

ANNUAL REPORT

2023





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Annual Report
2023



2023 CREDIT UNION HIGHLIGHTS

■ **Assets**

\$1,448,359,830

■ **Members**

35,635

■ **Deposits**

\$1,318,013,896

■ **Loans**

\$1,189,865,317

■ **Revenue**

\$70,790,238

■ **Equity**

\$108,695,354

■ **Net Income**

\$10,624,139

BOARD OF DIRECTORS



Corey Tremere
President



Gail Shea
Vice President



Jacinta Doiron
Secretary



Imelda Arsenault



Joel Brennan



Jamie Colwill



Karen Gaudet-Gavin



Mona Jeffery



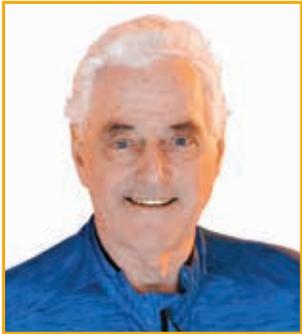
Alisha MacKay



Peter Pidgeon



Brett Poirier



Jack Spencer

PRESIDENT'S REPORT

Prince Edward Island. A place that means so much to us. We're here to live our lives, to turn an idea into a business, have a place to call home, and to grow with our families and friends in a special, safe, and caring community. Since finances are a part of life, we all want to see the money we earn and save, put to work to help one another. When that happens, it makes all of us stronger.

On behalf of the board of directors, I am pleased to announce the approval of patronage rebates to

members for the 2023 fiscal year. Rebates are just one more important differentiator for credit unions. A total of \$1.1 million will be returned to members, to offset the cost of monthly services charges on personal spending (chequing) accounts.

I hope as a member you can appreciate just how much care Provincial Credit Union's staff have for you and the communities we serve. Staff work diligently to steer our organization through the progressive change, required to be successful. Their dedication and support has been and will remain critical for Provincial Credit Union to move forward, as guided by our 2022-2025 Strategic Plan.

I'd like to take this opportunity to congratulate Provincial Credit Union CEO Alfred Arsenaault, and all staff, for making the list of Canada's Top 100 Employers in 2024! It's a tremendous acknowledgement for organizations leading the way, and providing an exceptional workplace

experience for their employees.

The Board continues its commitment to be fair, transparent and responsive. I'd like to recognize my fellow directors for their dedication. Our meetings, as well as the development and work of each committee is done on behalf of our members, and it's inspiring to witness this in the boardroom.

We want to help ensure we are working to make PCU stronger, and that the focus on you, the member, remains our top priority. I am pleased to report that membership growth has been positive for 2023, totally 35,635 as of December 31st.

To our members: thank you for your continued support. We are all members and shareholders of Provincial Credit Union with common goals, and within that, there is so much possibility.

It is my hope that Provincial Credit Union, with a clear purpose and support from the board and executive team, will become the most impactful organization on Prince Edward Island.



Corey Tremere
President- Board of Directors

stronger for members



CEO's REPORT

I am delighted to share with you my first report, as Chief Executive Officer for Provincial Credit Union. I'm truly proud to have this opportunity to lead such a wonderful organization, at a time when the financial industry is going through significant transformation.

I'll begin by highlighting our key

financial results for the 2023 fiscal year. Assets have increased by 8.66% to reach \$1.45B, the highest of any credit union within Atlantic Canada. Member deposits increased by 7.80% and loans grew by 9.37%. Our net revenue after taxes allowed us to continue strengthening the capital position of the Provincial Credit Union, which is now at 7.52% of assets. Our goal is to have equity reach

8% over the course of the next few years.

Strong financial results allowed us to return \$1,090,936 back to personal members, in the form of service charge rebates, and to give back approximately \$495,780 to various community groups, in sponsorship, grants and bursaries.

I'd be remiss if I did

not mention that Provincial Credit Union has been named one of Canada's Top 100 Employers in 2024! I am so proud of all of our staff for the tremendous workplace environment we have created. To make it on the list of Canada's Top 100 Employers is a most prestigious accomplishment, and a true testament to our wonderful team of employees across the province.

We never take for granted the trust placed in us by our members to provide financial guidance, tailored to the specific goals and aspirations of each individual. As a member owned organization, we are people oriented, and strive to have the best interests of our membership and employees at heart.

Significant internal effort is ongoing in our attempt to standardize our products and services, as well as our operations processes, as we aim to deliver the full benefits of our recent merger and to further advance our digital



presence for the benefit of our members. While a strong digital presence is required to attract and retain the younger generation of members, we are fortunate to have such a strong branch presence throughout the province to support our service delivery approach and provide non-digital options for members who desire such choices.

As the social and economic fabric of our communities evolves, the needs of our existing and potential members also evolves. The pace of advancement in technology continues to increase, providing significant opportunities, and at the same time, an increased expectation to enhance the digital experience.

As we focus on the strategic direction of the organization considering the industry changes that are on the horizon coupled with the evolving needs of our membership, we developed our strategic plan around these 4 key pillars:

We remain dedicated to adapting and evolving the organization to meet the changing needs of our membership.

Member experience

Transform our member experience to focus on personalized financial education, planning and advice. Transition the member experience to digital aided by people.

Employee empowerment

Empower our people to thrive in their role while contributing to the organization's mission and values.

Community building

Grow our influence on financial inclusion and the sustainability of our communities.

Organizational sustainability

Sustainably grow our credit union so we can have greater impacts on our communities.

We remain dedicated to adapting and evolving the organization to meet the changing needs of our membership. We will continue to prioritize innovation, financial stability, and community engagement, to ensure Provincial Credit Union remains your trusted financial partner.

Thank you for your continued support. We are privileged to serve you and look forward to another successful year together.

Sincerely,



Alfred Arsenault
Chief Executive Officer



↑ **Montague staff** at Bogside Brewing in Montague.

LOYAL 2 LOCAL CHALLENGE

**Michelle Penwarden,
Colin Cornish and
Tina DesRoches** from
O'Leary branch at
The Canadian
Potato Museum



For the fourth year in a row, Provincial Credit Union staff once again participated in the Loyal 2 Local Challenge, injecting nearly \$340,000 into the local economy, since the challenge began.

Atlantic Credit Unions incentivize all 1500+ employees, to buy local and encourage others to do so. Staff certainly enjoy the opportunity to visit and support local businesses in their communities. Employees are asked to post about their experience on social media.

Loyal 2 Local is part of a national initiative across the country, in support of small businesses.



↑ **Lynn Gregory Smith**, Stella Maris branch, and husband Morgan, enjoy the food and sights at Fin Folk Food in Tracadie Beach.

RANDOM ACTS OF KINDNESS

Random Acts of Kindness is one of the many activities our staff look forward to each year. To see the smiles on the faces of Islanders makes it all worthwhile!



Stella Maris staff dropped by with treats for the Total Impact Hair Salon in North Rustico

From picking up the tab for groceries, breakfast, or your coffee, watch for Random Acts of Kindness from Provincial Credit Union, in your community!



⬆️ Stratford's **Patricia Dunn** drops off coffee and treats to a construction site in Stratford

➡️ **Sawyer Gauthier**, Stella Maris branch, at A.P. Gallant's Country Market, Rustico





Provincial Credit Union is honored to be named one of Canada's Top 100 Employers in 2024, a testament to the outstanding workplace we've collectively built!

The Canada's Top 100 Employers competition is a prestigious national endeavor that evaluates and acknowledges organizations leading the way, in providing exceptional workplaces for their employees.

