

2021 Report of the Board of Directors



At Prospera Credit Union, our mandate is clear: we exist to serve our members. With that in mind, we entered into 2021 with great optimism and the hope of some return to normalcy in service of our membership. With vaccines on the immediate horizon, there were thoughts of a fading pandemic and signs of a recovering economy. It was hard to imagine the year would play out so differently. Multiple climate crises on top of a second year of COVID-19 would again test everyone's resilience.

While the year did not unfold the way we had originally hoped or expected, we are very proud of the support we were able to provide our members, their families and our local communities this past year. We responded quickly to support members through different financial challenges by offering interest-free loans, payment deferrals, refinancing and tailored financial plans and advice. More broadly, at a time of great need, Prospera played an active role in supporting our local communities during an unprecedented series of climate-related events – from heat waves to forest fires and floods – providing financial relief to members, volunteering with local not-for-profits and donating to relief efforts. Additionally, Prospera and our newly branded charitable Foundation provided a record-level of giving and corporate support to community organizations across the Lower Mainland and the Interior.

As a credit union with deep roots in British Columbia, we are proud to be woven into the fabric of our local communities – in times of challenge, recovery and prosperity. And we're incredibly grateful to you - our members - for your loyalty and patience over the course of 2021.

You're at the heart of everything we do

At Prospera, our top priority is our members and we strive to create an amazing member experience in every interaction. We know that as members you have choice, and we aspire to be your first choice as a financial institution. Delivering on our member promise and providing exceptional service today and for many years to come is the primary reason behind our 2020 merger and in 2021, we made great progress in integrating our newly formed credit union in pursuit of greater value for our members.

To kick off the year, we launched a new strategy focused squarely on better understanding and delivering on the needs of our membership and our local communities. In March, we unveiled our new look and brand promise, **Local banking means more**. Inspired by our members, this brand reinforces our commitment to make a meaningful difference in the communities where we all live, work and play. In April, we opened our new White Rock branch, our first newly branded, full-service location. By the end of the year, we had rebranded three more locations and completed plans for the rest of our branch network. By year's end, we also launched our in-branch banking solution, allowing Prospera members to take care of their day-to-day transactions at any of our 26 locations – from Vancouver, through the Fraser Valley, and into the Okanagan.

Through all of our work, we've kept our focus on unlocking the many member benefits we envisioned arising from the merger. Among other things, this includes expanding and enhancing our digital banking capabilities, providing seamless member interactions across our branch network and other channels, increasing our capacity to help more members achieve their financial goals, enhancing the overall member experience and building greater organizational resilience, so Prospera can serve our members and local communities for

many years to come. While we still have a lot of work to do, we are incredibly encouraged by our progress these past two years and remain vigilant in pursuit of these benefits on behalf of our membership.

Local Good is supporting our communities

In June, we launched our new community investment strategy, Local Good. Through this program, we supported numerous worthy causes as they navigated many challenges this past year. Through the Prospera Foundation and Prospera's direct community programs, more than \$1 million was provided to worthy causes in our local communities in 2021. On top of these amounts, as part of our unwavering community commitment, Prospera contributed an additional \$500,000 this past year to the Prospera Foundation, making it one of the largest credit union endowments in Canada with over \$10 million in assets. Read more on Prospera's community support in the [Foundation Report](#).

Team Local makes what we do possible

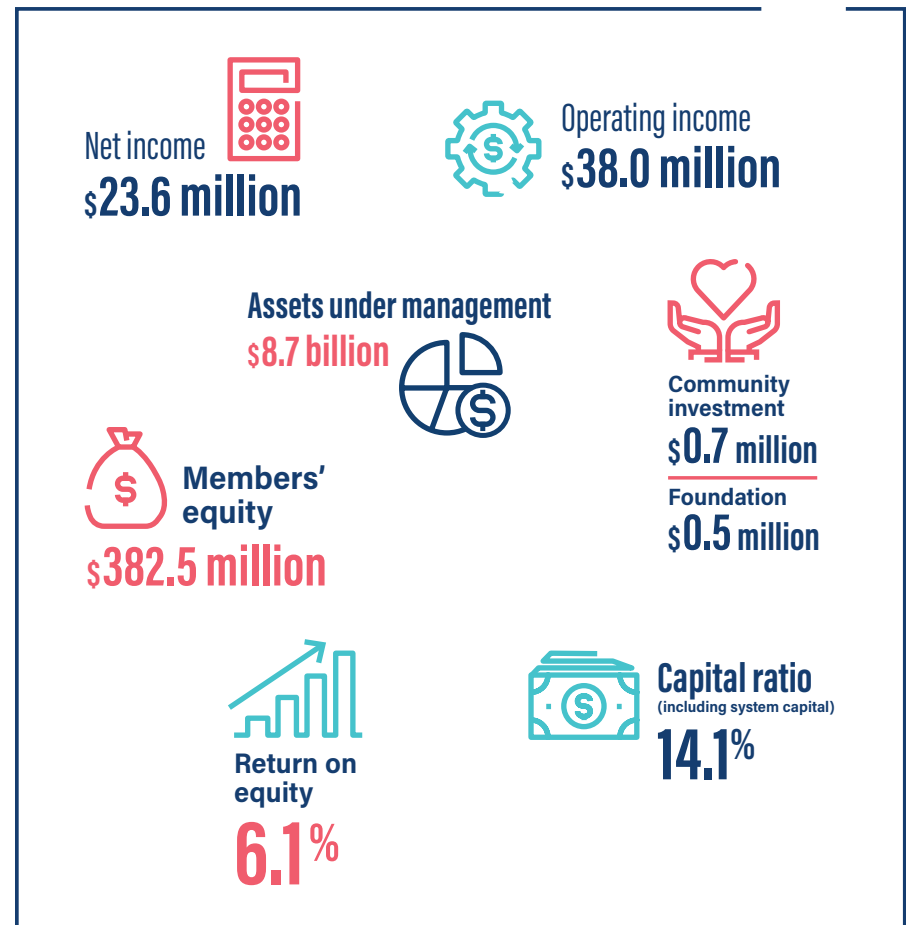
We know that your member experience starts with having a highly engaged team of professionals working on your behalf. Throughout 2021, our employees faced challenges head on and we're so proud of their commitment to serving the needs of our membership. This year, after an employee-led engagement process, we launched our new organizational values. These values will serve us well for years to come and help Prospera maintain an enviable organizational culture that attracts and retains top talent to support our members.

