

# 2019 ANNUAL REPORT

 CREDIT  
UNIONS



PROVINCIAL CREDIT UNION

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# 2019 Highlights

**\$415M**  
Assets

---

**\$375M**  
Deposits

---

**15K**  
Members

---

**\$339M**  
Loans

---

**\$295K**  
Paid to  
Members

**8.48%**  
Growth in Avg.  
Member Savings

# Our Vision

Be the financial institution of choice in our market and be recognized for the value we bring to our members and communities.

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# Our Mission

We provide professional advice to assist our members in achieving their full financial potential, while positively impacting our communities.

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# Our Values

**Be Socially Responsible**

**Be Accountable**

**Go Above and Beyond**

**Continuously Improve**

**Be Partners in Action**

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# Board of Directors



**Corey Tremere**  
President



**Bernard Keefe**  
Vice President



**Jacinta Doiron**  
Secretary



**Wendell Dawson**



**Carol Blum**



**Jason Doucette**



**Bryon Poehlman**



**Michelle Proctor**



**Lindy McQuillan**



**Cyrillina Campbell**



**Rick Gibbs**



**Joey Gauthier**

A black and white portrait of Corey Tremere, President of Credit Unions. He is a middle-aged man with dark, curly hair, smiling at the camera. He is wearing a dark suit jacket, a white shirt, and a patterned tie. He is standing with his hands clasped in front of him, resting on the back of a white folding chair. The chair has the "CREDIT UNIONS" logo on the backrest. The background is a plain, light-colored wall.

**Corey Tremere**  
President

# President's Report

**"I tell young people to worry less about what you want to be and worry more about what you want to do in this world. We need your voice, participation, imagination and effort, to better the spaces around us and our community."**

**Barack Obama** - November 2019/Halifax

On behalf of the Board of Directors at Provincial Credit Union Ltd., it is my pleasure to report another successful year for your credit union, as you will see in this annual report. I am very proud of the operating results, and more importantly, the significant accomplishments achieved by our management and staff, as we serve our communities.

Looking ahead to 2020, your board has begun the work of updating our strategic plan. The objective is to discuss the purpose and values of our credit union and the current financial landscape. By assessing our strengths and identifying challenges, we will use the plan to guide us in developing policies, and look at trends that will undoubtedly impact Provincial Credit Union in the future.

We have an ongoing dialogue on succession planning and have added leadership training for our management group. A communications strategy to improve the flow of information across our branches has been implemented. Provincially, a review of the Credit Union Act is underway, as well as a new program entitled "Integrity In Action", to help ensure continued and open communication between employees and management.

Your full board meets monthly and directors also serve on various committees, including: Executive, Policy, Audit, and Nominating/Governance & Social Responsibility.

The work of the board is diverse and rewarding, and I would like to thank each member for sharing their voice around the table this past year.

To be a board member requires a considerable time commitment, but the opportunity for personal and professional growth from working with the Credit Union System and our partners, is an invaluable experience. I encourage anyone interested in being a part of this special group of people, to visit a branch and learn how you could become a Director in the future.

I hope you share in my sense of pride for our credit union and the impact we make each day.



**Corey Tremere**  
President

*Shared values and the desire to be in the middle of big moments are what bring cooperatives together for meaningful conversations.*

**Bernard Gillis**  
Chief Executive Officer





# CEO's Report

It is my pleasure to report to you on the operations of Provincial Credit Union as at December 31, 2019, a year of significant progress and change. This was the most successful year in the history of our credit union. Assets grew by \$37,633,054 to \$415,177,005, representing an increase of 10%. Deposit growth surpassed 10% at \$34,939,776, and loan growth was strong as well, at \$24,021,410; an increase of 7.27%. Our net income came in at \$2,310,099; our best bottom line ever.

Changes implemented internally, including the transition to a more advice driven culture, where we put the Member First in all of our initiatives, are certainly bringing in the desired results, both for your credit union, and our members.

In addition to the advice component, moving forward, digital engagement is the key, and continually evolving. Provincial Credit Union has taken a leading role in the province, as an early adopter of digital banking. In 2020 we will be the first credit union on Prince Edward Island to offer account opening on line. Following that will be the ability to apply for loans and mortgages on line, without ever having to leave the comfort of your home or office. In this ever changing world, we know our members want and need the ability to do more banking digitally. A new internet banking platform is scheduled to be in place by year end as well.

2020 will see the roll out of the newly formed Wealth CUSO. 16 credit unions throughout Atlantic Canada (including Provincial) have formally become a single wealth management company. Wealth CUSO will provide access to a broader range of products and services for our members, and more opportunity and support services for employees.

With 4 offices in our operation, renovations and updates are always on the radar. 2019 saw a number of enhancements to our Stella Maris branch in North Rustico, which have been well received by members and staff. Our Charlottetown office is next on the list for enhancements/expansion.

As you've come to expect, credit unions continue to play an integral role in the communities we serve, and provide donations and sponsorships to multiple groups. In November of 2019 Atlantic Credit Unions were proud to sponsor A Conversation with Barack Obama. Credit Union members were given the first opportunity to purchase tickets at a reduced price, and special consideration was given to Atlantic Canadian youth, who numbered about 3000 at the event. An inspiring evening for all who attended, and the chance to hear one of the great orators of our time.

In closing, my thanks to Provincial Credit Union members for your continued patronage, to our loyal staff for their support, and to our dedicated board of directors for your guidance during the last 12 months.

Sincerely,



**Bernard Gillis**  
Chief Executive Officer

# Montague Food Bank

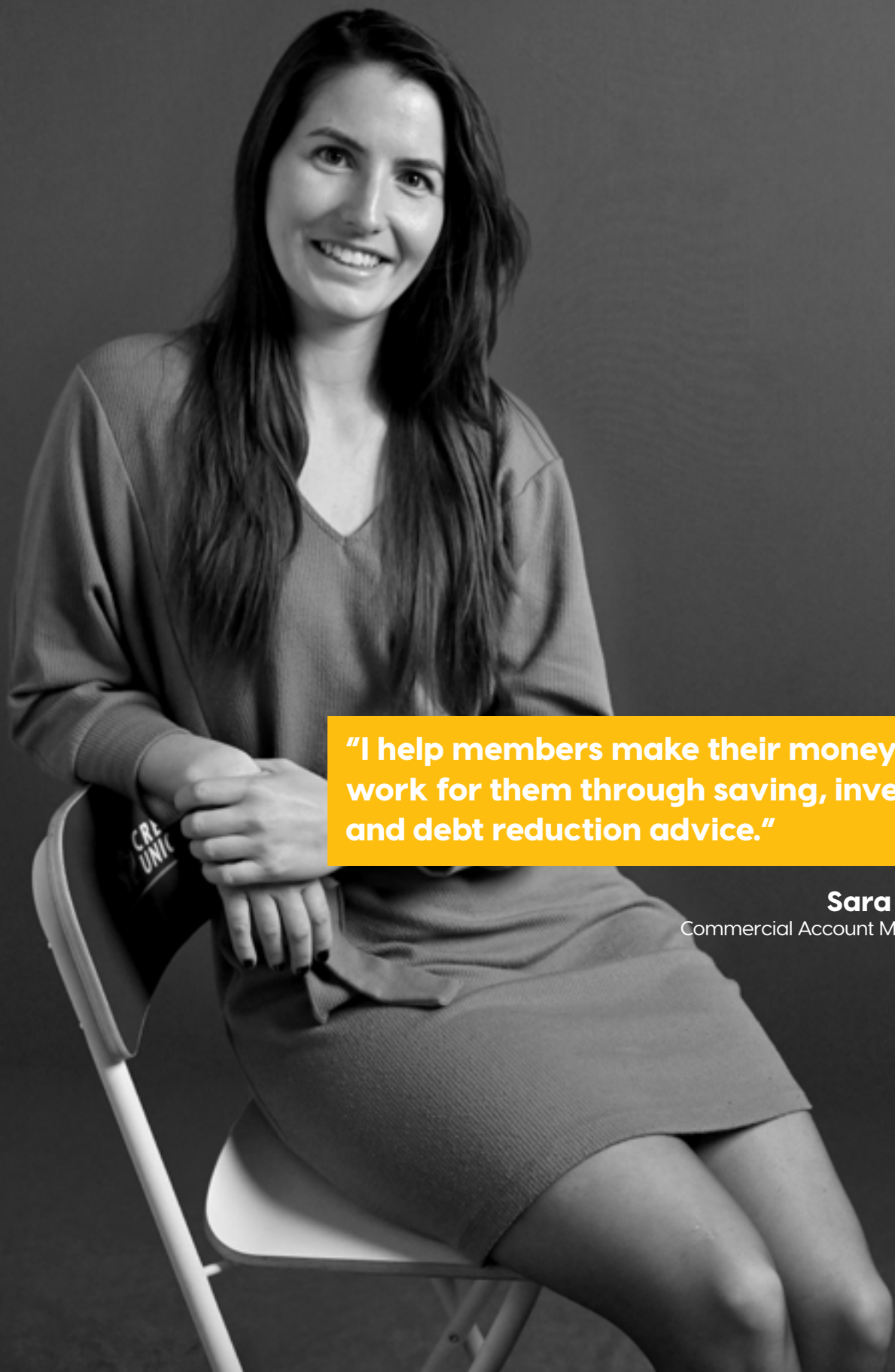
Montague Branch Manager Jarrett O'Rourke presents a cheque to Vivian Dourte, Treasurer - Southern Kings & Queens Food Bank. Looking on is Commercial Lender Kyle Osmond.



