

2020
Annual REPORT



Opening doors to opportunities in every way.



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Who We Are

The Public Service Credit Union is a co-operative financial institution, owned by its members, including their spouses and dependents.

Mission

Provide financial solutions to maximize the financial well-being of members.

Vision

Be the preferred choice of members for all their financial services.

Values

We Believe in:

- Innovation and Excellence
- Dignity and Respect
- Diversity and Inclusion
- Integrity and Trust
- Social Responsibility
- Community
- Co-operative Principles



Co-operative Principles

Statement Of Our Co-operative Identity

Co-operatives worldwide are governed by seven co-operative principles of the International Co-operative Alliance. Our values are put into practice by using these seven principles as guidelines.

1st Principle - Voluntary and Open Membership:

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle - Democratic Member Control:

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized in a democratic manner.

3rd Principle - Member Economic Participation:

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operatives and supporting other activities approved by the membership.

4th Principle - Autonomy and Independence:

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they do on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle - Education, Training and Information:

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6th Principle - Co-operation among Co-operatives:

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle - Concern for Community:

Co-operatives work for the sustainable development of their communities through policies approved by their members.

History of Public Service Credit Union

In 1936 a seed was planted among a number of senior public servants to organize a co-operative to provide various financial services to their fellow workers. In 1937 an organizational meeting was convened by Judge Browne in Canon Wood Hall for the creation of the Civil Service Co-operative Credit Society and the first \$121 was invested in December 1937. Judge Browne provided a sum of money to get the Credit Society started and the DSA provided a loan of \$75 to produce a set of credit union books.

The first Annual Meeting was held in the Newfoundland Hotel on January 27 1938, attended by a large gathering of Civil Servants. Following the election of Officers, the Board officially admitted the first seventy-two members. Loan business commenced that February.

In 1942, the Civil Service Co-operative Credit Society Limited was incorporated under the Co-operative Societies Act on July 17, 1942 following five years of operation. The first office was opened in the Connors Building on the east corner of Queen and Water Street next door to the old Central Post Office and from there it was transferred to the basement of the Colonial Building.

The pace of change was slow and it was not until 1975 when the first full-time Manager was hired. The name changed from the Civil Service Co-operative Credit Society to Public Service Credit Union Limited February 1, 1978. In 1979, PSCU rented an office at 23 Cashin Avenue, providing 9-5 service. The first building was purchased on April 14, 1986 at 403 Empire Avenue. On completion of a new layout and installation of equipment, these new offices were officially opened by our founder, the Honorable W.J. Browne, P.C., Q.C., on October 16, 1986, International Credit Union Day.

In the late 80's and early 90s the pace of change accelerated as Member cards & Global Payment cards were introduced providing electronic access to members accounts 24/7 at the merchant and

ATM level. In 1992, the Credit Union was the second Credit Union in the Province to provide member access at its' own ATM.

In 2003, the Credit Union commenced construction of modern new premises that was completed in July 2004. That same year, Centennial Credit Union ceased operations and its members transferred their accounts to Public Service Credit Union. August 2nd 2004 marked the first day of operation of the PSCU's new premises at 403 Empire Avenue, next to its previous location. The official grand opening was held on October 20th, 2004 during Co-op Week.

PSCU hired for the first time a General Manager Brian Quilty from the ranks of its own staff in 2006. That same year PSCU also changed its bond of association, opening its membership to all residents of Newfoundland and Labrador. In 2007 PSCU celebrated 70 years of providing financial services to its members.

In 2008 a much discussed and anticipated service, Financial Planning was offered to members. After ten years of discussing how this service could be offered under a feasible model, the Public Service Credit Union formed a partnership with four other Credit Unions, Horizon, Eastern Edge, Reddy Kilowatt and Community to offer Financial Planning to its' members through Credential Financial Strategies.

In most recent years the pace of change in the financial industry has been driven by new developments in technology. Members can access their accounts via the internet through Member Direct integrated (MDi), allowing members to review their account, to pay bills, to transfer money to other financial institutions anytime, anywhere internet service is available.

In 2009 two new products were added to the financial suite of products: Tax Free Savings Account (TFSA) and High Interest Savings Account (HISA).



History of Public Service Credit Union

In 2011 PSCU became a member of the newly formed Atlantic Central, which replaced the centrals in the Atlantic Provinces. In June 2011 PSCU offered Electronic Statements to its members to complement its internet banking service allowing members to store and view their statements on line.

PSCU celebrated its' 75th anniversary in 2012. In January 2012 the electronic banking system was enhanced as the PSCU offered email money transfer service allowing members to email money to anyone with an email and a financial institution account. That same year cheque imaging was implemented replacing the hard copy.

In 2014 PSCU was the first CU in the province to launch the iPhone app providing 24/7 access to pay bills, transfer money and email money from the convenience of the iPhone. This was quickly followed in 2015 with the introduction of the Android app and Deposit Anywhere™ to compliment the electronic suite of products. In 2016 Interac® OnLine and Interac Flash® was provided to enhance the convenience and speed of card services.

In 2017 PSCU celebrated 80 years of its rich history and success since 1937, providing financial service and advice to its members.

In 2018 PSCU along with the national credit union system launched a more robust suite of credit card products provided by Collabria a credit card company owned by credit unions to replace TD/Cuets credit card and Global Payment Mastercard. Additionally in 2018 a new entity Aviso Wealth was formed to offer credit union members and other clients a strong alternative to the banks and other wealth management companies for investment planning and advice, lower management fees, and the products and services that best meet their needs.

PSCU paid an historic rebate of \$350,000 in 2019 to its members as a result of meeting its long-term goal of 10% capital. Throughout 2019 PSCU enhanced its online services providing E-transfer auto deposit, e-Transfer withdrawal request and Apple Pay for Collabria Credit Cards.

PSCU paid \$200,000 member rebate in 2020 for the 2019 fiscal year while maintaining the Credit Union's policy on 10% capital. Additionally PSCU held its first ever virtual AGM on September 29, 2020 due to the concerns stemming from the Covid-19 pandemic.

PSCU is a full service financial institution providing loans, mortgages, home equity lines of credit, registered saving products (RRSPs, RRIFFs, RESPs, TFSAs), Investments, savings, chequing, loan insurance, deposit protection, on line banking, mobile banking, telephone banking, Financial Planning , Interac, ATM and Credit Cards.

We are backed and supported by credit unions nationally and over 40,000 worldwide.

PSCU provides innovative and responsive Financial Services that are focused on our best interest.



Employees and Directors

Employees

Brian Quilty, CEO
 Sharon Tucker, MCO
 Ian Barrett, MF
 Dianne Pollett
 Cathy Clarke
 Renee Alexander
 Joanne Cooper
 Wanda Learning
 Michele Thomson
 Michelle Littlejohn
 Nichole Manning
 Colleen Knight
 Lisa Quirk
 Wanda Keats

Board of Directors

Doug Dewling (Chair)
 George Smith (Vice Chair)
 Bill Janes (Secretary)
 John Oates (Member at Large)
 Dave Dewling
 James Anstey
 Sean Brophy
 Michelle Power
 Dean Roberts

AGM Elected	Name	Term
March 2018	Doug Dewling	March 2018 - March 2021
	John Oates	March 2018 - March 2021
	William Janes	March 2018 - March 2021
March 2019	James Anstey	March 2019 - March 2022
	George Smith	March 2019 - March 2022
	Dave Dewling	March 2019 - March 2022
March 2020	Michelle Power	March 2020 - March 2023
	Sean Brophy	March 2020 - March 2023
	Dean Roberts	March 2020 - March 2023



2020 Board of Directors' Meeting Attendance

Director	Board	Executive	Audit	CSR	Governance	Nominations
Doug Dewling Chair	6/6	11/11	6/6	11/11	1/1	2/2
George Smith Vice-Chair and Chair CSR	4/6	10/11	-	11/11	-	3/3
Bill Janes Corporate Secretary	6/6	8/11	-	9/11	-	-
John Oates Director at Large and Chair Governance**	4/6	10/11	-	-	1/1	-
James Anstey Chair Governance and Chair Audit**	6/6	-	5/5	-	1/1	-
Dave Dewling Chair of Nominations**	6/6	-	5/5	3/3	1/1	3/3
Barry Whitty Chair Audit	1/1	-	1/1	-	-	-
Ed Oates Chair Nominations	1/1	-	-	2/3	1/1	-
Michelle Power*	4/5	-	-	7/8	-	-
Sean Brophy*	5/5	-	4/4	7/8	-	-
Dean Roberts*	2/5	-	-	-	-	2/3

*Elected at 2019 AGM

**Took over as Chair April 2020

Committees of the Board

(The CEO, the Manager of Finance and the Manager of Credit and Operations serve as a resource on various Board Committees.)

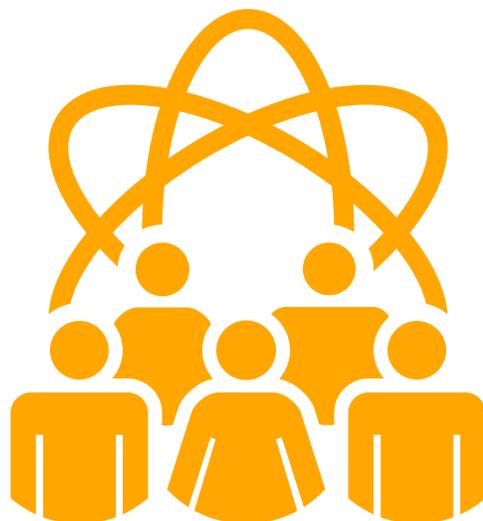
Executive Committee – is elected by the Board of Directors. This Committee exercises all powers of the Board between meetings of the Board. The Committee members: Doug Dewling-Chair, George Smith-Vice Chair, Bill Janes-Secretary and John Oates-Member at Large.

Audit Committee – is appointed by the Board of Directors. This Committee co-ordinates and reviews the external and internal audit functions with the Auditors and reviews other reports as required. The Committee members: James Anstey-Chair, Sean Brophy, Dave Dewling, Justin Crickard and Don Kavanagh.

Governance Committee – is appointed by the Board. This Committee reviews governance processes and proposes changes. The Committee members: James Anstey-Chair, Doug Dewling, Dave Dewling and John Oates.

Nomination Committee – is appointed by the Board to oversee the election process and conduct the election at the AGM. The Committee members: Dave Dewling-Chair, George Smith, and Dean Roberts.

Cooperative Social Responsibility Committee – is appointed by the Board to oversee the corporate social responsibility for the Credit Union. The Committee members: George Smith-Chair, Bill Janes, Sean Brophy and Michelle Power.





Program Agenda

84th Annual General Meeting March 25 2021

Registration – 6:00 p.m.

Call to Order – 6:15 p.m.

