



CREDIT UNION CENTRAL OF MANITOBA

ANNUAL
REPORT | 2012

MANITOBA'S CREDIT UNIONS



DISTRICT 1

Steinbach CREDIT UNION [3 BRANCHES]

DISTRICT 2

Assiniboine CREDIT UNION [25]

DISTRICT 3

Cambrian CREDIT UNION [11]

DISTRICT 4

Belgian-Alliance CREDIT UNION [3]

Carpathia CREDIT UNION [3]

Casera CREDIT UNION [3]

Entegra CREDIT UNION [3]

Me-Dian CREDIT UNION [2]

North Winnipeg CREDIT UNION [2]

Winnipeg Police CREDIT UNION [1]

DISTRICT 5

Access CREDIT UNION [12]

Crosstown Civic CREDIT UNION [8]

Sunova CREDIT UNION [12]

DISTRICT 6

Dauphin Plains CREDIT UNION [3]

Ethelbert CREDIT UNION [2]

Flin Flon CREDIT UNION [1]

Grandview CREDIT UNION [1]

Noventis CREDIT UNION [8]

Prairie Mountain CREDIT UNION [2]

Roblin CREDIT UNION [2]

Rorketon & District CREDIT UNION [1]

Swan Valley CREDIT UNION [3]

DISTRICT 7

Amaranth CREDIT UNION [1]

Austin CREDIT UNION [5]

Beautiful Plains CREDIT UNION [2]

CROCUS CREDIT UNION [2]

Erickson CREDIT UNION [1]

Minnedosa CREDIT UNION [1]

Portage CREDIT UNION [3]

Sandy Lake CREDIT UNION [1]

Strathclair CREDIT UNION [4]

DISTRICT 8

Community CREDIT UNION [3]

La Salle CREDIT UNION [1]

Niverville CREDIT UNION [2]

Oak Bank CREDIT UNION [3]

Rosenort CREDIT UNION [1]

Sanford CREDIT UNION [2]

Starbuck CREDIT UNION [2]

DISTRICT 9

Sunrise CREDIT UNION [13]

Vanguard CREDIT UNION [11]

Westoba CREDIT UNION [21]

MANITOBA'S CREDIT UNIONS

Credit unions serve 117 communities throughout the province, giving Manitobans substantially better access to quality financial services and products than any other financial institution.

In 67 of those communities, a credit union is the only financial institution in place to serve local residents and businesses.

CONSOLIDATED SYSTEM STATISTICS

December 31, 2012

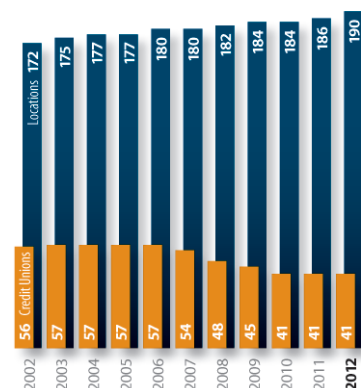
All figures preliminary unaudited results

MEMBERSHIPS (thousands)



Manitoba credit unions welcomed 3,239 new members in 2012, less than half the number who joined credit unions in 2011. However, with 585,500 members among a total population of 1.25 million, 47% of Manitobans belong to a credit union — very slightly below the percentage in Saskatchewan but much higher than all other provinces outside Québec.

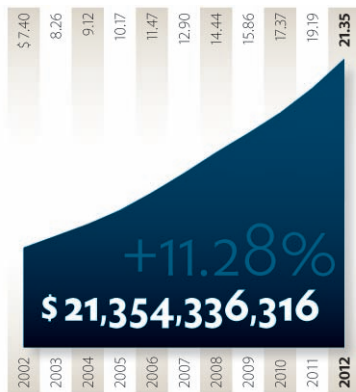
CREDIT UNIONS AND LOCATIONS



2012 was the third year in a row in which there were no amalgamations or mergers among Manitoba credit unions. (Sanford Credit Union merged with Access Credit Union on January 1, 2013.) Four new branches opened in 2012, including two in communities not previously served by a fully operational financial institution: Westoba opened a branch in Onanole and Me-Dian turned its Grand Rapids branch into a full-time operation. The other new branches were a second Winnipeg location for Westoba, on Pembina Highway, and a new Assiniboine branch on McGregor Street in Winnipeg's North End.