# Seawalk Park Summer Showcase



Stella Maris Branch Manager Shannon Doiron, speaks at the Seawalk Park Summer Showcase Activities in North Rustico. Provincial Credit Union is the major sponsor for this event.



**"I help members make their money work for them through saving, investing and debt reduction advice."**

**Sara Kelly**  
Commercial Account Manager



**"I help members do more with their money by making sure we understand all of their needs and providing the best advice to meet their financial goals"**

**Doug Geldert**

Charlottetown Branch Manager

# \$7,500 in scholarships

We are pleased to announce the five Provincial Credit Union Scholarship Recipients for 2019. Each Recipient received \$1,500 towards furthering their education. In total, Provincial Credit Union distributed \$7,500 to make post-secondary education more affordable for Island students.

We wish all students the best in their studies and future endeavors.



**Hailey  
Doucette**



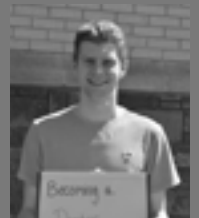
**Haley  
Willis**



**Dara  
MacInnis**



**Katie  
Blanchard**



**Micah  
MacDonald**

## Stratford Community Schools



Provincial Credit Union is proud to support the Stratford Community Schools Playground. Pictured above are Stratford Branch Manager Shari Lewis, and Committee Chair Willena Lanigan.



# Camp Gencheff



Provincial Credit Union's Doug Geldert (far right) and Bernard Gillis with former NHLer Al Iafate, and Chris Whitlock, board member at Camp Gencheff. 2019 marked the 10th anniversary of Golf For Gencheff, and 15 years for Provincial Credit Union's partnership with Camp Gencheff. Iafate donated the jersey as a prize, and to date the credit union has raised \$355,000 for the camp, with well over half of that raised by our staff.

# Farmer's Market

Charlottetown Branch Manager Doug Geldert (left) and Doug Bridges from Provincial Credit Union, present a \$2500 cheque to The Farmer's Market. Accepting the donation on behalf of the market is Shelley Schurman, from the Schurman Family Farm. The funds are directed to the Charlottetown Healthy Harvest Program, providing high quality local produce, to food insecure families.





**"We can help because that's what we do. We listen and provide honest advice to help our members better manage their money."**

**Simona Acatincai**  
Financial Services Representative



**"Delivering financial advice that exceeds expectations"**

**Kyle Osmond**  
Commercial Account Manager



# PEI Humane Society

PEI Humane Society's Jennifer Harkness, accepts a cheque from Renee Williams (Charlottetown office) for sponsorship of the society's annual golf tournament.



# QEH Foundation



Heather Doucette (Stella Maris office) presents our annual donation on the QEH Eastlink Telethon to Steve Dunne, QEH Foundation Board Chair. Combined with our support of the Friends for Life Campaign, the credit union's annual donation to the QEH is now \$15,000.

# Get Active Program

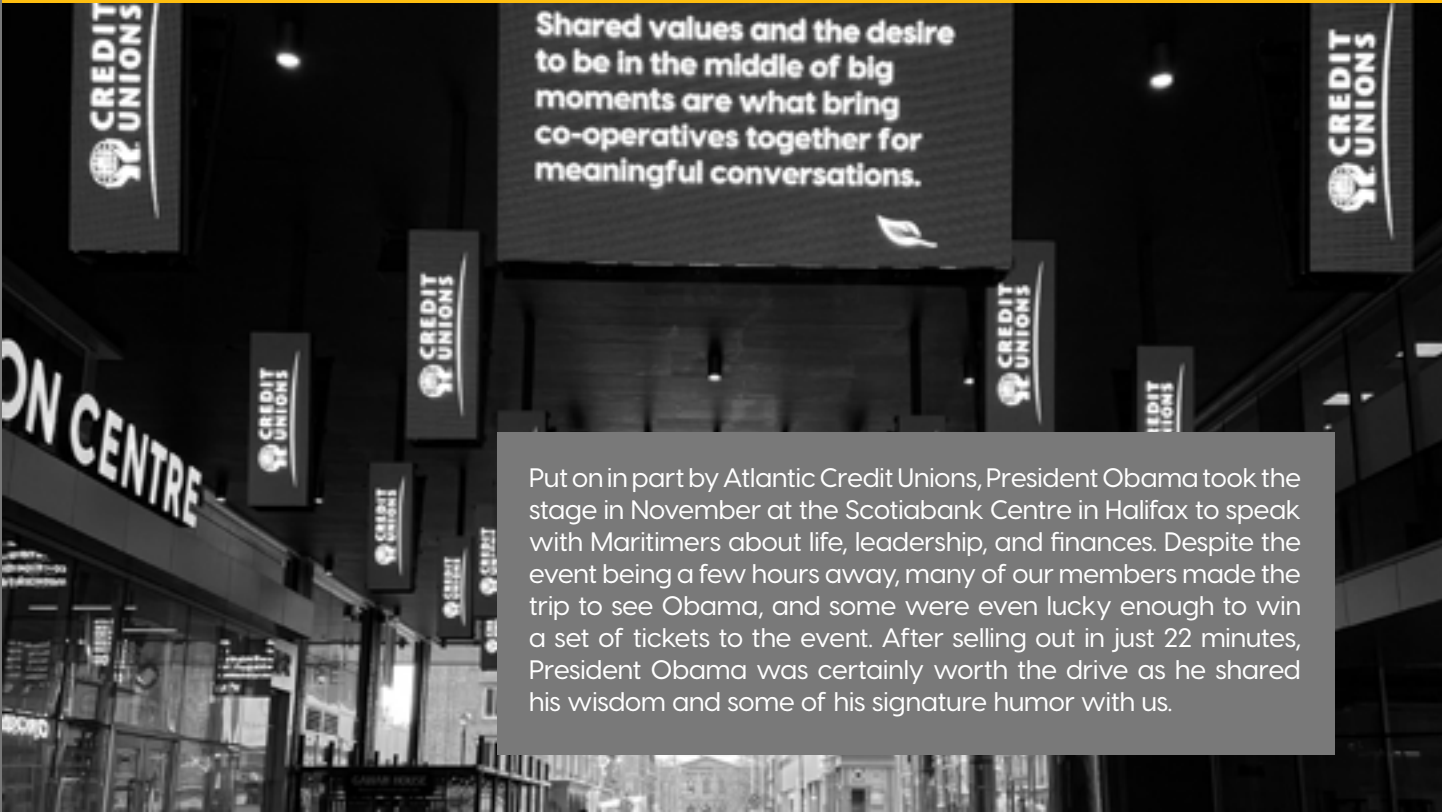
# \$5K in gym rebates paid to members.

We believe that an active lifestyle leads to a better, happier, and healthier life. This is why we make it our mission to support Islanders in living a more physically active lifestyle.

In the fall, we offered our Get Active Gym Rebate Program to our members for the third year in a row. The Get Active Program looks to save members who are active at a gym some of the costs associated with that membership by providing a \$50 rebate.

In 2019, we were able to put \$50 back in the wallets of 100 of our members from across PEI. It really does pay to be active with the credit unions.

# A Conversation with President Obama



Shared values and the desire to be in the middle of big moments are what bring co-operatives together for meaningful conversations.

Put on in part by Atlantic Credit Unions, President Obama took the stage in November at the Scotiabank Centre in Halifax to speak with Maritimers about life, leadership, and finances. Despite the event being a few hours away, many of our members made the trip to see Obama, and some were even lucky enough to win a set of tickets to the event. After selling out in just 22 minutes, President Obama was certainly worth the drive as he shared his wisdom and some of his signature humor with us.

# 6<sup>th</sup> Annual Fill the YuMob



In December our sixth Annual #FilltheYuMob took place outside of Toys'R'Us.