Chair's Welcome

Introductions

Report on Registration

Adoption of Rules of Order

AGENDA

1. Adoption of Agenda
2. Minute of silence for deceased Members
3. Minutes of the 83rd Annual General Meeting
4. Unfinished Business arising from the Minutes
5. Report of the Board of Directors
6. Report of the Chief Executive Officer
7. Report of the Independent Auditor
8. Report of the Manager of Finance
9. Report of the Audit Committee
10. Appointment of the Independent Auditor
11. Report of the Nomination Committee and Election of Directors
12. New Business
13. Adjournment

Rules of Order

1. The meeting shall be called to order.
2. A member wishing to speak, shall after recognition by the Chair, state their name.
3. If a member, while speaking, is called to order, shall, at the request of the Chair, take their seat until the question of order has been decided.
4. Should two or more members rise to speak at the same time, the Chair shall decide who is entitled to the Floor.
5. No member shall interrupt another except on a point of privilege.
6. A member shall not speak more than once upon a question until all who wish to speak have had an opportunity to do so.
7. Any member, for information purposes, may request the motion under discussion to be reread, except when a member is speaking.
8. Any member who, upon request from the Chair, refuses to take his seat shall be subject to suspension for the remainder of the meeting.
9. Any motion presented becomes the property of the Credit Union and may be withdrawn only with the consent of the assembled members.
10. Speeches shall be limited to three minutes, including moving a motion.
11. Questions shall be decided upon by a show of hands except, where the Chair is in doubt, a roll-call shall be ordered.
12. A motion to reconsider shall not be entertained unless made by a member who voted in the majority and the motion received a majority vote.
13. When a motion is pending, no motion shall be in order except:
 - to adjourn
 - (not debatable)
 - to table
 - (not debatable)
 - to put the previous question
 - (2/3 not debatable)
 - to postpone to a certain time
 - (debatable)
 - to refer
 - (debatable)
 - to amend
 - (debatable)
 - to postpone indefinitely which motion shall have precedence in the order listed.
 - (debatable)
14. A roll-call shall require a demand for same by at least ten (10) members.
15. When a roll-call has been ordered, no adjournment shall take place until the results have been announced.
16. The Chair shall be entitled to debate on the subject after calling the Vice-Chair to preside over the meeting.
17. When provision is not made in the RULES OF ORDER and it is not in conflict with the Constitution, Roberts Rules of Order shall apply.
18. Motions amending the By-Laws require a vote of 2/3 of the members present.



Minutes of the 83rd Annual General Meeting

September 29, 2020

The meeting was officially called to order by Chair Dewling at 3:33PM.

Chair's Welcome/Introductions

The Chair introduced himself and welcomed all members attending the 83rd PSCU AGM.

The Chair welcomed guests:

- Justin Crickard (Newfoundland & Labrador Housing Corporation) - Minutes
- Kelly Bray (Atlantic Central Credit Union) - Moderator

The Chair introduced, from the PSCU boardroom, Brian Quilty (PSCU CEO), Ian Barrett (PSCU Manager of Finance); John Paynter (PSCU IT), as well as other PSCU staff and Directors all attending virtually this year due to the pandemic.

The Chair then introduced the 2019 Board of Directors:

- o George Smith
- o Bill Janes
- o John Oates
- o Jim Anstey
- o Dave Dewling
- o Tom Lawrence
- o Ed Oates
- o Barry Whitty

Report on Registration

The Chair asked Moderator Kelly Bray to report on registration. Kelly advised that a quorum was present.

Adoption of the Rules of Order

The Chair called for a motion to adopt the Rules of Order.

Moved Dave Dewling and Seconded by Bill Janes

MOTION CARRIED

1. Adoption of Agenda

The Chair called for a motion to adopt the Agenda.

Moved Michelle Power and Seconded by John Oates

MOTION CARRIED

2. Minutes of the 82nd Annual General Meeting

The Chair asked for a Motion to adopt the Minutes of the 82nd Annual General Meeting. There were no errors or omissions noted by the membership.

Moved by Dave Dewling and Seconded by Sean Brophy

MOTION CARRIED

3. Unfinished Business Arising from the Minutes

The Chair asked the members if they had any unfinished business to bring forward. There was none.

4. Report of the Board of Directors

The Chair advised of the following momentous events in regards to the PSCU Board of Directors in 2019:

- Your Board awarded the first member Bursary to Lauren McGrath
- Your Board is recommending a patronage refund of \$200,000
- Your Board continues to support community through its CSR Committee
- Your Board continues to support and participate at the regional level
- Your Directors continue to participate on partner organization Boards
- The Atlantic Credit Union System continues its support in our Province
- The National Association continues to advocate for Credit Unions
- The Board recognizes Jim Anstey 10 years of service on the Board of Directors

Minutes of the 83rd Annual General Meeting

The Chair advised that the Board thanks the outgoing Directors for their dedication and service:

- Tom Lawrence
- Barry Whitty
- Ed Oates

The Chair expressed a special thanks to Tom Lawrence who has served as chair of the Audit Committee for most of his 25 years as a director. Tom is currently living in Alberta.

In closing, the Chair advised that the Board thanks the Management and staff for their support as well as members for their patronage.

Moved by George Smith and Seconded by Bill Janes

MOTION CARRIED

5. Report of the Chief Executive Officer (CEO)

PSCU continues to provide financial solutions to maximize the financial well-being of members by concentrating on financial success, customer value, social responsibility, learning and development and creating efficiencies.

Credit Unions in the Atlantic Provinces and across Canada are investing millions of dollars in digitization. ASAPP is the new digitization software program in Atlantic Canada which will change the way Credit Unions do business. The digitization of membership opening and lending will be phased in over 2020-2024 by our service provider League Data. Nationally, many service providers continue to revolutionize the banking system in how Financial Institutions do business and significant changes are expected in modernizing the payment system. As an example in 2019 PSCU enhanced its online services providing:

- Interac-e-Transfer® AutoDeposit,
- Interac-e-Transfer® Request Money and
- Apple Pay for Collabria Credit Cards.

We are proud to recognize and extend congratulations to our employees in reaching the following:

- Michelle Littlejohn - 20 years
- Colleen Knight - 10 years

PSCU continues to support various charitable organizations. Since 2012 PSCU has contributed over \$247,000 to a large group of organizations. PSCU is very pleased and honored to be recognized by the Association of Fundraising Professionals (AFP) and to have received the distinction of the 2019 Outstanding Corporate Philanthropy Award for the work and contribution that PSCU has made to its community and the various charitable organizations.

I would like to thank our Board for their leadership, support and guidance throughout the year and our members, for your continued business and confidence in the Credit Union.

Moved by and Bill Janes and Seconded by Dave Dewling

MOTION CARRIED

6. Report of The Independent Auditor & Financial Statements

Ian Barrett, PSCU Manager of Finance, presented the Independent Auditor's Report.

Ian advised that a clean audit opinion was issued and that the financial statements present fairly, in all material respects, the financial position of the PSCU and comply with all International Financial Reporting Standards.

	2019	2018
Assets		
Cash and cash equivalents	\$ 7,371,119	\$ 3,611,085
Deposits - interest bearing liquidity accounts (Note 4)	3,219,001	3,261,204
Investments (Note 4)	1,054,709	1,040,437
Loans and mortgages receivable (Note 4)	40,111,634	40,876,499
Current income taxes receivable	34,824	41,199
Other assets (Note 5)	34,824	34,124
Future income taxes receivable	28,935	17,634
Property and equipment (Note 7)	3,370,210	3,261,000
	\$ 62,341,783	\$ 59,205,088
Liabilities		
Accounts payable and accrued liabilities	\$ 344,014	\$ 344,417
Business payable	300,000	344,047
Accrued interest pay	365,119	366,624
Members' deposits (Note 8)	50,599,051	51,478,038
Corporate taxes payable	9,797	-
Payroll taxes payable	34,943	488
	\$6,448,127	\$1,533,612
Members' Equity		
Retained Earnings	5,843,646	5,599,286
	\$ 62,341,783	\$ 59,205,088



Minutes of the 83rd Annual General Meeting

Public Service Credit Union (continued) - Statement of Comprehensive Income (For the Year Ended/December 31)		
	2019	2018
Revenue		
Interest income: loans and mortgages	\$ 1,483,774	\$ 1,274,377
Investment income	188,418	82,871
	1,672,192	1,357,248
Cost of funds		
Interest on members' deposits	(66,432)	(80,118)
Financial charges	1,197,748	1,070,171
Other income		
Service charges	283,717	285,819
Other (fees) \$4	64,754	75,470
Members' contributions	100,000	111,948
Interest-free	(11,373)	(6,419)
	524,638	522,587
Income before operating expenses	1,447,554	1,279,731
Operating Expenses		
Member services (State 1)	88,332	101,211
General business (State 1)	1,881,629	1,895,818
Occupancy	81,274	88,889
Amortization	62,068	62,711
Provision for impairment losses	(18,890)	(18,819)
	2,114,193	2,167,439
Net Income before income taxes and patronage refunds	(66,639)	(87,708)
Patronage refunds	204,850	189,842
Income taxes		
State (various)	(1,091)	(10,983)
Federal (various)	11,812	124,176
Total comprehensive income	\$ 136,072	\$ 105,327

Ian advised of the following financial metrics for 2019:

- Total Assets increased \$59,109,838 to \$62,341,783
- Total liabilities increased from \$52,478,638 to \$55,599,651
- Total Comprehensive Income increased from \$155,126 to \$244,280

In conclusion, Ian stated that the PSCU is pleased, despite a turbulent economic environment, with the financial performance of the credit union and look forward to its continued success.

Moved by and Dave Dewling and Seconded by Jim Anstey

MOTION CARRIED

7. Report of the Audit Committee

Mr. Doug Dewling, Chair presented the Report of the Audit Committee.

On behalf of the Audit Committee and the management and staff of the Public Service Credit Union, Doug, thanked both Brian Scammell (Internal Audit) and Byron Smith (External Audit) for their work during the past year.

During 2019 the Audit Committee addressed recommendations from the following reports:

- Year-end Management Letter for December 31, 2018
- Internal Audit Management Letter for 2018
- CUDGC Examination Report 2019

The Audit Committee also reviewed and recommended for approval to the Board of Directors:

- Financial Statements for the year ended December 31, 2018
- Internal Audit Review that will be actioned in 2020

Moved by Dave Dewling and Seconded by Sean Brophy

MOTION CARRIED

8. Appointment of the Independent Auditor

The Audit Committee moves that Byron Smith, CPA as Auditor for the External 2020 Year End Audit.

Moved by Dave Dewling and Seconded by Bill Janes

MOTION CARRIED

9. Report of the Nomination Committee and Election of Directors

The three incumbent Directors who were up for re-election did not reoffer:

- Tom Lawrence
- Barry Whitty
- Ed Oates.

