairie Centre

40
Years

Gaylene Pederson

25
Years

Carren Blosky
Lorraine Gerbrandt
Carol Lucki-Book
Marion Miller
Janet Reimer
Bev Rowley
Eileen Schmidt

20
Years

Dallas McDonald
Julie Sparks

15
Years

Jannelle Curtis
Christine Leys
Brooke Strueby

10
Years

Denise Ganes
Brenda Hunter
Lorna McGrath
Lisa Moss
Verna Urlacher

5
Years

Kimberly Clarke
Janet Hutchison
Lana Lee
Cheryl McKeil
Stacey Schneider

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.

2022 Retirement

Al Meyer, Former CEO

Since the inception of Prairie Centre Credit Union, Al Meyer was there for us. After 29 years of dedicated service to Prairie Centre and our membership, Al started his well-deserved retirement in 2022. We would like to thank him for his many years of commitment to the growth and sustainability of Prairie Centre Credit Union.

Our Forward Focus

Prairie Centre is building momentum across the Prairies. Our way of life is to be celebrated, but more importantly, UNDERSTOOD. Understood by a financial institution that's steadfast, committed to our people and our province, and continues to gain strength so profits that are earned here, stay here. Profits that have meaningful impact and can be seen and felt at the local level.

Prairie Centre has built an ambitious three year strategic plan (2023-2026) to become the financial institution that people love to bank with through:

Brand Evolution & Community Presence

A compelling story has the power and emotion to start the conversation around a brand and power enough curiosity to get people to choose it over another. Through the telling of the Prairie Centre story, we allow customers to experience our brand, make a meaningful emotional connection, and share the experience across their network. Great brand experiences turn the story over to the customer and they become the ones who tell it.

Employee Engagement & Professional Development

Education, self-development, and engagement are key to a thriving culture and play a critical role in overall satisfaction as well as confidence our employees demonstrate in their role at Prairie Centre. Employee engagement has a direct impact on our bottom line through reduced staff turnover and increased productivity. Engagement helps Prairie Centre understand employee needs, as well as helps to identify ways to improve morale and create better work environments. In other words, we value what our employees have to say.

Investing in our employees pays dividends both professionally and personally. Prairie Centre makes significant gains when our staff feel confident in what they do as it helps to create a better member experience. It provides our employees the skills to advance when opportunities arise and helps Prairie Centre transfer knowledge through succession planning.

Member Experience & Growth Opportunities

Improving the member experience at every point from onboarding to retirement planning, and everywhere in between, is pinnacle.

At Prairie Centre, we pride ourselves on serving people with the same determination, grit, and passion for the Prairies as we have. The opportunities to share this passion and spread our footprint throughout the province are abundant. We want to look for new and creative ways to reach new markets. This will require innovative ideas and strategies that are essential to keeping our business growing and sustainable.

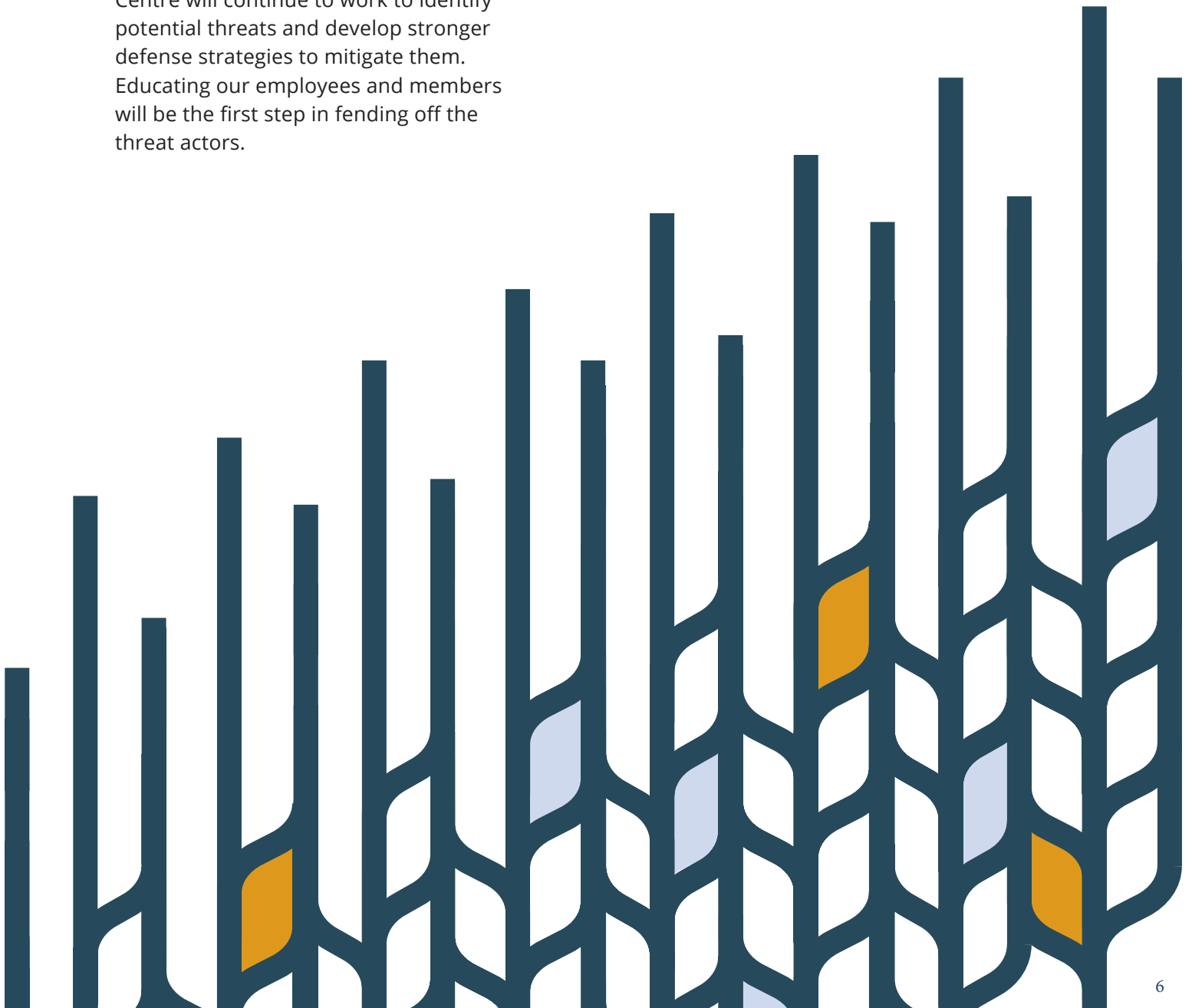
Technology, Data Management, & Cyber Security

Technology can take care of the basic tasks, leaving us with more time to focus on the important things, our members. As the world moves more digital, we see the financial industry changing with it. Prairie Centre will invest resources towards staying abreast of the new technology trends that will shift our industry in the future, which includes open banking and digital disruptors.