As a direct result of the general public's generosity, we filled the YuMob to the brim in under 4 hours.

A huge thank you to the Pownal Peewee AA team 2 who volunteered for a second year in a row to be our elves and help us out this year, as well as Santa who made an appearance.

Of course, this wouldn't have been possible without the support from the Toys'R'Us Charlottetown store and staff, thank you for being amazing every year.

All the toys were delivered to Santa's Angels, a volunteer group that delivers the toys on Christmas Day to over 300 local families in need. Thank you to everyone who participated in this incredible cause.

# SunDaze Music and Art Fest

We had a blast this year sponsoring the first-ever SunDaze Music & Arts Fest which took place Aug. 23-24 in Charlottetown.

SunDaze is all about enjoying the last bit of a gorgeous PEI summer through music, art, and comedy acts. The Festival brought big acts to PEI such as X-Ambassadors, T-Pain, Cheat Codes, Moon Taxi, DJ Jazzy Jeff, Two Hours Traffic, Reeny Smith, Skratch Bastid, and Dave Sampson.

SunDaze drew in a huge crowd of spectators who were eager to join in on our interactive game of Debt Shootout, which allowed us to educate guests about the do's and don'ts of debt management. Thanks for having us, SunDaze!



# Your Two Cents

In 2019 we sponsored Your Two Cents: a web-based series that aims to inform the next generation how to be savvy and do more with their money through short and engaging videos. Launching in May, each of the 24 mini-episodes shed light on how financial advice can be entertaining and even fun.

# Kidney Walks

We were proud to be the Provincial Sponsor of the Kidney Walks in 2019, which were held in Charlottetown and Summerside in September. We gathered with patients, their families, care givers and medical professionals to raise awareness and funds for those affected by kidney disease. Each step we took helped support innovative research and vital programs to improve those living with kidney disease.



# Ronald McDonald House Charities Atlantic

12  
families

182  
nights

We are proud of our on-going partnership with the Ronald McDonald House Charities (RMHC) Atlantic which continued in 2019. With our Members Stay Free program, credit union members are able to stay the night at the Ronald McDonald House in Halifax for free while their child is being treated at the IWK Hospital.

Alongside our Members Stay Free program, we also sponsored the annual Ronald McDonald PJ Walk – a major fundraiser for the RMHC Atlantic that is held in five cities across the Maritimes. This year, the Charlottetown PJ Walk raised over \$53,000 which will directly support the Ronald McDonald House Charities Atlantic and their initiatives.

We look forward to continuing our support of the Ronald McDonald House Charities Atlantic in 2020.

# Credit Union National Ringette Championship



Forty-five ringette teams from across Canada gathered on PEI to compete in the 2019 Credit Union Canadian Ringette Championships, an event we were happy to be the title sponsor for.

This Championship was the 41st National Championships for the sport, and marked the second time that Prince Edward Island hosted the Championships.

This sponsorship was a great success, the games were intense, and we were thrilled to get to support our Island athletes on home ice.

# In 2019 Provincial Credit Union also supported the following organizations

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70 Mile Yard Sale	Open Door Ministries
55 Plus Winter Games	Parasport & Recreation PEI
Benevolent Irish Society	PEERS Alliance
Big Brothers Big Sisters	PEI Agriculture Committee
Central Attack Midget AAA	PEI Business Society
Central Attack Pee Wee AA	PEI Golf Classic
Close to the Ground	PEI Intermediate Honours Band
Colonel Gray High School Safe Grad	PEI Women's Network
Community Foundation of PEI	PEI Writers Guild
Dundas Plowing Match	Queensland Chapter of the CCB
Fiddler MacDonald Mosquito AAA Tournament	Seniors Active Living Centre
Gardens of Hope - Island Preserve Company	Sherwood Metros Junior C
Glen Stewart Primary Home & School	Sierra Club Canada Foundation
Greater Charlottetown Chamber of Commerce	Spud Tournament
Harness The Hope PEI	St Francis of Assisi Parish
Immanuel Christian School	St. James Presbyterian Church
Island Nature Trust	Stanhope Ladies Golf Association
Junior Achievement of PEI	Team PEI Under 14 Edge
Kidney Foundation of Canada	The Adventure Group
Kings Country Memorial Hospital	The Charlottetown Film Festival
Knights of Columbus	The Gideons
MacPhail Woods Ecological Forestry Project	The Onion
Mikinduri Children of Hope	The Salvation Army
Music PEI	U16 PEI Fast Pitch
	Victoria Row Inc.
	Voluntary Resource Council



# Loot Pursuit

40  
locations

\$1,000  
prize

In the midst of a sunny, hot summer, we hosted the Credit Union Loot Pursuit – an Island-wide scavenger hunt that was designed to get people outdoors and exploring our island – with cash and SunDaze Music and Arts Fest tickets on the line.

Participants were encouraged to use our clues to help them explore the island and find one of 40 pods somewhere across the Island.

Each successful participant was awarded with one weekend pass to SunDaze and entered to win a \$1,000 cash prize.

We heard from dozens of participants who were out searching for pods that they loved that Loot Pursuit gave them an excuse to explore their home-land, and discover hidden gems that they may otherwise not have known about.

After all that searching, we drew the name of our winner – Eileen White – who was able to take home the grand prize jackpot of \$1,000, and share half with her grandson who helped her track down the winning pods.





# Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Provincial Credit Union Limited

#### Opinion

We have audited the financial statements of Provincial Credit Union Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in members' equity, profit or loss and cash flow for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

*(continues)*

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*MRSB Chartered Professional Accountants Inc.*

MRSB CHARTERED PROFESSIONAL ACCOUNTANTS INC.

Charlottetown, PE

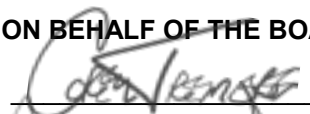
February 18, 2020

# Statement of Financial Position

PROVINCIAL CREDIT UNION  
December 31, 2019

	2019	2018 (Revised)
<b>ASSETS</b>		
Cash and cash equivalents (Note 6)	\$ 32,401,944	\$ 15,687,414
Investments (Note 7)	36,670,824	37,263,830
Accounts receivable (Note 8)	1,257,019	2,383,200
Member loans and mortgages (Note 9)	339,469,995	316,448,585
Provision for impaired loans (Note 10)	(378,842)	(323,352)
Prepaid expense	173,168	176,988
Property held for resale	15,000	50,000
Property and equipment (Schedule 1)	2,768,757	2,692,943
Due from CU PEI Investment Corp. (Note 12)	2,249,487	2,675,999
Deferred tax asset (Note 13)	290,988	274,504
Investment in associate (Note 14)	258,665	213,840
	<b>\$415,177,005</b>	<b>\$377,543,951</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 315,980	\$ 424,258
Employee benefits payable	1,291,985	1,245,313
Income taxes payable	218,051	143,330
Accrued interest payable	2,022,372	1,651,223
Member deposits (Note 15)	339,682,753	299,709,763
Share deposits	35,514,683	40,547,897
	<b>379,045,824</b>	<b>343,721,784</b>
<b>Contingent liabilities</b> (Note 16)		
<b>Commitment</b> (Note 17)		
<b>MEMBERS' EQUITY</b>		
<b>Share capital</b> (Statement 4)	73,295	74,380
<b>Undistributed earnings</b> (Statement 4)	36,057,886	33,747,787
	<b>36,131,181</b>	<b>33,822,167</b>
	<b>\$415,177,005</b>	<b>\$377,543,951</b>

ON BEHALF OF THE BOARD

 Director

 Director

Notes 1 - 28 are an integral part of these financial statements

# Statement of Changes in Member's Equity

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

	2019	2018 (Revised)
<b>Members' shares</b> (Note 18)		
Balance - beginning of year	\$ 74,380	\$ 75,820
Redemption of members' shares, net	<u>(1,085)</u>	<u>(1,440)</u>
Balance - end of year	<u>73,295</u>	<u>74,380</u>
<b>Undistributed earnings</b>		
Balance - beginning of year, as previously reported	33,747,787	31,991,276
Prior period adjustments (Note 19)	<u>-</u>	<u>151,275</u>
Balance - beginning of year, restated	33,747,787	32,142,551
Net income (Statement 5)	<u>2,310,099</u>	<u>1,605,236</u>
Balance - end of year	<u>36,057,886</u>	<u>33,747,787</u>
<b>Members' equity</b>	<u>\$ 36,131,181</u>	<u>\$ 33,822,167</u>

