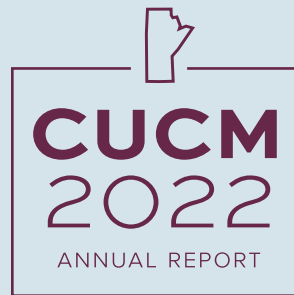




**CUCM**  
**2022**  
ANNUAL REPORT



CREDIT UNION CENTRAL  
OF MANITOBA



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Credit unions serve **more than half of all Manitobans**, from **190 branches in 120 communities** across the province. In 80 of those communities, the credit union or caisse is **the only financial institution in town** to serve local residents and businesses.

*All figures include Manitoba's 19 independent credit unions plus CUCM's associate member, Caisse Financial Group.*

Branch locations as at December 31, 2022

**Access Credit Union** Altona, Arborg, Ashern, Beausejour, Birds Hill, Carman, Dominion City, Dugald, Emerson, Eriksdale, Fisher Branch, Gimli, Gretna, Grunthal, Headingley, Lac du Bonnet, Lowe Farm, Lundar, Manitou, Miami, Moosehorn, Morden (2 locations), Morris, Oak Bank, Pinawa, Pine Falls, Plum Coulee, Riverton, Sanford, Selkirk (2), Sprague, Starbuck, Stonewall, Teulon, Vita, Whitemouth, Winkler, Winnipeg (12), Winnipeg Beach

**Amaranth Credit Union** Amaranth

**Assiniboine Credit Union** Winnipeg (17), Gillam, Thompson

**Belgian-Alliance Credit Union** Winnipeg (3)

**Caisse Financial Group** Elie, Île des Chênes, La Broquerie, La Salle, Lorette, Notre Dame de Lourdes, St. Adolphe, St. Claude, St. François Xavier, St. Georges, St. Jean Baptiste, St. Laurent, St. Malo, St. Pierre Jolys, Ste. Agathe, Ste. Anne, Winnipeg (3)

**Cambrian Credit Union** Winnipeg (10), Selkirk

**Carpathia Credit Union** Winnipeg (5)

**Casera Credit Union** Winnipeg (3)

**Compass Credit Union** Brandon (2), Erickson

**Flin Flon Credit Union** Flin Flon

**Fusion Credit Union** Binscarth, Birtle, Brandon, Dauphin, Ethelbert, Gilbert Plains, Hamiota, Inglis, Kenton, Miniota, Oak Lake, Oak River, Roblin, Rorketon, Rossburn, Russell, St. Lazare, Winnipegosis

**Me-Dian Credit Union** Winnipeg, Grand Rapids

**Niverville Credit Union** Niverville, Landmark, Steinbach

**Rosenort Credit Union** Rosenort, Altona, Winkler

**Steinbach Credit Union** Steinbach, Winnipeg (2)

**Stride Credit Union** Austin, Gladstone, Glenella, MacGregor, Neepawa, Oakville, Plumas, Portage la Prairie

**Sunrise Credit Union** Baldur, Boissevain, Brandon, Cypress River, Deloraine, Grandview, Hartney, Holland, Laurier, Melita, Minnedosa, Reston, Ste. Rose du Lac, Sandy Lake, Shoal Lake, Strathclair, Treherne, Virden, Waskada

**Swan Valley Credit Union** Swan River, Benito

**Westoba Credit Union** Brandon (3), Carberry, Cartwright, Killarney, Ninette, Pilot Mound, Rivers, Souris, Swan Lake, The Pas, Winnipeg

**Winnipeg Police Credit Union** Winnipeg (2)

## MANITOBA'S CREDIT UNIONS

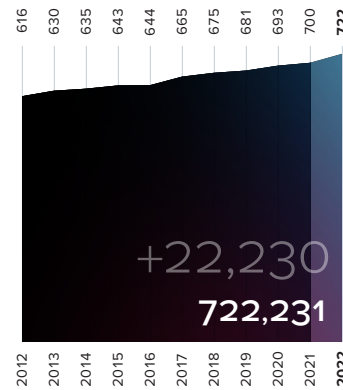
### CONSOLIDATED SYSTEM STATISTICS

December 31, 2022

All figures preliminary unaudited results

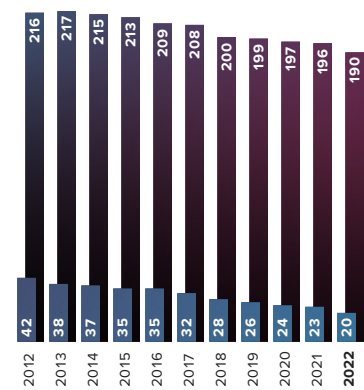
Some figures may not match due to rounding

#### MEMBERSHIPS (thousands)



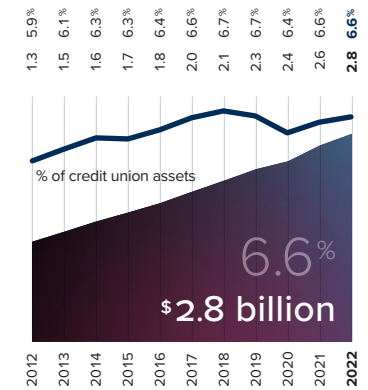
With more than 722,000 members, Manitoba credit unions and Caisse Financial Group (the Caisse) provide a full suite of financial services to half of all Manitobans. Well over twenty thousand people opened new memberships in 2022.

#### CREDIT UNIONS & BRANCHES



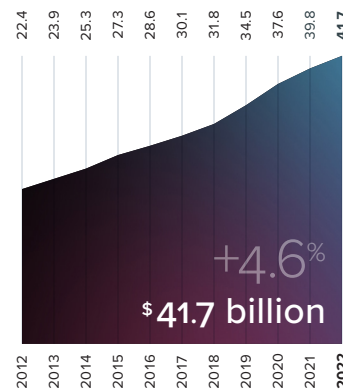
The number of credit unions was reduced by one on January 1, when Assiniboine Credit Union merged with Entegra, then fell by two more on July 1 with the amalgamation of Access, Noventis and Sunova credit unions.

#### EQUITY (\$ billions/% of assets)



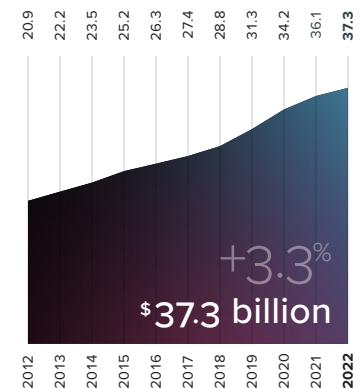
Credit union equity consists of member share capital, surplus shares, preferred shares, contributed surplus and retained earnings. It increased by \$156 million in 2022, while consolidated equity as a percentage of system assets remains strong at 6.6%.