With the ever-advancing technology comes the constant threat of cyber-attacks. Prairie Centre will continue to work to identify potential threats and develop stronger defense strategies to mitigate them. Educating our employees and members will be the first step in fending off the threat actors.

Operational Improvement & Efficiencies

Improving operational effectiveness and efficiencies involves combined effort that optimizes processes, people, financials, and technology to support sustainability. It goes beyond cost management, and it looks at areas where inefficiencies exist and determines how to improve them. Focus here helps Prairie Centre deliver strong and stable financial performance to support investments in our future and to ensure our credit union remains strong.



Home Grown

Our Commitment to Rural Saskatchewan

Prairie Centre Credit Union is proud to call the prairies home – it's in our name after all. We are authentic prairie people, and our values represent the members we serve; determined, spirited, and passionate. We love the land and the prairie way of life and always look to celebrate our rural roots by strengthening ties with our customers and local communities.

Because our members are owners, we are motivated to help them achieve financial success. Prairie Centre Credit Union's Member Rewards program keeps any profits we make with our members. That means profits, jobs, and our love of rural Saskatchewan stays right here.

We continuously engage with and strongly support our communities through volunteering and financial support of community organizations and activities, including unique award-winning scholarship programs investing in our young talent. During 2022, over \$230,000 was provided to our communities in donations, scholarships, sponsorships, and in-kind contributions. The dollar value noted here does not include contributions made through volunteer hours our staff members provide on a regular basis. We are very proud of our staff commitment to volunteering that helps build stronger, thriving communities.

\$230,865
PROVIDED TO OUR COMMUNITIES
IN 2022

Prairie Centre Credit Union is an economic force for good and always will be. It drives our success and guides everything we do, across the entire customer experience. We work towards building a future that is substantial, meaningful, and relevant for the people of rural Saskatchewan, one where we can all profit and grow beneath our magnificent prairie skies.

Board Chair & CEO Statement

As a member-owned financial institution, we are pleased to present to you our annual report highlighting the results from 2022.

2022 was a very busy year for Prairie Centre Credit Union. We kicked the year off by welcoming LeRoy Credit Union to the Prairie Centre family, making it our 16th branch and giving us a presence on the east side of the province. There was a lot of excitement and optimism early in the year as we had come through two years impacted by COVID-19 and were getting back to “business as usual.”

In early March, we said farewell to our long time CEO, Al Meyer. We would like to sincerely thank Al for his dedication to Prairie Centre and the credit union system.

At the beginning of June, Prairie Centre faced a system-wide cyber incident that hampered our operations for over three months. Our staff were instrumental in minimizing the impact to our members and keeping branch operations running smoothly while we worked through the restoration.

The year also brought with it a second year of drought throughout most of Prairie Centre’s trading area, adding increased pressure and anxiety to our agriculture members. As Saskatchewan’s leading rural-based credit union, we recognize the importance of agriculture and how fundamental it is to our success. Prairie Centre is banking built for the prairies and we’re here to help our members through the good times and bad by offering support and guidance.

Even with the challenges we faced in 2022, Prairie Centre’s financial results were strong. Our assets grew by 18% to \$1.18 billion; loans grew by 22% to \$914 million and member deposits grew 17% to \$1.06 billion. We had record earnings in 2022 with a net income of \$17.74 million due largely in part to the sale of Concentra Bank by the credit union system. This helped bolster our capital position which supports our long-term sustainability. Our members continue to benefit from our Member Rewards program and received \$1.8 million through rate discounts on loans and rate incentives on deposits.

The Board of Directors and Executive Management worked together to build a new three-year strategic plan that focuses on our unwavering commitment to rural Saskatchewan and doing our part to keep our communities vibrant and strong.

In closing, these results would not be possible without the support from you, our members. Thank you for your continued loyalty and belief in rural Saskatchewan. We would also like to thank the Board of Directors, management, and staff for your commitment and dedication in serving our members.



Greg Hannay
Board Chair



Blair Wingert
Chief Executive Officer

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is provided to help members understand and assess the current financial position and future direction of Prairie Centre Credit Union (2006) Ltd. (Prairie Centre) 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.

Economic Overview

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 Prairie Centre and our financial position. This includes national and international economic conditions as they influence currency and interest rates.

The Canadian dollar remained relatively flat in 2022, and the outlook for 2023 is for the dollar to continue to be weak, but stable when compared with the American dollar.

Interest rates rose rapidly in 2022, in stark contrast to the prolonged period of low stable interest rates. The interest rate forecast is for one further rate increase in 2023, as we grapple with high inflation worldwide with the end of economic stimulation programs by government during the pandemic. Interest rates are expected to decline when inflation is believed to be under control.

The Bank of Canada is engineering a slow-down in the economy to deal with inflation. The increase in interest rates causes debt servicing costs to increase, and consumers will need to curtail spending. As people face higher costs there is pressure on wages to increase, which is also fueled by a labour shortage as an increasing number of older workers retire.

As a country, the performance of our economy depends heavily on developments in the United States and other global economies. There is a potential for a global recession, or at the very least a slowdown in economic activity to deal with inflation, ongoing shocks related to the pandemic, and the war in Ukraine. The United States and Europe are expected to be most likely to experience recessionary pressures.

The Canadian economy has effectively had zero growth as inflationary forces hampered spending. The Canadian economy is projected to expand by 3% in 2023, however, given the gap in labour supply and other economic pressures, there is risk in this forecast.

An increase in prosperity in the energy and potash sectors has assisted Saskatchewan's economy. An overall increase in agriculture commodities and yields will also be a positive boost for our province. In most of our region there was persistent drought negatively affecting agriculture for another year, however we are optimistic for what 2023 will bring. Saskatchewan is poised to lead the country in growth due to diversity in our economy which will be good news for our province and Prairie Centre Credit Union.