Notes 1 - 28 are an integral part of these financial statements

# Statement of Comprehensive Income

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

	2019	2018 (Revised)
<b>Income</b>		
Interest and investment	\$ 13,915,217	\$ 11,796,932
Cost of capital and borrowing		
Interest and service charges	3,803,192	2,894,250
Share dividends	256,717	295,360
	4,059,909	3,189,610
Financial margin	9,855,308	8,607,322
<b>Other income (Note 20)</b>	2,575,156	2,710,705
	12,430,464	11,318,027
<b>Expenses - by nature</b>		
Advertising and promotions	505,763	437,070
Amortization of property and equipment	142,700	144,911
Credit Union development	17,758	15,438
Data processing	1,008,959	954,127
Democracy	64,485	56,286
Dues and memberships	4,779	5,009
Insurance	535,594	499,026
Miscellaneous	13,708	14,397
Office	306,077	320,795
Premises	377,738	331,909
Professional fees	60,484	65,397
Provision for impaired loans	168,427	10,012
Service fees	1,504,805	1,780,230
Telephone	52,001	54,121
Travel	20,287	19,501
Wages and wage levies	4,616,047	4,300,888
	9,399,612	9,009,117
<b>Income from operations</b>	3,030,852	2,308,910
<b>Other income (expense)</b>		
Unrealized foreign exchange gain (loss)	74,902	(34,191)
Income from significant influence investment (Note 14)	93,313	62,520
	168,215	28,329
<b>Income before income taxes</b>	3,199,067	2,337,239
<b>Income taxes (recovery)</b>		
Current (Note 21)	905,452	686,663
Deferred	(16,484)	45,340
	888,968	732,003
<b>Net income</b>	\$ 2,310,099	\$ 1,605,236

Notes 1 - 28 are an integral part of these financial statements

# Statement of Cash Flow

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

	2019	2018 (Revised)
<b>Cash flows from operating activities</b>		
Net income	\$ 2,310,099	\$ 1,605,236
Items not affecting cash:		
Amortization of property and equipment	142,700	144,911
Deferred income taxes	(16,484)	45,340
Income from significant influence investment	(93,313)	(62,520)
	<u>2,343,002</u>	<u>1,732,967</u>
Changes in non-cash working capital:		
Investments	593,008	22,606,843
Accounts receivable	1,126,181	5,989,549
Prepaid expense	3,820	8,862
Accounts payable and accrued liabilities	(108,278)	156,962
Employee benefits payable	46,672	97,997
Accrued interest payable	371,147	269,404
Income taxes payable	74,721	128,154
	<u>2,107,271</u>	<u>29,257,771</u>
	<u>4,450,273</u>	<u>30,990,738</u>
<b>Cash flows from investing activities</b>		
Increase in member loans and mortgages, net of provision	(22,965,920)	(51,181,134)
Purchase of property and equipment	(218,514)	(109,090)
(Increase) decrease in property held for resale	35,000	(50,000)
	<u>(23,149,434)</u>	<u>(51,340,224)</u>
<b>Cash flows from financing activities</b>		
Increase in member deposits	39,972,990	31,730,747
Decrease in share deposits	(5,034,299)	(2,558,551)
Advances from (to) CU PEI Investment Corp.	426,512	(75,000)
Investment in associate	48,488	-
Proceeds from redemption of Class A preferred shares of CU PEI Investment Corp.	-	15
	<u>35,413,691</u>	<u>29,097,211</u>
<b>Increase in cash and cash equivalents</b>	<u>16,714,530</u>	<u>8,747,725</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>15,687,414</u>	<u>6,939,689</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 32,401,944</u>	<u>\$ 15,687,414</u>
<b>Cash flow supplementary information (Note 22)</b>		

Notes 1 - 28 are an integral part of these financial statements

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 1. REPORTING ENTITY

Provincial Credit Union Limited is incorporated under the Companies Act of Prince Edward Island and is governed by the Prince Edward Island Credit Unions Act. Provincial Credit Union Limited is a member-owned financial institution whose principal business activities include financial and banking services for its members at its branches in Charlottetown, Stratford, Montague and North Rustico, Prince Edward Island. The Credit Union's head office is located at 281 University Ave., Charlottetown, PE.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of the financial statements are set out in Note 4.

These financial statements were authorized for issue by the Board of Directors on February 18, 2020.

## 3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except for available-for-sale investments which are recorded at fair value through profit or loss.

These financial statements are presented in Canadian dollars, which is the Credit Union's functional currency.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, cash in financial institutions, and term deposit investments that have a maturity of less than three months. Cash and cash equivalents are carried at amortized cost.

### Investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Credit Union has the positive intent and ability to hold to maturity, and which are not designated as fair value through profit or loss (FVTPL) or as available-for-sale. Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted investments whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

*(continues)*



# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Accounts receivable

Accounts receivable arise from miscellaneous rebates and accrued interest on loans and mortgages and investments. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts and using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the year of recovery.

### Loans and mortgages

Member loans and mortgages are initially measured at fair value, net of origination fees and inclusive of transaction costs incurred. Member loans and mortgages are subsequently measured at amortized cost, using the effective interest method, less any impairment losses.

### Impairment

The Credit Union applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 for the financial assets measured at amortized cost.

The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument.

The impairment model measures credit loss allowances using a three-stage approach based on the extent of the credit deterioration since origination:

- Stage 1 - where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 - when a financial instrument experiences a credit risk subsequent to origination but it is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 - financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical inputs are as follows:

- PD - the probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life.

(continues)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- EAD - the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

- LGD - the loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macroeconomic factors. Common assessments for credit risk include management judgment, delinquency, and monitoring.

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment and extension and rollover options.

The Credit Union considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Credit Union considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Credit Union writes off an impaired financial asset, either partially or fully, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

### Impairment of financial assets

The Credit Union assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(continues)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Property held for sale

Property held for resale is carried at the market value of the loan or mortgage foreclosed, adjusted for estimates of revenues to be received and costs to be incurred subsequent to foreclosure, and the estimated net proceeds from the sale of the assets.

### Property and equipment

Property and equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates:

Buildings	5%
Equipment	20%
ATMs	10%
Computer hardware	30%, 45% and 55%
Pavement	8%
Computer software	100%

One-half of the annual rate is recorded in the year of acquisition; no amortization is recorded in the year of disposal.

### Finance charges

The Credit Union periodically purchases mortgages from Concentra Financial, Omista Credit Union and League Savings and Mortgage. Generally a premium is paid for the mortgages purchased, calculated by reference to the interest rate inherent in the mortgages and the rate of interest in effect at the time of purchase. The premium paid is amortized using the straight-line method over the life of the mortgage purchase plan and is netted to the applicable mortgage asset.

### Investment in associate

An associate is an entity in which the Credit Union has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is ordinarily presumed to exist when the Credit Union holds between 20% and 50% of the voting rights. The Credit Union may also be able to exercise significant influence through board representation.

Management has determined that the Credit Union's investment in Class B common shares of CU PEI Investment Corp., of which it owns 25% of the outstanding voting shares, is subject to significant influence and is accounted for by the equity method. Accordingly, the investment is initially recorded at cost, which includes the purchase price and other costs directly attributable to the purchase. Subsequently, the investment is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received. Investments in associates are evaluated for impairment at the end of each financial reporting period, or more frequently if events or changes in circumstances indicate the existence of objective evidence of impairment.

(continues)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Deferred income taxes

Income tax expense comprises current and deferred tax.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized when the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the liabilities/assets are settled/recovered.

### Employee future benefits

The Credit Union records annually the estimated liabilities for pension and other benefit obligations, which are payable to its employees in subsequent years under the Credit Union's policy.

The Credit Union provides post employment benefits through a defined contribution plan. Pension expenses for the defined contribution pension plan include the required employer contributions. Contributions to the plan are recognized as an expense in the year that the relevant employee services are rendered. During the year, the contributions by the Credit Union to the defined contribution pension plan were \$260,076 (2018 - \$244,214).

Liabilities are recorded for employee benefits including salaries and wages, deductions at source and bonuses that are expected to be settled within twelve months of the financial statement date. These represent present obligations resulting from employees' services provided to the financial statement date and are calculated at the undiscounted amounts based on remuneration rate that the Credit Union expects to pay at the financial statement date.

Benefits such as medial care are non-vesting and are expensed by the Credit Union as the benefits are taken by the employees.

(*continues*)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Member deposits

Borrowings and deposits and membership shares that are classified as liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Term, RRSP, RRIF and demand deposits can be fixed or variable rate. Interest can be paid annually, semi-annually, monthly or upon maturity.

Share deposits pay a dividend return at the discretion of the Board of Directors. Privileges of the shares are under the authority of the Board of Directors. The dividend rate declared and paid for 2019 was 0.75% (2018 - 0.70%) and was based on the average of the lowest monthly share balances.