#### ASSETS (\$ billions)



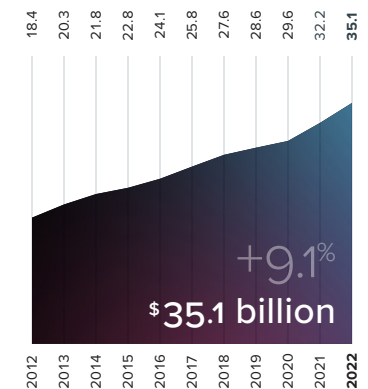
System assets grew by \$1.8 billion in 2022, a 4.6% increase over 2021.

#### DEPOSITS (\$ billions)



Member deposits grew by \$1.2 billion, an increase of 3.3%.

#### LOANS (\$ billions)\*



Manitoba credit union loans grew by nearly \$3 billion in 2022, a 9.1% increase over 2021.

\* net of allowances

All figures include Manitoba's 19 independent credit unions plus CUCM's associate member, Caisse Financial Group.



<b>VISION</b>	A trusted partner, helping grow a successful Manitoba credit union system.
<b>PURPOSE</b>	To strengthen the conditions that support credit union success.
<b>ORGANIZATIONAL VALUES</b>	Members first. Accountability. Teamwork. Belonging. Community.

Credit unions operate in a highly competitive and rapidly changing environment. New technologies empower credit unions to enhance member service, while also introducing new operational costs and complexities.



Curtis Wennberg

In 2022, Manitoba credit unions and their members, like so many others, faced challenges related to changing market conditions, rising costs, and economic uncertainty.

Credit unions in our province met those challenges head on as they continued to grow, evolve, and meet the needs of their members. In 2022, loans provided by Manitoba credit unions and the Caisse Financial Group grew by nearly \$3 billion compared to the previous year, and system assets grew by \$1.83 billion, to nearly \$42 billion in total. CUCM saw a significant reduction in credit union liquidity in 2022 following pandemic-related highs in recent years, as credit unions put their capital to work for Manitobans.

Consolidation of credit unions continued in 2022. In mid-2023, two more previously announced mergers will take effect, and Manitoba will have 16 credit unions plus the Caisse, half as many as just six years ago. While some credit unions are consolidating and others remain more niche, overall assets continue to grow. Credit unions remain a strong force with Manitobans, serving more than half of the population, and acting as major employers in many communities.

Continued growth in assets and membership is the direct result of credit unions working with local business owners and producers every day to help them start or grow their businesses. It demonstrates the pivotal role Manitoba credit unions play in helping families buy or renovate homes, build a new life in a new country, save for post-secondary education, prepare for retirement, or work through tough financial times.

Credit union members, like most consumers, are changing their expectations and behaviours, seeking more options for digital service and advice. In 2022, credit unions prepared for the emergence of a Canadian Open Banking framework, and continued investing in new technologies, skills, and partnerships as they refine their strategies for the future.

CUCM considered the changing needs of credit unions as we renewed our purpose statement in 2022. With input from our board of directors and leadership team, we introduced a simple, yet powerful purpose statement: To strengthen the conditions that support credit union success.

As we rallied around our renewed purpose in 2022, we delivered on many important priorities. Once again, CUCM generated strong financial returns to our member credit unions through effective liquidity and treasury management practices. We facilitated working groups and discussions to help credit unions prepare for the emergence of Open Banking and identified opportunities to remove red tape and modernize the Credit Unions and Caisses Populaires Act.

We convened or brought perspectives to in-person and virtual forums for credit union leaders to explore the challenges and opportunities on the horizon. And CUCM was proud to host, for the first time, an event that brought together Members of the Legislative Assembly with credit union leaders to discuss shared priorities of investing in Manitoba families, businesses and communities.

On behalf of member credit unions, CUCM retains shared ownership responsibilities, for jointly held assets in

organizations such as Celero Solutions, Everlink Payment Services Inc., and the Prairie Payments Joint Venture (PPJV). We placed a strong focus on these strategic investments in 2022, centered on managing risk and strengthening governance practices to drive better outcomes for credit unions. Losses from Celero were higher than anticipated in 2022 due to required investments in technology and a challenging environment that may continue in the short term. In 2022 we reconsidered the strategic nature of our minority holding in Concentra Bank and subsequently sold it to Equitable Bank for \$12.3 million.

The work we undertook for, and on behalf of, credit unions in 2022 resulted in improved ratings of credit union satisfaction with their central. I would like to thank credit unions and all CUCM employees for their ongoing support and commitment. Our changing environment requires the ability to continually adapt and evolve to meet changing credit union needs, which is demonstrated by employees and leaders in our system every day.

As we look ahead to 2023, CUCM will remain focused on working with credit unions, government, regulators, and suppliers to shape the conditions that support credit union success. This will include ongoing work of providing the best possible stewardship of credit union liquidity, modernizing legislation that impacts credit unions, and optimizing the performance of our strategic assets.



**CURTIS WENNBERG**

*President and Chief Executive Officer*

Credit Union Central of Manitoba is the trade association and key service provider for Manitoba credit unions and the Caisse Financial Group. We manage credit union liquidity reserves and provide trade services in areas such as government relations, advocacy, and system governance. We also provide services in the areas of treasury, credit adjudication, compliance, and more.

As Chair, I am honoured to present the report on behalf of the board of directors for 2022. It was a year of challenges and successes on a number of fronts, and I'm proud to say the organization navigated them with resiliency and determination.



Paul Holden

As a group, CUCM's board remained committed to providing sound stewardship and oversight of CUCM, working with management to lead an organization that serves its member credit unions with excellence and integrity.

A key component of that role is a strong governance model that ensures all Manitoba credit unions are afforded an appropriate level of representation at the board table and provides the framework for CUCM's board to achieve its desired goals in terms of board size and composition. That enhanced governance model was at the heart of CUCM's formal governance review in 2022 and I'm pleased to report that with the input of many stakeholders—including credit unions, CUCM's regulators, the Democratic Control Review Committee and the board itself—we were able to arrive at a successful conclusion in June, with the board unanimously approving a revised set of governance guiding principles that align CUCM's board with best practices in board governance and will allow for the board to transition to its desired future state at pace but prudently.