We are also proud to work in and serve the needs of diverse communities. In 2021, Prospera took deliberate steps to better emphasize our diversity, equity and inclusion (DEI) programs as part of our commitment to cultivate trusting relationships with our members, our communities and our employees. We're also incredibly honoured that Prospera was once again certified as a Great Place to Work®, reflecting the trust, commitment and engagement employees have with our organization and the work they do on behalf of our members.

Our financial results demonstrate our resilience

Despite the many twists and turns this past year, overall financial results were quite strong. Operating income of \$38.0 million was up 9.5% from our inaugural year and net income of \$23.6 million was similarly strong, up nearly 5%. Notwithstanding the significant integration investments made as part of

integration, operating efficiency continued to trend in the right direction as we continued to unlock further synergies from harmonizing our operations. While assets under management declined from \$9.2 billion to \$8.7 billion in 2021, most of this reflects an intentional run-off of excess liquidity during the year. Overall, these solid financial returns have added to a strong capital base and will enable Prospera to continue to make important investments in the business on behalf of our members. Find more information on our financial performance in the [Management Discussion and Analysis \(MD&A\)](#), the Summarized Consolidated Audited Financial Statements (page 4) and the [Consolidated Financial Statements](#).



We look forward to an even brighter future

Looking ahead, we anticipate another busy year in 2022 as we shift our focus to further enhancing your digital experience. To do this, we'll replace our current digital banking solution with a leading-edge, modern platform. This exciting enhancement will include improved mobile and online banking capabilities for our Personal and Business Banking members, as well as a new prospera.ca website with improved functionality. Later this year, we'll also update and move all members onto a single banking platform, providing a more streamlined and consistent banking experience across our branches. As always, we will continue to focus on ways to enhance your member experience, including improved call centre functionality at our Member Service Centre, improving our automated phone system technology and providing enhanced online appointment booking. We will also complete the rebranding of our remaining locations, so that all Prospera branches will have a similar look and feel under the new brand.

While 2021 did not unfold as many of us had originally hoped or expected, the past 12 months were marked by perseverance and fortitude, as well as significant progress as we advanced our work of building a stronger credit union to better serve our members. These challenges presented an opportunity to demonstrate the strength of what our organization, in partnership with our members and our employees, can accomplish – that together we can help build vibrant healthy communities, thriving local enterprises and financially empowered people.

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



Art Van Pelt

Chair, Board of Directors



Notice of Annual General Meeting on Tuesday, April 26, 2022.

The 2022 Annual General Meeting will take place virtually at 6 p.m.

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

Summarized Consolidated Financial Statements

Year ended December 31, 2021

Management's Responsibility

The accompanying summarized consolidated financial statements are derived from the audited consolidated financial statements of Prospera Credit Union for the year ended December 31, 2021. The summarized consolidated financial statements have been prepared by management in accordance with the requirements of the *Financial Institutions Act*. The accompanying summarized statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

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

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

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



Gavin Toy,
President and
Chief Executive Officer



Susan Lovell,
VP Finance and Business Intelligence

March 10, 2022

Report of the Independent Auditors on the Summarized Financial Statements

To the Members of Prospera Credit Union

Opinion

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

- the summarized consolidated statement of financial position as at December 31, 2021
- the summarized consolidated statement of income for the year then ended
- the summarized consolidated statement of comprehensive income for the year then ended
- the summarized consolidated statement of changes in members' equity for the year then ended
- and related note

are derived from the audited consolidated financial statements of Prospera Credit Union as at and for the year ended December 31, 2021.