### Share deposits

The Credit Union has authorized an unlimited number of voting equity shares, with a value of \$5 per share. The shares are non-transferable, redeemable by the Credit Union, retractable by members subject to the Credit Union's right to suspend redemption, if the redemption would impair the financial stability of the Credit Union, for a period of up to twelve months by Board resolution and indefinitely by Board resolution with the approval of the Credit Union Deposit Insurance Corporation.

### Financial assets and financial liabilities

The Credit Union initially recognizes loans and advances, deposits and liabilities on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: the asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are classified as measured at FVTPL. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There are no changes to any of the Credit Union business models during the current or prior year.

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. The Credit Union derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(continues)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. In transactions in which the Credit Union neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Credit Union has classified its financial assets and liabilities as follows:

Cash and cash equivalents - amortized cost

Available-for-sale investments - fair value through profit or loss

Held-to-maturity investments - amortized cost

Accounts receivable, member loans and mortgages, member and share deposits, accrued liabilities and accounts receivable - amortized cost

### Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can readily be measured. The principal sources of revenue are interest and fee income. Interest on loans and mortgages is recognized and reported on an accrual basis using the effective interest method.

Other fee and commission income – including account servicing fees, loan discharge and administration fees, and syndication fees – is recognized as the related services are performed.

Operating expenses are recognized upon the utilization of the services or at the date of their origin. Expenses incurred directly in the origination of loans and mortgages are deferred and recognized in profit or loss as a reduction to income over the expected life of the relevant loans and mortgages. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(*continues*)



# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of profit or loss.

### Changes in accounting standards

In January, 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases, and requires a lessee to recognize an asset for the right to use the leased item and a liability for the present value of its future lease payments. IFRS 16 will generally result in all operating leases being recorded on the statement of financial position as a right-of-use (ROU) asset with a corresponding lease liability.

The Credit Union adopted the standards in IFRS 16 with an effective date of January 1, 2019. There was no impact to the Credit Union's financial statements as a result of adopting these standards as the Credit Union has no material leases.

### Future accounting developments

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2019 and have not been adopted by the Credit Union in preparing these financial statements. These changes are not expected to have a material impact on the Credit Union's financial statements.

(continues)

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

On October 22, 2018, the IASB issued a narrow-scope amendment to IFRS 3 Business Combinations. The amendments will help companies determine whether an acquisition is of a business or a group of assets. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. The amendments apply to transactions for which the acquisition date is on or after January 1, 2020, with earlier adoption permitted. The amendments will apply prospectively to new transactions.

In September 2014, the IASB issued an amendment to IAS 28 Investments in Associates and Joint Ventures. The amendments reflect changes for the sale or contribution of assets between an investor and its associate or joint venture. The date after which these amendments shall be applied prospectively to the sale or contribution of assets has not yet been determined by the IASB.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Credit Union makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions change. The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

### (a) Allowance for credit losses

The expected credit loss model requires the recognition of credit losses based on up to 12 months of expected losses for performing loans and the recognition of lifetime losses on performing loans that have experienced a significant credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors since origination, and certain other criteria, such as delinquencies. In assessing whether there has been a significant increase in credit risk, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. Future assessments of credit risk may be materially different from current circumstances which could result in a significant increase or decrease in the allowance for credit losses.

### (b) Estimated useful lives of property and equipment

Management estimates the useful lives of property and equipment based on the period during which assets are expected to be available for use. The amounts and timing of recorded depreciation expense of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal and other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Credit Union's property and equipment in the future.

### (c) Income taxes

The actual amounts of income tax expense only become final upon filing and acceptance of the tax return by relevant authorities which occur subsequent to the issuance of the financial statements. Estimation of income taxes include evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions, before they expire, against future taxable income. The assessment is based upon enacted tax acts and estimates of future taxable income. To the extent estimates differ from the final tax provision, earnings would be affected in a subsequent period.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 6. CASH AND CASH EQUIVALENTS

	2019	2018
Cash in financial institutions	\$ 30,007,895	\$ 12,872,618
Cash on hand	2,394,049	2,814,796
	<b>\$ 32,401,944</b>	<b>\$ 15,687,414</b>

## 7. INVESTMENTS

	2019	2018
<u>Shares</u>		
Atlantic Central Credit Union Limited - common shares	\$ 3,216,330	\$ 3,206,740
Atlantic Central Credit Union Limited - Class B preferred shares	821,400	821,400
Atlantic Central Credit Union Limited - Class LSM Shares	443,682	416,603
Concentra Financial - Class D preferred shares	250,000	250,000
League Data - 10.034 Class B Preferred Shares	100,340	100,340
Atlantic Central Credit Union Limited - Class PEI shares	2,400	2,400
Concentra common shares	1,020	1,020
	<b>4,835,172</b>	<b>4,798,503</b>
<u>Debentures</u>		
Atlantic Central Credit Union Limited liquidity - 1.75%	25,335,652	22,965,327
Atlantic Central Credit Union Limited term deposits	3,000,000	-
League Savings and Mortgage term deposits	2,000,000	3,500,000
Central 1 term deposit	1,000,000	-
Concentra Financial term deposit	500,000	6,000,000
	<b>31,835,652</b>	<b>32,465,327</b>
	<b>\$ 36,670,824</b>	<b>\$ 37,263,830</b>

The Credit Union shall maintain sufficient liquid assets to meet its obligations as they come due. As prescribed in the Credit Union Regulations, Section 2, the Credit Union shall maintain liquid assets of not less than 10% of the total amount of member deposits in and borrowings of the Credit Union as follows: 9% shall be invested in eligible financial instruments of Atlantic Central; 6% of assets, or other such amount as may be determined by Central from time to time, shall be maintained in the segregated liquidity account. The remainder will be invested in: current account, cash management account, and term deposits that have a remaining term to maturity of not more than one year.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 8. ACCOUNTS RECEIVABLE

	2019	2018
Accrued interest - loans and mortgages	\$ 751,526	\$ 636,226
Miscellaneous receivables	361,175	1,672,628
Accrued interest - investments	144,318	74,346
	<u>\$ 1,257,019</u>	<u>\$ 2,383,200</u>

## 9. MEMBER LOANS AND MORTGAGES

	Total loans	Loan allowance	Net loans
<b>2019</b>			
Mortgages	\$ 134,257,459	\$ (8,353)	\$ 134,249,106
Commercial	149,138,749	(154,893)	148,983,856
Mortgage pools	6,358,007	(496)	6,357,511
Indirect auto	13,871,026	(124,104)	13,746,922
Lines of credit and overdrafts	18,463,468	(60,646)	18,402,822
Personal	6,508,133	(30,350)	6,477,783
Farming and fishing	10,873,153	-	10,873,153
	<u>\$ 339,469,995</u>	<u>\$ (378,842)</u>	<u>\$ 339,091,153</u>
<b>2018</b>			
Mortgages	\$ 115,582,663	\$ (96,048)	\$ 115,486,615
Commercial	121,870,611	(37,469)	121,833,142
Mortgage pools	29,283,382	(2,299)	29,281,083
Indirect auto	16,396,961	(68,871)	16,328,090
Lines of credit and overdrafts	16,932,656	(102,559)	16,830,097
Personal	7,412,180	(16,106)	7,396,074
Farming and fishing	8,970,132	-	8,970,132
	<u>\$ 316,448,585</u>	<u>\$ (323,352)</u>	<u>\$ 316,125,233</u>

## 10. PROVISION FOR IMPAIRED LOANS

	2019	2018
Provision for impaired loans - beginning of year	\$ 323,352	\$ 384,201
Provision for impaired loans	168,427	10,012
Recovery of loans written off	41,558	44,524
Loans written off - current year	<u>(154,495)</u>	<u>(115,385)</u>
Provision for impaired loans - end of year	<u>\$ 378,842</u>	<u>\$ 323,352</u>

Members' loans can have either variable or fixed rate of interest. The rates offered to members are determined by the type of security offered, the member's credit worthiness, competition from other lenders and the current prime rate.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 11. LOANS IN ARREARS

The following is an analysis of loans in arrears based on the age of repayments outstanding:

	2019	2018
31 to 60 days	\$ 2,101,176	\$ 286,984
61 to 90 days	25,713	57,822
91 to 180 days	5,887	13,707
Over 180 days	21,567	1,596
	<b>\$ 2,154,343</b>	<b>\$ 360,109</b>

## 12. DUE FROM CU PEI INVESTMENT CORP.

Provincial Credit Union Limited owns Class A and B common shares of CU PEI Investment Corp. The amount due from CU PEI Investment Corp. bears interest at 1% and there are no set terms of repayment.