The three Candidates that had put their name forward were appointed to the Board and to be acclaimed at the AGM include:

- Michelle Power
- Dean Roberts
- Sean Brophy

Moved by Dave Dewling and Seconded by George Smith

MOTION CARRIED

10. Adjournment

Meeting Adjourned by Chair Dewling at 4:00PM

Report of the Board of Directors



Doug Dewling, Chair

2020 was a year like none other. We began with a city-wide shutdown due to an historic snow storm, and little did we know the impact of a virus soon to be known as Covid-19 would have. We saw the Credit Union locked down, with operations onsite limited and many staff working from home. While we did open to limited counter service, many staff still operated from home. While this was happening the Bank of Canada was cutting interest rates and the Federal Government put many programs in place to support Canadians and the economy. Your management and staff throughout the year met this challenge and kept the safety of members top of mind while continuing a high level of service to members.

Regional

Our regional partners Atlantic Central, League Savings and Mortgage and League Data conducted their Annual General meetings virtually.

Our Credit Union continues to contribute significantly to the Credit Union System. John Oates continues as a Director of League Data and George Smith continues as a Director of League Savings and Mortgage Company. Doug Dewling continues as the Chair of the Atlantic Credit Union's Chairs Association.

The Atlantic Credit Union system funds eight \$500 bursaries at the College of the North Atlantic and three at Memorial University. Atlantic Central, along with several Newfoundland and Labrador Credit Unions (including PSCU), contributes generously to the Kids Eat Smart Foundation and because of this combined support Credit Unions are considered a Platinum supporter of this organization.

Provincial

In 2020 the Provincial Government passed amendments to the Credit Union Act stemming from the 2018 review. Your Board provided extensive comments and input to the review.

PSCU

Last year the Board delayed the 2019 Annual General meeting because of the pandemic, and eventually held it virtually. The Board's Co-operative Social Responsibility Committee (CSR) became much more proactive in 2020. The Board has directed the committee to work towards



Report of the Board of Directors

integrating CSR more fully into operations, evolve it into a more comprehensive program, and enhance reporting to the membership, including linkages to the seven co-operative principles and the United Nations Sustainable Development Goals. You will see the results of this work in annual meetings to come.

PSCU continued to support our community in 2020. This is reported in the Community Section of this Annual Report.

The PSCU \$1,000 Scholarship for members or their children or grandchildren is being named the Public Service Credit Union Doug French Membership Scholarship. The scholarship came about as a result of a suggestion by Mr. French at the 2017AGM. It was not awarded in 2020, due to lack of applicants. The Cooperators Insurance came on board last year with a scholarship. The 2020 recipient for their scholarship of \$1,000 was Lauren McGrath.

While PSCU had a successful year with significant deposit growth and profit in 2020, the Credit Union's policy of 10% capital was not achieved. The Board therefore has not approved a patronage rebate to the members for the 2020 fiscal year.

The 2020 Annual General Meeting marks the completion of three-year terms for Bill Janes, John Oates and Doug Dwelling. All three Directors have offered themselves for re-election. The Board thanks the outgoing Directors for their dedication and contribution during their term.

The Board would like to recognize members of the Board of Directors and Committee Members who have reached a milestone with the Public Service Credit Union this year.

John Oates 15 years on the Board

The Board would like to recognize and congratulate Jim Anstey and Bill Janes, each who completed courses required for the Credit Union Director Achievement (CUDA) designation.

Finally, I would like to welcome all our new members that have joined the PSCU, especially any new members who are attending their first AGM.

Respectfully submitted on behalf of the Board of Directors,

Doug Dewling, B.Comm. (Hons.)
Chair

Report of the Chief Executive Officer



Brian Quilty, CEO

It is my pleasure to present the 2020 CEO report for the Public Service Credit Union (PSCU).

The PSCU mission is to provide financial solutions to maximize the financial well-being of members. Our strategic direction focuses on achieving that mission by concentrating on financial success, customer value, social responsibility, learning & development and creating efficiencies. Our strategic business plan uses a balanced approach in achieving these objectives as we provide financial solutions to assist our members in making “Wise Financial Choices”. This strategy of balancing cost, growing assets and managing a profitable financial margin to generate sufficient profit, while meeting capital requirements for the long-term sustainability of the CU involves a robust plan for all aspects of our business.

The PSCU relies on a national network of Credit Unions and service providers to assist with our goals. Credit Unions, the big FIs and the many service providers continue to revolutionize the banking

system in how FIs do business. Significant changes are expected in modernizing the payment system such as open banking where third party providers like Fintechs are creating apps to integrate and work with FIs and suppliers to provide services and access customer’s accounts.

Product and service enhancements require significant investment by Credit Unions and our providers, to enable CUs to provide new services and compete in the market place. In recent years significant investment in internet banking have been made to enhance the suite of products such as Deposit Anywhere™, Interac® Online, Interac e-Transfer®, Lock N Block™, Interac e-Transfer® AutoDeposit and Interac e-Transfer® Request Money.

In 2020 a Digital Account Opening and Lending (DAOL) program was launched and will be phased in over a 2-3 year period providing members with the ability to apply for new membership and new loans on line or in branch. The goal is to create greater efficiency for the membership and loan application process, permitting a greater focus on the member experience and financial advice.

In 2021 Mobile Wallet will be launched, providing members the ability to use their Apple, Google and Samsung smartphones and watches to perform debit card transactions, similar to using the actual debit card where ever the contactless symbol, Interac Flash® and logos for Apple, Samsung or Google appear in-store, on-line and in-app.

As your CEO, I am engaged with the Atlantic Canada Credit Union System Strategy Committee consisting of eight (8) CEOs from CUs in the Atlantic that provide direction and support in the evolution of the Atlantic CU system. The current priority for CUs is the continuation of the digitization strategy for products and services as noted above. CUs in the Atlantic and across Canada are investing into



Report of the Chief Executive Officer

a digitization, creating a multi-channel integrated approach for members to do their business, anywhere, anytime, at their convenience, at a method of their choosing.

This will create a significant change in the way CUs do business and will require all parties, employees and members to learn new ways of connecting to do business. Major initiatives like these are imperative, as less and less members come into the branch and more and more members avail of services that are convenient and user friendly to do business, anywhere, anytime.

In 2020 PSCU also played a role in the creation of a new company, Credit Union Financial Management (CUFM) with the transition of the individual wealth management services of 16 CUs in the Atlantic under the former Credential Financial Strategies Inc. This new company is the first wealth management shared service arrangement in Atlantic Canada. Our Credit Union is now a shareholder in this new entity, sharing in the consolidated success. The goal of CUFM is a better brand and marketing approach, focusing on improving the customer service experience leading to an increased wealth management portfolio with sustainable revenue streams.

Financial

PSCU's balance sheet and income statement reflect assets of \$68 million and a profit of \$383,000.

Employees

In 2020 our providers such as League Data, Atlantic Central, Concentra, CUSource, Sagen and CUMIS provided training to our employees in various areas such as loans, loan insurance products, money laundering, risk management, banking programs and various deposit products.

We are proud to recognize and extend congratulations to our employees in reaching the following milestones:

Lisa Quirk	25 years
Wanda Learning	5 years

I would like to thank our employees for their support and I look forward to working with our employees as we build our credit union to meet our member's financial goals.

Conclusion

I would like to thank our Board for their leadership, support and guidance throughout the year. Additionally I would like to thank you, our members, for your continued business and confidence in the Credit Union and I look forward to building on our Credit Union's financial success.

Respectfully Submitted,

Brian Quilty, B. Comm; ACUIC (Hons.); FCUIC CEO

Community Engagement

Banking that goes further.

Credit unions are more than a bank and you are more than a customer. You're a member—and we make a local impact by ensuring your money stays right here in your community.

pscu.ca



PSCU, its members, employees and affiliated companies have contributed over \$274,000 to a large group of organizations since 2012.

Some of our major support has been provided to:

Kids Eat Smart Foundation NL	\$52,150	NLCU Charitable Foundation	\$7,490
Children's Wish Foundation NL	\$34,500	Special Olympics NL	\$5,600
Young Adult Cancer Canada NL (YACC)-Shave for the Brave	\$32,000	Canadian Armed Forces Resource Center NL	\$5,000
Canadian Cancer Society NL-Daffodil Place	\$28,500	Single Parents Association NL	\$4,000
Resource Center for the Arts/LSPU Hall	\$15,000	Canadian Cooperative Development Fund	\$4,000
College of North Atlantic	\$12,500	Skills Canada NL Together by Design.	\$2,500
Association of New Canadians	\$9,000	Easter Seals NL	\$2,000
		Marine Institute	\$2,000
		Church Lad's Brigade	\$2,000
		Staff Choice Charity /Nevaeh's Angel Foundation	\$1,000

Community Engagement

Public Service Credit Union adopted a Cooperative Social Responsibility (CSR) Program in 2012 to support community organizations in Newfoundland and Labrador. This CSR program formed partnerships with charitable organizations throughout our community and approximately \$25,000 annually has been directed toward helping these organizations achieve their goals. It has been a tremendous success on a number of levels including building a strong presence as a business that is truly invested in the betterment of its community and fostering a strong sense of pride among Members, Board and Employees that the PSCU is actually creating a positive notable difference.

Kids Eat Smart Foundation

Kids Eat Smart Foundation is a registered charity that supports education, health, and well-being of school children throughout the province through support of Kids Eat Smart Clubs - nutrition programs run by volunteers at schools and community centers. The Foundation supports more than 255 Kids Eat Smart Clubs in the province, making nutritious food choices available to students with the assistance of 6100 volunteers who serve 31,000 meals every school day!

PSCU committed for the 9th consecutive year and in 2020 contributed \$5000 to the Kids Eat Smart Foundation. Throughout the year another \$604 was contributed by employees through payroll deductions. Since 2012 the Credit Union has contributed \$52,150 with an additional \$7074 contributed by its employees for a total of \$59,224.

\$59,224 = 59,224 meals

**GOOD EATING = GOOD THINKING =
BEING YOUR BEST!**

Young Adult Cancer Canada



Young Adult Cancer Canada's mission is to build a community of young adults diagnosed with cancer that provides information, support, skills and opportunity. Young Adult Cancer Canada (YACC) was established in 2000 (originally as RealTime Cancer) by Geoff Eaton after his first cancer challenge. Geoff's vision focused on educating and supporting young adults. At the core of that vision was the belief that cancer—like all of life's challenges—brings with it valuable lessons and experiences.

In 2020 PSCU contributed \$4000 for Shave for the Brave events and since 2013 PSCU has contributed \$32,000 to Young Adult Cancer Canada.

Resource Center for the Arts

The LSPU Hall affectionately known as the "Hall" is a home base for the Resource Centre for the Arts (RCA). The Hall is the heart of theatre and the cultural pulse of downtown St. John's. Thousands of internationally acclaimed actors and musicians have passed through the Hall on their way to stardom, and in this city you're steps away from the action!