The revised governance guiding principles will serve the organization in good stead in the years to come, which is crucial given the ongoing consolidation in the Manitoba credit union system. The frequency and scale of credit union amalgamations has accelerated in recent years, and as the credit union system moves towards fewer and larger credit unions, these mergers are increasingly impactful. Where 20 years ago there were 57 credit unions in Manitoba with

combined assets of \$8.3 billion, by the end of 2022 there were just 20 credit unions (including Caisse Financial Group) in the province, yet their combined assets had topped \$40 billion.

As credit unions in our province change, what they require from their central also changes. In recognition of those changing needs, when the board met for its annual planning session in October, a core focus of the two-day session was examining and discussing the evolving credit union landscape and potential future state scenarios for CUCM based on a number of environmental factors, including the level of anticipated competition in the marketplace as well as the nature of regulatory environment.

This was important work for the board, as it allowed directors to reflect on where the credit union system is headed over the next three to five years and assess the business model options for CUCM as the organization looks to adapt to those future scenarios.

Of similar importance was the time the board devoted in 2022 to deepening its knowledge of topics that are top of mind for credit unions these days such as Open Banking and cybersecurity. At the planning session, directors heard from industry experts from both Australia and the United Kingdom about the Open Banking experiences of financial institutions in those markets. At CUCM's fall system meeting, directors also heard from the Department of Finance Canada's Open Banking Lead about the status of the Canadian Open Banking Framework. Cybersecurity was also a topic of keen interest



to directors in 2022, and the board received further insight into the subject at several board and committee meetings throughout the year.

Of course, 2022 was not without its challenges either. CUCM's downstream entities, Celero Solutions and the Prairie Payments Joint Venture, grappled with the weighty tasks of developing next-generation technology and payments systems service offerings. This is complex and important work that is critical to the continued growth and success of the Manitoba credit union system. It is also work that requires a significant investment of credit unions' time and money and, as such, CUCM's board took a keen interest in the progress of these organizations in 2022. CUCM's directors worked diligently to ensure the board met its responsibilities with respect to risk exposure and further investments in these

downstream entities and will continue to do so in the years ahead.

The board itself also underwent changes last year. Three new directors — Paul Cuthbert, Brent Budz and Tim Klassen — joined the board in 2022. Each brings with them unique perspectives, backgrounds and expertise and the organization as a whole benefits from their presence at the board table. We are pleased to welcome each of them to the CUCM board.

In closing, the board would like to thank CEO Curtis Wennberg and CUCM's employees for their continued efforts on behalf of all Manitoba credit unions, and for their support of the system's governance process, from peer segment meetings to CUCM board meetings and planning sessions. I would also like to thank my fellow directors for their work on behalf of their own peer segments, and the entire credit union system.



**PAUL HOLDEN**

*Chair, Board of Directors*

## It was a productive year for CUCM's board of directors as they fulfilled their leadership and oversight duties to the organization.

The board met 11 times during 2022, including the annual joint meeting with the Deposit Guarantee Corporation of Manitoba (DGCM) and the Financial Institutions Regulations Branch (FIRB) in October. The board's subcommittees (the Audit and Risk, Governance and Conduct Review, Investment, and Nominating committees) also met regularly throughout the year.

In addition to regular and special board meetings, the board convened in Gimli, Manitoba over the course of two days in October to conduct its annual planning session. The planning session is a key milestone for the board each year, providing directors with the opportunity to come together with management to discuss important strategic issues. At the 2022 board planning session, the board received presentations from experts in the global financial services industry on timely topics such as Open Banking and the experiences of financial institutions in the United Kingdom and Australia adopting this new standard.

Additionally, the board devoted time to a fulsome discussion of CUCM's current state and the credit union landscape in Manitoba, examining potential future state scenarios for CUCM including business model options and opportunities. The planning session was an opportunity for directors to review and provide input into CUCM's refreshed guiding statements (Vision, Purpose, Values) and the organization's priorities for 2023.

Of course, providing input into strategic decisions is a year-round responsibility for the board, and throughout the

year CUCM's directors offered feedback, insight and direction on a wide variety of topics and issues of importance to the organization, including downstream entities like the Prairie Payments Joint Venture, Celero and Everlink. The board also offered regular input into CUCM's advocacy strategy as well as its budget and strategic plan.

Finally, a significant piece of work for the board in 2022 was its involvement in the successful completion of CUCM's formal governance review. The governance review encompassed research into the governance models of other jurisdictions, including board size and composition, proportional voting mechanisms, director election processes, term limits, peer group structures and funding formulae.

The review sought input from stakeholders throughout the Manitoba credit union system, including the board itself, the Governance and Conduct Review Committee, the Democratic Control Review Committee, CUCM's regulators and credit union delegates.

At its June 23, 2022, meeting, CUCM's board of directors received the final report and unanimously approved its recommendations. The recommendations called for a revised set of governance guiding principles intended to inform the evolution of CUCM's governance model as well as recommendations on the various governance components considered as part of the review, including voting methodology, board size, board composition, term limits and implementation of appointed directors.

MEETING ATTENDANCE

[ CHAIR ]	<b>Mike Csversko</b>	4/4
[ VICE-CHAIR ]	<b>Brad Penner</b>	4/4
	<b>Brent Budz</b>	3/3
	<b>Paul Cuthbert</b>	2/2

**Audit and Risk Committee**

This committee oversees CUCM’s external and internal auditors and the organization’s risk management processes, including the appointment and compensation of the external auditors, the Director of Internal Audit and the Chief Risk Officer. The committee reviews and reports on the audited financial statements, reviews difficulties encountered by the auditors in the performance of their audits, reviews critical and significant recommendations on the subjects of internal control, financial risk or process improvement — and management’s response thereto — and ensures that management maintains an appropriate system of internal controls. The committee also reviews the risk appetite framework, including risks identified by management through the risk register, and provides input to the approval of changes to business strategies and the corresponding risk appetite. It also reviews significant risks and exposures, and management’s response to those risks, and the impact of changes to investment and lending policies recommended by the investment committee.