The rigorous selection process involves evaluation across key criteria including: Work Atmosphere & Social, Health, Financial & Family Benefits, Vacation & Time Off, Employee Communications, Training & Skills Development, and Community Involvement.



↑ Provincial Credit Union (PCU) Manager of Core Banking **Kyle Osmond** (right) and Chief Human Resources Officer **Linda McGibbon** accepted the award on behalf of PCU at the Top 100 Employers Gala in Toronto, along with board president **Corey Tremere**.



PRESENTS

ATLANTIC 365



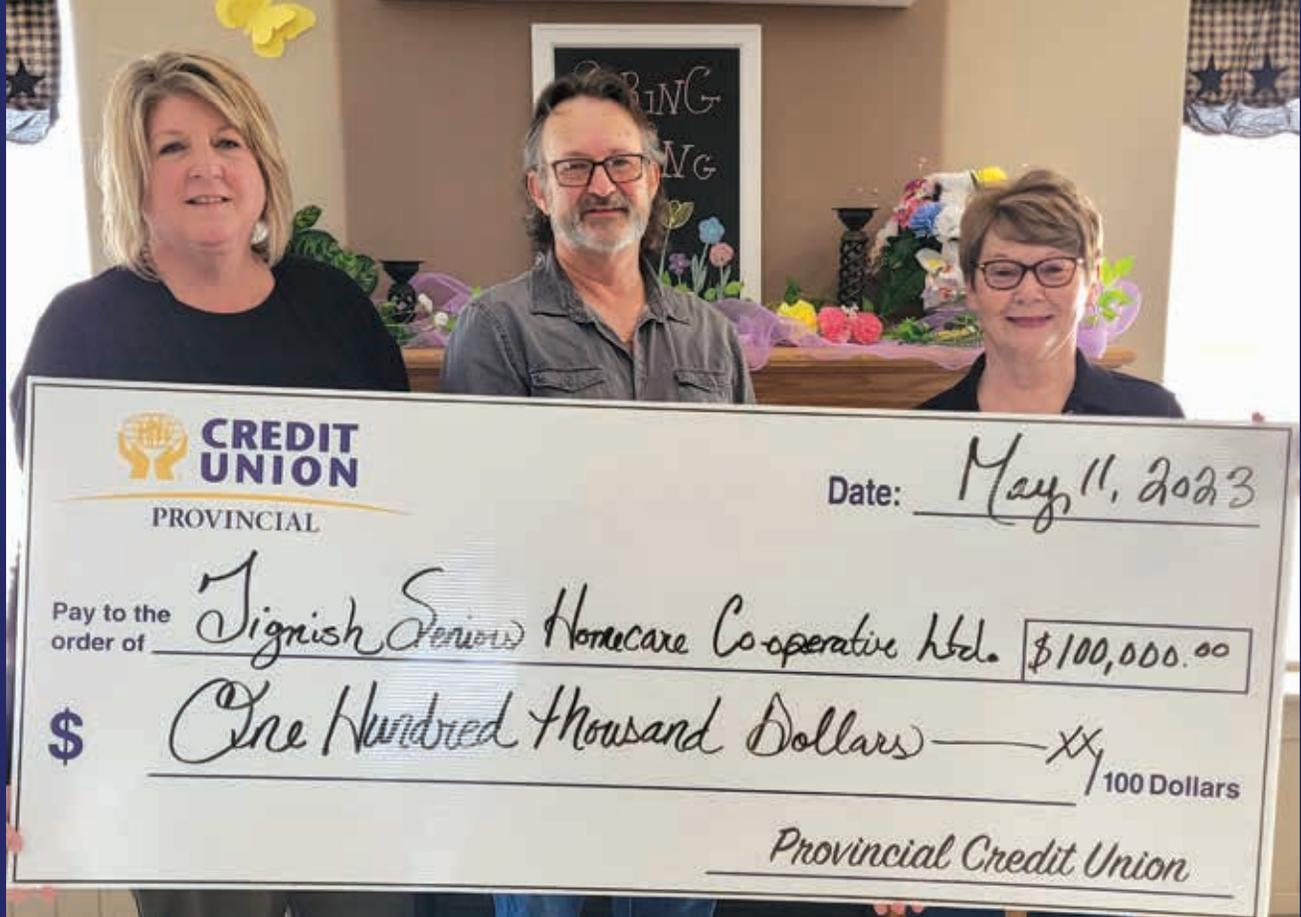
Provincial Credit Union is participating in Atlantic 365, a campaign featuring a diverse array of credit union entrepreneurs across the Atlantic provinces. Primarily driven through our Social Media channels, this initiative represents a significant opportunity for businesses to expand their audience, and at the same time, gain recognition for their exceptional products, services, and contributions to their local communities.

On Prince Edward Island, Atlantic 365 was launched in July, at Credit Union Place in Summerside.

→ Carl Arsenault, from Arsenault Bros. Construction, was one of the invited guests at the launch, and also a featured entrepreneur. He and his wife Anne Marie established the company in 1983, and over the decades it has grown exponentially through Atlantic Canada.



Atlantic 365 is the perfect opportunity for entrepreneurs to showcase their passion, innovation, and dedication to their craft, and at the same time, connect with a broader audience.



⬆️ **Nadine Gaudette** (left) manager of Tignish branch, makes a \$100,000 donation to the Tignish Seniors Homecare Co-operative. Accepting the cheque are Paul Gaudet and Linda Richard from the fundraising committee. Funds go towards construction of an activity room.

IN OUR COMMUNITY

⬇️ **MacKayla Gallant** (centre) manager of the Alberton branch, presents a cheque for \$10,000 to Dave Pizio and Krystyna Pottier from the Western Hospital Foundation.



⬆️ **Jessica Gallant** (left) Évangéline Branch Manager and **Diane McInnis**, Digital Marketing Officer present a cheque to the Évangéline U13 Soccer Team to purchase soccer nets.



⬆️ ➡️ The O’Leary Branch of Provincial Credit Union is a long time participant in the Potato Blossom Parade, and in 2023 won the award for Best Business Entry!



⬆️ Staff at Évangéline celebrating Credit Union Day



⬆️ Halloween at Évangéline



➡️ O’Leary staff at Halloween



STAFF CONFERENCE

Provincial Credit Union held its first full staff conference in October of 2023.



⬆️ **Mackayla Gallant, Janet Corish, Jim Lavers, Karen Martell, Twyla McInnis, and Leanne Meggison** receive recognition for 5 years of service from **CEO Alfred Arsenault**. In all, 22 employees received staff recognition awards, ranging from 5 – 30 years of service. The day wrapped up with an evening banquet and casino night.

⬆️ **CEO Alfred Arsenault** welcomes staff from across the province. The full day session included keynote speakers, and a Theme of Change Management



⬅️ ⬆️ Staff attending breakout sessions in the afternoon.



PEI-ÎPÉ 2023 JEUX DU CANADA GAMES

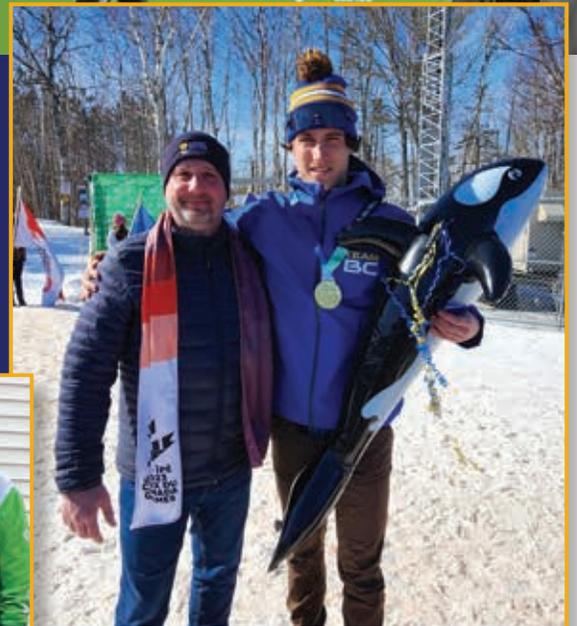
The 2023 Canada Winter Games were held on Prince Edward Island in February, and Provincial Credit Union was proud to be an official sponsor.