Financial Position

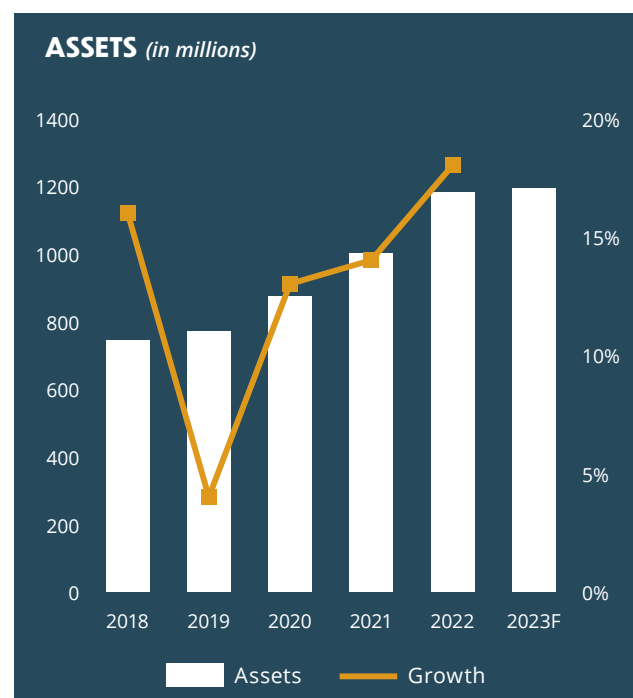
Prairie Centre is the 6th largest credit union in the province and operates independently in rural Saskatchewan. We welcomed LeRoy as a new branch through a merger on January 1, 2022. This has expanded our reach eastward and we are excited to have them with us! We now serve over 17,000 members and have 16 branch operations in the communities of Beechy, Delisle, Dinsmore, Eatonia, Elbow, Elrose, Eston, Harris, Herbert, Kyle, LeRoy, Loreburn, Morse, Outlook, Rosetown, and Spiritwood.

PCCU Insurance Ltd. is our general insurance subsidiary. We have offices in Elbow, Eston, Harris, Rosetown and in 2022 we purchased Kyle Agencies Inc. We offer a full line of products including home, auto, farm, hail, and commercial insurance. Our agency in Rosetown 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.

We have over 170 staff members working and living in the trading area who provide full financial services to our members with a focus on helping members meet their financial goals. We are committed to providing ongoing staff training and development sessions to improve our employees' skills which allows us to better assist and serve our members.

As the largest rural-based credit union in Saskatchewan, one of our main influences is the local farming economy. Farming was challenged in 2022 by drought conditions in most of our regions. The increase in commodity prices provided some relief for those farmers with product to sell. Our resilient members have adjusted and 2022 was a year of growth and expansion for Prairie Centre.

In 2022 our assets grew, and we reached just under \$1.18 billion, growing from \$1 billion the year prior; 18% growth. It was a challenging crop year in much of our region, so we are very pleased with these results given the current economic environment. Given the uncertain economic environment, we are forecasting flatter growth in the upcoming year, and expect to be at \$1.19 billion in assets at the end of 2023.



Loans grew 22% during the year, increasing from \$743 million to \$914 million. Growing our loan portfolio along with deposit growth is a goal of the credit union and we are pleased with the progress. We are forecasting more modest growth in 2023, expecting loans to be \$960 million at the end of the year.

Member deposits increased this year, and we achieved 17% growth, ending the year at \$1.06 billion, up from \$913 million the year before, which is attributed to growth from our LeRoy branch as well as additional deposits from our membership. Given the more challenging economic environment we believe deposits will grow slightly in the upcoming year to \$1.07 billion.

As we are a full service financial institution, we offer brokerage and mutual fund accounts to help our members diversify their deposit holdings. Currently we administer additional deposits from members through our advisory services representatives. Our portfolio increased from \$224 million in 2021, to \$234 million at the end of 2022.

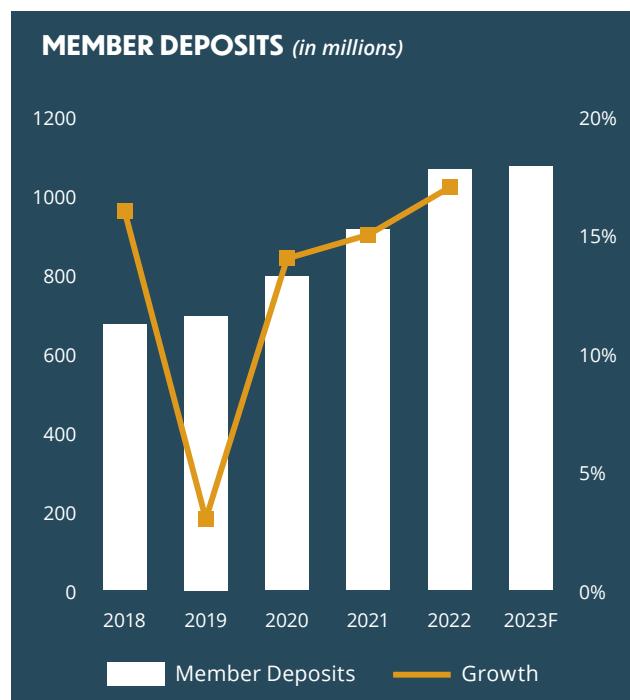
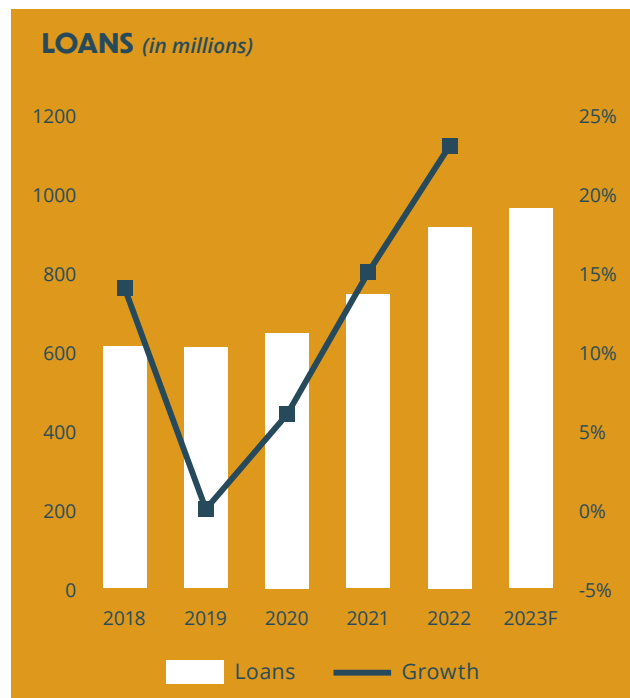
Profitability and Efficiency

We build equity in the credit union through earning a profit and then retaining these earnings.

Our profit this year is vastly higher than previous years due to the sale of Concentra Bank to Equitable Bank. SaskCentral was a majority owner of Concentra Bank and proceeds of the sale were distributed by SaskCentral to Saskatchewan credit unions.

We ended 2022 with profit of \$17.74 million, \$6M from operations, and the remaining \$11.7M is attributed to the sale of Concentra Bank.

We are forecasting profit for 2023 to be \$7 million which is a return on assets of 59 basis points, and comparable to prior year earnings when taking the sale of Concentra Bank into account.



Beyond the dollars we earn, we watch our efficiency ratio closely as a measure of our profitability. The efficiency ratio is how much we spend to make a dollar, so a lower value indicates greater efficiency in operations.