MEETING ATTENDANCE

[ CHAIR ]	<b>Bruce Penner</b>	4/4
[ VICE-CHAIR ]	<b>Mike Csversko</b>	4/4
	<b>Larry Davey</b>	4/4
	<b>Paul Holden</b>	4/4

**Governance and Conduct Review Committee**

This committee oversees the quality and effectiveness of CUCM’s corporate governance. Among a wide range of responsibilities, the committee studies, recommends and reviews the development of, and compliance with, board policies and procedures to advance good corporate governance. The committee oversees board succession and the population of other board committees. It oversees training for the board and maintains a matrix of director talents and board requirements to identify skill strengths of directors and any gaps on the current board. It applies CUCM’s conflict of interest policies and procedures in reviewing conflict of interest situations and all transactions with related parties of CUCM.

MEETING ATTENDANCE

[ CHAIR ]	<b>Brad Penner</b>	2/2
[ VICE-CHAIR ]	<b>Kevin Sitka</b>	2/2
	<b>Tim Klassen</b>	2/2
	<b>Bruce Penner</b>	2/2

**Investment Committee**

This committee oversees CUCM’s investment policies and strategic investments. It reports to the board on exceptions to policy, and reviews, approves and presents for board approval any strategic investment opportunity pursuant to the General Investment Policy.

MEETING ATTENDANCE

	<b>Bruce Penner</b>	1/1
	<b>Kevin Sitka</b>	1/1
	<b>Paul Holden</b>	1/1
	<b>Larry Davey</b>	1/1
	<b>Brad Penner</b>	1/1

**Nominating Committee**

This became a board committee in 2018, having previously been a system committee. It reviews and endorses candidates to CUCM’s board vis-a-vis the eligibility requirements set out in CUCM’s bylaws, the Director Competency Profile and, more broadly, their ability to strengthen the board.

CUCM VICE-CHAIR

PEER SEGMENT 1

**Steinbach** Credit Union



**Bruce Penner**

DIRECTOR (FIRST VICE-CHAIR)  
Steinbach Credit Union  
Board Meeting Attendance 9/10

CUCM CHAIR

PEER SEGMENT 2

**Assiniboine** Credit Union



**Kevin Sitka**

PRESIDENT & CEO  
Assiniboine Credit Union  
Board Meeting Attendance 10/10

PEER SEGMENT 3

**Cambrian** Credit Union



**Paul Holden**

DIRECTOR  
Cambrian Credit Union  
Board Meeting Attendance 10/10

PEER SEGMENT 4

**Access** Credit Union



**Larry Davey**

PRESIDENT & CEO  
Access Credit Union  
Board Meeting Attendance 10/10



**Paul Cuthbert**

DIRECTOR (VICE-CHAIR)  
Access Credit Union  
Board Meeting Attendance 2/2



**Tim Klassen**

CHIEF EXECUTIVE OFFICER  
Sunrise Credit Union  
Board Meeting Attendance 7/8



**Brent Budz**

CHIEF EXECUTIVE OFFICER  
Stride Credit Union  
Board Meeting Attendance 7/8



**Brad Penner**

CHIEF EXECUTIVE OFFICER  
Rosenort Credit Union  
Board Meeting Attendance 9/10



**Mike Csversko**

BUSINESS DEVELOPMENT MANAGER  
Fusion Credit Union  
Board Meeting Attendance 10/10

PEER SEGMENT 5

- Amaranth** Credit Union
- Belgian-Alliance** Credit Union
- Carpathia** Credit Union
- Casera** Credit Union
- Compass** Credit Union
- Flin Flon** Credit Union
- Fusion** Credit Union
- Me-Dian** Credit Union
- Niverville** Credit Union
- Rosenort** Credit Union
- Stride** Credit Union
- Sunrise** Credit Union
- Swan Valley** Credit Union
- Westoba** Credit Union
- Winnipeg Police** Credit Union

**\$68,814** Employee Charitable Giving  
Includes employee donations, directors' support of employee giving and funds raised at special events

**+\$67,991** CUCM Corporate Match  
Dollar-for-dollar match of employee giving (less United Way/All Charities campaign expenses)

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**\$136,805** Total Giving in 2022

**582 hours** Employee Volunteer Time  
**76%** Employee Volunteer Participation

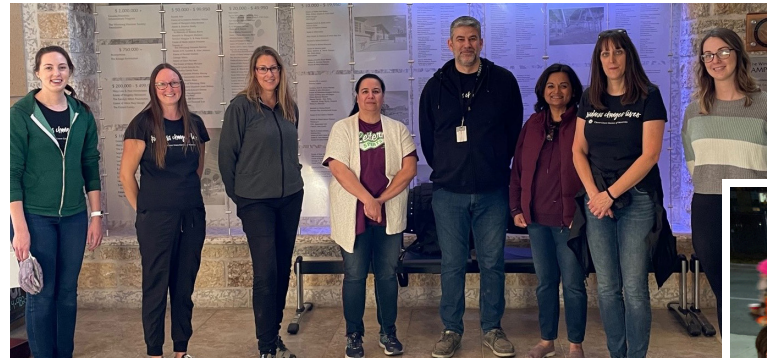
## CUCM's corporate giving is driven by employee decisions.

In the spirit of the seventh co-operative principle, *Concern for Community*, CUCM matches employee donations to registered charities through the annual United Way/All Charities campaign and other activities (such as Staff Club fundraisers and sponsored events).

Together, CUCM and its employees have contributed well over one million dollars in the past decade to a diverse group of organizations.

CUCM also regularly invites representatives from charitable organizations to share their stories at all-staff meetings — building connections and inspiring employees with new opportunities to volunteer and support worthwhile causes in the community.

To align to its goals and values, CUCM measures its community engagement as part of its corporate balanced scorecard process.



CUCM provided staff with 30 volunteer opportunities in 2022. Employees spent a total of nearly 600 hours pitching in for local organizations, including the Winnipeg Humane Society (above) and Bear Clan Patrol (right).



