


2020 Report of the Board of Directors


Financial results

With your overwhelming support, on January 1, 2020, Prospera Credit Union and Westminster Savings officially merged to become the sixth largest credit union in Canada. 2020 was a busy year for your credit union, and given the operating environment, we are pleased with Prospera's financial performance. As we end the year, our financial position is much stronger than when we began, and these results allowed us to support our members throughout the pandemic and make important investments in the business. These strong results position Prospera well to support our members and make the necessary investments to ensure we can deliver member value for many years to come.


Supporting you through COVID-19

As an essential service, our focus throughout the year was on providing members with access to our full range of financial services, with your safety and wellbeing, and that of our employees, at the forefront. We implemented a series of enhanced safety protocols for in-person service, launched a new mobile banking application, and introduced interim relief programs for members experiencing financial hardship. We also supported our business members by assisting them with access to the federal government's Canada Emergency Business Account program, which provided significant support to many local businesses and non-profits during the year.

 **Operating Income**
\$34.7 million

 **Assets Under Management**
\$9.1 billion

 **Loans & Leases Receivable**
\$5.4 billion

 **Deposits**
\$6.1 billion

 **Member's Equity**
\$349.7 million

 **Return on Equity** (YTD)
6.1%

Integration

As we embarked on the sizeable task of integrating two 75-year-old organizations, we began building the foundation for an even more successful credit union, built on the premise of providing value for membership at the core of everything we do. We made considerable progress, despite the COVID-19 related challenges, and some highlights include:

- Harmonized rates for comparable products.
- Created one Business Intelligence infrastructure resulting in consolidated financial, regulatory and operational reporting and increased efficiency and accuracy in data and analytics used in decision-making.
- Harmonized our organizational structure, job profiles, and roles and responsibilities, moving us forward as a single team with a more unified approach to how we work.
- Harmonized employee compensation, to improve consistency across the organization and ensure compensation is in line with current market data.

Supporting our communities

We were very proud to help support many worthy causes in 2020. Through the Westminster Savings Foundation and our direct credit union community programs, we donated \$700,000 to our local communities this past year.

For more information on Prospera's financial performance and highlights from 2020, please visit the About Us section on prospera.ca and WSCU.com.

Thank you for your continued loyalty and support.



Art Van Pelt
Chair, Board of Directors

Notice of Annual General Meeting

Tuesday, April 20, 2021

The 2021 Annual General Meeting will take place virtually at 5pm.

Visit prospera.ca or WSCU.com for more information.

Summarized Consolidated Financial Statements

Year ended December 31, 2020

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, 2020. The summarized consolidated financial statements have been prepared by management in accordance with the requirements of the *Financial Institutions Act*. The accompanying summarized 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 Committee, comprised of four directors of the board, has reviewed the statements with management and the external auditors in detail.

KPMG LLP has been appointed by the membership as independent auditors 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 Committee of the board.



Gavin Toy,
President
and Chief Executive Officer



Mary Falconer,
Chief Financial Officer
and Corporate Secretary

March 10, 2021

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Prospera Credit Union

Opinion

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, 2020
- 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, 2020.

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 Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting 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 auditors' 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 financial statements.

Management's Responsibility for the Summarized 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.

Auditors' Responsibility

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 10, 2021

SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of dollars)

December 31, 2020, with comparative information for 2019

	2020	2019 (Note 1)
Assets		
Cash and cash equivalents	\$ 418,928	\$ 88,938
Investments	1,223,941	535,061
Loans	5,366,082	2,568,669
Leases receivable	278,619	348,377
Premises and equipment	15,748	8,781
Right-of-use assets	36,760	25,647
Intangible assets	4,196	1,278
Deferred tax assets	1,943	1,782
Other assets	9,355	7,097
	<u>\$ 7,355,572</u>	<u>\$ 3,585,630</u>
Liabilities and Members' Equity		
Members' deposits	\$ 6,093,888	\$ 2,929,753
Accounts payable and accrued liabilities	38,919	14,429
Securitization debt obligations	791,478	383,299
Derivative liabilities	754	-
Current taxes payable	907	1,437
Lease liabilities	38,841	26,974
Deferred tax liabilities	4,063	6,312
Retirement benefit obligations	37,051	22,011
	<u>7,005,901</u>	<u>3,384,215</u>
Members' equity:		
Contributed surplus	130,916	-
Retained earnings	246,213	223,703
Accumulated other comprehensive loss	(27,458)	(22,288)
	<u>349,671</u>	<u>201,415</u>
	<u>\$ 7,355,572</u>	<u>\$ 3,585,630</u>

See accompanying note to the summarized consolidated financial statements.