On any given night the LSPU Hall is teeming with activity, everything from theatre and sound symposiums, to film festivals and rock shows—the Hall has it all!

PSCU donated \$2500 to the arts community in 2020 for a cumulative total of \$15000 since 2015.

Community Engagement

PSCU Scholarship

In 2019 PSCU created a new annual Scholarship in the amount of \$1000 for members as well as children and grandchildren of members. Unfortunately there were no applications for this scholarship in 2020.

We are pleased to state that in the spirit of cooperation, Cooperators Insurance also sponsored a \$1000 scholarship for 2020. We are pleased to report that Lauren McGrath a second year student at Memorial University was the recipient of this scholarship.

PSCU Bursary-College of the North Atlantic

PSCU sponsored a \$500 bursary to students at the College of the North Atlantic for the 2020 academic year and the recipient will be awarded this spring.

This is the 9th consecutive year that PSCU has contributed to the CNA bursary since 2012 for a total of \$12,500.

Awarded to a full time student enrolled in the second or third year of any diploma program. Students must demonstrate financial need, academic merit, commitment to completing their studies and determination to succeed. Special consideration may be given to students who are credit union members or can demonstrate an affiliation with the credit union system.

The 2019/20 recipients, all from the Prince Philip Drive Campus:

Lilian Heffern	Graphic Communication
Michael Keating	Sound & Recording
Syed Avik	Office Administration RIM

Atlantic Credit Unions Educational Award Program

The program includes three (3) endowed awards (The Western Regional School of Nursing, The Faculty of Business Administration, and The

School of Social Work). The endowed awards are established with gifts from the Atlantic Credit Unions. The three gifts for \$10,000 directed toward the endowed funds will be invested in the University's overall endowment and will pay out a portion of the interest to the selected students each year.

PSCU Marine Institute Award for Leadership

Effective 2017, for a ten (10) year period, one annually funded award for the Marine Institute has being established with an annual gift of \$500 from the Public Service Credit Union.

Joshua Burt, a 3rd year student in the Underwater Vehicle program at the Marine Institute was the 2020 recipient of the Public Service Credit Union Award for Leadership. Joshua was also the recipient in 2019. The Eastern Edge Robotics Retreat is an active team on campus and many students in the School of Technology actively participate in the team and have excelled at the local and national level. Joshua is an active participant in the Eastern Edge Robotics team and over the last two years increasingly taken a leadership role in the team. He has also participated in various on campus recruitment events that not only support the team but also his program of study at MI. He will play a key role moving into the regional and hopefully international competitions.

The student recipients of these awards each year is selected by each faculty from the pool of eligible students that are enrolled. Typically faculties request the submission of applications, though each does handle student awards differently. All of the administration for these awards are administered by Memorial University.

The Church Lads' Brigade

PSCU contributed \$2000 to the Church Lads' Brigade (CLB) in 2020. The mission of the CLB is to provide educational, recreational and social activities to help youth develop the necessary skills to become future leaders.

Community Engagement

Nevaeh's Angel Foundation

In 2020 PSCU employees selected the Nevaeh's Angel Foundation as their charity of choice to contribute \$1000. Nevaeh Denine, a 9 year old girl who started a lemonade stand in St. John's to raise money for fellow children with cancer. She raised thousands of dollars for the cause.

Special Olympics NL

PSCU contributed \$2000 to the Special Olympics in 2020. The Special Olympics is dedicated to enriching the lives of Newfoundlanders and Labradoreans with an intellectual disability through sport. Their vision is that sport will open hearts and minds towards people with intellectual disabilities and create inclusive communities all across Canada.

Throughout 2020 PSCU provided sponsorship to various other organizations such as Alzheimer Society, RNC Crime Prevention Guide, and the Local Police Curling Association who support children's charities such as NL Tourette's Syndrome Foundation.

Credit Union Week

Each October Credit Unions celebrate the great work that credit unions have achieved in their communities and throughout the world.

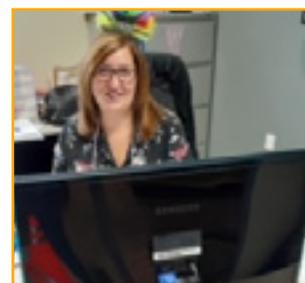
This year we celebrated with scale back version of our regular activities of refreshments, treats and chance to win a prize each day and our regular Friday morning in which employees cook a breakfast, we instead provided our employees with a lunch from Swiss Chalet.

Loyal 2 Local

One of the most engaging system cooperative initiative in 2020 was the Loyal 2 Local Challenge where Credit Unions in the Atlantic supported local businesses. Employees of CUs were provided with \$50 (\$25 from PSCU and \$25 from Atlantic Central) to purchase products and/services from a local company.

This initiative was incredibly successful over the two-week period that it was running and while the challenge is over, the heightened awareness it created for supporting local became part of our everyday living. The initiative received a high level of attention on social media. On Facebook alone, it generated more than 200 posts featuring approximately 148 local businesses and 9 community groups in Newfoundland and Labrador – 44 of which are located in St. John's (39 businesses, 5 community groups). Additionally CUs in the Atlantic participated in a similar challenge during Christmas, Pay it Forward where employees contributed \$50 to a charitable organization of their choice.

Throughout the year we celebrated various holidays and milestones, St.Patrick's, Canada Day, Halloween, Christmas and birthdays and one special birthday in 2020, Sharon Tucker who reached the magical age of 60!



Report of the Manager of Finance



Ian Barrett

It is my pleasure to report on the financial performance for 2020.

Asset and Deposit Growth

The loan portfolio increased by \$7000 compared to a decrease of \$614,000 in 2019. Loans increased from \$49,826,000 to \$49,833,000. The loans and mortgages make up 23% and 46% of the balance sheet respectively compared to 30% and 50% in 2019.

In 2020 assets increased by \$6,211,000 compared to a \$3,232,000 increase in 2019. Total assets increased from \$62,342,000 to \$68,553,000 for 9.96% increase.

Cash and investments increased by \$6,213,000 from \$11,694,000 to \$17,907,000. The cash and investments make up 26% of the balance sheet for 2020 compared to 19% in 2019. With this increase liquidity remains in a strong position.

Although we have a line of credit with Atlantic Central, we did not need to access it in 2020 and spent the year operating from demand liquidity with a December 31, 2020 balance of \$13,107,000 versus \$7,371,000 in 2019.

In 2020 the deposits increased by \$5,990,000 compared to a \$3,121,000 increase in 2019. Deposits increased from \$55,600,000 to \$61,590,000.

Liquidity

All credit unions are required to maintain 6% of liabilities in the form of Statutory liquidity, which may be used if there is a draw down on deposits. Statutory liquidity, which is maintained at Atlantic Central is composed of investments such as term deposits and savings, and excludes encumbered deposits. As of December, 2020, our credit union had \$16,802,000 in total liquidity, resulting in a surplus of \$13,107,000 compared to \$7,355,000 in 2019.

Loan Loss Risk

In 2020 there was an expense of impaired loans of \$237,000 compared to an expense of \$133,000 in 2019. The IFRS 9 allowance for impaired loans is \$649,000 compared to \$603,000 in 2019 representing 1.30% of the loan portfolio for 2020 and 1.20% for 2019. Loans written-off for the year total \$192,000 compared to \$90,000 for 2019.

Capital Adequacy

In 1992 legislation was enacted to require credit unions to maintain a minimum 5% of assets in equity, comprised of 2% share capital and 3% retained earnings. As of 2020 our credit union is required to have \$3,428,000 in equity to meet the absolute minimum



Report of the Manager of Finance

Regulatory requirements. Additionally in 2018, the Management researched, developed and the Board approved a formal capital framework using sound financial principles and industry best practices which established a requirement for an additional 5% capital \$3,428,000 to be maintained. As of December 31, 2020 the combined Regulatory and Board mandated capital requirement for the PSCU is 10% capital, representing \$6,855,000. Our credit union is reporting total capital of \$6,607,000 for a shortfall of \$248,000. PSCU is committed to maintaining its equity requirements as the assets of the credit union grow.

Income Statement

Our credit union recorded a before rebate and tax profit of \$395,000 compared to \$485,000 for 2019. The profit represents 0.58% of assets compared to 0.79% for 2019. After taxes of \$56,000 the profit for 2020 is \$383,000. Our financial margin, the difference between interest income and interest cost decreased from \$2,140,000 to \$2,101,000 representing a \$38,000 decrease compared to a \$72,000 increase in 2019. As a result, the financial margin slightly decreased from 3.43% to 3.07%.

Other income consisting of rebates, user fees and insurance commission decreased from \$526,000 to \$491,000.

Total operating expenses increased by \$32,000 from \$2,221,000 to \$2,253,000.

Conclusion

In light of the Covid-19 Pandemic, we continue to find ourselves in a very challenging economic environment. However, we are pleased with the overall financial performance of the Credit Union and look forward to its continued success.

Respectfully submitted,

Ian Barrett
Manager of Finance

Report of the Audit Committee

At the last Annual General Meeting the Credit Union membership confirmed the appointment of Brian Scammell, CPA as our Auditor for the Internal Audit and Byron Smith, CPA for the External Year End Audit. On behalf of the Audit Committee and the management and staff of the Public Service Credit Union, I would like to thank both auditors for their work during the past year.

During 2020 the Audit Committee met six times and addressed recommendations from the following audit reports:

- Year-end Management Letter for December 31, 2019
- FINTRAC Biennial Review 2020
- Digital Boundary Cyber Security Report 2019

The Audit Committee worked closely with management of the Credit Union as well as the auditors to ensure the timely implementation of all recommendations stemming from the above reports.

The Audit Committee also reviewed and recommended for approval to the Board of Directors, the Financial Statements for the year ended December 31, 2019.

The Audit Committee met with the External Auditor, and Internal Auditors during the year to develop the Internal Audit plan, which included the Internal Audit Review that was completed in December 2020, with the Report for that audit being actioned in early 2021.

The Audit Committee meets on a regular basis to review quarterly financial reports prepared by management as well as reports provided by external parties such as Atlantic Central. The Committee also reviews quarterly reports submitted by the Credit Union to the Regulator, Credit Union Deposit Guarantee Corporation. Under the mandate of the Committee it is also responsible for the review of Risk Management. As such it receives regular reports on the key risk areas of the Credit Union and its operations and ensures risk areas are monitored and actioned as required. In 2020 this included risk surrounding the effects of the Covid-19 Pandemic on operations.

I would like to express my sincere thanks to the Audit Committee members, Justin Crickard, Don Kavanagh, Dave Dewling and Sean Brophy as well as the Credit Union staff for their support during the year.