- Agape Table Inc. 💰
- Alpha House 💰
- ALS Society of Manitoba 💰
- Alzheimer's Society 💰
- Bear Clan Patrol 💰👤
- Canada-Ukraine Foundation 💰
- Canadian Blood Services 👤
- Canadian Cancer Society 💰
- Canadian Liver Foundation 💰
- Canadian Parks and Wilderness Society 💰
- Canadian Red Cross (Ukraine Campaign) 💰
- Canadian Women's Foundation 💰
- CancerCare Manitoba Foundation 💰
- Children's Hospital Foundation of Manitoba 💰
- Co-operative Development Foundation of Canada 💰
- CURE Foundation 💰
- Diabetes Canada 💰
- Downtown Winnipeg BIZ (Earth Day CleanUp) 👤
- Dream Factory 💰
- Firefighters Burn Fund 💰
- Habitat for Humanity 💰
- Habitat for Humanity Women Build 💰
- Harvest Manitoba 💰👤
- Heart & Stroke Foundation 💰
- HSC Foundation 💰
- Immigrant & Refugee Community Organization of Manitoba (IRCOM) 💰
- Ka Ni Kanichihk Inc. 💰
- Kidney Foundation 💰
- Koats for Kids 👤
- La Leche League Canada 💰
- Main Street Project 💰
- Make a Wish Foundation 💰
- Manitoba Children's Museum 💰
- Manitoba Marathon 💰👤
- Mennonite Central Committee 💰
- Newcomers Employment & Education Development Services (NEEDS Inc.) 💰
- Never Alone Foundation 💰
- Plan International 💰
- Prairie Wildlife Rehabilitation Centre 💰
- Rossbrook House 💰
- Salvation Army 💰👤
- Siloam Mission 💰👤
- Take Pride Winnipeg Community Cleanup 👤
- United Way of Winnipeg 💰👤
- Variety Children's Charity of Manitoba 💰
- Wildlife Haven Rehabilitation Centre 💰
- Winnipeg Humane Society 💰👤

Credit unions have been major sponsors of the Manitoba High Schools Athletic Association since 2003. As well as the prestigious Scholar Athlete Awards, credit unions provide the championship medals at more than 50 provincial competitions every year.

Photo courtesy MHSAA



## Manitoba credit unions have a long and proud history of supporting community endeavours — both individually and collectively through system sponsorships.

In addition to the **millions of dollars** in donations and sponsorships made by individual credit unions every year, the Manitoba credit union system collectively sponsors a number of worthy causes, based on a set of shared criteria.

Joint sponsorships in 2022 included the **Curl Manitoba Master Men’s and Women’s Championships**, the **Manitoba High Schools Athletic Association**, the **Manitoba 55-Plus Games**, the **Manitoba Forage and Grassland Association** and the **Wasagaming Foundation’s Camp Wannakumbac**.

Many of these sponsorship commitments have been in place for 20 years or more — just one more way credit unions play an indispensable role in the lives of Manitobans in every part of the province.



*Ka Ni Kanichihk marked the beginning of autumn with a ground blessing ceremony on the site where construction of their expanded campus will begin in March 2023. Pictured (from left): Audrey Richard, Kayla Tanner and Gayle Sinclair.*

## Home for Reconciliation

When **Ka Ni Kanichihk** announced plans for an \$8-million building expansion, credit unions were among the first to step up to support the project with a gift of \$100,000. Ka Ni Kanichihk delivers Indigenous-designed and -led programs that help children, youth, women, young men, and families to heal, learn, and become leaders, all centered in culture.

“This project will create new opportunities for people in Winnipeg and from across the province,” said the organization’s Executive Director Dodie Jordaan at the sponsorship announcement in June. “We thank credit unions for their gift to help create unique and welcoming Indigenous-designed spaces.”

The ‘Home for Reconciliation’ expansion project was developed by and with the community Ka Ni Kanichihk has walked beside for more than 20 years. It will include healing spaces, a cultural centre, medical clinic, access to Elders, employment training rooms, a much-needed community resource hub, rare inner-city green space and a nurturing daycare. Construction is scheduled to begin in March 2023.

*This section of the annual report providing management's discussion and analysis ("MD&A") of the consolidated results of Credit Union Central of Manitoba Limited ("CUCM") should be read in conjunction with the audited consolidated financial statements and notes as at and for the year ended December 31, 2022. The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").*

*This MD&A is dated March 9, 2023 and provides comments regarding CUCM's core strategies, financial operating results, risk management, and business outlook.*

#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This report includes forward-looking statements. By their very nature, forward-looking statements require that management make assumptions involving several factors, many of which are beyond management's control, and which may cause actual results to differ from the expectations expressed in the forward-looking statements. These factors include but are not limited to changes in general economic conditions; interest rates, currency exchange rates and liquidity conditions; the effects of economic conditions on the Manitoba credit union system; legislative or regulatory developments; changes in accounting standards or policies; and CUCM's success in anticipating and managing the risks inherent in these factors. Readers are cautioned that the foregoing list is not exhaustive. CUCM does not undertake to update any forward-looking statements contained in this annual report. Readers should not place undue reliance on forward-looking statements, as actual results may differ materially from expectations.

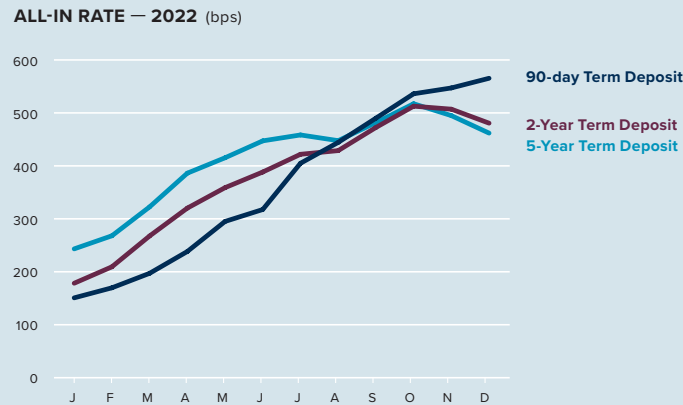
#### **MANITOBA CREDIT UNION SYSTEM**

Deposits in the Manitoba credit union system (the "System"), which excludes associate members of CUCM, grew by 3.2 per cent, down from 5.8 per cent in 2021. Deposit growth is the primary funding source for System asset growth. System assets

grew 4.5 per cent in 2022, down from 6.0 per cent in 2021. System loans grew by 9.2 per cent in 2022, up from 8.7 per cent in 2021.

As a percentage of total credit union members' deposits, System deposits held at CUCM ended the year at 14.3 per cent (2021 – 17.9 per cent). Member deposits at CUCM declined 17.0 per cent in 2022 and, excluding the impact of mark-to-market valuations, ended the year \$1,084 million lower than 2021. The level of longer-term deposits remained virtually unchanged during the first half of 2022. The third quarter of 2022 saw significant growth in longer-term deposits relative to the prior quarter level however the overall level of those deposits remained immaterial relative to total deposits. Year-over-year, excluding the impact of mark-to-market valuations, short-term member deposits (original term less than 13 months) decreased by \$1,278 million to end the year at \$5,093 million, while longer-term member deposits (original term greater than 13 months) grew by \$194 million to end the year at \$197 million. At year-end, 96.3 per cent of members' deposits were held in short-term deposits.