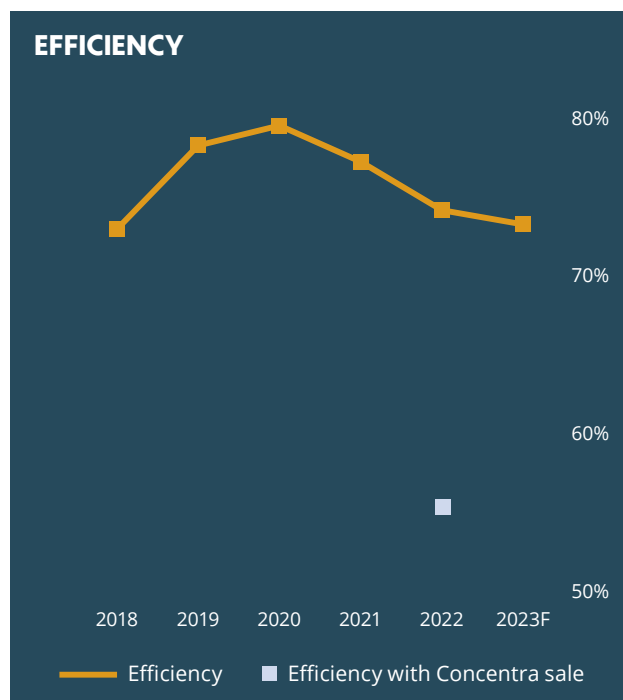
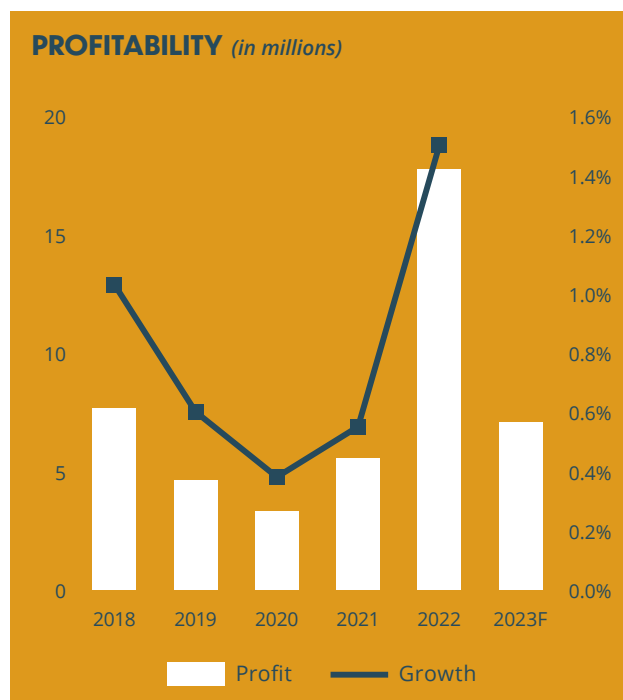
In 2022 our efficiency ratio was 55.24% when you include proceeds of the sale of Concentra and 74.03% without these proceeds. This ratio is lower than the prior year of 76.75%. For 2023, we expect our efficiency ratio to be 73.13%. Our goal is to keep our efficiency ratio at a level that optimizes profitability while still providing quality service to our membership and continuing to invest into future operations.

Capital Management

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 retaining our earnings. On our Consolidated Statement of Financial Position this is shown 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 equity and strengthen our capital position 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 continually evolve and promote the importance of a strong banking sector to withstand financial crisis.

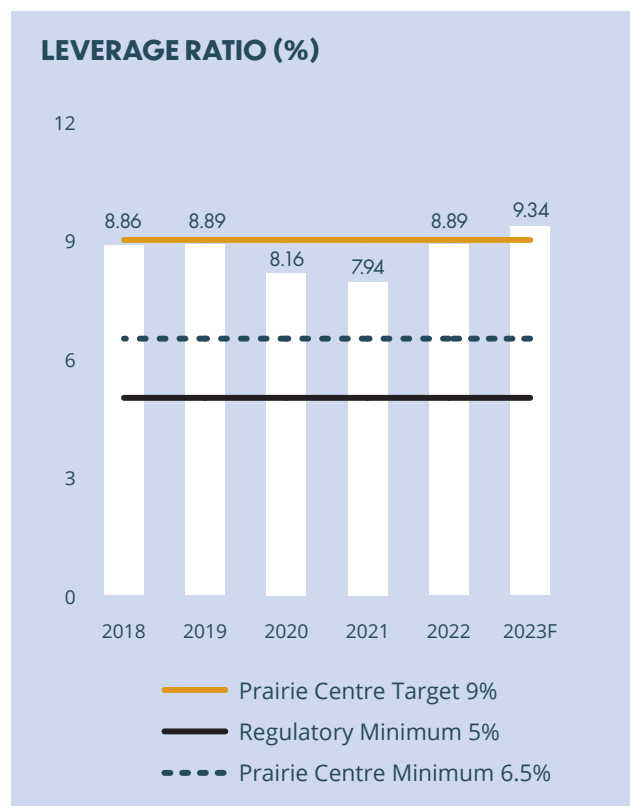
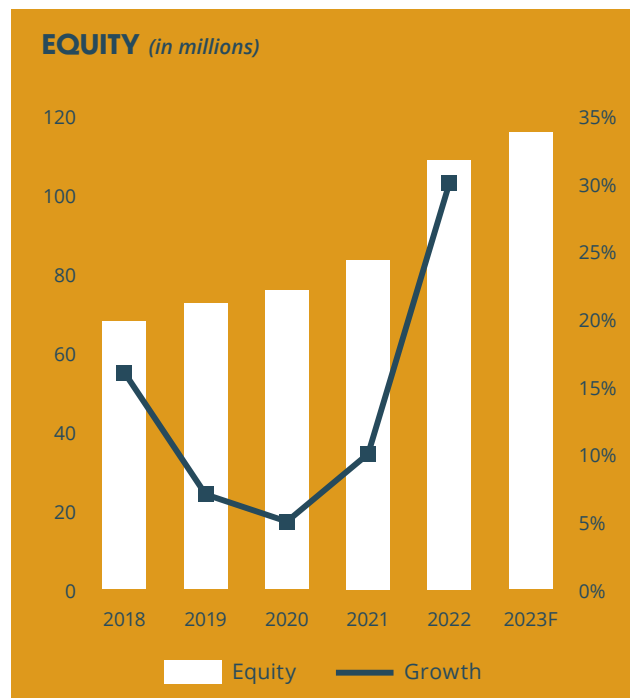


The Board of Directors and Executive Management believe in maintaining a strong capital position. Our Capital Management Framework sets guidelines for capital, and the need to assess capital adequacy through a formal process in accordance with the regulatory expectations. The goal of capital management 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 our equity grew from \$83.4 million at the end of 2021 to \$108.7 million at the end of 2022. Looking ahead to 2023, we have budgeted equity to grow to \$115.7 million.