Respectfully submitted,



James Anstey
Chair



Public Service Credit Union Financial Statements

December 31, 2020



CHARTERED
PROFESSIONAL
ACCOUNTANTS

BYRON D. SMITH
B. Comm., C.F.E., FCPA, FCA

Byron D. Smith
Professional Corporation
P.O. Box 610
100 Conception Bay Highway
Spaniard's Bay, NL
A0A 3X0

Telephone: (709) 786-1232
Toll Free: 1-877-786-1232
Facsimile: (709) 786-1230
E-mail: byron@byronsmithca.com
Website: byronsmithca.com



INDEPENDENT AUDITOR'S REPORT

To the Members of:
Public Service Credit Union Limited

Opinion

I have audited the financial statements of Public Service Credit Union Limited, which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Service Credit Union Limited as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

I 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 I identify during my audit.

Spaniard's Bay, NL
February 25, 2021

CHARTERED PROFESSIONAL ACCOUNTANT



PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Financial Position

As at December 31,	2020	2019
Assets		
Cash and cash equivalents	\$ 13,174,144	\$ 7,371,128
Deposits - interest bearing liquidity accounts (Note 4)	3,627,760	3,319,601
Investments (Note 4)	1,105,523	1,003,709
Loans and mortgages receivable (Note 6)	49,184,195	49,223,034
Other assets (Note 8)	55,383	24,823
Future income taxes receivable	29,257	28,935
Property, plant and equipment (Note 7)	<u>1,376,986</u>	<u>1,370,553</u>
	\$ 68,553,248	\$ 62,341,783
Liabilities		
Accounts payable and accrued liabilities	\$ 400,584	\$ 368,916
Rebates payable	2,119	200,000
Accrued severance pay	323,082	303,118
Members' deposits (Note 9)	61,589,512	55,599,651
Corporate taxes payable	11,381	9,707
Payroll taxes payable	<u> </u>	<u>16,945</u>
	<u>62,326,678</u>	<u>56,498,337</u>
Members' Equity		
Retained Earnings	<u>6,226,570</u>	<u>5,843,446</u>
	\$ 68,553,248	\$ 62,341,783

Approved by the Board:



Chair of Board



Chair of Audit Committee

The accompanying notes are an integral part of these financial statements.



PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Comprehensive Income

For the Year Ended December 31,	2020	2019
Financial Revenue		
Interest income - loans and mortgages	\$ 2,303,300	\$ 2,410,774
Investment income	<u>205,479</u>	<u>185,431</u>
	2,508,779	2,596,205
Cost of Funds		
Interest on members' deposits	<u>407,504</u>	<u>456,657</u>
Financial Margin	2,101,275	2,139,548
Other Income		
Service charges	273,613	285,717
Other (Note 14)	43,486	68,254
Insurance commissions	130,827	130,290
Interac fees	<u>42,855</u>	<u>41,372</u>
	<u>490,781</u>	<u>525,633</u>
Income before operating expenses	<u>2,592,056</u>	<u>2,665,181</u>
Operating Expenses		
Members' security (Note 15)	102,104	98,047
General business (Note 16)	1,751,117	1,847,627
Occupancy	61,200	61,151
Amortization	46,103	40,434
Provision for impaired loans	<u>236,546</u>	<u>133,049</u>
	<u>2,197,070</u>	<u>2,180,308</u>
Net income before income taxes and patronage rebates	394,986	484,873
Patronage rebates		200,000
Income taxes		
- future (recovery) (Note 10)	(322)	(1,299)
- current (Note 10)	<u>55,897</u>	<u>41,892</u>
Net income for the year before other items	339,411	244,280
Gain on sale of intangible to CUFM (Note 4)	<u>43,713</u>	<u>—</u>
Total Comprehensive Income	<u>\$ 383,124</u>	<u>\$ 244,280</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Changes in Members' Equity

For the Year Ended December 31,	2020	2019
Retained earnings, beginning of year	\$ 5,843,446	\$ 5,599,166
Total comprehensive income	<u>383,124</u>	<u>244,280</u>
Retained earnings, end of year	<u>\$ 6,226,570</u>	<u>\$ 5,843,446</u>

Retained earnings is comprised of the following:

Retained earnings from operations	\$ 6,165,570	\$ 5,782,446
Stock dividend	<u>61,000</u>	<u>61,000</u>
	<u>\$ 6,226,570</u>	<u>\$ 5,843,446</u>

The accompanying notes are an integral part of these financial statements.



PUBLIC SERVICE CREDIT UNION LIMITED
Statement of Cash Flows

For the Year Ended December 31,

2020

2019

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Activities

Net income	\$ 383,124	\$ 244,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	46,103	40,434
Provision for impaired loans	236,546	133,049
Future income taxes	(322)	(1,299)
Current income taxes	55,897	41,892
Interest income	(2,508,779)	(2,596,205)
Interest expense	<u>407,504</u>	<u>456,657</u>
	(1,379,927)	(1,681,192)
Change in assets and liabilities:		
Accounts payable and accrued liabilities	14,723	7,101
Accrued severance pay	19,964	16,292
Loans and mortgages receivable net of accrued interest	(197,707)	489,023
Members' deposits net of accrued interest	5,989,870	3,121,013
Interest received	2,508,779	2,596,205
Interest paid	(407,513)	(456,657)
Income taxes paid	(44,537)	(24,000)
Rebate payable	(197,881)	(149,947)
Corporate taxes payable	(9,686)	57,456
Other assets	<u>(30,560)</u>	<u>3,303</u>
Net cash (used in) provided by operating activities	<u>6,265,525</u>	<u>3,978,597</u>
Cash Flows from Investing Activities		
Increase in investments and liquidity deposits	(409,973)	(119,569)
Increase in capital assets	<u>(52,536)</u>	<u>(108,985)</u>
Net cash used in investing activities	<u>(462,509)</u>	<u>(228,554)</u>
Increase in cash	5,803,016	3,750,043
Cash, beginning of year	<u>7,371,128</u>	<u>3,621,085</u>
Cash, end of year	<u>\$13,174,144</u>	<u>\$ 7,371,128</u>

The accompanying notes are an integral part of these financial statements.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements**December 31, 2020**

1. Nature of Operations and Basis of Presentation**Reporting Entity**

The Credit Union is incorporated under the laws of the province of Newfoundland and Labrador and is subject to the provisions of the Credit Union Act/Regulations of the Province. The Credit Union is a member of Atlantic Central. The Credit Union operates as one operating segment in the loans and deposit taking industry in Newfoundland and Labrador. Products and services offered to its members include mortgages, personal and commercial loans, chequing and savings accounts, term deposits, RRSP's, RRIF's, RESP's, mutual funds, automated banking machines, debit and credit cards, internet and mobile banking. The Credit Union's office is located at 403 Empire Avenue, St. John's, Newfoundland and Labrador.

Basis of Presentation

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

The financial statements for the year ended December 31, 2020 were authorized for issue by the Credit Union's Board of Directors on February 25, 2021.

The Credit Union's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

2. Significant Accounting Policies

The IASB continues to make changes to IFRS to improve the overall quality of financial reporting. The Credit Union monitors IASB developments that are relevant to the Credit Union's financial reporting and accounting policies.

Financial Instruments

Effective January 1, 2018 the Credit Union adopted IFRS 9 - Financial Instruments ("IFRS 9"), which replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 addresses classification and measurement, impairment, and hedge accounting.

The impact to Members' equity at January 1, 2018 was a decrease of \$354,705 reported in retained earnings, related to the impairment requirements of the standard. As permitted by IFRS 9, prior periods have not been restated.

a) Classification and Measurement:

IFRS 9 provides a single model for financial asset classification and measurement that is based on both the business model for managing financial assets and the contractual cash flow characteristics of the financial assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

The following summarizes the key aspects resulting from IFRS 9:

- “Amortized cost” financial asset category was introduced replacing the loans and receivables (“L&R”) classification. It applies to debt instruments whose contractual cash flow characteristics are solely payments of principal and interest (“SPPI”) and that are held in a business model whose objective is to hold the assets to collect contractual cash flows.
- “Fair value through other comprehensive income” (“FVOCI”) financial asset category was introduced. It applies to debt instruments that meet the SPPI test where the business model’s objective is achieved by collecting contractual cash flows and by selling the assets. These assets may be sold in response to or in anticipation of changes in interest rates, changes in credit risk, changes in funding sources or terms, or to meet liquidity needs.
- Debt instruments that are managed on a “held for trading” or “fair value” basis are classified as fair value through profit or loss (“FVTPL”).
- Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and I make an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis and must be made upon initial recognition (or on the transition to IFRS 9 on January 1, 2018).

I consider the following in my determination of the applicable business model for financial assets:

- The business purpose of the portfolio – such as a focus on earning contractual interest income or a focus on matching the duration of the liabilities that are funding the assets;
- The risks that are being managed and the type of activities that are carried out on a day-to-day basis to manage the risks;
- The basis on which performance of the portfolio is being evaluated; and
- The frequency and significance of sales activity in prior periods, and expectations about future sales activity.

The classification and measurement of financial liabilities remain essentially unchanged under IFRS 9, except for financial liabilities designated as measured at fair value through profit or loss.

b) Impairment:

IFRS 9 provides a single impairment model for financial assets that requires the recognition of expected credit losses (ECL). The new ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual impairment.

Under IFRS 9, the ECL model, which is forward-looking, also requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, housing price indexes, interest rates, and household disposable income are considered in the assessment of ECL.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements
December 31, 2020

2. Significant Accounting Policies (Continued)

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the following components:

- Exposure at Default (EAD) – an estimate of the loan exposure amount at a future default date (this amount does not consider the underlying collateral, or mortgage insurance).
- Probability of Default (PD) – an estimate of the likelihood of default over a given time horizon.
- Loss Given Default (LGD) – an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due on the loan, and those that the lender would expect to receive, including cash flows from any collateral or, in the case of insured mortgages, the proceeds from the insurance claim.

The ECL 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 (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. In assessing whether credit risk has increased significantly, I compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.
- Stage 2 – When a financial instrument experiences a SICR after 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.
- Stage 3 – Financial instruments that I have classified as impaired are included in this stage. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. As with Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Significant judgment is required in making assumptions and estimations when calculating ECL, including determination of significant increases in credit risk, and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period.

IFRS 9 requires consideration of past events, current market conditions and reasonable supportable information about future economic conditions, in determining whether there has been a significant increase in credit risk and in calculating the amount of expected losses.

Changes in the required ECL allowance, including the impact of financial instruments migrating between stage 1 and stage 2, are recorded in the provision for credit losses in the statement of comprehensive income.

c) Hedge Accounting:

IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits with Atlantic Central, other short-term highly liquid investments with original maturities of three months or less; and for the purpose of the statement of cash flows, bank overdrafts that are repayable on demand.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

Investments

Central Deposits

These deposit instruments are classified as loans and receivables and are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost, which approximates fair value.

Equity Instruments

These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable in which case they are carried at amortized cost.

Changes in fair value, except for those arising from interest calculated using the effective interest rate, are recognized as a separate component of other comprehensive income.