	2019	2018
Due from CU PEI Investment Corp. - beginning of year	\$ 2,675,999	\$ 2,600,999
Funds advanced to associate	2,400,000	2,125,000
Reimbursements received from associate	(2,875,000)	(2,050,000)
Transfer to investment	48,488	-
Due from CU PEI Investment Corp - end of year	<b>\$ 2,249,487</b>	<b>\$ 2,675,999</b>

## 13. DEFERRED TAX ASSET

Deferred income taxes reflects the tax consequences of 'temporary differences' between the statement of financial position carrying amounts and the tax bases of assets and liabilities. These deferred income taxes are calculated using the income tax rates and tax laws that are expected to apply when these temporary differences are reflected in taxable income.

Temporary differences which give rise to deferred income tax assets are as follows:

	2019	2018
Property and equipment	\$ 104,307	\$ 118,111
Retirement allowance	186,681	156,393
	<b>\$ 290,988</b>	<b>\$ 274,504</b>

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 14. INVESTMENT IN ASSOCIATE

Provincial Credit Union Limited and CU PEI Investment Corp. are associates as the Credit Union owns 25% of the participating common shares of CU PEI Investment Corp. and exerts significant influence over the investee. CU PEI Investment Corp. holds loans for Co-operatives and operates in Prince Edward Island, Canada.

	2019	2018
Investment in associate - beginning of year	\$ 213,840	\$ 151,320
Proportionate share of net income	93,313	62,520
Transfer from advances	(48,488)	-
Investment in associate - end of year	<u>\$ 258,665</u>	<u>\$ 213,840</u>

The following is a summary of the unaudited financial information of CU PEI Investment Corp. as at, and for the years ended, December 31, 2019 and 2018:

Total assets	\$ 9,889,891	\$ 11,417,257
Current assets	3,064,581	3,438,413
Non-current assets	6,825,310	7,978,844
Total liabilities	9,066,616	10,967,235
Current liabilities	68,668	69,287
Non-current liabilities	8,997,948	10,897,948
Total revenues	484,362	401,448
Net income	373,253	250,079

The above related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The investment in associate is measured using the equity method. There are no quoted market prices for the investment available to disclose its fair value.

## 15. MEMBER DEPOSITS

	2019	2018
Chequing accounts	\$ 114,559,676	\$ 98,869,112
Term deposits	66,774,683	52,081,155
Call deposits	57,179,417	56,996,915
Registered Retirement Savings Plan (RRSP) deposits	41,660,222	41,234,140
Tax Free Savings Account (TFSA) deposits	38,405,830	31,559,256
Registered Retirement Income Fund (RRIF) deposits	21,102,925	18,969,185
	<u>\$ 339,682,753</u>	<u>\$ 299,709,763</u>



# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 16. CONTINGENT LIABILITIES

Provincial Credit Union Limited has provided letters of credit on behalf of members in the amount of \$297,196.

## 17. COMMITMENT

The Credit Union has approved approximately \$2.5 million in capital expenditures for an addition and renovations to its Charlottetown branch. Construction is expected to commence in July, 2020 with an expected completion date of May, 2021.

## 18. MEMBERS' SHARES

	Number of shares	December 31 2019	Number of shares	December 31 2018
Balance - beginning of year	14,876	\$ 74,380	15,164	\$ 75,820
Shares redeemed, net	(217)	(1,085)	(288)	(1,440)
Balance - end of year	14,659	\$ 73,295	14,876	\$ 74,380

## 19. PRIOR PERIOD ADJUSTMENTS

Under International Financial Reporting Standards, investments subject to significant influence must be recorded using the equity method. Previously, the Credit Union's 25% investment of the Class B participating common shares of CU PEI Investment Corp. had been recorded using the cost method. In order to comply with IFRS, an adjustment was made to retroactively restate the Credit Union's investment using the equity method. As a result, the 2018 opening retained earnings has been increased by \$151,275, income from significant influence investment increased by \$62,520, and investment in associate increased by \$213,840 from the amounts previously reported on the December 31, 2018 audited financial statements.

During the year, it was identified that the 2018 retirement accrual and expense had been understated by the retirement amount paid out during the year. The comparative figures have been restated to correct this error. As a result, the 2018 employee benefits payable and wages and wage levies expense have been increased by \$150,490 from the amounts previously reported on the December 31, 2018 audited financial statements.

## 20. OTHER INCOME

	2019	2018
Commissions	\$ 2,424,009	\$ 2,527,395
Miscellaneous	151,147	183,310
	<u>\$ 2,575,156</u>	<u>\$ 2,710,705</u>

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 21. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 31.00% (2018 - 31.05%) to the income for the year and is reconciled as follows:

	2019	2018
Income before income taxes	<u>\$ 3,199,067</u>	<u>\$ 2,337,239</u>
Income tax expense at the combined basic federal and provincial tax rate:	\$ 991,711	\$ 725,713
Increase (decrease) resulting from:		
Capital cost allowance claimed in excess of amortization	(13,803)	(10,592)
Dividends	-	(19,018)
Non-deductible expenses	(89,658)	9,453
Provision for loan loss reserve	52,212	3,109
Recovery of loans previously written off	12,883	13,825
Loans written off in the current year	<u>(47,893)</u>	<u>(35,827)</u>
Effective tax expense	<u>\$ 905,452</u>	<u>\$ 686,663</u>

The effective income tax rate is 28.30% (2018 - 29.38%).

## 22. CASH FLOW SUPPLEMENTARY INFORMATION

	2019	2018
Interest received	\$ 13,804,273	\$ 11,790,820
Interest paid	3,393,493	2,724,446
Income taxes paid	830,731	558,509
Dividends paid	256,717	295,360
Dividends received	-	61,200

## 23. LINE OF CREDIT AVAILABILITY

Provincial Credit Union Limited has an approved line of credit with Atlantic Central Credit Union Limited for \$8,600,000 which is due for renewal on December 31, 2020 and was not utilized at the year end. The line of credit bears an interest rate of prime less 0.5% and is secured by a general security agreement.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 24. RELATED PARTY TRANSACTIONS

Provincial Credit Union Limited provides financial services to members. These members hold the loans, deposits and share deposits and therefore the interest income and interest expense are transacted in the ordinary course of business with these members.

As at year end, some members of the Board of Directors, management, and employees had loans and mortgages from Provincial Credit Union Limited. These loans and mortgages were in the normal course of operations with interest rates at the regular rates offered to all members of the Credit Union. Interest rates on deposits and dividends on shares were at identical rates offered to all Credit Union members.

The Credit Union and CU PEI Investment Corp. are related parties as the Credit Union holds 20% of the outstanding Class A common shares and 25% of the Class B common shares. At the year end date, the Credit Union has loans receivable of \$2,249,487 (2018 - \$2,675,999) from CU PEI Investment Corp. The Credit Union earned interest revenue of \$26,627 (2018 - \$26,981) and recognized \$93,313 (2018 - \$62,520) income from significant influence investment during the year.

Key management personnel include the CEO and other senior officers of the Credit Union. The components of total compensation received by key management personnel and balances due to and from key management personnel including only non-joint accounts are as follows:

	<b>2019</b>	<b>2018</b>
Short-term employee benefits	<b>\$ 649,824</b>	\$ 1,101,495
Contributions to a retirement pension plan	<b>33,737</b>	55,739
Mortgages, loan balances, and lines of credit due from key management at December 31	<b>44,400</b>	21,412
Deposit balances due to key management at December 31	<b>120,637</b>	163,662

Short-term employee benefits include salaries, variable compensation and other benefits. The mortgage and deposit transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 25. RISK MANAGEMENT

The Credit Union manages significant risks through a comprehensive infrastructure of policies, procedures, methods, oversight, and independent review designed to reduce the significant risks and to manage those risks within an appropriate threshold. The Board of Directors is provided with timely, relevant, accurate, and complete reports on the management of significant risks. Significant risks managed by the Credit Union include credit, liquidity, currency and interest rate risks.

### (a) Credit risk

Credit risk is the risk that a member will fail to meet their obligation to the Credit Union. Providing credit facilities to qualified members is one of the Credit Union's primary sources of earnings and is the area where the Credit Union is exposed to the most significant risk. Approval of these facilities is based on the member's ability to repay principal and interest over the term of the facility, which is determined by following Board approved policies and procedures, which includes assessing the member's credit history, character, collateral, and debt servicing capacity. In addition, the Credit Union provides to its employees comprehensive training to ensure compliance with Credit Union lending policies and procedures. Also, formal policies governing approval of credit facilities including acceptable risk assessment and security requirements are in place.