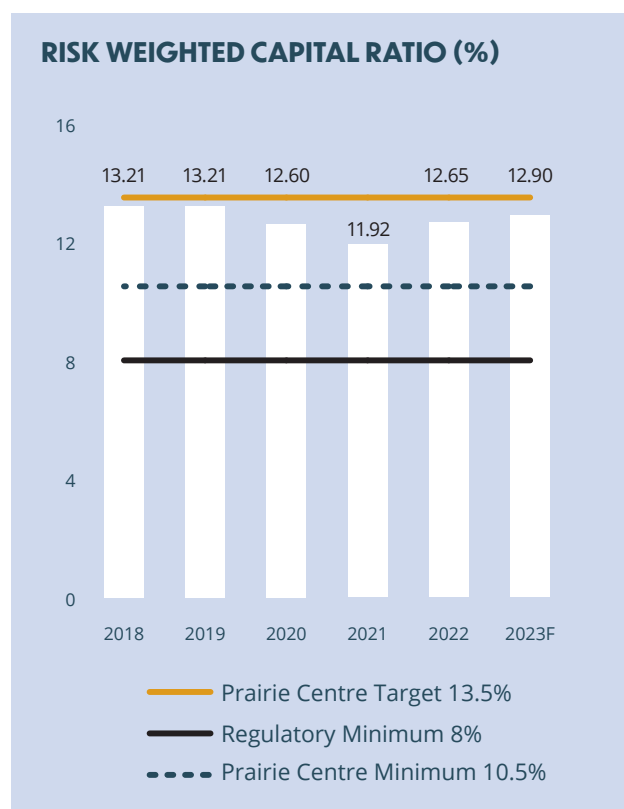
There are two main ratios used for measuring capital strength. The first is called the leverage test and this ratio divides eligible capital by leverage assets. The second measure is a risk-based capital test which compares eligible capital to risk weighted assets. Minimum and target measures are established in policy and regular reviews of capital requirements are completed.

The current regulatory requirement for the leverage ratio is 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%. We started the year at 7.94% and grew to 8.89% over 2022. The large increase was achieved through profitability. We expect the ratio to rise again in 2023 to 9.34% with continued profitability and lower growth predicted.



Credit unions assess capital requirements based on the risks and stressors 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. We monitor our equity, profitability, and capital levels 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. At the end of 2022, our ICAAP required level of capital is calculated to be 12.38%.

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 2022 with a ratio of 12.65%; increasing from 11.92% where we were the prior year-end. In 2023, we expect our risk weighted capital ratio to increase to 12.90%.



Enterprise Risk Management

As a financial institution, Prairie Centre Credit Union is exposed to a variety of risks. Business strategies incorporate decisions regarding risk and how we will manage and mitigate risk. Managing and appropriately balancing risk with business opportunities is the top priority for the Board of Directors and Executive 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 Prairie Centre to undue loss.

We have internal controls and compliance requirements that help us establish processes to mitigate risk. Internal and external audits are performed regularly to test the effectiveness of the controls. Our regulator also performs reviews of the organization.

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.

Prairie Centre utilizes an enterprise-wide risk management (ERM) system to identify, measure, and monitor risks which is detailed in an ERM Framework. The ERM Framework categorizes risks and explains how risk management functions at Prairie Centre. Through our governance structure, the Audit and Risk committee (ARCO) reviews audit reports and establishes the risk and compliance framework, reviewing controls at a high level.

The Board of Directors is responsible for approving the overall business strategies, 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. 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.

All Prairie Centre employees incorporate risk management principles into the work and act as a risk manager, knowledgeable in how to manage risks inherent in their day-to-day activities.

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

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.

2022 marked the completion of our current strategic plan. We follow a three-year planning cycle that begins with input from our members garnered through surveys and feedback from staff. In 2022, the board and executive management held a strategic planning session and updated our vision, purpose statement, and values. Every year, Prairie Centre management develops operating plans and targets aligned with the strategic direction of the credit union.

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 and is caused specifically from timing differences in the re-pricing of assets and liabilities. The credit union employs comprehensive management processes around our market exposures and risk-taking activities.

An Asset and Liability Committee (ALCO), comprised of Executive Management and our Vice President Finance, meet 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.

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. Further details on our interest rate sensitivity is provided in the financial statements.

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

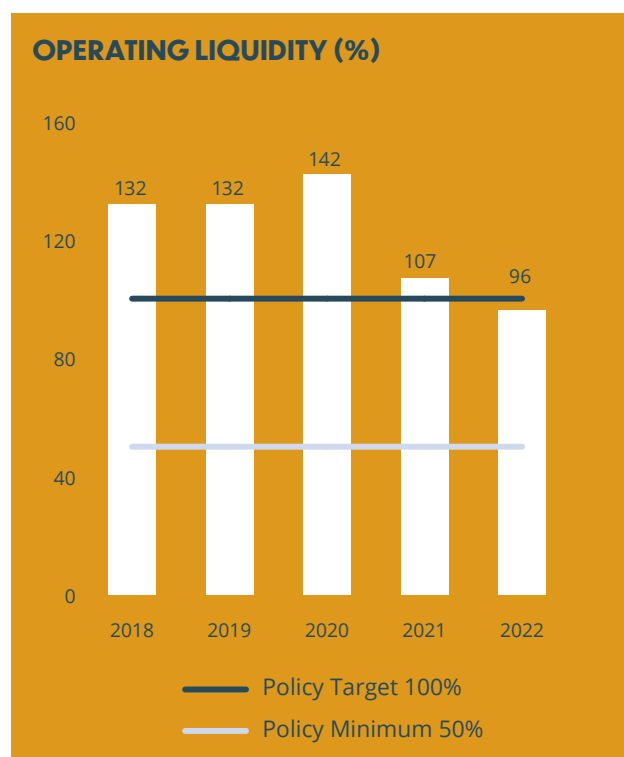
Liquidity Risk

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.