A recent survey of CUCM's members indicates they expect little to no change in the level and composition of their deposits over the coming year.



**CUCM OPERATING RESULTS**

**Returns on Members' Deposits**

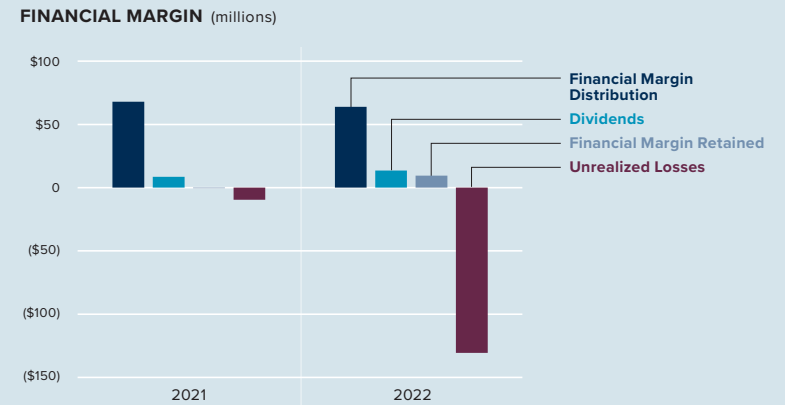
The chart shown above provides an indication of the all-in rates available for CUCM's members' deposits throughout the year, inclusive of financial margin distributions.

CUCM's weighted average cost of funds grew to 185 basis points ("bps") from 25 bps in 2021.

The average cost of funds paid by CUCM to its members on short-term balances (Canadian and U.S. balances, combined) was 162 bps on current accounts and 192 bps on short-term deposit balances, for a combined average cost of 185 bps. Financial margin distributions from CUCM to its members equated to an additional 114.2 bps on short-term deposits (both current accounts and short-term deposits) in the year, resulting in a total average payment equal to 299 bps.

The average cost of funds paid on longer-term deposits was 429 bps. An additional distribution of financial margin of 1 bps was paid on these deposits (reflecting the additional income earned from the bond investments matched to these deposits), for a total average payment equal to 430 bps on longer-term deposits.

Finally, the incremental income earned on CUCM's lending to members is distributed in proportion to excess liquidity



deposits. In 2022, this component of financial margin equalled to \$148,000 compared to \$87,000 in 2021.

**Financial Margin**

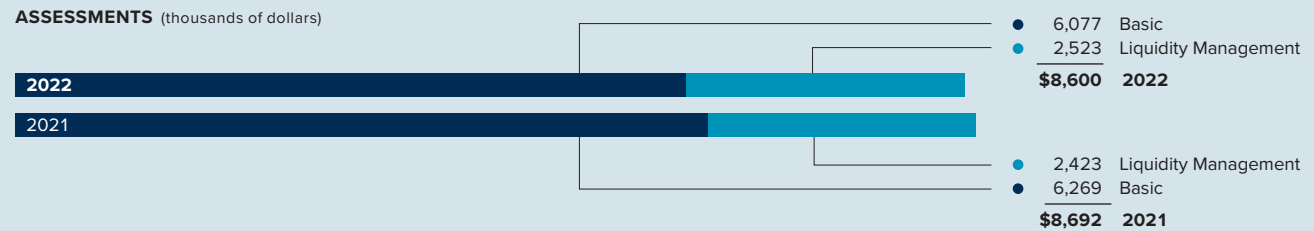
Financial margin for 2022 was -\$43.8 million compared with \$66.2 million in 2021. The chart above illustrates the components of financial margin.

CUCM's members' deposits and share capital are managed as separate portfolios. Investment earnings are distributed in the form of financial margin distributions and dividends, respectively.

After spiking higher in the first year of the pandemic, members' deposits at CUCM have fallen almost as rapidly. From their peak at the end of April 2021, deposits fell \$1.2 billion by the end of 2021 and by another \$1.1 billion in 2022. Credit union members have spent some of the funds they had saved during the early part of the pandemic, slowing deposit growth. At the same time, loan demand has surged, enabling credit unions to deploy much of their excess liquidity.

CUCM's asset swap portfolio remains the primary source of its financial margin earnings. Asset swaps are comprised of longer-term debt instruments and interest rate swap agreements which, when combined, generate a rate of return that resets monthly





or quarterly. Because the reset frequency mimics members’ preference for terms maturing within three months, CUCM is exposed to very little interest rate risk. Yields earned on this portfolio exceed those on alternative short-term investments and enhance the returns paid on members’ short-term deposits.

From a return perspective, asset swaps are an ideal investment for the System’s liquidity. The longer-term nature of the assets (bonds) underlying asset swaps does generate some liquidity risk, and CUCM monitors and manages this closely as part of its mandate to steward members’ deposits. One way in which CUCM does so is by diversifying the asset swaps’ terms to ensure a stock of upcoming maturities from which CUCM can fund potential liquidity shrinkage. A total of \$802 million of asset swaps matured in 2022, which went a long way to funding the \$1.1 billion of shrinkage. CUCM funded the balance by borrowing funds through repurchase agreements and selling some of its asset swaps. All three funding sources — maturities, repurchase agreements, and sales — were relatively low cost and as a result, financial margin (the numerator) fell by less than the denominator (liquidity deposits), increasing distributions in bps. Further boosting returns is CUCM’s practice of trading the portfolio, that is, extending terms on some asset swaps. This both enhances the spread earned and locks in that higher spread for a longer period, and this was especially beneficial in 2022 as challenging markets provided opportunities. Average financial margin distributions rose to 114 bps in 2022 from 98 bps in 2021.

\$1.03 billion of asset swaps are scheduled to mature in 2023, beginning in April. Credit unions are projecting liquidity shrinkage of just over \$100 million this year, and on that assumption, most of the maturity proceeds will be reinvested in new asset swaps at the then-prevailing market spreads.

Turning to share capital, financial margin earned on investments funded by share capital are paid in full to shareholders via dividends. Some of these investments also take the form of asset swaps. Current interest rates exceed the level assumed in the 2023 budget, which bodes well for 2023 returns.

