



THE POWER OF
LOCAL

2023
Report of the
Board of Directors



The Power of Local

The theme of our annual report speaks to our unwavering commitment to supporting our local communities and our enduring purpose:

Together, we will help build vibrant and healthy communities, thriving local enterprises and financially empowered people.

In support of our purpose, our team had a busy, productive year in 2023. Our primary focus was to foster strong, lasting relationships with our members and better understand their needs and goals, so we can help them to achieve financial success. Here are a few highlights:

- Conducted more than 7,600 financial health checks. This complimentary discovery tool will continue to play an important role in building lasting relationships with our members as we help them to identify and achieve their financial goals.
- Introduced a call quality program in our Member Service Centre focused on providing a consistent experience for our members that includes excellent service, proactive advice and first-call resolution.
- Enabled more Prospera members to achieve their home-buying dreams and grew our mortgage portfolio by \$334 million through a very challenging interest rate environment.
- Increased our focus on helping our members to be more cyber-savvy and adding new safeguards through diverse initiatives, such as multi-factor authentication for online and mobile banking, as well as educating and signing up members for electronic alerts on their accounts.
- Served more than 14,000 clients with a wealth product and advice, managing more than \$1.6 billion of their assets. The majority of our Wealth Planning team members also hold Responsible Investing Specialist certification, equipping them with the expertise needed to support our members with sustainable investments and discuss environment, social and governance (ESG) considerations.

- Completed a comprehensive review and redesign of our Personal Banking roles. This will not only create better career development opportunities for our employees, but it will also enable us to better serve our members and provide more holistic and timely advice.

Local Good: our commitment to our communities

As our CEO, Gavin Toy, noted late last year, we pride ourselves on doing Local Good where we live, work and play. In 2023, our investments focused on supporting local businesses, promoting health and wellness initiatives, plus education programs with a focus on financial literacy, mentorship and entrepreneurship. Our commitment to local communities extends beyond financial investments, including our employees volunteering more than 1,000 hours at nearly 100 local events and community initiatives in 2023.

In support of the **power of local**, in 2023 Prospera also committed more than \$1 million to charitable organizations and community partners across British Columbia. This includes more than \$480,000 in grants from the Prospera Foundation to eight local charities, including Special Olympics BC, the HeadHeartHand Foundation and Mamas for Mamas, Okanagan.

Another \$500,000 was distributed through corporate donations and sponsorships, supporting worthy causes and charitable organizations such as Big Sisters of BC Lower Mainland, Archway Community Services and Accelerate Okanagan. In addition, \$50,000 was dedicated to post-secondary students in BC through the Prospera Education Grants.

We were also the presenting sponsor of the 2023 Special Olympics BC Winter Games in Kamloops, a major sponsor of the BC Lions' Orange Shirt Day Game and the presenting sponsor of the Surrey Pride Festival. Our commitment to Truth and Reconciliation, the 2SLGBTQ+ community and other important DEI causes will continue in 2024 and beyond, with our goal to ensure that every member and every employee feel like they belong at Prospera.

Continuing to navigate an unpredictable economy

2023 saw continued cost-of-living increases for British Columbians, exacerbating the financial pressures of daily life and business sustainability, along with ongoing increases in lending rates. Against this backdrop, our team remained committed to delivering tailored advice and support, aimed at assisting you in navigating these complex times while keeping your financial goals on track. Our investments in technology and how we serve you by phone through our Member Service Centre and within our network of advice centres are all geared toward advancing our member experience.

We're also enhancing our service delivery through our digital platforms and face-to-face interactions. Our commitment is to be your financial partner, assisting you in achieving your goals – whether it's buying your first home, expanding your business, supporting your family or developing your retirement plan.

Recognized on the 2023 Best Workplaces in Canada™ list

Prospera earned a spot on the 2023 Best Workplaces in Canada List following a thorough and independent analysis conducted by Great Place to Work®.