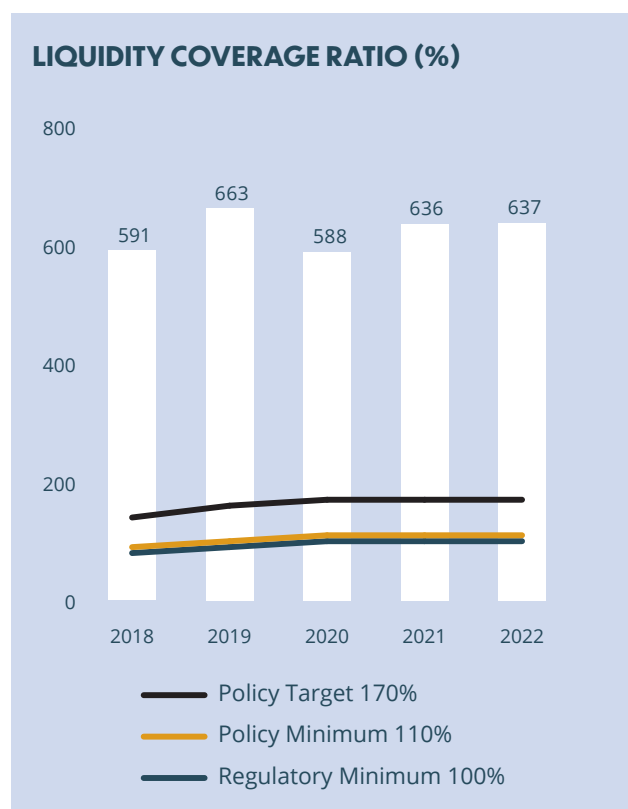
Our operating liquidity ratio is an internal measure which considers projected cash inflows as a percentage of projected cash outflows. Our Board of Directors has



defined our target as 100%, with a minimum level of 50%. Operating liquidity levels and policy requirements are provided with prior years included for comparative purposes.

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 ALCO who oversee liquidity risk exposure and management.

Our liquidity coverage ratio position, policy, and regulatory requirements are provided with prior years included for comparative purposes indicating we are well above required levels.



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.

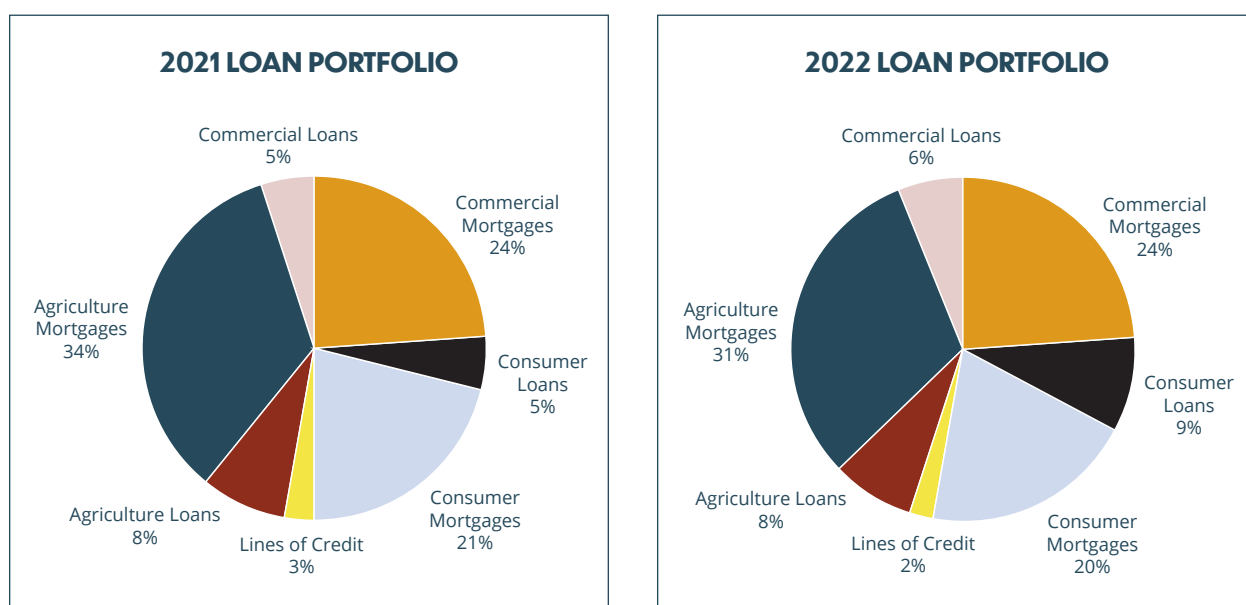
Lending practices are set by the Board of Directors in policy and put into practice through procedures as established by Executive Management. Credit granting is performed in accordance with approved policies, procedures, and applicable legislation. This includes credit analysis, pricing, terms, and 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 regarding 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. Our level of impaired loans and our delinquency levels in 2022 rose from the prior year. We continue to work with our members and expect to see fewer impaired and delinquent loans in 2023.

Prairie Centre'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 ARCO.

The Credit Union monitors its exposure to potential credit losses and maintains both specific and collective loan allowances. 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 2022 we increased both specific and collective allowance values. 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.

The loan portfolio charts show the type of loans we hold. The prior year is provided for comparative purposes. As a rural based credit union, it is no surprise that the largest portion of our loan portfolio is made of up agriculture loans and mortgages.



To manage the risk associated with consumer mortgage lending we take a balanced approach to structuring the portfolio. We utilize both insured and uninsured mortgages in financing home purchases and 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 just over \$180 million, with 40% being insured and 60% being uninsured.

Residential mortgages and home equity lines of credit (LOC)				
	Insured	Uninsured	Home equity LOCs	Grand total
Total	\$72,807,525	\$102,493,327	\$4,965,451	\$180,266,303

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
Less than 10 years	5.2%	\$3,766,884	13.8%	\$14,824,794
10 to 20 years	52.7%	\$38,384,746	44.3%	\$47,614,429
20 to 25 years	41.9%	\$30,533,081	41.9%	\$45,019,555
Greater than 25 years	0.2%	\$122,814	0.0%	–
Total	100%	\$72,807,525	100%	\$107,458,778

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 2022.

Mortgage originated in 2022	Loan to value
Uninsured mortgages	66%
Home equity line of credit	35%

In the event of an economic downturn, the lower loan to value ratio provides a cushion of equity 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 monitor the total value of uninsured mortgages to a 20% reduction in house prices. Our exposure at the end of 2022 was minimal at 0.33% of the uninsured mortgage total.

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 and sent to our risk department who monitor adherence to compliance requirements. 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, controls and systems, or from external events including the risk of fraud. Operational risk is inherent in all activities within the credit union. In 2022 we experienced a cyber incident. We were able to implement alternate systems to serve our members to minimize business interruption. Our members were patient, and we appreciate your flexibility during the year while we worked through the disruption.

Operational risk is managed using preventative measures including policies and procedures, controls, monitoring, and performing self-assessments to identify and assess risk exposures. Risk is managed through segregation of duties, employee training, performance management, and a structured internal audit program. We have a system to assess risk associated with our vendors as well.

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. As part of the restoration from the cyber incident we implemented additional security measures and ongoing testing and training.

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 Prairie Centre. 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.