Overdue loan accounts, or lending delinquency, is closely monitored and frequently reported to senior management to ensure all allowances for potential loan losses are adequately provided for and written-off when collection efforts have been exhausted. Credit risk is mitigated primarily by the nature and quality of the underlying security as described by approved lending agreements.

The Credit Union's loan portfolio is focused in two main areas: consumer and commercial loans and mortgages, the latter of which are to mainly small and mid-sized companies. A syndication process is available with other Credit Unions for larger commercial loans, when considered necessary, to appropriately mitigate the Credit Union's credit risk. Consumer mortgages are made available on a conventional basis up to 80% of the lesser of cost or appraised value of single family housing, up to 75% on other residential properties, up to 65% of the lesser of cost or appraised value on commercial properties having general purpose usage and up to 50% of the lesser of cost or appraised value on commercial properties designed for specific use. Other credit facilities provided include personal overdrafts that have no recourse to the Credit Union.

The Credit Union's policy is to pursue timely realization of the collateral in an orderly manner. The Credit Union does not generally use the non-cash collateral for its own operations. During the year, the Credit Union did take possession of collateral held as security against loans and advances and sold assets for \$73,000 (2018 - \$24,600).

Cash and equivalents and investments have low credit risk exposure as these assets are high quality investments with low risk counterparties. For the loan portfolio, the Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral.

The Credit Union's maximum exposure to credit risk at the reporting date in relation to each class of recognized financial asset is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities or parties fail to perform their obligations under the financial instruments in question. The principal collateral and other credit enhancements the Credit Union holds as security for loans include: insurance and mortgages over residential lots and properties, recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and recourse to liquid assets, guarantees and securities. The value of collateral held against individual exposures is generally only assessed at the time of borrowing and when a specific review of that exposure is undertaken in accordance with policy.

*(continues)*

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 25. RISK MANAGEMENT *(continued)*

The Credit Union's maximum exposure to credit risk at the reporting date was:

	2019	2018
Cash and cash equivalents	\$ 32,401,944	\$ 15,687,414
Investments	36,670,824	37,263,830
Accounts receivable	1,257,019	2,383,200
Member loans and mortgages, net of provision	339,091,153	316,125,233
Due from CU PEI Investment Corp.	2,249,487	2,675,999
	<u>\$ 411,670,427</u>	<u>\$ 374,135,676</u>

### (b) Liquidity risk

Liquidity risk is the risk of being unable to meet financial commitments without having to raise funds at unreasonable prices or sell assets on a forced basis. The Credit Union has established policies to ensure the Credit Union is able to generate sufficient funds to meet all of its financial commitments in a timely and cost effective manner. The Credit Union's liquidity management practices include ensuring the quality of investment acquired for liquidity purposes meet very high standards, matching maturities of assets and liabilities and monitoring cash flow on a regular basis. Management monitors the Credit Union's liquidity position and reports to the Board on a regular basis.

The Credit Union is required to maintain 6% of prior quarter's assets in liquid investments in which 100% must be held by Atlantic Central Credit Union Limited and the Credit Union was in compliance with this requirement at year end. Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	<u>Under 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
2019	\$ 294,630,233	\$ 84,394,481	\$ 21,110	\$ 379,045,824
2018	\$ 279,383,606	\$ 64,307,570	\$ 30,608	\$ 343,721,784

The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay.

The following is a maturity analysis of financial instruments on the statement of financial position that contain a current and non-current portion as of December 31, 2019:

	<u>Under 1 year</u>	<u>Over 1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Investments	\$ 31,835,652	\$ -	\$ 4,835,172	\$ 36,670,824
Member loans and mortgages	\$ 78,409,058	\$ 254,676,086	\$ 6,006,009	\$ 339,091,153
Employee benefits payable	\$ 1,153,758	\$ 117,117	\$ 21,110	\$ 1,291,985
Member deposits	\$ 225,405,390	\$ 84,277,363	\$ -	\$ 339,682,753

*(continues)*

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 25. RISK MANAGEMENT (*continued*)

### (c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to currency risk through its cash accounts and member deposits. The Credit Union maintains deposits in foreign currencies to service its member accounts. At of December 31, 2019, the Credit Union had cash and bank balances of \$1,334,784 USD (2018 - \$1,219,403 USD) and member accounts of \$1,084,110 USD (2018 - \$986,620 USD).

### (d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate materially due to changes in market interest rates. The Credit Union is exposed to interest rate risk through its loans and mortgages, providing lending services to its members for a rate based on the Bank of Canada base rate plus a risk premium determined at the loan inception. The Credit Union manages and controls interest rate risk primarily by managing asset and liability maturities. Interest rate risk is measured on a quarterly basis and the results are reported to the Board of Directors.

The following table provides the potential before-tax impact of an immediate and sustained 1% increase or decrease in interest rates on net interest income, assuming no further hedging is undertaken. These measures are based on assumptions made by management. All interest rate risk measures are based upon interest rate exposures at a specific time and continuously change as a result of business activities and the Credit Union's management initiatives.

Before tax impact on net interest income of:	2019	2018
1% increase in interest rates	\$ 431,811	\$ 118,120
1% decrease in interest rates	\$(1,859,797)	\$(1,880,662)



# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Provincial Credit Union Limited has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not readily available for a significant portion of the Credit Union's financial instruments.

A three-tier hierarchy is used as a framework for disclosing fair values based on inputs used to value the Credit Union's financial instruments recorded at fair value. Valuation methods used in this framework are categorized under the following fair value hierarchy:

Level 1 - Quoted prices for active markets for identical financial instruments that the entity can assess at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The carrying value of cash and cash equivalents, investments in debentures and accounts receivable approximates their fair value as they are short term in nature or are receivable on demand.

Long term investments in shares in the Credit Union Systems and others have been classified as available for sale and are required to be measured at fair value with any changes in fair value recorded in other comprehensive income. The Credit Union has determined the fair value of these investments cannot be measured reliably and therefore measures these investments at cost with no adjustment to other comprehensive income. The Credit Union's investments in system debentures have been classified as held-to-maturity and are required to be measured at amortized cost.

The difference between the book and fair values of the Credit Union's loans and deposits are primarily due to changes in interest rates. The carrying value of the Credit Union's financial instruments are not adjusted to reflect increases or decreases in fair value as a result of interest rate changes, as it is the Credit Union's intention to realize their value over time by holding them to maturity.

# Notes to the Financial Statements

PROVINCIAL CREDIT UNION  
Year Ended December 31, 2019

## 27. CAPITAL MANAGEMENT

Provincial Credit Union Limited provides lending services to its members in the form of loans, lines of credit and mortgages. The Credit Union's objective in the lending process is to remain within the lending guidelines set for the institution and to provide an adequate return to its members through adjusting risk premiums with the level of assessed risk on an individual basis. These services are provided to members at the discretion of the CEO and lending personnel within the established parameters. Total lending activities managed by the Credit Union at December 31, 2019 amounted to \$339,469,995 (2018 - \$316,448,585).

Consistent with other Prince Edward Island Credit Unions, Provincial Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain an equity level of 5% of the Credit Union's total assets. This ratio is calculated by adding the undistributed earnings at the end of the previous year plus the operating surplus in the current year and members' shares, divided by the total assets of the Credit Union.

	2019	2018
Undistributed earnings	\$ 36,057,886	\$ 33,747,787
Members' shares	73,295	74,380
Total regulatory equity	36,131,181	33,822,167
Total assets	415,177,005	377,543,951
	8.70 %	8.96 %

Credit Union bylaws require Provincial Credit Union Limited to maintain sufficient liquid assets and a line of credit to meet its normal cash flow requirements. Overall, a minimum liquid asset level of 10% of total assets must be maintained to ensure ongoing cash flow requirements are met.