The list is based primarily on direct feedback from thousands of employees in hundreds of organizations across Canada who were surveyed by Great Place to Work. To be eligible for this recognition, organizations must be Great Place to Work-Certified™ and have exceptionally high scores from employees on their globally recognized Trust Index survey. The Best Workplaces in Canada list is also based on the quality, quantity and effectiveness of programs and policies supporting employees and corporate culture.

Our employees gave the organization high marks in areas such as supporting work-life balance and providing a psychologically and emotionally healthy place to work.

Weathering a tough economic year

During a challenging year, Prospera reported net income of \$9 million for 2023. Despite the notable decline from 2022, the positive, overall financial result underscores Prospera's financial resilience and strong capital position in

these prevailing economic conditions. The decrease can largely be attributed to higher cost of funds reflecting a prolonged inverted yield curve, contributing to a \$38.3 million reduction in net interest income compared to the previous year.

You can find more information on our financial performance in the Management Discussion and Analysis (MD&A), the Summarized Consolidated Financial Statement and the Consolidated Financial Statements.

Looking ahead

While the economy is showing signs of slowing in the first half of 2024, we anticipate gradual improvements later this year – including lower interest rates and inflation, which should provide some welcome relief to our members. Prospera is here to support you through these challenging times and ensure that you're ready for what comes next for you, your family, your business and your community.

We're excited to build on our nearly 80 years of service in our local communities, making it easier for you to do business with us and bringing you more customized solutions and advice from our exceptional local teams. At the same time, we're continuing to give back to our communities, including supporting many vital organizations throughout the province.

To you, our valued members, our sincere thanks and appreciation for your continued business and support.

Gina Arsens

Chair, Board of Directors

Governance and Nominations Committee Report

In October 2023, the Governance and Nominations Committee (the Committee) made the formal call for director nominations (“Call”) by posting the Call on Prospera’s website. The Call advised members that three director positions (two of which are incumbent directors eligible for re-election) would become available in 2024. All three positions are for a three-year term, commencing at the close of the 2024 Annual General Meeting (“AGM”). We encouraged members to visit our websites for more details regarding the nominations process through messaging in our service locations, social media and various websites, including The Institute of Corporate Directors and LinkedIn.

The Committee managed the nomination and evaluation process of prospective candidates, which included a methodology to preserve transparency and the equitable treatment of all prospective candidates throughout the process. The nominations package included information regarding the nominating process and the qualifications and expectations of directors. The nomination information and the Call also outlined the ideal candidate criteria the Committee was seeking in prospective candidates. Prior to posting the Call, the Committee reviewed the technical and business competencies, expertise and diversity of the current directors to identify the ideal candidate criteria that would further strengthen the Board. The nominations period closed at 5 p.m. on November 15, 2023.

Following the close of the nominations period, the Committee reviewed all nomination submissions received for completeness, eligibility and to identify those who best fit the ideal candidate criteria with respect to the skills and experience outlined in the Call. As part of the overall evaluation process, the Committee reviewed their skills and qualifications and how they would best complement the current board. Based on these assessments, the Committee identified five prospective candidates to move forward to the interview stage. At the conclusion of the interview process and further

assessment, the Committee selected three candidates for recommendation to the members. At the close of the nomination and evaluation process, four candidates chose to stand for election to the board as follows:

- **Jill Donaldson** (incumbent – recommended)
- **Lawrie Ferguson** (recommended)
- **Colin MacKinnon** (incumbent – recommended)
- **Mark Roth**

The 2024 Directors Election is currently in progress. Candidate and voting information can be found at prospera.ca. The results of the 2024 Directors Election will be announced at the virtual Annual General Meeting to be held on April 23, 2024.

NOTICE OF 2023 ANNUAL GENERAL MEETING (AGM)

The 2024 AGM will be virtual and held on April 23, 2024, at 2 pm.

Pre-registration for the AGM will be held online from March 26 to April 16, 2024.

The virtual AGM can be accessed at prospera2024agm.com

Summarized Consolidated Financial Statements

Year ended December 31, 2023

Management's Responsibility

The accompanying summarized consolidated financial statements are derived from the audited consolidated financial statements of Prospera Credit Union for the year ended December 31, 2023. The summarized consolidated financial statements have been prepared by management in accordance with the requirements of the Financial Institutions Act. The accompanying summarized consolidated financial statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal accounting, operating and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and safeguarding the assets of the organization.