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 are responsible for approving policy and setting 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 eleven independent members on the Board of Directors, representing the eight 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 2022, the Board of Directors held six regular meetings and had six special meetings. Our Directors place strong emphasis on learning and development and participate in training every year through the Credit Union Director Achievement (CUDA) training. We are proud to report that by the end of the first quarter of 2023, all Prairie Centre Board of Directors as well as the Executive Management team will have earned their Professional Director (Pro.Dir™) designation. This achievement demonstrates the commitment of the credit union having strong and effective governance practices. The Board and Executive team continue to participate in educational opportunities for their designation.

Governance Investment

Honorariums	Per Diems	Training	Travel	Office/Other Costs	Total
\$9,900	\$102,183	\$91,272	\$13,633	\$12,790	\$229,778

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 Chair and three Vice Chairs of the Board. Duties related to governance are to set and maintain effective governance guidelines, ensure the performance and succession of the CEO, and ensure compliance with all policies and Prairie Centre Credit Union bylaws. This committee held two meetings in 2022 and acts as the Nominations Committee.

Audit and Risk Committee

Five Directors serve on the Audit and Risk Committee; they met four times in 2022. 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 is comprised of five Directors; they met once during 2022. 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; they met two times in 2022.

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 the annual general meetings, becoming a director, and recognition of the co-operative difference in having membership in their financial institution. The committee met once in 2022.

Board of Directors



Greg Hannay, PRO.DIR

Board Chair

Representative of District #2

Elected to the Prairie Centre Board of Directors in 2009. Retired Farmer/Seed Cleaning Plant Owner. Chair of the Governance Committee. Sits on the Audit & Risk Committee and the Conduct Review. Director of PCCU Insurance Ltd.

2022 Meeting Attendance - 86%



Keith Collins, DIP. AG., PRO.DIR

1st Vice Chair

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.

2022 Meeting Attendance - 79%



John Kutz, DIP. AG., PRO.DIR

2nd Vice Chair

Representative of District #3

Elected to the Prairie Centre Board of Directors in 2011. Farmer. Sits on the Audit and Risk Committee, Conduct Review Committee, and Governance Committee.

2022 Meeting Attendance - 89%



Evan Sjovold,

B.SC.(AG), PRO.DIR

3rd Vice Chair

Representative of District #4

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

2022 Meeting Attendance - 100%



Jason Gaboury

Representative of District #8

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

2022 Meeting Attendance - 86%



Kami Holowachuk, DIP. BA.

Representative of District #7

Appointed to Prairie Centre Board of Directors in 2022. Postmaster. Sits on the Member Engagement Committee.

2022 Meeting Attendance - 100%



Randy Kelly, B.SC.(AG)

Representative of District #2

Elected to the Prairie Centre Board of Directors in 2019. Farmer. Sits on the Human Resources Committee and Member Engagement Committee.

2022 Meeting Attendance - 88%



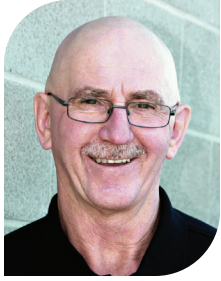
Norman McIntyre,

DIP. AG., BAC PRO.DIR

Representative of District #3

Elected to the Prairie Centre Board of Directors in 2020. Farmer. Sits on the Audit and Risk Committee, Conduct Review Committee.

2022 Meeting Attendance - 88%



Wayne Pauls,
Representative of District #6

Appointed to the Prairie Centre Board of Directors in 2018. Retired. Sits on the Human Resources Committee.

2022 Meeting Attendance - 100%



Karen Sinclair, PRO.DIR
Representative of District #8

Elected to the Prairie Centre Board of Directors in 2010. Retired. Chair of the Human Resources Committee.

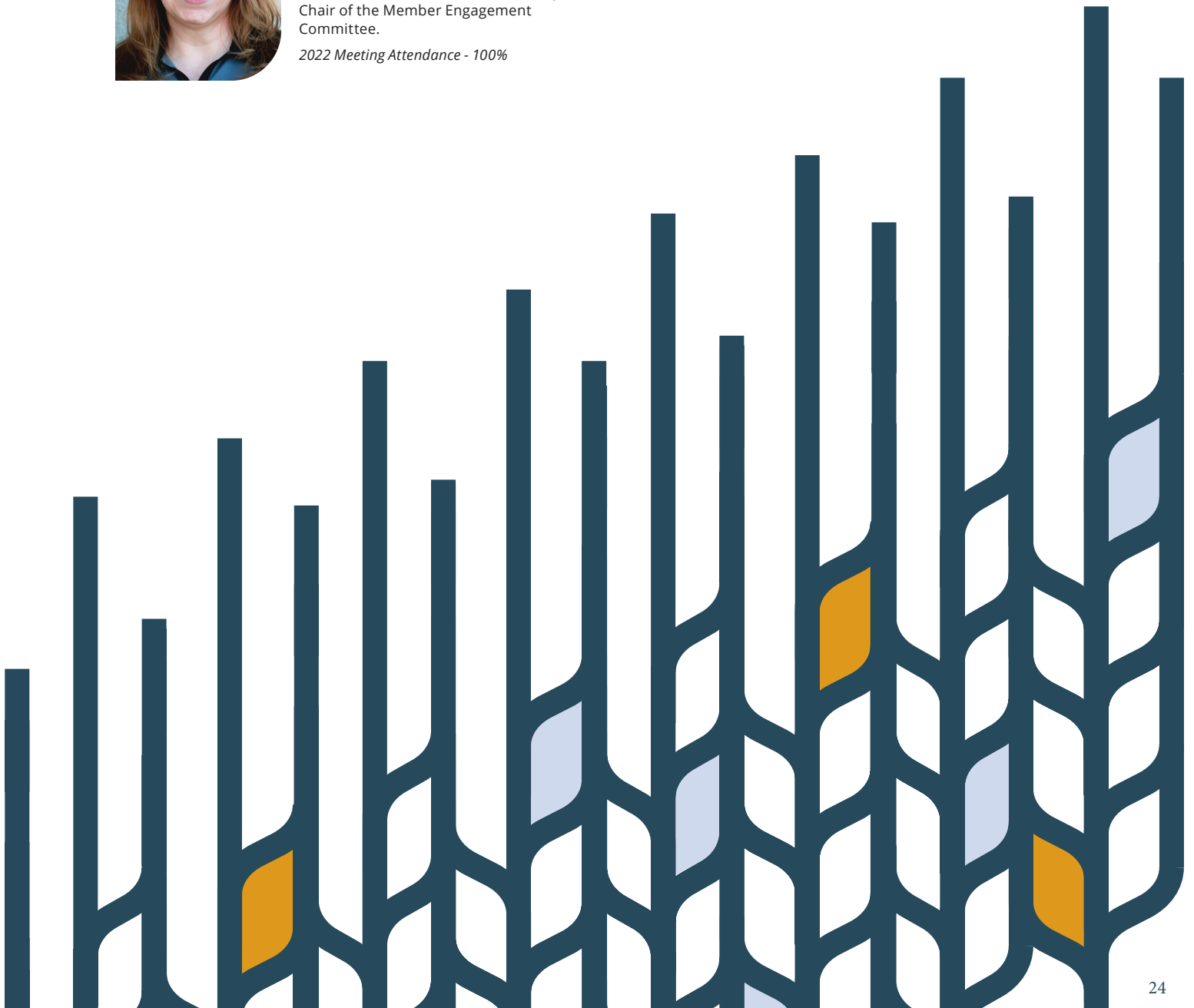
2022 Meeting Attendance - 100%



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, Chair of the Member Engagement Committee.