↑ Retired CEO **Bernard Gillis** speaks at the new conference.

The games brought together the best athletes in Canadian sport, as Prince Edward Island welcomed 3600 athletes and spectators from across the country.

A number of Provincial Credit Union staff volunteered and attended many of the events.



↑ CFO **Kelly Watson** welcomes a skier from B.C., and also presented a medal in the Cross Country Skiing Event.



↑ Canada Games Torch Relay Team included Stella Maris Branch Manager **Colleen Gallant**, front – second from left.



Rock the Boat Music Fest



➔ Whether you're shucking oysters or enjoying the music, a good time is had by all!

IN OUR COMMUNITY



⬆ Staff from Malpeque Bay participate in the walk to raise funds for Family Violence Prevention.



⬆ Connie O'Brien from the Tyne Valley branch, presents a cheque to Candy Gallant, a local hero from the community who helps to look after injured wildlife in the area. Employees donated the funds from their staff account to support Candy and her work.



➔ Malpeque Bay staff donating art supplies and sensory items to the Fun Times Daycare in Kensington as a Random Act of Kindness on Credit Union Day.



Provincial Credit Union joined forces with Ocean 100 to participate in Stuff A Bus, in Tignish, Montague, and Stratford, with all proceeds going to PEI Food Banks. Stratford Branch Manager **Jonathan Arsenault**, is second from right, pictured with the crew from Ocean 100.



Lynn Smith and **Twyla McInnis** Pay it Forward and purchase items for those in need at Christmas.



Montague Branch Manager **Marlene Foote** chatting with the PEI Community Navigators about banking and finances to newcomers after their arrival on Prince Edward Island.



Provincial Credit Union made a \$30,000 donation to Transportation East Inc., which provides transportation in specially designed vehicles for those with special needs, throughout eastern Prince Edward Island. Pictured with Montague Branch Manager **Marlene Foote**, is driver **Wade Czank**.

Our Mission

We enable our communities to thrive



👤 **Craig MacLean** (right), Charlottetown Branch Manager, makes a donation to the Seniors College of PEI. Accepting the cheque is Steve Connolly and Shirley Pierce from the college.

IN OUR COMMUNITY



👤 Retail Services Manager **Doug Geldert** presents a session on Financial Wellness for Seniors, to the Star of the Sea Seniors Club in North Rustico, as part of the credit union's Each One Teach One (EOTO) workshops. In keeping with Provincial Credit Union's commitment to financial literacy, all 10 credit union branch managers are now certified to present EOTO financial literacy workshops across Prince Edward Island, which includes high school students, community groups, and seniors.

➡ Accounting, Credit, Data & Risk staff with a team building exercise at Chuck Hatchets



👤 The Business Services Admin Team at work helping to clean Ellen's Creek Watershed



SCHOLARSHIPS

Provincial Credit Union remains committed to investing in our youth. In 2023 we awarded **\$40,000** in scholarships across the province, to students enrolling in post-secondary education.

22 scholarships in 4 different categories are available, with applications accepted in April. Congratulations to all recipients!

Alexandra MacCaull
Becca Fraser
Daisy Kinch
Ella Collins
Ethan Arsenault
Gracelynn Paugh
Jack McCarville
Jackson Rogers
Janelle Gardiner
Jessica Thibeau
Jonah Gogoh

Julie Kate (Katie) Kelly
Lorynn Crawford
Lydia Enman
Mackenzie Trail
Margaret Wooten
Nathan Farrell
Olivia James
Sarah Birch
Taia Gallant
Tori Doucette



↑ Paul MacNeill, Sherri Clark, Sarah Millar, and Alfred Arsenault, representing PEI Credit Unions.

PEI Credit Unions pledge \$250,000 leadership gift to the Holland College Foundation, for Thrive.

The Thrive program is a fundraising effort to establish a student centre for wellness, resilience, and success. Credit Unions are long time supporters of Holland College, which included a previous investment in the Learning for Life Capital Campaign.

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with International Financial Reporting Standards established by the International Accounting Standards Board. A summary of the significant accounting policies is disclosed in note 3 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Provincial Credit Union Limited on matters of financial reporting and internal control. Management provides the Board of Directors with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The consolidated financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Provincial Credit Union Limited



Alfred Arsenault
Chief Executive Officer



Member of The AC Group of Independent Accounting Firms

Chartered Professional Accountants &
Business Advisors
8 MacLeod Crescent
Charlottetown, Prince Edward Island
Canada C1E 3K2
Telephone (902) 368-3100
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www.acgca.ca

March 18, 2024

Independent Auditor's Report To the Members of Provincial Credit Union Limited

Opinion

We have audited the accompanying consolidated financial statements of Provincial Credit Union Limited, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Provincial Credit Union Limited as at December 31, 2023, and the results of its operations and its cash flows 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 Provincial Credit Union Limited in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 Provincial Credit Union Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Provincial Credit Union Limited or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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.



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We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Provincial Credit Union Limited'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 Provincial Credit Union Limited'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 Provincial Credit Union Limited 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.

ArsenaultBestCameronEllis

Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

PROVINCIAL CREDIT UNION | DECEMBER 31, 2023

Provincial Credit Union Limited

Consolidated Statement of Financial Position
As at December 31, 2023

	2023 \$	2022 \$
Assets		
Cash and cash equivalents (note 15)	35,575,086	29,086,921
Investments (note 9)	199,859,426	199,598,971
Loans and mortgages (note 6)	1,189,865,317	1,087,958,998
Other assets (note 7)	7,857,823	3,908,891
Property and equipment (note 8)	13,802,178	11,339,027
Deferred income taxes (note 14)	1,400,000	1,068,000
	<u>1,448,359,830</u>	<u>1,332,960,808</u>
Liabilities		
Member deposits (note 10)	1,141,442,676	1,021,406,872
Share deposits	176,571,220	201,309,316
Accrued interest payable	14,309,880	5,251,322
Other liabilities (note 13)	6,593,019	6,332,956
Income taxes payable	569,506	412,712
	<u>1,339,486,301</u>	<u>1,234,713,178</u>
Members' Equity		
Members' share capital	178,175	176,415
Undistributed income	108,695,354	98,071,215
	<u>1,448,359,830</u>	<u>1,332,960,808</u>

Approved by the Board of Directors



Director



Director

STATEMENT OF CHANGES IN MEMBER'S EQUITY

PROVINCIAL CREDIT UNION | DECEMBER 31, 2023

Provincial Credit Union Limited

Consolidated Statement of Changes in Members' Equity

For the year ended December 31, 2023

	2023 \$	2022 \$
Members' shares - Beginning of year	176,415	176,745
Issuance/redemption of members' shares, net	1,760	(330)
Members' shares - End of year	<u>178,175</u>	<u>176,415</u>
Undistributed income - Beginning of year	98,071,215	88,995,760
Net earnings for the year	10,624,139	9,075,455
Undistributed income - End of year	<u>108,695,354</u>	<u>98,071,215</u>