Where there is a significant or prolonged decline in the fair value of an equity instrument (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

Purchases and sales of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that instrument is removed from equity and recognized in net income.

Derivative Financial Instruments

Hedges

The Credit Union did not engage in any material derivative financial instruments.

The Credit Union, in accordance with its risk management strategies, may enter into various derivative financial instruments to protect itself against the risk of fluctuations in interest rates.

The Credit Union manages interest rate risk through interest rate swaps. These derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases shown on the Statement of Financial Position.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements**December 31, 2020**

2. Significant Accounting Policies (Continued)

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Credit Union's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is expected to be highly effective at inception and remains highly effective on each date it is tested. The Credit Union has chosen to test the effectiveness of its hedges on a quarterly basis.

The swap contracts can be designated as fair value hedge instruments or cash flow hedge instruments. The Credit Union has not entered into any fair value hedges at this time.

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted assurance of fixed rate liabilities. The Credit Union's cash flow hedges are primarily hedges of floating rate deposits as well as commercial and personal loans.

For cash flow hedges that meet the hedging documentation criteria, gains and losses resulting from changes in the fair value of the effective portion of the derivative instrument are recorded in other comprehensive income until the hedged item is recognized in income, at which time such change is recognized as interest income. The ineffective portion is recognized immediately in income as other income.

If the Credit Union closes out its hedge position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in net income within interest expense or interest revenue.

Other Non-Hedge Derivatives

The Credit Union may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). Financial instruments included in this category are the embedded derivatives and derivatives related to index linked term deposits and interest rate swaps not designated as hedging instruments.

These instruments are measured at fair value, both initially and subsequently. The related transaction costs are expensed. Gains and losses arising from changes in fair value of these instruments are recorded in net income.

Member Loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment losses.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Amortization is calculated on either the straight line basis or the declining balance basis as set out below, based on the estimated useful lives of the assets. No amortization is taken on assets purchased that have not been put into use during the year.

Building - main structure	- 40 years, straight-line method
Paved area	- 8%, declining balance method
HVAC system	- 20 years, straight-line method
Building - roof structure	- 25 years, straight-line method
Furniture and equipment	- 20%, declining balance method
Data processing equipment	- 33%, declining balance method

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Severance Payable

Severance is accounted for as a post employment benefit and accrued annually. It is calculated based upon years of service and current salary levels. The right to receive severance vests with employees having five or more years of continuous service. No provision has been made in the accounts for employees with less than five years of service. The amount is payable when an employee ceases employment with the Credit Union.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements**December 31, 2020**

2. Significant Accounting Policies (Continued)**Impairment of Non-Financial Assets**

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income Taxes

Income tax expense comprises current and future tax. Current tax and future tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Future tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

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

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

Members' Deposits

All members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Members' deposits are subsequently measured at amortized cost, using the effective interest rate method.

Accounts Payable and Other Payables

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*.

Revenue Recognition

Interest is accrued on a daily basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized when the right to receive payment is established. Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Revenue from Contracts with Customers

The IFRS 15 standard is a control-based model that focuses on risk and rewards. Under this standard, revenue is recognized when a customer obtains control of a good or service.

Transfer of control occurs when the customer can direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model governing revenue recognition to be applied to contracts with customers. The Credit Union must also determine whether its performance obligation is to provide the service itself (i.e. the Credit Union acts as a principal) or to arrange another party to provide the service (i.e. the Credit Union acts as an agent).

This guidance includes a five-step, principles-based recognition and measurement approach, as well as requirements for accounting for contract costs, and additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with customers.

Patronage Distributions

Patronage distributions are recognized in net income when circumstances indicate the Credit Union has a constructive obligation it has little or no discretion to avoid, and it can make a reasonable estimate of the amount required to settle the obligation.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements**December 31, 2020**

2. Significant Accounting Policies (Continued)**Foreign Currency Translation**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that day. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of the financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Leases

IFRS 16, Leases, was released by IASB in January 2016 to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 was effective January 1, 2019.

Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Credit Union's future financial statements are:

- Amendments to IAS 1 were issued on January 23, 2020 with an effective date of January 1, 2023. The amendment in Classification of Liabilities as Current or Non-Current affect only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Credit Union's future financial statements.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

Accounting Estimates and Judgements

Use of Estimates

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Financial Instruments

The Credit Union determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in Note 5.

Member Loan Loss Provision

In determining whether an impairment loss should be recorded in the statement of comprehensive income the Credit Union makes judgement on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgement to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine any impairment loss.

The Credit Union business model is to hold financial assets in the form of loans for the objective of collection of contractual cash flows of solely payments of principal and interest. The Credit Union assesses on a forward-looking basis the expected credit losses (ECL) associated with its Member loans and commitments. The Credit Union recognized a loss allowance for such losses at each reporting date. The measurement of ECL reflects, an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date about past events, current conditions and future economic indicators.

Note 6 provides more detail of how the expected credit loss allowance is measured.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Further details on the estimates used to determine the allowance for impaired loans collective provision are provided further along in Note 6 and Note 2.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies (Continued)

Income Taxes

The Credit Union periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Credit Union records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Financial Instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as detailed below. The following table presents the classifications of financial assets and financial liabilities in accordance with IFRS 9:

Classification under:	IFRS 9
Cash and cash equivalents	Amortized cost
Investments – debt instruments	FVOCI
Investments – equity instruments	FVOCI elected
Other assets	Amortized cost
Loans and mortgages	Amortized cost
Member deposits	Amortized cost

A financial asset is derecognized when the contractual rights to the cash flows from the asset have expired, or the Credit Union transfers the contractual rights to receive the cash flows from the asset, or has assumed an obligation to pay those cash flows to a third party and the Credit Union has transferred substantially all of the risks and rewards of ownership of that asset to a third party. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Changes in fair values of financial assets and financial liabilities classified as FVTPL are reported in earnings, while the changes in value of FVOCI financial assets are reported within other comprehensive income (OCI) until the financial asset is disposed of or becomes impaired.

Accumulated OCI is reported on the statement of financial position as a separate component of Members' Equity. It includes, on a net of taxes basis, the net unrealized gains and losses on FVOCI financial assets.

3. Cash and Cash Equivalents

The Credit Union's cash and current accounts are held with Atlantic Central. The average yield on the accounts at December 31, 2020 is 0.31% (2019 - 1.69%).



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

4. Investments

The following tables provide information on investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as detailed below.

Deposits - interest bearing liquidity accounts

	<u>2020</u>	<u>2019</u>
Atlantic Central Liquidity reserve deposit	\$ 3,627,760	\$ 3,319,601

The Credit Union must maintain liquidity reserves with Atlantic Central of not less than 6% of total deposits in, and borrowings of, the Credit Union in accordance with legislation. The Note 13 provides the Credit Union's position in this regard. The deposits can be withdrawn only if there is a sufficient reduction in the Credit Union's total deposit and borrowings or upon withdrawal of membership from Atlantic Central. The liquidity reserves are due within one year. At maturity, these deposits are reinvested at market rates for various terms.

Discount deposits at Atlantic Central are due within one year. The carrying amounts for deposits at Atlantic Central approximates fair value due to having similar characteristics as cash and cash equivalents.

Equity Instruments

	<u>2020</u>	<u>2019</u>
Atlantic Central Common Shares	\$ 559,160	\$ 503,850
Atlantic Central Class B	61,000	61,000
Atlantic Central NL Shares	37,000	37,000
Atlantic Central NS Shares	31,000	31,000
Atlantic Central LSM Shares	57,373	54,582
League Data Shares	65,130	65,130
Concentra Class A Shares	1,147	1,147
Concentra Class D Shares	250,000	250,000
CU Financial Management Limited Common Shares	43,713	
Total Equity Instruments	<u>\$ 1,105,523</u>	<u>\$ 1,003,709</u>

During 2020 the Credit Union transferred the financial management services of certain member investment accounts over to CU Financial Management Limited(CUFM). In exchange for this intangible the Credit Union received 5 common shares in CUFM with a fair value of \$43,713.

The shares in Atlantic Central are required as a condition of membership and are redeemable upon withdrawal of membership or at the discretion of the Board of Directors of Atlantic Central. In addition, the member Credit Unions are subject to additional capital calls at the discretion of the Board of Directors of Atlantic Central.

Atlantic Central common shares are subject to an annual rebalancing mechanism and are issued and redeemable at par value. There is no separately quoted market value for these shares however, fair value is determined to be equivalent to the par value due to the fact transactions occur at par value on a regular and recurring basis.

League Data is part of the Credit Union System and League Savings and Mortgage Company (LSM), an Atlantic Central subsidiary. There is no separately quoted market value for these shares and the fair value could not be measured reliably. Therefore, they are recorded at cost.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

4. Investments (Continued)

The Credit Union is not intending to dispose of any Atlantic Central or League Data shares as the services supplied by these entities are relevant to the day to day activities of the Credit Union.

Dividends on these shares are at the discretion of the Board of Directors of Atlantic Central and League Data.

Concentra shares consist of 113,736 Class A Series 1 shares plus 1 membership share at a subscription price of \$10 per share. Class D shares consist of 10,000 non-cumulative 5-year rate reset shares at a subscription price of \$25 per share. Payment of Class D dividends in the initial fixed rate period, commencing from the issue date of December 1, 2015 and ending on and including January 31, 2021, shall be 4.6% per annum.

5. Derivative Financial Instruments

The Credit Union has not entered into any derivative financial instruments.

6. Loans and Mortgages Receivable

	<u>2020</u>	<u>2019</u>
Current loans	\$ 15,848,993	\$ 17,999,258
Current mortgages	31,888,386	30,646,888
Impaired loans and mortgages	<u>2,095,688</u>	<u>1,180,069</u>
	49,833,067	49,826,215
Less: allowance for impaired loans	<u>(648,872)</u>	<u>(603,181)</u>
Net loans and mortgages receivable	<u>\$ 49,184,195</u>	<u>\$ 49,223,034</u>

Current loans include prepaid transaction costs (referral fees) as follows: 2020 - \$NIL; 2019 - \$7,014. Transaction costs are included with current loans in accordance with the effective interest rate method.

Total allowance for impaired loan provision is comprised solely of individual specific provisions:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 603,181	\$ 560,618
Loans written off as uncollectible	<u>(190,855)</u>	<u>(90,486)</u>
	412,326	470,132
Additional provision	<u>236,546</u>	<u>133,049</u>
Balance, end of year	<u>\$ 648,872</u>	<u>\$ 603,181</u>



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

6. Loans and Mortgages Receivable (Continued)

The number of loans outstanding at December 31 has been summarized as follows:

	<u>2020</u>	<u>2019</u>
Current loans	828	859
Current mortgages	210	207
Impaired loans and mortgages	44	53
	<u>1,082</u>	<u>1,119</u>

Analysis of individual loans that are impaired or potentially impaired based on age of repayments outstanding.