2022 Meeting Attendance - 100%



Executive Team



Blair Wingert, *Chief Executive Officer*

In his role as Chief Executive Officer (CEO), Blair provides leadership and strategic direction of Prairie Centre's vision, purpose, and values, along with overseeing the overall credit union operations. Blair has 20 years of experience in the financial services industry focused on providing an exceptional member experience while driving organizational results. Joining Prairie Centre Credit Union in 2014 as the Chief Credit Officer and transitioning to the Chief Operating Officer in 2018, Blair has led the retail team to achieve great results. Blair has been a strong leader within Prairie Centre and the communities we serve. As part of the Executive Management team, Blair serves as a member of the board of directors for our subsidiary PCCU Insurance Ltd. 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.



Jillian Carlson, *Chief Business Officer*

As Chief Business Officer (CBO), Jill oversees the business activities of the Wealth Management Division and PCCU Insurance Ltd. including PCCU Accounting and PCCU Real Estate. Jill provides leadership and implements the strategic plan for both areas of focus. With a passion for delivering exceptional member service, Jill strives to grow and expand our service offering in the communities we serve and surrounding areas. Starting at Prairie Centre Credit Union in 2011, Jill has over 20 years of experience in the financial services industry in both a retail and management capacity. Jill has a Bachelor of Science in Agriculture, Professional Financial Planning designation and is Certified Professional Consultant on Aging.

As part of the Executive Management team, Jill serves as the CEO and a director of PCCU Insurance Ltd.



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 subsidiary 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 38 years with credit unions. Lesley is a Certified Financial Planner, has completed the Associate Credit Union Institute of Canada (ACUIC) 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 designation through the Credit Union Executive Society.



Adam Johb, *Chief Operating Officer*

In his role as Chief Operating Officer (COO), Adam oversees the business activities in all 16 branches. Adam provides leadership and strategic execution of Prairie Centre's credit management, loan quality, and overall retail administration. With a commitment to member service, Adam drives product and service development initiatives relating to retail operations. As part of the Executive Management team, Adam serves as a member of the board of directors for our subsidiary PCCU Insurance Ltd. Starting at Prairie Centre Credit Union in 2020, Adam has over 17 years of experience in the credit union system, all of which have been in rural Saskatchewan. His experience has involved leading people, managing branches as well as projects. Adam has served as Co-Chair of the Saskatchewan Young Leaders Committee.



Michelle MacDonald, *Chief Information Officer*

As Chief Information Officer (CIO), Michelle leads the Facilities, Information Technology, Projects, and Marketing Departments, and supports Governance for Prairie Centre. As part of the Executive Management team, Michelle serves as a member of the board of directors for our subsidiary PCCU Insurance Ltd. 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.

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, 2022, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related note, are derived from the audited consolidated financial statements of Prairie Centre Credit Union (2006) Ltd. (the "Credit Union") for the year ended December 31, 2022.

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 15, 2023.

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 15, 2023

MNP LLP

Chartered Professional Accountants

Summary Consolidated Statement of Financial Position

As at December 31	2022	2021
Assets		
Cash and cash equivalents	\$ 124,321,686	\$ 106,856,745
Investments	108,385,412	131,333,106
Member loans receivable	914,443,112	742,755,801
Other assets	14,963,526	1,400,963
Property, plant and equipment	13,123,247	13,542,541
Intangible assets	4,623,584	4,427,475
	\$ 1,179,860,567	\$ 1,000,316,631
Liabilities		
Member deposits	\$ 1,065,732,940	\$ 912,858,246
Other liabilities	5,361,176	3,952,795
Membership shares	85,920	77,690
	1,071,180,036	916,888,731
Members' equity		
Retained earnings	98,970,073	81,234,633
Contributed surplus	9,710,458	2,193,267
	108,680,531	83,427,900
	\$ 1,179,860,567	\$ 1,000,316,631

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

For the Year Ended December 31	2022	2021
Interest income	\$ 51,001,760	\$ 29,243,202
Interest expense	12,345,690	7,897,493
Gross financial margin	38,656,070	21,345,709
Other income	7,546,552	6,562,271
Net interest and other income	46,202,622	27,907,980
Operating expenses	25,161,671	21,205,345
Income before provision for (recovery of) impaired loans and provision for income taxes	21,040,951	6,702,635
Provision for (recovery of) impaired loans	941,428	(898,128)
Income before provision for income taxes	20,099,523	7,600,763
Provision for income taxes	2,364,083	2,059,075
Comprehensive income	\$ 17,735,440	\$ 5,541,688

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

Summary Consolidated Statement of Changes in Members' Equity

For the Year Ended December 31	Contributed Surplus	Retained Earnings	Total
Balance, December 31, 2020	\$ 6,104,023	69,588,922	75,692,945
Comprehensive income	-	5,541,688	5,541,688
Transfer from contributed surplus to retained earnings	(6,104,023)	6,104,023	-
Contributed surplus resulting from business combination	2,193,267	-	2,193,267
Balance, December 31, 2021	2,193,267	81,234,633	83,427,900
Comprehensive income	-	17,735,440	17,735,440
Contributed surplus resulting from business combination	7,517,191	-	7,517,191
Balance, December 31, 2022	\$ 9,710,458	\$ 98,970,073	\$ 108,680,531

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

Summary Consolidated Statement of Cash Flows

For the Year Ended December 31	2022	2021
Cash flows provided by (used for) the following activities:		
Operating activities	\$ 6,219,296	\$ 7,346,850
Financing activities	18,026,373	94,216,619
Investing activities	(6,780,728)	(76,307,907)
Increase in cash and cash equivalents	17,464,941	25,255,562
Cash and cash equivalents, beginning of year	106,856,745	81,601,183
Cash and cash equivalents, end of year	\$ 124,321,686	\$ 106,856,745

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, 2022

1. Basis of the Summary Consolidated Financial Statements

Management has prepared the summary consolidated financial statements from the December 31, 2022 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.