STATEMENT OF COMPREHENSIVE INCOME

PROVINCIAL CREDIT UNION | DECEMBER 31, 2023

Provincial Credit Union Limited

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2023

	2023 \$	2022 \$
Revenue		
Loan interest	55,858,435	40,201,022
Investment	8,560,363	3,929,103
	<u>64,418,798</u>	<u>44,130,125</u>
Cost of capital and borrowings	23,806,886	8,619,047
Provision for loan losses (note 6)	533,657	783,691
	<u>40,078,255</u>	<u>34,727,387</u>
Financial margin		
Non-interest revenue		
Commissions and account fees	4,015,625	4,074,695
Loan fees	2,026,554	1,977,181
Fixed asset	329,261	302,104
	<u>6,371,440</u>	<u>6,353,980</u>
	<u>46,449,695</u>	<u>41,081,367</u>
Expenses		
Personnel (notes 16 and 17)	16,020,143	14,326,189
General (note 20)	10,293,465	8,511,076
Member security	1,737,289	1,517,738
Occupancy	1,361,893	1,258,525
Organization	143,305	203,100
Amortization (note 8)	1,003,290	992,479
	<u>30,559,385</u>	<u>26,809,107</u>
Operating earnings	15,890,310	14,272,260
Other expenses		
Member rebate	(1,090,936)	(1,100,000)
	<u>14,799,374</u>	<u>13,172,260</u>
Provision for (recovery of) income taxes		
Current (note 14)	4,507,235	3,947,805
Deferred (note 14)	(332,000)	149,000
	<u>4,175,235</u>	<u>4,096,805</u>
Net earnings for the year	<u>10,624,139</u>	<u>9,075,455</u>

STATEMENT OF CASH FLOWS

PROVINCIAL CREDIT UNION | DECEMBER 31, 2023

Provincial Credit Union Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	10,624,139	9,075,455
Items not affecting cash		
Amortization	1,003,290	992,479
Deferred income taxes (recovery)	(332,000)	149,000
Provision for loan losses	533,657	783,691
	<u>11,829,086</u>	<u>11,000,625</u>
Net change in non-cash working capital items		
Decrease in income taxes receivable	-	127,858
Increase in other assets (note 7)	(3,948,932)	(2,594,548)
Increase in accrued interest payable	9,058,558	2,215,352
Increase in other liabilities (note 13)	260,063	2,551,786
Increase in income taxes payable	156,794	412,712
	<u>17,355,569</u>	<u>13,713,785</u>
Financing activities		
Increase in member deposits	120,035,804	71,952,160
Decrease in share deposits	(24,736,336)	(9,815,768)
	<u>95,299,468</u>	<u>62,136,392</u>
Investing activities		
Increase in loans and mortgages	(102,439,976)	(142,848,310)
Purchase of property and equipment (note 8)	(3,466,441)	(3,255,792)
Decrease (increase) in investments	(260,455)	79,004,455
Proceeds on sale of property and equipment	-	240,000
	<u>(106,166,872)</u>	<u>(66,859,647)</u>
Increase in cash and cash equivalents	6,488,165	8,990,530
Cash and cash equivalents - Beginning of year	<u>29,086,921</u>	<u>20,096,391</u>
Cash and cash equivalents - End of year	<u>35,575,086</u>	<u>29,086,921</u>
Supplementary disclosure		
Interest received	61,275,238	41,196,119
Interest paid	16,194,183	7,789,185
Dividends received	-	125,316
Dividends paid	1,575,288	235,839
Income taxes paid - net	4,350,441	4,002,443

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

1 General

The Provincial Credit Union Limited (the "Credit Union") is incorporated under the Prince Edward Island Credit Unions Act. Its principal business activities include financial and banking services for credit union members.

Effective January 11, 2023, the Credit Union has been identified as a Provincial Systemically Important Financial Institution (P-SIFI) by the Credit Union Deposit Insurance Corporation, the provincial regulator of Credit Unions.

The Credit Union's head office is located in Charlottetown, Prince Edward Island.

2 Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved for issue by the Board of Directors on March 18, 2024.

(b) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Credit Union and its wholly-owned subsidiary, CU PEI Investment Corp. On December 13, 2023, CU PEI Investment Corp. stop operating and was legally dissolved.

Subsidiaries are entities controlled by the Credit Union. Control is achieved when the Credit Union is exposed, or has rights, to returns with its involvement and it has the ability to affect those returns through its power over the subsidiary.

(c) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 3.

(d) Functional and presentation currency

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

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

(e) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are detailed in note 4.

3 Summary of significant accounting policies

(a) Financial instruments

i) *Classification and measurement of financial assets*

The Credit Union classifies its financial assets into one of the following measurement categories:

- Amortized cost; or
- Fair value through profit or loss (FVTPL).

Financial assets include both debt and equity instruments.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- i) the Credit Union's business model for managing the asset; and
- ii) the cash flow characteristics of the asset.

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Credit Union's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

The Credit Union assesses the business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective.

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- How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Credit Union's business lines;
- Whether the assets are held for trading purposes (ie. assets that the Credit Union acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking);
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Credit Union identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Based on these factors, the Credit Union classifies its debt instruments into one of the following three measurement categories:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 6. Interest income from these financial assets is included in 'Loan interest' using the effective interest rate method.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL, and is not part of a hedging relationship, is recognized in comprehensive income and presented in the comprehensive income statement within 'Investment revenue' in the period in which it arises. Interest income from these financial assets is included in 'Investment revenue' using the effective interest method.

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Equity instruments

The Credit Union measures all equity investments at FVTPL. Impairment losses and reversals of impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Credit Union's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in 'Investment revenue' in the statement of comprehensive income (SCI).

ii) *Classification and measurement of financial liabilities*

Financial liabilities are classified into one of the following measurement categories:

- Amortized cost;
- Fair value through profit or loss (FVTPL); or
- Designated at FVTPL.

Financial liabilities measured at amortized cost

Member deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as interest expense. Interest on subordinated notes and debentures, including capitalized transaction costs, is recognized using the effective interest rate method as interest expense.

iii) *Determination of fair value*

Fair value of a financial asset or liability is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Credit Union has access at the measurement date.

The Credit Union values instruments carried at fair value using quoted market prices, where available. The fair value hierarchy is as follows:

- Level 1 - unadjusted quoted market prices for identical instruments.
- Level 2 - use of observable inputs within valuation models.
- Level 3 - significant use of unobservable inputs within valuation models.

iv) *Derecognition of financial assets and liabilities*

The derecognition criteria are applied to the transfer of part of an asset rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

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A financial asset is derecognized when the contractual rights to the cash flows from the asset has expired or the Credit Union transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party, or the Credit Union has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Credit Union has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Credit Union derecognizes the transferred asset only if it has lost control over the asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the SCI.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognized as a gain/loss in the SCI.

v) *Impairment*

The Credit Union applied 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 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 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.

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- 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.
- 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 recognition;
- 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.

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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.

(b) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between cost in the functional currency at the beginning of the period, and the cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on the translation are recognized in commission and account fees revenue in the statement of comprehensive income.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(d) Foreclosed properties

In certain circumstances, the Credit Union may take possession of property held as collateral as a result of foreclosure of loans that are in default. Foreclosed properties are measured at the lower of the carrying amount and the fair value less the costs to sell.

(e) Property and equipment

Property and equipment are stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. Repairs and maintenance costs are charged to expenses during the financial period in which they are incurred.