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Carrying Value</u>	<u>Individual Specific Provision</u>	<u>Carrying Value</u>	<u>Individual Specific Provision</u>
Period of delinquency				
Less than 90 days	\$ 116,211	\$ 21,720	\$ 112	\$ 56
Over 90 days	<u>1,979,477</u>	<u>425,990</u>	<u>1,179,957</u>	<u>479,920</u>
Total loans in arrears	2,095,688	447,709	<u>1,180,069</u>	479,976
Total loans not in arrears	<u>47,737,379</u>	<u>201,163</u>	<u>48,646,146</u>	<u>123,205</u>
Total loans	<u>\$ 49,833,067</u>	<u>\$ 648,872</u>	<u>\$ 49,826,215</u>	<u>\$ 603,181</u>

Terms and Conditions

Member loans can have either a variable or fixed rate of interest and they mature within seven years.

Some variable rate loans are based on a "prime rate" formula. The rate is determined by the type of security offered and the member's credit worthiness.

The interest rate, on fixed rate loans being advanced at December 31, varies with the type of security offered and the member's credit worthiness.

Current mortgages are loans that are secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Current loans consist of personal term loans, commercial loans, member overdrafts and lines of credit that are non real estate secured and, as such, have various repayment terms. Some of the current loans are secured by personal property and equipment or investments, and a general security agreement or conditional sales contracts.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

6. Loans and Mortgages Receivable (Continued)

Average Yields to Maturity

Loans bear interest at both variable and fixed rates with the following average yields at:

	<u>Principal</u>	<u>2020 Yield</u>	<u>Principal</u>	<u>2019 Yield</u>
Variable rate	\$ 10,499,380	5.64%	\$ 11,381,200	6.28%
Fixed rate	<u>39,333,687</u>	3.11%	<u>38,445,015</u>	3.79%
	<u>\$ 49,833,067</u>		<u>\$ 49,826,215</u>	

Credit Quality of Loans

The following table sets out information about the credit quality of loans and mortgages measured at amortized cost.

	<u>Normal risk Stage 1</u>	<u>Watch list Stage 2</u>	<u>Credit- impaired Stage 3</u>	<u>2020 Total</u>	<u>2019 Total</u>
Insured Mortgages	\$ 2,436,467		\$ 336,947	\$ 2,773,414	\$ 1,082,469
Uninsured Mortgages	28,148,395	\$ 56,857	1,238,460	29,443,712	29,866,080
Secured Personal Loans	4,847,641	59,278	261,144	5,168,063	5,433,440
Unsecured Personal Loans	2,057,541		51,164	2,108,705	2,051,135
Commercial Loans	384,661			384,661	420,456
Lines of Credit and Overdraft	<u>9,900,694</u>	<u>76</u>	<u>53,742</u>	<u>9,954,512</u>	<u>10,972,635</u>
Subtotal loans advanced	47,775,399	116,211	<u>1,941,457</u>	49,833,067	49,826,215
Unused Lines of Credit	<u>5,839,603</u>		<u>38,020</u>	<u>5,877,623</u>	<u>5,940,708</u>
Total	53,615,002	116,211	1,979,477	55,710,690	55,766,923
Allowance for Doubtful Accounts	<u>201,163</u>	<u>21,720</u>	<u>425,989</u>	<u>648,872</u>	<u>603,181</u>
Total loans and commitments	<u>\$ 53,413,839</u>	<u>\$ 94,491</u>	<u>\$ 1,553,488</u>	<u>\$ 55,061,818</u>	<u>\$ 55,163,742</u>

It is not practical to value all collateral as at the statement of financial position date due to the variety of assets and conditions. A breakdown of the loans by security type on a portfolio basis is as follows:

	<u>2020</u>	<u>2019</u>
Unsecured term loans	\$ 2,108,705	\$ 2,051,135
Loans secured by cash, members' deposits	\$ 178,275	\$ 260,199
Unsecured lines of credit	\$ 1,932,809	\$ 1,801,208



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

6. Loans and Mortgages Receivable (Continued)

Fair Value

The estimated fair value of the variable rate loans is assumed to be equal to book value as the interest rates on these loans re-price to market on a periodic basis. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks.

Key Assumptions in Determining the Allowance for Impaired Loans Collective Provision

The Credit Union would determine the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the loan type, industry, geographical location, type of loan security, the length of time the loans are past due and the historical loss experience. The circumstances may vary for each loan over time, resulting in higher or lower impairment losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any difference between loss estimates and actual loss experience.

An estimate of the collective provision is based on the period of repayments that are past due.

For purposes of the collective provision loans are classified into separate groups with similar risk characteristics, based on the type of product and type of security.

Definition of Default and Credit Impaired

The Credit Union defines a member loan in default and credit impaired when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- The borrower meets unlikeliness to pay criteria such as the borrower is deceased, insolvent, is in breach of financial covenants, other concessions have been made by the lender or it is becoming probable that the borrower will enter bankruptcy.

Following the general IFRS 9 impairment approach, credit loss allowance is measured using a three-stage approach as defined in Note 2.

Loss Allowance

The loss allowance recognized in the period is impacted by factors, such as: transfers between stage 1 and stages 2 or 3 due to member loans experiencing significant risk or becoming credit-impaired in the period and consequently step up (or step down) between 12 month and lifetime expected credit losses. Also, the impact on the measurement of ECL due to changes in the risk adjusted probability of default, exposure at default and the loss given default in the period, arising from regular refreshing of the inputs to models.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

6. Loans and Mortgages Receivable (Continued)

The table below explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at December 31, 2019	\$ 123,206	\$ 55	\$ 479,920	\$ 603,181
Transfers from stage 1 to stage 2		NIL		
Transfers from stage 2 to stage 3			NIL	
Remeasurement of loss allowance	<u>77,957</u>	<u>21,665</u>	<u>(246,098)</u>	<u>(146,476)</u>
Net change during the period	<u>77,957</u>	<u>21,665</u>	<u>(246,098)</u>	<u>(146,476)</u>
Write-offs in the year			<u>192,167</u>	<u>192,167</u>
Loss allowance as at December 31, 2020	<u>\$ 201,163</u>	<u>\$ 21,720</u>	<u>\$ 425,989</u>	<u>\$ 648,872</u>



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

7. Property, Plant and Equipment

	Land	Buildings	Paved Areas	Furniture and Equipment	Data Processing Equipment	Total
Balance on December 31, 2019	\$ 264,153	\$ 1,604,309	\$ 50,854	\$ 164,655	\$ 272,247	\$ 2,356,218
Additions		5,234			47,302	52,536
Balance on December 31, 2020	264,153	1,609,543	50,854	164,655	319,549	2,408,754
Accumulated Amortization						
Balance on December 31, 2019		550,533	36,708	151,693	246,731	985,665
Amortization expense		25,987	1,132	2,593	16,391	46,103
Balance on December 31, 2020		576,520	37,840	154,286	263,122	1,031,768
Net Book Value						
December 31, 2019	\$ 264,153	\$ 1,053,776	\$ 14,146	\$ 12,962	\$ 25,516	\$ 1,370,553
December 31, 2020	\$ 264,153	\$ 1,033,023	\$ 13,014	\$ 10,369	\$ 56,427	\$ 1,376,986

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

8. Other Assets

	<u>2020</u>	<u>2019</u>
Prepaid expenses	\$ 4,510	\$ 6,708
Other accounts receivable	<u>50,873</u>	<u>18,115</u>
	<u>\$ 55,383</u>	<u>\$ 24,823</u>

9. Members' Deposits

	<u>2020</u>	<u>2019</u>
Chequing accounts	\$ 10,613,275	\$ 7,452,647
Savings accounts	25,221,699	22,829,634
Term deposits and accrued interest	8,189,580	7,529,761
RRSP funds plus accrued interest	13,178,754	13,991,304
RRIF funds plus accrued interest	3,436,650	2,961,592
Non-equity share accounts	507,825	380,401
Equity share accounts	<u>441,729</u>	<u>454,312</u>
	<u>\$ 61,589,512</u>	<u>\$ 55,599,651</u>

Terms and Conditions

Chequing deposits are due on demand.

Demand deposits (savings accounts) are due on demand and bear interest at various rates. Interest is calculated daily.

Term deposits bear fixed rates of interest for terms of up to five years. Interest can be paid annually, semiannually, monthly or upon maturity.

The registered retirement savings plan (RRSP) accounts can be fixed or variable rates. The fixed rate RRSP's have terms and rates similar to the term deposit accounts described above.

Registered retirement income funds (RRIF) consist of both fixed and variable interest rate products with terms and conditions similar to those of the RRSP's described above. Members may make withdrawals from a RRIF account on a monthly, quarterly, semiannually or annual basis. The regular withdrawal amounts vary according to individual needs and statutory requirements.

Fair Value

The estimated fair value of the demand deposits and variable rate deposits are assumed to be equal to book value as the interest rates on these loans and deposits re-price to market on a periodic basis. The estimated fair value of fixed rate deposits is determined by discounting the expected future cash flows of these deposits at current market rates for products with similar terms and credit risks.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

10. Income Taxes

The components of income tax expense are:

	<u>2020</u>	<u>2019</u>
Income taxes - current	\$ 55,897	\$ 41,892
Future income taxes - on reversal of timing differences	<u>(322)</u>	<u>(1,299)</u>
	<u>\$ 55,575</u>	<u>\$ 40,593</u>

11. Related Party Transactions

Director fees and salary replacement paid to directors and salary to key management personnel having authority and responsibility for planning, directing and controlling the activities of the Credit Union were \$373,635 (2019 - \$359,876).

At December 31, 2020, the aggregate value of interest bearing personal and mortgage loans outstanding to directors, key management and employees totaled \$1,736,497; (2019 - \$1,632,680). The aggregate value of interest bearing deposits outstanding to directors, key management and employees totaled \$1,119,619; (2019 - \$1,088,242). These loans and deposits are on the same terms and conditions as have been accorded to all members of the Credit Union.

12. Financial Instrument Classification and Fair Value

The following table represents the carrying amount by classification.

	<u>Fair Value through OCI</u>	<u>Amortized Cost Assets</u>	<u>Amortized Cost Liabilities</u>
December 31, 2020			
Cash and deposits		\$ 16,801,904	
Investments	\$ 1,105,523		
Loans to members		49,184,195	
Other assets		84,640	
Members' deposits			\$ 61,589,512
Other liabilities			<u>737,166</u>
	<u>\$ 1,105,523</u>	<u>\$ 66,070,739</u>	<u>\$ 62,326,678</u>
December 31, 2019			
Cash and deposits		\$ 10,690,729	
Investments	\$ 1,003,709		
Loans to members		49,223,034	
Other assets		53,758	
Members' deposits			\$ 55,599,651
Other Liabilities			<u>898,686</u>
	<u>\$ 1,003,709</u>	<u>\$ 59,967,521</u>	<u>\$ 56,498,337</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

12. Financial Instrument Classification and Fair Value (Continued)

Capital Adequacy/Capital Management

Pursuant to S.22 of the regulations related to the Credit Union Act, a Credit Union shall maintain a capital adequacy reserve of 5% of total assets consisting of share capital and retained earnings. The minimum retained earnings amount is 3% of total assets. The maximum share capital to be used in the determination of capital adequacy is 2% of total assets. As outlined below, the Credit Union was in compliance with the requirement as at December 31, 2020. During 2011 the Credit Union received a stock dividend in the amount of \$61,000 on the formation of Atlantic Central. This amount is included in retained earnings.