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

Summarized Financial Statements

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

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

Management's Responsibility for the Summarized Consolidated Financial Statements

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

Auditors' Responsibility for the Summarized Consolidated Financial Statements

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



Chartered Professional Accountants

Vancouver, Canada

March 10, 2022

Summarized consolidated statement of financial position

(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 287,809	\$ 418,928
Investments	834,722	1,223,941
Loans	5,287,182	5,366,082
Leases receivable	248,235	278,619
Derivative assets	260	-
Premises and equipment	16,092	15,748
Right-of-use assets	35,856	36,760
Intangible assets	3,350	4,196
Deferred tax assets	2,538	1,943
Other assets	7,037	9,355
	\$ 6,723,081	\$ 7,355,572
Liabilities and Members' Equity		
Members' deposits	\$ 5,846,180	\$ 6,093,888
Accounts payable and accrued liabilities	49,172	38,919
Securitization debt obligations	369,675	791,478
Derivative liabilities	899	754
Current taxes payable	1,823	907
Lease liabilities	38,616	38,841
Deferred tax liabilities	5,698	4,063
Retirement benefit obligations	28,544	37,051
	6,340,607	7,005,901
Members' equity:		
Contributed surplus	130,916	130,916
Retained earnings	269,827	246,213
Accumulated other comprehensive loss	(18,269)	(27,458)
	382,474	349,671
	\$ 6,723,081	\$ 7,355,572

See accompanying note to the summarized consolidated financial statements.

Approved on behalf of the Board:


Art Van Pelt, Chair

Director


Rita Wick, Audit Committee Chair

Director

Summarized consolidated statement of income

(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Interest income	\$ 209,070	\$ 242,380
Interest expense	(66,485)	(105,217)
Net interest income	142,585	137,163
Fee and commission income	26,740	25,873
Fee and commission expense	(5,902)	(6,227)
Net fee and commission income	20,838	19,646
Realized (losses) gains on financial instruments measured at fair value through profit or loss	(2,000)	3,789
Unrealized (losses) gains on financial instruments measured at fair value through profit or loss	(5,789)	5,983
Impairment recoveries (losses) on financial assets	2,389	(9,068)
Impairment losses on other assets	(520)	(2,547)
Other income	990	2,379
Net interest and other income	158,493	157,345
Operating expenses:		
Salary and employee benefits	(75,773)	(80,439)
General and administrative	(33,862)	(28,795)
Occupancy and equipment	(18,900)	(19,641)
	(128,535)	(128,875)
Contribution to Prospera Foundation	(500)	-
Income before income taxes	29,458	28,470
Recovery of (provision for) income taxes:		
Current	(6,601)	(5,301)
Deferred	757	(659)
	(5,844)	(5,960)
Net income	\$ 23,614	\$ 22,510

See accompanying note to the summarized consolidated financial statements.

Summarized consolidated statement of comprehensive income

(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Net income	\$ 23,614	\$ 22,510
Other comprehensive income (loss):		
Items that will never be reclassified to net income:		
Net actuarial gains (losses) on retirement benefit plans	10,986	(7,046)
Deferred tax recovery in OCI	(1,797)	1,876
	9,189	(5,170)
Total comprehensive income	\$ 32,803	\$ 17,340

See accompanying note to the summarized consolidated financial statements.

Summarized consolidated statement of changes in members' equity

(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

Year ended December 31, 2021, with comparative information for 2020

	AOCI			Total equity
	Defined benefit plans	Contributed surplus	Retained earnings	
Members' equity, January 1, 2021	\$ (27,458)	\$ 130,916	\$ 246,213	\$ 349,671
Net income	-	-	23,614	23,614
Other comprehensive income (loss), net of tax	9,189	-	-	9,189
Total comprehensive income (loss)	9,189	-	23,614	32,803
Members' equity, December 31, 2021	\$ (18,269)	\$ 130,916	\$ 269,827	\$ 382,474

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

See accompanying note to the summarized consolidated financial statements.

Note to summarized consolidated financial statements

(Expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2021

1. Basis of presentation

These summarized consolidated financial statements have been prepared in accordance with section 128(4) of the *Financial Institutions Act* and are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2021. Those audited consolidated financial statements were approved by Prospera Credit Union's Board of Directors on March 10, 2022 and can be obtained online or at any of our branches.



Corporate Information

Credit union industry directorships held by directors and officers

Colin G. MacKinnon
Stabilization Central Credit Union

Gavin Toy
Canadian Credit Union Association

Corporate Counsel

Dentons Canada LLP
Vancouver, British Columbia

Auditors

KPMG LLP
Vancouver, British Columbia

Contact

Sonia Mior
Director, Governance and Corporate Secretary

Corporate Office

Suite 1900 – 13450 102 Avenue
Surrey, BC V3T 5Y1

prospera.ca

604 517 0100 | 1 877 506 0100 | 1 888 440 4480