Land is not depreciated. Right-of-use assets depreciation are calculated on a straight-line basis over 6 years. All other property and equipment is depreciated using the straight-line method over their estimated useful lives, as follows:

Buildings	20 to 25 years
Furniture, equipment and computers	2 to 5 years
Pavement	10 years

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Credit Union will obtain ownership by the end of the lease term, in which case they are depreciated to the end of the useful life of the underlying asset. Right-of-use assets are recognized for contracts that are, or contain, leases.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were identified as impaired as at December 31, 2023.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds to the net book value of the asset and are presented as a gain or loss on disposal in the statement of comprehensive income.

(f) Leased assets

For any new contracts entered into on or after January 1, 2019, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union;
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Credit Union recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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The Credit Union has elected to account for short-term leases and leases of low-value assets using the practical expedients option. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been included in other liabilities.

(g) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Employee benefits

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

Liabilities for wage and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in the Statement of Comprehensive Income in respect of the employees service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are included in other liabilities in the statement of financial position.

(ij) Revenue recognition

i) Loan interest

Interest on loans and mortgages is recognized on an amortized cost basis using the effective interest rate method. The effective rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan and mortgage to the net carrying amount of the loan and mortgage. When estimating the future cash flows the credit union considers all contractual terms of the loan and mortgage excluding any future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Mortgage prepayment fees are recognized in income when received, unless they relate to a minor modification to the terms of the mortgage, in which case the fees are recognized over the expected remaining term of the original mortgage using the effective interest rate method. All interest is recognized on an accrual basis.

ii) Investment and other income

Investment and other income is recognized as revenue on an accrual basis.

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iii) Service fees

Service fees are recognized on an accrual basis in accordance with the service agreement.

iv) Commissions

Commissions income is recognized when the event creating the commission takes place.

(j) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity.

i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

ii) Deferred income tax

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can 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.

(k) Related parties

A related party is a person or an entity that is related to the Credit Union.

A person or a close member of that person's family is related to the Credit Union if that person:

- i) Has control or joint control over the Credit Union, with the power to govern the Credit Union's financial and operating policies;
- ii) Has significant influence over the Credit Union, participating in financial and operating policy decisions, but not control over these policies; or
- iii) Is a member of the key management personnel of the Credit Union. Key management personnel, consistent with the definition under IAS 24, Related Party Disclosures, are persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director of the Credit Union.

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(l) Capital disclosures

The Credit Union considers its share capital to be its members' equity. The Credit Union's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide services to its members. Capital is under the direction of the Board with the objective of minimizing risk and ensuring adequate liquid investments are on hand to meet the Credit Union's national standards.

(m) Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but are not effective for the fiscal year ended December 31, 2023 and have not been early adopted by the Credit Union. These standards are not expected to have a material effect on the Credit Union in the current or future reporting periods.

4 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, liabilities and net earnings in the period the assumptions changed. The principal areas involving a higher degree of judgment or complexity and/or area 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. The assessment of a significant increase in credit risk requires experienced credit judgment.

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, we must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an 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.

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(c) Fair value of financial instruments

Fair value measurement techniques are used to value various financial assets and financial liabilities and are used in impairment testing on certain non-financial assets.

The fair values of the credit union's financial instruments were estimated using the valuation methods and assumptions described below. Since many of the credit union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in interest rates that have occurred since their origination. Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Fair values of floating loans and deposits approximate book value as the interest rates on these instruments automatically re-price to market and the spread remains appropriate. Fixed rate loans are valued by discounting the contractual future cash flows at current market rates for loans with similar credit risks. Fixed rate deposits are valued by discounting the contractual future cash flows using market rates currently being offered for deposits with similar terms. A credit valuation adjustment is applied to the calculated fair value of uninsured deposits to account for the credit union's own risk.

The fair value for the credit union's investments as detailed in Note 5 is determined as follows:

- Membership shares in Atlantic Central, Concentra, League Data, Central 1, Co-operative memberships, and CU Financial Management Limited do not trade in a public market. Fair market value approximates par value as the shares are subject to regular rebalancing across the membership; and
- Liquidity reserve deposits are fair valued by discounting the contractual future cash flows at current market rates of similar financial instruments with similar terms.

(d) 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.

(e) Extension options for leases

When the Credit Union has an option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practices and any cost that will be incurred if an option to extend is not taken, to help them determine the lease term.

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5 Fair value of financial instruments

Fair values versus carrying amounts

Estimated fair values of financial instruments assets and liabilities are described in the following table:

		December 31, 2023		December 31, 2022	
	Fair level hierarchy	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial assets					
Loans and mortgages	Level 2	1,189,865,317	1,189,865,317	1,087,958,998	1,087,958,998
Liquidity reserve deposit	Level 2	87,618,101	87,618,101	81,222,210	81,222,210
Atlantic Central shares	Level 2	17,015,523	17,015,523	16,994,104	16,994,104
Concentra shares	Level 2	1,654,703	1,654,703	1,654,703	1,654,703
League Data shares	Level 2	230,340	230,340	230,340	230,340
Central 1 shares	Level 2	400	400	400	400
Co-operative membership CU Financial Management Limited	Level 3	4,340 19	4,340 19	4,340 19	4,340 19
Term deposits	Level 2	93,336,000	93,336,000	99,492,855	99,492,855
		1,389,724,743	1,389,724,743	1,287,557,969	1,287,557,969
Financial liabilities					
Member deposits	Level 2	1,141,442,676	1,141,442,676	1,021,406,872	1,021,406,872
Share deposits		176,571,220	176,571,220	201,309,316	201,309,316
		1,318,013,896	1,318,013,896	1,222,716,188	1,222,716,188

The fair value for items that are short-term in nature are equal to book value. These include cash and cash equivalents, accounts receivable, accrued liabilities and other liabilities.

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6 Loans and mortgages

(a) Loans at amortized cost

			December 31, 2023
	Gross loans	Allowance for credit losses	Net carrying amount
	\$	\$	\$
Personal loans	597,261,644	519,719	596,741,925
Commercial loans	545,113,200	2,143,915	542,969,285
Personal lines of credit and overdrafts	10,418,565	528,659	9,889,906
Commercial lines of credit and overdrafts	41,097,952	833,751	40,264,201
	<u>1,193,891,361</u>	<u>4,026,044</u>	<u>1,189,865,317</u>
			December 31, 2022
	Gross loans	Allowance for credit losses	Net carrying amount
	\$	\$	\$
Personal loans	567,096,390	627,357	566,469,033
Commercial loans	482,951,089	1,790,989	481,160,100
Personal lines of credit and overdrafts	10,764,628	424,495	10,340,133
Commercial lines of credit and overdrafts	30,800,662	810,930	29,989,732
	<u>1,091,612,769</u>	<u>3,653,771</u>	<u>1,087,958,998</u>

Mortgages and loans

Mortgage loans (including mortgage pools) are secured by realty mortgages with interest rates of 1.00% - 10.12% (2022 - 1.00% - 8.75%). The remaining loans are priced at market rates unless circumstances warrant special considerations. The interest rates range from 0.00% - 21.7% (2022 - 0.00% - 21.45%) on personal, business, farming and fishing loans and 0.00% - 21.00% (2022 - 0.00% - 24.00%) on lines of credit and overdrafts. These loans are secured by an assignment of specific call deposits and share capital of the borrower and other specific assigned securities.

The Credit Union's prime lending rate

The Credit Union's prime lending rate is set by the Board based on the prime interest rate of chartered banks in Canada. The rate as at December 31, 2023 was 7.2% (2022 - 6.45%).