	<u>2020</u>	<u>2019</u>
Required capital per regulations:		
5% of total assets (regulatory)	\$ <u>3,427,662</u>	\$ <u>3,117,089</u>
Actual capital		
Retained Earnings	6,226,570	5,843,446
Adjustment for stock dividend	(61,000)	(61,000)
Equity shares	<u>441,729</u>	<u>454,312</u>
	<u>6,607,299</u>	<u>6,236,758</u>
Excess of capital per regulatory requirement	3,179,637	3,119,669
Additional 5% of total assets (per Board policy)	<u>3,427,662</u>	<u>3,117,089</u>
Excess (Shortage) of capital per Board policy	\$ <u>(248,025)</u>	\$ <u>2,580</u>

13. Financial Instrument Risk Management

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's key management personnel. The Board of Directors receives quarterly reports from the Credit Union's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with, at the business and transaction level.



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

13. Financial Instrument Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

Risk Measurement

The assessment of the Credit Union's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective firm specific and market conditions and the related behaviour of its members and counterparts.

Objectives, Policies and Procedures

The Credit Union's liquidity management framework is designed to ensure that adequate sources of reliable and cost effective cash or its equivalents are continually available to satisfy its current and prospective financial commitments under normal and contemplated stress conditions.

Provisions of the Credit Union Act require the Credit Union to maintain a prudent amount of liquid assets in order to meet member withdrawals. The Credit Union has set a minimum liquidity ratio of 6%.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives quarterly liquidity reports as well as information regarding cash balances in order for it to monitor the Credit Union's liquidity framework. The Credit Union was in compliance with the liquidity requirements throughout the fiscal year.

Liquidity Requirement

As at December 31, 2020, the position of the Credit Union is as follows:

	<u>Maximum Exposure</u>
Qualifying liquid assets on hand	
Cash and cash equivalents	\$13,174,144
Liquidity reserve deposit	<u>3,627,760</u>
	16,801,904
Total liquidity requirement	<u>3,695,371</u>
Excess liquidity	<u>\$13,106,533</u>

The maturities of liabilities are shown below under market risk. The Credit Union has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

13. Financial Instrument Risk Management (Continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk.

Senior management is responsible for managing market risk in accordance with the Credit Union's Asset and Liability Management and Investment Policy as set by the Board.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

The following schedule shows the Credit Union's sensitivity to interest rate changes. A significant amount of loans and deposits can be settled before maturity on payment of a penalty, but no adjustment has been made for payments that may occur prior to maturity. Amounts that are not interest sensitive have been grouped together regardless of maturity.

Risk Measurement

The Credit Union's position is measured quarterly. Measurement of risk is based on rates charged to members as well as funds transfer pricing rates.

Objectives, Policies and Procedures

The Credit Union's major source of income is financial margin, the difference between interest earned on investments and member loans and interest paid on members' deposits. The objective of asset/liability management is to match interest sensitive assets with interest sensitive liabilities as to amount and as to term to their interest rate repricing dates, thus minimizing fluctuations of income during periods of changing interest rates.

Schedules of matching and interest rate vulnerability are regularly prepared and monitored by Credit Union's management.

	<u>Assets</u>	<u>Yield (%)</u>	<u>Liabilities</u>	<u>Cost (%)</u>	<u>Asset / Liability Gap</u>
Maturity dates					
interest sensitive					
Variable	\$ 10,499,380	5.64	\$ 34,013,180	0.10	\$(23,513,800)
0-3 months	14,634,300	2.26	11,345,830	1.47	3,288,470
4-6 months	4,048,070	2.98	1,863,220	1.03	2,184,850
7-9 months	4,452,320	2.91	1,940,090	0.70	2,512,230
1 year	7,265,120	2.02	1,916,540	1.46	5,348,580
2 years	8,877,450	3.78	3,381,090	1.20	5,496,360
3 years	7,188,390	4.51	1,225,520	1.44	5,962,870
4 years	5,102,800	5.31	768,120	1.85	4,334,680
5 years	4,816,440	4.40	603,440	1.21	4,213,000
> 5 years					
	<u>66,884,270</u>		<u>57,057,030</u>		<u>9,827,240</u>
Non interest sensitive	<u>1,668,978</u>		<u>5,269,648</u>		<u>(3,600,670)</u>
Total	<u>\$ 68,553,248</u>		<u>\$ 62,326,678</u>		<u>\$ 6,226,570</u>



PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

13. Financial Instrument Risk Management (Continued)

Interest sensitive assets and liabilities cannot normally be perfectly matched by amount and term to maturity. The Credit Union can utilize interest rate swaps in managing this rate gap. One of the roles of a Credit Union is to intermediate between the expectations of borrowers and depositors.

If applying a simple interest calculation to the above schedule, with the exclusion of any assumptions regarding shock reduction adjustments, the effect of the Credit Union's risk resulting from an increase in interest rates of 1% on variable interest sensitive instruments could result in an increase to net income of approximately \$40,900 while a decrease of interest rates of 1% could result in an increase to net income of approximately \$16,100.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

14. Other Income

	<u>2020</u>	<u>2019</u>
Dividends and rebates	\$ 3,321	\$ 6,318
Referral fees	770	34,456
Other income	<u>39,395</u>	<u>27,480</u>
	<u>\$ 43,486</u>	<u>\$ 68,254</u>

15. Members' Security

	<u>2020</u>	<u>2019</u>
Insurance	\$ 19,903	\$ 18,815
Credit Union Deposit Guarantee Corporation assessment	<u>82,201</u>	<u>79,232</u>
	<u>\$ 102,104</u>	<u>\$ 98,047</u>

16. General Business Expenses

	<u>2020</u>	<u>2019</u>
Employee salaries and benefits	\$ 1,117,033	\$ 1,131,274
Canada emergency wage subsidy	(30,528)	
Data processing	179,232	173,052
Interac service charges	67,439	77,693
Professional fees	34,158	25,169
Postage and courier	14,262	21,044
Atlantic Central assessments	78,516	76,074
Business tax	41,618	41,757
Service charges	29,485	49,988
Advertising and promotion	6,344	19,243
Corporate social responsibility	24,000	24,574
Office and stationary	29,075	23,578
Travel	1,939	12,576
Meetings and training	25,621	32,373
Computer consulting	30,409	18,089
Financial planner		44,310
Miscellaneous (snowclearing, foreign exchange, subscriptions etc.)	19,948	18,773
Telephone	15,402	19,032
Equipment maintenance	33,219	23,322
Trustee fees for registered plans	7,975	7,246
Credit bureau	8,041	6,390
Collections	768	2,070
Covid-19 pandemic	<u>17,161</u>	
	<u>\$ 1,751,117</u>	<u>\$ 1,847,627</u>

PUBLIC SERVICE CREDIT UNION LIMITED
Notes to the Financial Statements

December 31, 2020

17. Commitments

Credit Facilities

The Credit Union has an authorized line of credit with Atlantic Central totalling \$1,559,000 bearing interest at the rate of 1.95%, all of which remained unused at year end. These borrowings are secured by a general assignment of book debts.

Member Loans

The Credit Union has the following commitments to its members at the year-end date on account of loans and unused lines of credit:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unadvanced loans	\$ <u>NIL</u>	\$ <u>NIL</u>
Unused lines of credit	\$ <u>5,877,623</u>	\$ <u>5,940,708</u>

18. Economic Environment Risk

At year end, the effects of the global outbreak of COVID 19 continues to evolve, which as had a significant impact on businesses though the restrictions put in place by the Government of Canada, the Province of Newfoundland and Labrador and the local municipal governments regarding travel, business operations and isolation orders. At this time, it is unknown the full extent of the impact that the COVID 19 outbreak may have on the Credit Union as this will depend on future developments that cannot be predicted with confidence. The Credit Union continues to monitor the situation to assess the impact that the pandemic may have on its operations, including its members' ability to service and repay loans. The economic affects have been considered in the overall determination of expected credit losses.



Products and Services

YOUR MONEY

Electronic Services

- MemberDirect® Integrated - Online Banking
- Mobile Web Banking
- iPhone and Android™ Apps
- Lock'N'Block™
- Deposit Anywhere™
- Interac® Direct Payment
- Interac e-Transfer®
- Interac Flash®
- Interac® Online
- Interac® Autodeposit
- Interac® Request Money
- Cross-border Debit
- E-Statements
- ATM Networks (Interac®, AccuLink®, Cirrus®, Exchange®, Plus®)
- Ding-free® (Surcharge-Free ATMs)
- ICU (Integrated Credit Union Services CUs in the Atlantic)
- Payroll Deposits
- Direct Deposits
- Bill Payment
- TeleService®
- Mastercard® Credit Card
- Apple Pay on Credit Cards

Chequing Services

- Personal Chequing
- Business Chequing
- Non Profit Chequing

Saving Services

- Savings
- High Interest Savings Account (HISA)
- Special Payroll Deposits
- Fat Cat Accounts®

YOUR FINANCING

- Loans and Mortgages
- Personal Loans
- Conventional Mortgages
- Collateral Mortgages
- RRSP Loans
- Investment Loans
- Dealer Plan Financing
- Home Equity Lines of Credit
- Line of Credit-Loans
- Overdraft Protection

YOUR FUTURE

Investment Products and Services

- Term Deposits
- RRSP/RRIF/RESP
- Tax-Free Savings Accounts
- Retirement Planning

Insurance

- Credit Life & Disability Insurance
- Critical Illness Insurance
- Mortgage Insurance
- Home/Auto Group Insurance (Available through Cooperators Insurance)
- Travel Insurance
- Term Life Insurance

Financial Management

- Through CUFM: Wealth Management, Financial Planning and Insurance Services
- Financial Counselling
- Trust Services

Additional Services

- Foreign Exchange
- Canadian/Foreign Money Orders
- Bill Payments
- Safety Deposit Box Rentals
- Legal Witnessing
- Certified Cheques

Coming soon...

- Mobile Wallet for Apple®, Google and Samsung

PUBLIC SERVICE CREDIT UNION

403 Empire Avenue
St. John's, NL A1E 1W6

Phone: 709-579-8210
Fax: 709-579-8233 (24 Hours)
Toll Free: 1-800-563-6755
Email: pscudadmin@pscucanada.ca

pscucanada.ca