**Net Operating Expense**

CUCM operates on a cost-recovery basis with the majority of its costs recovered from its members via assessments or fees-for-service. CUCM does incur some costs that it chooses not to recover from its members. Unrecovered costs result in net operating expense for CUCM. These costs typically consist of project costs and donations. Donations costs stem from CUCM matching individual employee donations made to supported charities.

**Assessments** (chart above)

CUCM’s operations are primarily financed through recoveries, from members, of the costs incurred to provide services to members. These recoveries mainly take the form of assessments to members (basic and liquidity management) and fee income charged for services to members. In 2022, members’ assess-

ments totalled \$8.60 million (2021 — \$8.69 million). These expenses are expected to remain stable over the medium term.

**BORROWING MULTIPLE** (ratio of debt to regulatory capital)



**Capital**

Pursuant to the Prudential Standards for Credit Union Central of Manitoba Regulation issued by the Deposit Guarantee Corporation of Manitoba (“DGCM”), the Organization must not exceed a borrowing multiple of 20:1. The borrowing multiple is defined in the regulation as total borrowings divided by total capital. Total capital is defined as the sum of the Organization’s stated share capital, reserves, and subordinated liabilities reduced by assets specifically identified in the regulation.

In addition to the requirement noted above, policies regarding capital levels have been established by CUCM’s board of directors that ensure CUCM’s capital remains in excess of the regulatory requirements. The board’s policy for setting the level of retained earnings is guided by CUCM’s operating principle that the System’s equity belongs with credit unions, so earnings retained by CUCM are minimized.

**Balanced Scorecard**

The Balanced Scorecard (“BSC”) is a management and measurement system that enables CUCM to clarify vision and strategy and translate them into action. It aligns to CUCM’s goals and provides feedback on internal business processes and external outcomes, with the goal of helping CUCM continuously improve strategic results.

The BSC establishes measures of organizational success across four balanced perspectives: financial, customer focus, process, and organizational capacity. In 2022, the overall BSC result was 88 points out of a possible 100 which is a very positive result for 2022 and an improvement over the result for 2021 of 71 points. Member satisfaction and overall results are strong as CUCM continues to evolve and position itself best to serve its credit union members.

**ASSOCIATED ENTITIES**

**Celero Solutions**

CUCM owns one-third of Celero as a joint venture with Alberta Central and Saskatchewan Central as the other two owners. The recent performance of this technology-based organization was challenged through 2022 with a loss being recorded for the year. The loss is passed through CUCM to member credit unions that are users of Celero services. The majority of the loss was driven by one-time factors, but the joint venture will be pressured to achieve profitability in the short-term. A vital project for Celero in 2023 will be its data centre transformation.

**Prairie Payments Joint Venture (“PPJV”)**

This payments entity is owned as a joint venture together with Alberta Central and Saskatchewan Central, wherein all joint venture participants retain a one-third ownership. PPJV experienced delays in launching all the payment types into the new IBM platform driving a loss for 2022. Once the larger payment volumes begin to go through the IBM system, the older, legacy payment systems can be migrated out which will lower costs but the impact of this will not be felt in 2023. As such, a further operating loss is expected in 2023. Improvements in operating income are expected in the years beyond 2023.

**SUMMARY CONSOLIDATED  
FINANCIAL STATEMENTS**

CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

March 1, 2023

The accompanying financial statements were prepared by Management, which is responsible for the integrity and objectivity of the data presented, including amounts that must necessarily be based on judgments and estimates. The financial statements were prepared in conformance with International Financial Reporting Standards, and in situations where acceptable alternative accounting principles exist, Management selected the method that was thought to be most appropriate in the circumstances. Financial information appearing throughout this Annual Report is consistent with the financial statements.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, Management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial reporting to our members rests with the Board of Directors. The Audit & Risk Committee, which is appointed by the Board of Directors, meets at least twice a year to review, with Management and the appointed external auditors, the scope of the annual audit and the final audited financial statements.

The financial statements have been examined by PricewaterhouseCoopers LLP, whose report expresses their opinion with respect to the fairness of the presentation of the statements.

A handwritten signature in blue ink, appearing to read 'C. Wennberg'.

CURTIS WENNBERG  
*President and  
Chief Executive Officer*

A handwritten signature in blue ink, appearing to read 'B. Davidson'.

BARRIE DAVIDSON  
*Treasurer  
Senior Vice-President, Finance  
and Chief Risk Officer*



## Independent auditor's report on the summary consolidated financial statements

To the Members of Credit Union Central of Manitoba Limited

### Our opinion

In our opinion, the accompanying summary consolidated financial statements of Credit Union Central of Manitoba Limited and its subsidiary (together, the Organization) are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in note 1 to the summary consolidated financial statements.

### The summary consolidated financial statements

The Organization's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2022 comprise:

- the summary consolidated statement of financial position as at December 31, 2022;
- the summary consolidated statement of operations and comprehensive loss for the year then ended;
- the summary consolidated statement of members' equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary consolidated financial statements.

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

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 1, 2023.

### Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in note 1 to the summary consolidated financial statements.

### Auditor's responsibility

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
March 1, 2023

PricewaterhouseCoopers LLP  
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada, R3B 0X6  
T: +1 204 926 2400, F: +1 204 944 1020

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022

**Summary Consolidated Statement of Financial Position**

As at December 31

in thousands of Canadian dollars

**Assets**

Liquidity pool

Derivative instruments

Income taxes recoverable

Intermediation pool

Property and equipment

Other assets

Deferred income taxes

**Liabilities**

Accounts payable

Members' deposits

Obligations under repurchase agreements

Derivative instruments

Subordinated liabilities

**Members' equity**

Share capital

Accumulated other comprehensive loss

Retained earnings

	2022	2021
	6,119,479	7,449,853
	98,688	6,466
	14,835	1,670
	61,663	109,077
	12,515	12,899
	22,461	5,949
	19,279	2,061
	<b>6,348,920</b>	<b>7,587,975</b>
	47,939	31,838
	5,311,999	6,375,632
	462,103	220,096
	62,217	405,044
	20,041	20,909
	<b>5,904,299</b>	<b>7,053,519</b>
	416,995	407,438
	(331)	(1)
	27,957	127,019
	<b>444,621</b>	<b>534,456</b>
	<b>6,348,920</b>	<b>7,587,975</b>

Approved by the Board of Directors



DIRECTOR



DIRECTOR

CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022

### Summary Consolidated Statement of Operations and Comprehensive Loss

For the year ended December 31

in thousands of Canadian dollars

#### Financial revenue

Liquidity pool — interest income	147,953	150,341
Liquidity pool — non-interest income	1,017	11,437
Intermediation pool — interest income	2,513	888
Intermediation pool — non-interest income	1,259	—
Intermediation pool — dividend income	8,645	150