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(b) Impaired loans

	December 31, 2023			December 31, 2022		
	Gross impaired loans \$	Allowance for credit losses \$	Net carrying amount \$	Gross impaired loans \$	Allowance for credit losses \$	Net carrying amount \$
Personal loans	15,234,736	257,786	14,976,950	15,659,254	379,211	15,280,043
Commercial loans	34,027,714	610,598	33,417,116	40,780,331	464,752	40,315,579
Personal lines of credit and overdrafts	4,410,083	453,554	3,956,529	2,880,469	325,944	2,554,525
Commercial lines of credit and overdrafts	6,504,717	401,336	6,103,381	4,781,030	485,684	4,295,346
	<u>60,177,250</u>	<u>1,723,274</u>	<u>58,453,976</u>	<u>64,101,084</u>	<u>1,655,591</u>	<u>62,445,493</u>

(c) Allowance for credit losses

	Balance as at January 1, 2023 \$	Provision for credit losses \$	Net of write-offs and recoveries \$	Balance as at December 31, 2023 \$
Personal loans	627,357	(219,429)	111,791	519,719
Commercial loans	1,790,989	352,926	-	2,143,915
Personal lines of credit and overdraft	424,495	53,546	50,618	528,659
Commercial lines of credit and overdraft	810,930	22,821	-	833,751
	<u>3,653,771</u>	<u>209,864</u>	<u>162,409</u>	<u>4,026,044</u>

As at December 31, 2023	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Personal loans	261,934	68,427	189,358	519,719
Commercial loans	1,533,318	495,842	114,755	2,143,915
Personal lines of credit and overdraft	75,106	296,559	156,994	528,659
Commercial lines of credit and overdraft	432,415	276,550	124,786	833,751
	<u>2,302,773</u>	<u>1,137,378</u>	<u>585,893</u>	<u>4,026,044</u>

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As at December 31, 2022	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Personal loans	248,146	20,895	358,316	627,357
Commercial loans	1,326,237	345,012	119,740	1,790,989
Personal lines of credit and overdraft	98,551	52,147	273,797	424,495
Commercial lines of credit and overdraft	325,246	68,002	417,682	810,930
	<u>1,998,180</u>	<u>486,056</u>	<u>1,169,535</u>	<u>3,653,771</u>

(d) Loans past due but not impaired

	2023		2022			
	31 - 90 days \$	90+ days \$	Total \$	31 - 90 day \$	90+ days \$	Total \$
Personal loans	452,118	-	452,118	396,258	-	396,258
Personal lines of credit and overdrafts	72,713	574	73,287	80,360	86,715	167,075
	<u>524,831</u>	<u>574</u>	<u>525,405</u>	<u>476,618</u>	<u>86,715</u>	<u>563,333</u>

(e) Provision for loan losses

	2023 \$	2022 \$
Increase in allowance	696,067	805,842
Loans directly written off	67,675	47,470
Recoveries of loans previously written off	(230,085)	(69,621)
	<u>533,657</u>	<u>783,691</u>

7 Other assets

	2023 \$	2022 \$
Accrued interest on investments	1,827,713	913,158
Accounts receivable	309,452	148,733
Prepaid expenses and other (note 20)	5,460,558	2,586,900
Real estate held for resale	260,100	260,100
	<u>7,857,823</u>	<u>3,908,891</u>

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

8 Property and equipment

	Land \$	Buildings \$	Furniture, equipment and computers \$	Pavement \$	Total \$
Cost					
Balance - Beginning of year	1,422,968	16,518,865	7,592,822	534,417	26,069,072
Additions	-	2,692,367	734,836	39,238	3,466,441
Balance - End of year	1,422,968	19,211,232	8,327,658	573,655	29,535,513
Accumulated amortization					
Balance - Beginning of year	-	7,163,882	7,200,391	365,772	14,730,045
Current period amortization	-	768,651	190,055	44,584	1,003,290
Balance - End of year	-	7,932,533	7,390,446	410,356	15,733,335
Carrying value					
December 31, 2022	1,422,968	9,354,983	392,431	168,645	11,339,027
December 31, 2023	1,422,968	11,278,699	937,212	163,299	13,802,178

As at December 31, 2023, furniture, equipment and computers includes a non-cash transaction for a right-of-use assets with a cost of \$9,378, accumulated amortization of \$7,571, and carrying amount of \$1,807 (2022 - \$3,487). For the period ended December 31, 2023, amortization expense includes \$1,681 (2022 - \$1,680) related to the right-of-use assets.

Included in buildings is \$1,561,464 (2022 - \$1,187,895) in work in progress construction which has not been completed and, therefore, amortization has not been taken on that amount.

9 Investments

	2023 \$	2022 \$
<i>Measured at fair value through profit or loss</i>		
Liquidity reserve	87,618,101	81,222,210
Atlantic Central shares	17,015,523	16,994,104
Concentra shares	1,654,703	1,654,703
League Data shares	230,340	230,340
Co-operative membership shares	4,340	4,340
Central 1 shares	400	400
CU Financial Management Limited shares	19	19
Total fair value measured through profit or loss	106,523,426	100,106,116
<i>Measured at amortized cost</i>		
Term deposits	93,336,000	99,492,855
	199,859,426	199,598,971

Provincial Credit Union Limited

Notes to Consolidated Financial Statements December 31, 2023

Liquidity reserve deposit

In order to meet Credit Union national standards, the Credit Union is required to maintain on deposit in Atlantic Central an amount equal to 6% of the prior quarter's assets (see note 18b). The deposit bears interest at a variable rate that averaged 2.992% (2022 - 1.255%) during the year.

Term deposits

Term deposits are carried at cost which approximates fair value. These term deposits have the following maturity dates and rates of return:

	Amount \$	Rate of Return	Maturity
Atlantic Central	65,000,000	5.06 - 5.20%	January 2024 - March 2024
Concentra	14,750,000	1.65 - 5.70%	May 2024 - November 2025
League Savings & Mortgage	12,086,000	5.40 - 5.60%	September 2024 - December 2024
Central 1	<u>1,500,000</u>	4.50 - 4.90%	March 2024
Total	<u>93,336,000</u>		

10 Member deposits

	2023 \$	2022 \$
Savings	162,952,510	169,081,308
Chequing accounts	432,786,274	452,558,737
Term deposits	382,903,529	248,142,131
RRSP and RRIF	<u>162,800,363</u>	<u>151,624,696</u>
	<u>1,141,442,676</u>	<u>1,021,406,872</u>

Savings are deposits on a call basis that pay the account holders a variable rate of interest ranging from 0% - 3.80% (2022 - 0% - 1.80%).

Chequing accounts are held on a call basis and pay the account holders interest at the Credit Union's stated rates.

Term deposits are for periods of one to five years generally may not be withdrawn prior to maturity, without penalty. Term deposits for periods less than one year may be withdrawn after 30 days, subject to an interest reduction.

Fixed *term deposits* bear interest at various rates and ranging from 0% - 6.5% (2022 - 0% - 5.94%).

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

RRSP and RRIF

Concentra Financial is the trustee for the registered savings plans offered to members. Under an agreement with the trust company, member's contributions to the plans, as well as income earned on them, are deposited in the credit union. On withdrawal, payment of the plan proceeds is made to members, or the parties designed by them, by the credit union, on behalf of the trust company. RRSP and RRIF term deposits bear interest at various rates.

Withdrawal privileges on all member deposit accounts are subject to the overriding right of the Board to impose a waiting period.

11 Share deposits

Unlimited membership shares are available for issuance with a par value of \$5 per share. These shares are non-transferable, redeemable by the Credit Union, retractable by shareholders 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. Dividends on membership shares are payable at the discretion of the Board.