The summarized consolidated financial statements are approved by the Board of Directors. The Audit and Conduct Review Committee, comprised of four directors of the board, has reviewed the statements with management and the external auditor in detail.

KPMG LLP has been appointed by the membership as an independent auditor to examine and report on these consolidated financial statements. They have had full and free access to the internal audit staff, other management staff and the Audit and Conduct Review Committee of the board.

Gavin Toy
President and
Chief Executive Officer

Jennifer Scharf
Chief Financial Officer

March 13, 2024

Report of the Independent Auditors on the Summarized Consolidated Financial Statements

To the Members of Prospera Credit Union

Opinion

We have audited the summarized consolidated financial statements of Prospera Credit Union (the Credit Union), which comprise:

- the summarized consolidated statement of financial position as at December 31, 2023
- the summarized consolidated statement of income for the year then ended
- the summarized consolidated statement of comprehensive income for the year then ended
- the summarized consolidated statement of changes in members' equity for the year then ended
- and related note

are derived from the audited consolidated financial statements of Prospera Credit Union as at and for the year ended December 31, 2022.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Summarized Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by IFRS Accounting Standards. Reading the summarized consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditor's report thereon.

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Auditor's Responsibility for the Summarized Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants

Vancouver, Canada

March 13, 2024

Summarized consolidated statement of financial position

(Expressed in thousands of dollars)

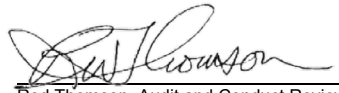
Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 200,553	\$ 96,094
Investments	761,245	681,980
Loans	6,096,221	5,737,014
Leases receivable	410,019	353,651
Derivative assets	680	2,290
Premises and equipment	14,151	16,477
Right-of-use assets	25,556	30,972
Intangible assets	2,062	2,642
Current taxes receivable	3,001	2,611
Deferred tax assets	4,922	4,244
Other assets	15,584	7,350
	\$ 7,533,994	\$ 6,935,325
Liabilities and Members' Equity		
Borrowings	\$ -	\$ 50,000
Members' deposits	6,635,374	6,070,262
Accounts payable and accrued liabilities	30,772	27,379
Securitization debt obligations	380,625	309,744
Derivative liabilities	5,371	7,110
Lease liabilities	28,477	33,909
Deferred tax liabilities	11,513	11,311
Retirement benefit obligations	7,858	7,463
	7,099,990	6,517,178
Members' equity:		
Contributed surplus	-	130,916
Retained earnings	441,589	301,634
Accumulated other comprehensive income (loss)	(7,585)	(14,403)
	434,004	418,147
	\$ 7,533,994	\$ 6,935,325

See accompanying note to the summarized consolidated financial statements.

Approved on behalf of the Board:


Gina Krens, Chair Director


Rod Thomson, Audit and Conduct Review
Committee Chair Director

Summarized consolidated statement of income

(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Interest income	\$ 332,596	\$ 248,323
Interest expense	(210,280)	(87,691)
Net interest income	122,316	160,632
Fee and commission income	27,021	26,207
Fee and commission expense	(6,391)	(5,577)
Net fee and commission income	20,630	20,630
Realized gains (losses) on financial instruments	(703)	(125)
Unrealized gains (losses) on financial instruments	(1,489)	(3,476)
Impairment (losses) recoveries on financial assets	(2,657)	(1,967)
Impairment (losses) recoveries on other assets	(993)	(190)
Other income (losses)	2,749	(517)
Net interest and other income	139,853	174,987
Operating expenses:		
Salary and employee benefits	(78,627)	(85,926)
General and administrative	(33,318)	(35,822)
Occupancy and equipment	(18,191)	(18,856)
	(130,136)	(140,604)
Income before income taxes	9,717	34,383
(Provision for) recovery of income taxes:		
Current	(1,026)	(6,279)
Deferred	348	852
	(678)	(5,427)
Net income	\$ 9,039	\$ 28,956

See accompanying note to the summarized consolidated financial statements.