Approved on behalf of the Board:


Art Van Pelt, Chair Director


Colin MacKinnon, Director Director

SUMMARIZED CONSOLIDATED STATEMENT OF INCOME

(Expressed in thousands of dollars)

December 31, 2020, with comparative information for 2019

	2020	2019 (Note 1)
Interest income	\$ 242,380	\$ 131,819
Interest expense	(105,217)	(62,438)
Net interest income	137,163	69,381
Fee and commission income	25,873	12,863
Fee and commission expense	(6,227)	(2,880)
Net fee and commission income	19,646	9,983
Realized gains on financial instruments measured at fair value through profit or loss	3,789	6,032
Unrealized gains (losses) on financial instruments measured at fair value through profit or loss	5,983	(299)
Impairment losses on financial assets	(9,068)	(1,808)
Impairment losses on other assets	(2,547)	(1,585)
Other income	2,379	2,288
Net interest and other income	157,345	83,992
Operating expenses:		
Salary and employee benefits	(80,439)	(40,687)
General and administrative	(28,795)	(18,445)
Occupancy and equipment	(19,641)	(11,246)
	(128,875)	(70,378)
Income before income taxes	28,470	13,614
Provision for income taxes:		
Current	(5,301)	(1,817)
Deferred	(659)	(554)
	(5,960)	(2,371)
Net income	\$ 22,510	\$ 11,243

See accompanying note to the summarized consolidated financial statements.

SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in thousands of dollars)

December 31, 2020, with comparative information for 2019

	2020	2019 (Note 1)
Net income	\$ 22,510	\$ 11,243
Other comprehensive income (loss), net of tax:		
Items that will be reclassified to net income:		
Gains on debt instruments measured at fair value through other comprehensive income	-	103
Reclassification of realized gains on financial instruments measured at fair value through OCI to net income	-	(122)
Deferred tax recovery in OCI	-	3
Items that will never be reclassified to net income:		
Net actuarial losses on retirement benefit plans	(7,046)	(11,069)
Deferred tax recovery in OCI	1,876	2,007
	(5,170)	(9,078)
Total comprehensive income	\$ 17,340	\$ 2,165

See accompanying note to the summarized consolidated financial statements.

SUMMARIZED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(Expressed in thousands of dollars)

December 31, 2020, with comparative information for 2019

	AOCI		Contributed surplus	Retained earnings	Total equity
	Fair value reserve	Defined benefit plans			
Members' equity, January 1, 2020	\$ -	\$ (22,288)	\$ -	\$ 223,703	\$ 201,415
Impact of business combination	-	-	130,916	-	130,916
Net income	-	-	-	22,510	22,510
Other comprehensive income (loss), net of tax	-	(5,170)	-	-	(5,170)
Total comprehensive income (loss)	-	(5,170)	-	22,510	17,340
Members' equity, December 31, 2020	\$ -	\$ (27,458)	\$ 130,916	\$ 246,213	\$ 349,671

	AOCI		Contributed surplus	Retained earnings	(Note 1) Total equity
	Fair value reserve	Defined benefit plans			
Members' equity, January 1, 2019	\$ 16	\$ (13,226)	\$ -	\$ 212,460	\$ 199,250
Net income	-	-	-	11,243	11,243
Other comprehensive income (loss), net of tax	(16)	(9,062)	-	-	(9,078)
Total comprehensive income (loss)	(16)	(9,062)	-	11,243	2,165
Members' equity, December 31, 2019	\$ -	\$ (22,288)	\$ -	\$ 223,703	\$ 201,415

See accompanying note to the summarized consolidated financial statements.

NOTE TO SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2020

1. Basis of presentation

On January 1, 2020, Westminster Savings Credit Union ("Westminster Savings") and the legacy credit union known as Prospera Credit Union ("Legacy PCU") combined their respective operations by way of an amalgamation to form a single credit union operating as Prospera Credit Union. The business combination is accounted for using the acquisition method under IFRS 3, *Business Combinations*, with Westminster Savings acquiring 100% of the net assets of Legacy PCU. The results for the year ended December 31, 2020 include the results for the combined credit union. The comparative information presented in these financial statements is based on the financial results of Westminster Savings as the acquirer in this business combination.

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 International Financial Reporting Standards, as at and for the year ended December 31, 2020. Those audited consolidated financial statements were approved by Prospera Credit Union's Board of Directors on March 10, 2021 and can be obtained online or at any of our branches.

Nominations Committee Report

In October 2020, the Committee made the formal call for director nominations (“Call”) by posting the Call on the credit union’s websites. The Call advised members that three director positions would become available in 2021; two of which were incumbent directors whose terms would expire in 2021 and who were seeking re-election and the other being a vacant seat on the Board. We encouraged members to visit our websites for more details regarding the nominations process through messaging on member statements, in our service locations, through Online Banking and social media and various websites including the Institute of Corporate Directors and Watson Advisors Inc. (“Watson”).

The Committee engaged Watson to manage the nomination and evaluation process of prospective candidates utilizing a methodology to preserve transparency and the equitable treatment of all prospective candidates throughout the process. With the support of Watson, the application process was accessible to members online and 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, the 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 20, 2020.

Following the close of the nominations period, the Committee, in partnership with Watson, reviewed all nomination submissions received 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, Watson met individually with each prospective candidate to review their skills and qualifications, and how they would best complement the current board. Based on these assessments the Committee identified three prospective candidates to move forward to the interview stage. At the conclusion of the interview process and further assessment in consultation with Watson, the Committee selected three candidates for recommendation to the members. At the close of the nomination and evaluation process, five candidates chose to stand for election to the board as follows: Stacey Crawford (incumbent – recommended), Jill Donaldson (recommended), Colin MacKinnon (incumbent – recommended), Lorraine Carruthers and Alfredo Di Blasio.

The 2021 Directors Election is currently in progress. Candidate and voting information can be found at prospera.ca and WSCU.com. The results of the 2021 Directors Election will be announced at the virtual Annual General Meeting to be held on April 20, 2021.