	2023	2022
	\$	\$
Ownership shares and share deposits	176,749,395	201,485,731
Ownership shares presented as equity	<u>(178,175)</u>	<u>(176,415)</u>
Share deposits	<u>176,571,220</u>	<u>201,309,316</u>

Share deposits pay members a dividend at the discretion of the Board. Privileges of the shares are under the authority of the Board. The dividend rate declared for December 31, 2023 was 1.75% (2022 - 0.8%) based on the average minimum monthly share account balance throughout the period.

12 Contingent liability

	2023	2022
	\$	\$
Outstanding guarantees on behalf of members	<u>2,176,864</u>	<u>2,104,002</u>

The Credit Union holds outstanding guarantees on behalf of 12 members. The value of these guarantees range from \$5,000 to \$450,000.

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

13 Other liabilities

	2023	2022
	\$	\$
Trade liabilities	3,396,763	2,878,859
Accrued liabilities	1,793,905	1,830,205
Retirement accrual	301,218	509,656
HST	1,133	14,236
Member rebate	1,100,000	1,100,000
	<u>6,593,019</u>	<u>6,332,956</u>

14 Income taxes

(a) Tax rate reconciliation

	December 31, 2023	December 31, 2022
	\$	\$
Income before income taxes	<u>14,799,374</u>	<u>13,172,260</u>
Taxes at statutory rates - 31%	4,587,806	4,083,401
Timing differences regarding foreign exchange	(33,566)	(90,913)
Temporary difference regarding provision for loan losses	96,522	(110,250)
Timing differences regarding property and equipment	(24,453)	(93,498)
Timing differences regarding retirement	(64,616)	210,544
Permanent differences and other	(11,309)	25,711
Loss carryforwards used by CU PEI Investment Corp.	(43,149)	(77,190)
	<u>4,507,235</u>	<u>3,947,805</u>

(b) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 31%, as follows:

	2023	2022
	\$	\$
Balance - Beginning of year	1,068,000	1,217,000
Comprehensive income statement recovery (expense)	332,000	(149,000)
	<u>1,400,000</u>	<u>1,068,000</u>

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

Deferred income tax assets are attributable to the following items:

	2023	2022
	\$	\$
Deferred income tax assets (liabilities)		
Property and equipment	355,000	336,000
Allowance for impaired loans	772,000	671,000
Foreign exchange	180,000	(160,000)
Retirement allowance	93,000	158,000
Income tax loss carryforwards	-	63,000
	1,400,000	1,068,000

15 Line of credit availability

In 2023, the Credit Union had approved lines of credit with Atlantic Central of \$33,399,000 with an interest rate of 7.2%. As of December 31, 2023, the lines of credit had outstanding balances of \$467,929.

16 Pension plan

The Credit Union provides employees with a voluntary defined contribution pension plan in which the Credit Union matches employee contributions to the plan, within specified limits. During the year, the Credit Union expensed \$908,780 (2022 - \$706,595) contributions to the plan. This expense is included with personnel expenses on the statement of comprehensive income.

17 Composition of key management

Key management includes the board of directors, Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Chief Operating Officer, Chief Innovation Officer, and Chief Human Resources Officer. Compensation awarded to key management includes:

(a) Key management, excluding directors	2023	2022
	\$	\$
Salaries and short-term employee benefits	1,113,515	1,263,014
(b) Directors' remuneration	2023	2022
	\$	\$
Honorariums	96,158	83,879
Payment for expenses while on credit union business	42,815	10,728

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

(c) Loans to directors and key management personnel

	2023	2022
	\$	\$
Loans outstanding - Beginning of period	3,685,122	2,843,267
Add: loans issued during the period	4,090,351	1,510,402
Less: loan repayments during the period	(997,420)	(668,547)
	<u>6,778,053</u>	<u>3,685,122</u>
Loans outstanding - End of period	6,778,053	3,685,122
Interest income earned	246,865	96,007

No provisions have been recognized in respect of loans to directors and key management (2022 - nil). The loans issued to directors and existing loans to new directors and key management personnel during the year of \$4,090,351 (2022 - \$1,510,402) are repayable over 1-25 years (2022 - 1-25 years) and have interest rates ranging from 1.5% to 18% (2022 - 1.4% to 8.95%).

The Credit Union has approved lines of credit for key management and directors as at December 31, 2023 amounting to \$750,800 (2022 - \$1,309,600). The balance of the lines of credit included above is \$378,440 (2022 - \$61,653).

18 Risk management

The Credit Union's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board, which approves risk management policies, delegates' limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout the Credit Union manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the Credit Union's commercial and consumer loans and advances, and loan commitments arising from such lending activities.

Credit risk is the single largest risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Oversight for the credit risk management and control is done by management who report to the Board.

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

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 (i) insurance and mortgages over residential lots and properties, (ii) recourse to business assets such as an assignment of real estate, equipment, inventory and accounts receivable, and (iii) 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.

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

	2023	2022
	\$	\$
Cash and cash equivalents	35,575,086	29,086,921
Accrued interest on investments	1,827,713	913,158
Accounts receivable	135,052	148,733
Loans and mortgages	1,189,865,317	1,087,958,998
Investments	<u>199,859,426</u>	<u>199,598,971</u>
	<u>1,427,262,594</u>	<u>1,317,706,781</u>

Cash and cash 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's underwriting methodologies and risk modelling is customer based rather than product based. The Credit Union reviews the member's capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing risk.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities as they come due. Liquidity risk is inherent in any financial institution and could result from entity level circumstances and/or market events.

The Credit Union's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

Exposure to liquidity risk:

The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to deposits. For this purpose, liquid assets may comprise of the following:

	2023 \$	2022 \$
Cash and cash equivalents	35,575,086	29,086,921
Liquidity reserve	87,618,101	81,222,210
	<u>123,193,187</u>	<u>110,309,131</u>

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. Consistent with other Prince Edward Island Credit Unions, Provincial Credit Union Limited is required by the Credit Union Deposit Insurance Corporation to maintain a minimum liquid asset level of 10% of total deposits to ensure ongoing cash flow requirements are met. The Credit Union was in compliance with this requirement at December 31, 2023.

Cash flows payable under financial liabilities by remaining contractual maturities are as follows:

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	2023 Total \$
Member deposits	899,467,513	241,975,163	-	1,141,442,676
Share accounts	176,571,220	-	-	176,571,220
Accrued interest payable	14,309,880	-	-	14,309,880
Other liabilities	6,593,019	-	-	6,593,019
	<u>1,096,941,632</u>	<u>241,975,163</u>	<u>-</u>	<u>1,338,916,795</u>
	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	2022 Total \$
Member deposits	853,561,964	167,844,908	-	1,021,406,872
Share accounts	201,309,316	-	-	201,309,316
Accrued interest payable	5,251,322	-	-	5,251,322
Other liabilities	6,332,956	-	-	6,332,956
	<u>1,066,455,558</u>	<u>167,844,908</u>	<u>-</u>	<u>1,234,300,466</u>

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

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

(c) Market risk

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of its normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk. The objective of market rate risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For the Credit Union, mismatches in the balances of assets, liabilities and off-balance sheet financial instruments that mature and reprice in varying reporting periods generate interest rate risk. These mismatches will arise through the ordinary course of business as the Credit Union manages member portfolios of loans and deposits with changing term preferences and through the strategic positioning of the credit union to enhance profitability.

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.