	2019	2018
Total assets	\$415,177,005	\$377,543,951
Liquid assets	70,329,787	55,334,444
	16.94 %	14.66 %

## 28. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

# Schedules to the Financial Statements

PROVINCIAL CREDIT UNION

## Statement of Property and Equipment Year Ended December 31, 2019 (Schedule 1)

	Cost beginning of year	Additions	Disposals and write downs	Cost end of year	Accum amort beginning of year	Amort in the year	Disposals and write downs	Accum amort end of year	Net book value
<b>2019</b>									
Land	\$ 685,431	\$ -	\$ -	\$ 685,431	\$ -	\$ -	\$ -	\$ -	\$ 685,431
Buildings	3,976,113	203,893	-	4,180,006	2,295,478	89,131	-	2,384,609	1,795,397
Equipment	1,819,523	8,792	-	1,828,315	1,667,920	31,198	-	1,699,118	129,197
ATMs	530,704	-	-	530,704	400,937	15,255	-	416,192	114,512
Computer hardware	797,055	5,829	-	802,884	792,433	3,845	-	796,278	6,606
Pavement	83,480	-	-	83,480	42,595	3,271	-	45,866	37,614
Computer software	35,263	-	-	35,263	35,263	-	-	35,263	-
	<b>\$ 7,927,569</b>	<b>\$ 218,514</b>	<b>\$ -</b>	<b>\$ 8,146,083</b>	<b>\$ 5,234,626</b>	<b>\$ 142,700</b>	<b>\$ -</b>	<b>\$ 5,377,326</b>	<b>\$ 2,768,757</b>
<b>2018</b>									
Land	\$ 685,431	\$ -	\$ -	\$ 685,431	\$ -	\$ -	\$ -	\$ -	\$ 685,431
Buildings	3,976,113	-	-	3,976,113	2,207,024	88,454	-	2,295,478	1,680,635
Equipment	1,803,480	16,043	-	1,819,523	1,632,023	35,897	-	1,667,920	151,603
ATMs	618,105	93,047	(180,448)	530,704	568,973	12,412	(180,448)	400,937	129,767
Computer hardware	797,055	-	-	797,055	787,841	4,592	-	792,433	4,622
Pavement	83,480	-	-	83,480	39,039	3,556	-	42,595	40,885
Computer software	35,263	-	-	35,263	35,263	-	-	35,263	-
	<b>\$ 7,998,927</b>	<b>\$ 109,090</b>	<b>\$ (180,448)</b>	<b>\$ 7,927,569</b>	<b>\$ 5,270,163</b>	<b>\$ 144,911</b>	<b>\$ (180,448)</b>	<b>\$ 5,234,626</b>	<b>\$ 2,692,943</b>

Notes 1 - 28 are an integral part of these financial statements

# Schedules to the Financial Statements

PROVINCIAL CREDIT UNION

## Interest Rate Sensitivity Year Ended December 31, 2019

(Schedule 2)

	Under 1 year	Over 1 to 5 years	Over 5 years	Not interest rate sensitive	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 29,169,970	\$ -	\$ -	\$ 3,231,974	\$ 32,401,944
Effective interest rate	1.73 %	- %	- %	- %	
Investments	31,835,652	-	-	4,835,172	36,670,824
Effective interest rate	1.84 %	- %	- %	- %	
Accounts receivable	-	-	-	1,257,019	1,257,019
Personal and commercial loans and mortgages	69,643,799	254,676,086	6,006,009	304,809	330,630,703
Effective interest rate	3.99 %	3.79 %	4.96 %	- %	
Lines of credit and overdrafts	8,460,450	-	-	-	8,460,450
Effective interest rate	6.82 %	- %	- %	- %	
Prepaid expense	-	-	-	173,168	173,168
Property held for resale	-	-	-	15,000	15,000
Property and equipment	-	-	-	2,768,757	2,768,757
Due from CU PEI Investment Corp.	-	-	2,249,487	-	2,249,487
Effective interest rate	- %	- %	1.00 %	- %	
Deferred tax asset	-	-	-	290,988	290,988
Investment in associate	-	-	-	258,665	258,665
	<b>\$139,109,871</b>	<b>\$254,676,086</b>	<b>\$ 8,255,496</b>	<b>\$ 13,135,552</b>	<b>\$415,177,005</b>

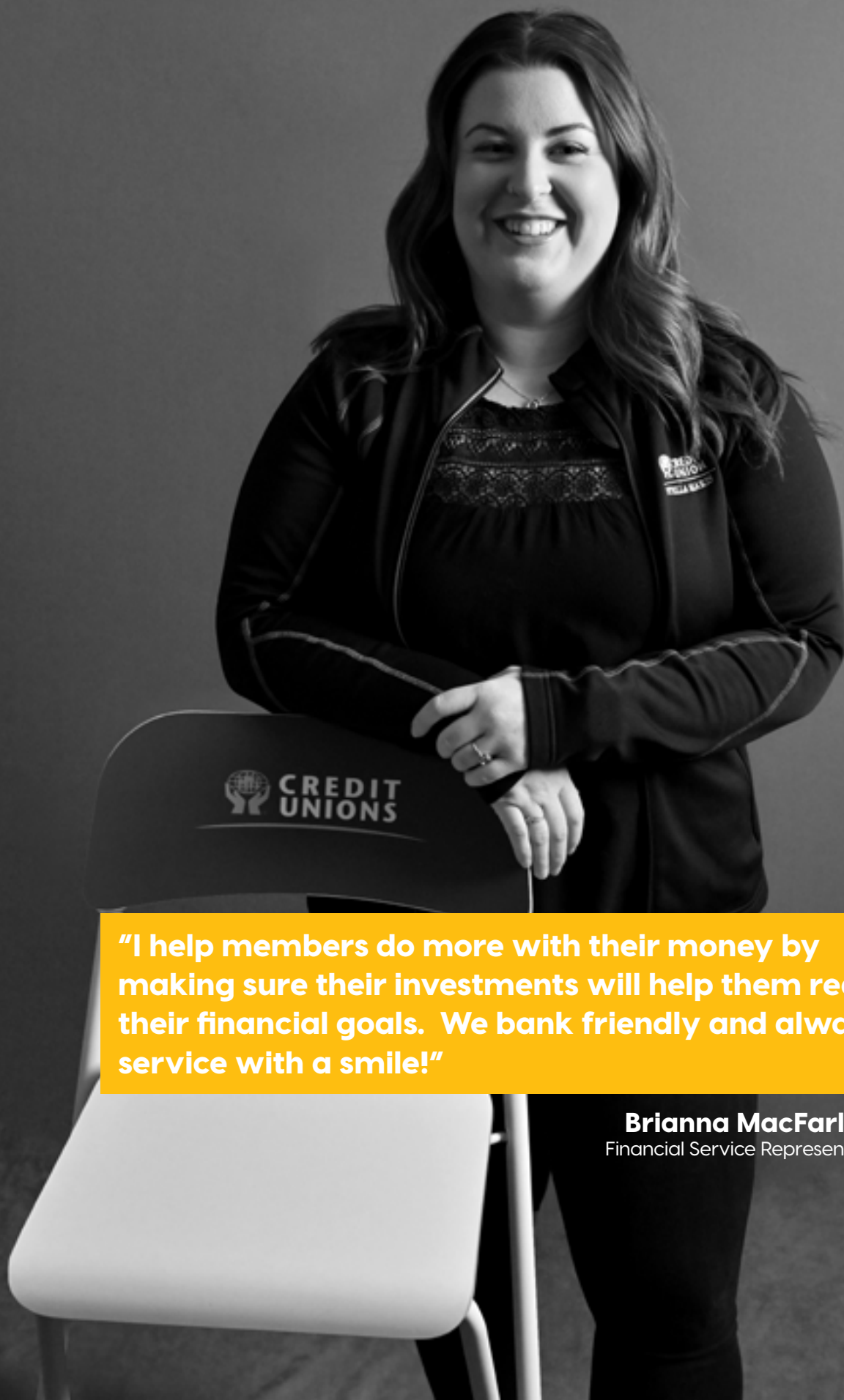
## LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 315,980	\$ 315,980
Employee benefits payable	-	-	-	1,291,985	1,291,985
Income taxes payable	-	-	-	218,051	218,051
Accrued interest payable	-	-	-	2,022,372	2,022,372
Member deposits	142,263,813	84,277,363	-	113,141,577	339,682,753
Effective interest rate	1.40 %	2.40 %	- %	- %	
Share deposits	35,514,683	-	-	-	35,514,683
Effective interest rate	0.75 %	- %	- %	- %	
Members' shares	73,295	-	-	-	73,295
Effective interest rate	0.75 %	- %	- %	- %	
Undistributed earnings	-	-	-	36,057,886	36,057,886
	<b>\$177,851,791</b>	<b>\$ 84,277,363</b>	<b>\$ -</b>	<b>\$153,047,851</b>	<b>\$415,177,005</b>

The above table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Credit Union's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, personal and commercial loans and mortgages are shown at contractual maturity but could prepay earlier.

As at December 31, 2019, Provincial Credit Union Limited's net interest spread was 2.37%. The net interest spread is calculated by expressing the difference between (a) the percentage of income earned on the average year end interest bearing assets and (b) the percentage of costs of capital and borrowings on the average year end interest bearing liabilities.

Notes 1 - 28 are an integral part of these financial statements



**"I help members do more with their money by making sure their investments will help them reach their financial goals. We bank friendly and always service with a smile!"**

**Brianna MacFarlane**  
Financial Service Representative



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