#### Cost of funds

	161,387	162,816
	117,475	18,024
	43,912	144,792
Unrealized losses on non-derivative instruments	(467,139)	(220,658)
Unrealized gains on derivative instruments	336,766	211,040
Net revenue (cost) of derivative instruments	42,670	(69,006)

#### Financial margin

	(87,703)	(78,624)
	(43,791)	66,168
<b>Other income</b>		
Share of Celero's (loss) income	(9,228)	2,230
Share of CCWH's income	516	519
Share of PPJV's loss	(11,404)	(11,121)
Rental income — net	859	932
Net operating recovery (expense)	67	(94)

#### Income (loss) before credit union patronage distributions

	(19,190)	(7,534)
	(62,981)	58,634
<b>Credit union distributions</b>		
Financial margin distribution	(63,658)	(67,717)
Distribution of Celero's loss (income)	9,228	(2,230)

#### Loss before income taxes

	(54,430)	(69,947)
	(117,411)	(11,313)
Income tax recovery	(31,832)	(6,613)

#### Net loss for the year

#### Other comprehensive loss

	(85,579)	(4,700)
Equity accounted investments	(330)	(95)

#### Comprehensive loss

	(85,909)	(4,795)
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CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022

### Summary Consolidated Statement of Members' Equity

For the year ended December 31

in thousands of Canadian dollars	Share Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
<b>Balance at December 31, 2020</b>	405,636	94	140,214	545,944
Comprehensive net loss for the year	—	(95)	(4,700)	(4,795)
Dividends to members	—	—	(8,495)	(8,495)
Members' shares issued	1,802	—	—	1,802
<b>Balance at December 31, 2021</b>	<b>407,438</b>	<b>(1)</b>	<b>127,019</b>	<b>534,456</b>
<b>Balance at December 31, 2021</b>	407,438	(1)	127,019	534,456
Comprehensive net loss for the year	—	(330)	(85,579)	(85,909)
Dividends to members	—	—	(13,483)	(13,483)
Members' shares issued	9,557	—	—	9,557
<b>Balance at December 31, 2022</b>	<b>416,995</b>	<b>(331)</b>	<b>27,957</b>	<b>444,621</b>

CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022

## Summary Consolidated Statement of Cash Flows

For the year ended December 31

	2022	2021
in thousands of Canadian dollars		
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the year	(85,579)	(4,700)
Items not affecting cash		
Unrealized losses on FVTPL financial instruments	130,373	9,618
Depreciation of property and equipment	732	738
Loss on disposal of property and equipment	—	3
Deferred income tax recovery	(17,218)	(6,883)
Decrease in liquidity pool assets	909,143	56,227
Net change in derivative instruments	(98,614)	98,962
Decrease in members' deposits	(1,061,215)	(364,792)
Net change in other assets and accounts payable	(13,576)	(16,744)
	<u>(235,954)</u>	<u>(227,571)</u>
<b>Investing activities</b>		
Acquisition of property and equipment	(348)	(230)
Decrease (increase) in intermediation pool assets	38,291	(30,516)
	<u>37,943</u>	<u>(30,746)</u>
<b>Financing activities</b>		
Increase in obligations under repurchase agreements	242,625	220,096
Subordinated liabilities paid	(868)	(811)
Members' shares issued	9,557	1,802
Dividends to members	(13,483)	(8,495)
	<u>237,831</u>	<u>212,592</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<u>39,820</u>	<u>(45,725)</u>
<b>Cash and cash equivalents — Beginning of year</b>	<u>21,165</u>	<u>66,890</u>
<b>Cash and cash equivalents — End of year</b>	<u>60,985</u>	<u>21,165</u>
<b>Supplementary cash flow information</b>		
Income tax paid	224	13,963
Income tax received	1,550	273



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CREDIT UNION CENTRAL  
OF MANITOBA LIMITED

DECEMBER 31, 2022

## 1 Basis of presentation of the summary consolidated financial statements

These summary consolidated financial statements have been derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited (the “Organization”) for the year ended December 31, 2022, which are prepared in conformity with International Financial Reporting Standards.

The criteria developed by management for the preparation of the summary consolidated financial statements is as follows: that the information included in the summarized consolidated financial statements is in agreement with the related information in the complete consolidated financial statements, and that the summarized consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete consolidated financial statements, including the notes thereto, in all material respects. The detailed notes included in the audited consolidated financial statements are not included in these summary consolidated financial statements.

A full set of the consolidated financial statements including significant accounting policies and other explanatory information is available from Credit Union Central of Manitoba or online at <http://www.cucm.org>.

## 2 Compliance with minimum capital requirements

At December 31, 2022 the Organization is in compliance with the capital requirements established by the Deposit Guarantee Corporation of Manitoba in its Prudential Standards for Credit Union Central of Manitoba Regulation.

Readers of the summary consolidated financial statements are advised that in order to appropriately interpret the Organization’s capital, the reader must refer to the audited consolidated financial statements and notes for the years ended December 31, 2022 and 2021 which contain the information detailing the calculation.

## CO-OPERATIVE PRINCIPLES

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The Seven International Co-operative Principles are guidelines by which co-operatives put their values into practice. Part of CUCM's mission is to promote these principles.

### 1 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.

### 2 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.

### 3 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 or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

### 4 AUTONOMY AND INDEPENDENCE

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

### 5 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.

### 6 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.

### 7 CONCERN FOR COMMUNITY

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

*Credit Union Central of Manitoba's head office is located in Winnipeg, on Treaty 1 Territory.*

*Manitoba credit unions serve members on lands and communities associated with Treaties 1, 2, 3, 4, 5, 6, and 10. This includes ancestral and current lands of the Inuit in Northern Manitoba, as well as the ancestral lands and waters of the Anishinaabeg, Cree, Oji-Cree, Dakota and Dene peoples, and homeland of the Métis Nation.*

Incorporated in 1950 by Statute of the Province of Manitoba, Canada

**EXTERNAL AUDITORS**

PricewaterhouseCoopers LLP

**CONSULTING ECONOMISTS**

**Matthew Stewart** Director, Financial Advisory | Deloitte Canada

**Eric Olson** Farm Management Consultant | MNP LLP



**CREDIT UNION CENTRAL  
OF MANITOBA**

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