	Net interest income change 2023 \$	Net interest income change 2022 \$
Before tax impact of		
1% increase in interest rates	1,486,520	3,201,693
1% decrease in interest rates	(1,488,845)	(3,201,772)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

(f) Capital management

The primary objective of the Credit Union's capital management is to ensure that it maintains a healthy financial position in order to support its business. The Credit Union manages its capital structure and makes changes to it in light of changes in economic conditions.

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.

In accordance with the recommendations of the Canadian Chartered Professional Accountants Handbook related to the financial statement presentation of financial instruments, the ownership shares are presented in the balance sheet as financial liabilities. At December 31, 2023, the equity level for regulatory purposes is as follows:

	2023	2022
	\$	\$
Ownership shares	178,175	176,415
Undistributed income	108,695,354	98,071,215
Total regulatory equity	<u>108,873,529</u>	<u>98,247,630</u>
Total assets	<u>1,448,359,830</u>	<u>1,332,960,808</u>
Equity level	<u>7.52%</u>	<u>7.37%</u>
	#	2023
		\$
Opening, January 1, 2023	35,283	176,415
Net increase	352	1,760
Closing, December 31, 2023	<u>35,635</u>	<u>178,175</u>

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

19 Interest rate sensitivity

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company'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, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	2023 Total \$
Assets					
Cash and cash equivalents	35,575,086	-	-	-	35,575,086
Effective interest rate	2.41%				
Investments	197,962,824	1,650,000	-	246,602	199,859,426
Effective interest rate	3.92%	3.58%			
Loans and mortgages	465,655,733	715,237,429	5,877,903	3,094,252	1,189,865,317
Effective interest rate	6.47%	4.23%	6.05%		
Prepaid expenses and other	-	-	-	7,857,823	7,857,823
Property and equipment	-	-	-	13,802,178	13,802,178
Deferred income tax	-	-	-	1,400,000	1,400,000
Total assets	699,193,643	716,887,429	5,877,903	26,400,855	1,448,359,830
Liabilities and surplus					
Member deposits	463,025,930	241,975,163	-	436,441,583	1,141,442,676
Effective interest rate	2.86%	4.36%			
Share deposits	176,571,220	-	-	-	176,571,220
Effective interest rate	0.80%				
Accrued liabilities	-	-	-	14,309,880	14,309,880
Other liabilities	-	-	-	6,593,019	6,593,019
Income taxes payable	-	-	-	569,506	569,506
Members share capital	-	-	-	178,175	178,175
Undistributed earnings	-	-	-	108,695,354	108,695,354
Total liabilities and surplus	639,597,150	241,975,163	-	566,787,517	1,448,359,830
Interest rate sensitivity gap	59,596,493	474,912,266	5,877,903	(540,386,662)	-

Provincial Credit Union Limited

Notes to Consolidated Financial Statements

December 31, 2023

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	2022 Total \$
Assets					
Cash and equivalents	29,086,921	-	-	-	29,086,921
Investments	197,709,169	1,889,802	-	-	199,598,971
Effective interest rate	2.73%	3.23%			
Loans and mortgages	402,751,165	677,277,770	6,755,116	1,174,947	1,087,958,998
Effective interest rate	5.46%	3.61%	3.59%		
Other assets	-	-	-	3,908,891	3,908,891
Property and equipment	-	-	-	11,339,027	11,339,027
Deferred income tax	-	-	-	1,068,000	1,068,000
Total assets	629,547,255	679,167,572	6,755,116	17,490,865	1,332,960,808
Liabilities and surplus					
Member deposits	397,123,561	167,844,908	-	456,438,403	1,021,406,872
Effective interest rate	1.47%	2.84%			
Share deposits	201,309,316	-	-	-	201,309,316
Effective interest rate	0.50%				
Accrued interest payable	-	-	-	5,251,322	5,251,322
Other liabilities	-	-	-	6,332,956	6,332,956
Income taxes payable	-	-	-	412,712	412,712
Members share capital	-	-	-	176,415	176,415
Undistributed earnings	-	-	-	98,071,215	98,071,215
Total liabilities and surplus	598,432,877	167,844,908	-	566,683,023	1,332,960,808
Interest rate sensitivity gap	31,114,378	511,322,664	6,755,116	(549,192,158)	-

As at December 31, 2023, the Credit Union's net interest spread was 2.22% (2022 - 2.73%). 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.

20 Commitment

On May 24, 2022 the Credit Union entered into a ten year agreement with League Data Limited to transition its core banking platform to a new platform. The total cost of the transition is estimated to be \$5,605,650, including merger costs. As at December 31, 2023, the Credit Union has incurred costs of \$5,605,650 of which \$766,226 is included general expenses in the statement of operations for the seven months incurred to December 31, 2023, and the remaining \$4,839,424 is included in the statement of financial position in prepaid expenses.

MEMBERSHIP & INFORMATION

CUDIC

CREDIT UNION
DEPOSIT INSURANCE
CORPORATION

- The Credit Union Deposit Insurance Corporation (CUDIC) guarantees the repayment of deposits with Prince Edward Island credit unions, in accordance with the relevant provisions of the Credit Unions Act. Subsection 173 (9) of Credit Unions Act Legislation provides that the Government of Prince Edward Island will ensure that this obligation of the Corporation is carried out.

A brief summary of the deposit insurance coverage offered by CUDIC is set out below.

- Membership is limited to Credit Unions incorporated under the laws of Prince Edward Island. All Island Credit Unions are required to be members of CUDIC.
- The maximum deposit insurance is \$125,000 per person in each Credit Union. Where a Credit Union operates a branch office, deposits are not insured separately in such branch offices.
- CUDIC insures 100% of insurable deposits held in registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered education savings plans (RESPs), registered disability savings plans (RDSPs), tax-free savings accounts (TFSA), and first home savings account (FHSA). These are separately insured from other deposits a person may have with the same Credit Union.
- Deposits in each Credit Union are separate and distinct and the limits apply to each Credit Union separately. Eligible deposits in one Credit Union do not affect the limits for eligible deposits in another Credit Union.
- A depositor may be an individual, an association of individuals, a corporation, an association of corporations or a government.
- Insurable deposits include Canadian currency savings and chequing accounts, foreign currency savings accounts and chequing accounts, membership share amounts, Canadian and foreign term deposits, investment certificates, drafts and money orders issued by the Credit Union.
- Separate insurance, to the \$125,000 maximum, applies to joint accounts and trust deposits.
- Credit Union Deposit Insurance Corporation (CUDIC) does not insure all deposits and investments offered by the Credit Union.
- CUDIC does not insure debentures issued by a Credit Union, bonds or debentures issued by government or corporations, treasury bills and investments in mortgages, stocks, and mutual funds.

This information is presented in a non-technical way and is not intended to be a legal explanation of the Prince Edward Island Credit Unions Act.

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For more information on Credit Union Deposit Insurance
Phone (902) 628-6280 or contact your Credit Union.



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Alberton, PE COB 1B0
902-853-4112

Stella Maris

7201 Main Street
North Rustico, PE COA 1X0
902-963-2543

Charlottetown

281 University Avenue
Charlottetown, PE C1A 7L3
902-892-4107

Stratford

10 Kinlock Road
Stratford, PE C1B 1R1
902-569-6900

Évangéline

37 Mill Road
Wellington, PE COB 2E0
902-854-2595

Tignish

284 Business Street
Tignish, PE COB 2B0
902-882-2303

Malpeque Bay

1 Commercial Street
Kensington, PE COB 1M0
902-836-3030

Tyne Valley

873 Canada Road
Tyne Valley, PE COB 2C0
902-831-2900

Montague

524 Main Street
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