Summarized consolidated statement of comprehensive income

(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Net income	\$ 9,039	\$ 28,956
Other comprehensive income (loss):		
Items that will be reclassified to net income:		
Net gains (losses) on debt instruments measured at FVOCI	9,868	(11,044)
Reclassification of realized losses (gains) on debt instruments measured at FVOCI	(7)	71
Income tax recovery (expense) on debt instruments measured at FVOCI	(1,676)	1,865
Net unrealized gains (losses) on effective portion of cash flow hedges	842	(2,774)
Income tax recovery (expense) on cash flow hedges	(144)	472
Items that will never be reclassified to net income:		
Net gains (losses) on equity investments designated at FVOCI	(1,862)	-
Income tax recovery (expense) on equity investments designated at FVOCI	316	-
Net actuarial gains (losses) on retirement benefit plans	(646)	22,886
Income tax recovery (expense) on retirement benefit plans	127	(4,759)
	6,818	6,717
Total comprehensive income	\$ 15,857	\$ 35,673

See accompanying note to the summarized consolidated financial statements.

Summarized consolidated statement of changes in members' equity

(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

Year ended December 31, 2023, with comparative information for 2022

	AOCI			Contributed surplus	Retained earnings	Total equity
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans			
Members' equity, January 1, 2023	\$ (11,959)	\$ (2,302)	\$ (142)	\$ 130,916	\$ 301,634	\$ 418,147
Transfer of contributed surplus to retained earnings ¹	-	-	-	(130,916)	130,916	-
Net income	-	-	-	-	9,039	9,039
Other comprehensive income (loss), net of tax	6,639	698	(519)	-	-	6,818
Total comprehensive income (loss)	6,639	698	(519)	-	9,039	15,857
Members' equity, December 31, 2023	\$ (5,320)	\$ (1,604)	\$ (661)	\$ -	\$ 441,589	\$ 434,004
	AOCI			Contributed surplus	Retained earnings	Total equity
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans			
Members' equity, January 1, 2022	\$ (2,851)	\$ -	\$ (18,269)	\$ 130,916	\$ 272,678	\$ 382,474
Net income	-	-	-	-	28,956	28,956
Other comprehensive income (loss), net of tax	(9,108)	(2,302)	18,127	-	-	6,717
Total comprehensive income (loss)	(9,108)	(2,302)	18,127	-	28,956	35,673
Members' equity, December 31, 2022	\$ (11,959)	\$ (2,302)	\$ (142)	\$ 130,916	\$ 301,634	\$ 418,147

¹On January 1, 2020 (the "acquisition date"), Westminster Savings Credit Union and Legacy Prospera Credit Union combined their respective operations by way of an amalgamation to form Prospera Credit Union ("Prospera"). On the acquisition date, the net assets of Legacy Prospera Credit Union acquired of \$130,916 were recognized by Prospera as contributed surplus on the consolidated statement of changes in members' equity. During the year ended December 31, 2023, Prospera transferred the full amount of the contributed surplus into retained earnings. This transfer did not have an impact on net income, comprehensive income, or total equity.

See accompanying note to the summarized consolidated financial statements.

Notes to summarized consolidated financial statements

(Expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

1. Basis of presentation

These summarized consolidated financial statements have been prepared in accordance with section 128(4) of the Financial Institutions Act and are derived from the audited consolidated financial statements, prepared in accordance with IFRS Accounting Standards, as at and for the year ended December 31, 2023. Those audited consolidated financial statements were approved by Prospera Credit Union's Board of Directors on March 13, 2024 and can be obtained online or at any of our branches.



Corporate Information

Credit union industry directorships held by directors and officers

Gavin Toy
Canadian Credit Union Association

Art Van Pelt
Central 1 Credit Union

Corporate Counsel

Dentons Canada LLP
Vancouver, British Columbia

Auditors

KPMG LLP
Vancouver, British Columbia

Contact

Sonia Mior
Director, Governance and Corporate Secretary

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