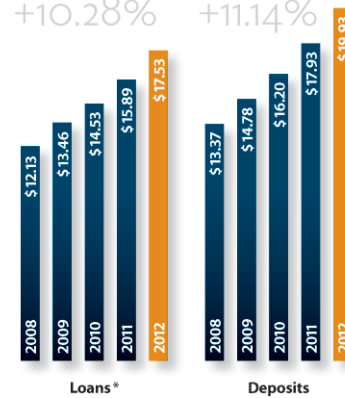
ALTONA AMARANTH ARBORG ASHERN AUSTIN BALDUR BEAUSEJOUR BELMONT BENITO BINSKARTH BIRCH RIVER BIRDS HILL BIRTLE BOISSEVAIN BRANDON BRUXELLES CARBERRY CARMAN CARTWRIGHT CYPRESS RIVER DAUPHIN DELORAINE DOMINION CITY DUGALD EMERSON ERICKSON ERIKSDALE ETHELBERT FISHER BRANCH FLIN FLON GILBERT PLAINS GILLAM GIMLI GLADSTONE GLENBORO GLENELLA GRAND RAPIDS GRANDVIEW GREYNA GRUNTHAL HAMIOTA HARTNEY HEADINGLEY HOLLAND INGLIS INWOOD KENTON KILLARNEY LA RIVIÈRE LA SALLE LAC DU BONNET LANDMARK LAURIER LOWE FARM MACGREGOR MANITOUBA MELITA MIAMI MINIOTA MINNEDOSA MINTO MOOSEHORN MORDEN MORRIS NEEPAWA NEWDALE NINETTE NIVERVILLE OAK BANK OAK BLUFF OAK LAKE OAK RIVER OAKBURN OAKVILLE ONANOLE PILOT MOUND PINAWA PINE FALLS PINE RIVER PLUM COULEE PLUMAS PORTAGE LA PRAIRIE RESTON RIVERS RIVERTON ROBLIN RORKETON ROSENORT ROSSBURN RUSSELL ST. LAZARE STE. ROSE DU LAC SANDY LAKE SANFORD SELKIRK SHILO SHOAL LAKE SOURIS SPRAGUE STARBUCK STEINBACH STONEWALL STRATHCLAIR SWAN LAKE SWAN RIVER TEULON THE PAS THOMPSON TREHERNE VIRDEN VITA WASKADA WHITEMOUTH WINKLER WINNIPEG WINNIPEG BEACH WINNIPEGOSIS

CREDIT UNION ASSETS (billions of dollars)



Asset growth among Manitoba credit unions was more than half a per cent higher in 2012 than 2011. Given the relatively low growth in memberships, the \$2.16 billion increase in assets was primarily the result of an increase in wallet share — the amount of business that members bring to their credit unions — as opposed to assets coming into the system with new members.

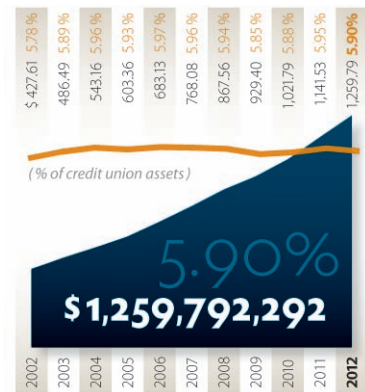
LOANS AND DEPOSITS (billions of dollars)



Credit unions continued to see strong growth in lending with an overall increase of \$1.6 billion (net of allowances) in 2012. This represents a 10.3% increase, up from 9.3% in 2011. Residential mortgages and commercial real estate led the way — apartment blocks and condo projects in particular. While pockets of farm operations had exceptional seasons, for the most part it was an average year and this contributed to only modest agricultural loan growth. Although the hog industry continued to struggle, credit unions were able to manage well with only nominal impact. Deposit growth of 11.4% was up from 10.7% in 2011.

* net of allowances

CREDIT UNION EQUITY (millions of dollars)



A strong equity position is a key measurement of the strength and security of Manitoba credit unions. Credit union equity — comprising member share capital, surplus shares, preferred shares, contributed surplus and retained earnings — went from \$1.14 billion in 2011 to \$1.26 billion in 2012. Despite growing by 10.36%, assets grew by more, meaning that credit union equity as a percentage of assets was lower at the end of 2012 (5.90%) than it was a year earlier (5.95%). This graph does not include earnings retained by Credit Union Central of Manitoba or the Deposit Guarantee Corporation of Manitoba.

CREDIT UNION CENTRAL OF MANITOBA

is the trade association and service provider for the province's 41 autonomous credit unions and is governed by Manitoba's *Credit Unions and Caisses Populaires Act*. CUCM manages liquidity reserves, monitors credit granting procedures and provides trade services in areas such as corporate governance, government relations, representation and advocacy. CUCM also provides payment and settlement systems, banking, treasury, human resources, research, communications, marketing, planning, lending, product/service R & D, business consulting and legal services to credit unions. Manitoba credit unions jointly own CUCM and representatives from nine provincial districts sit on its board of directors. CUCM is financed through assessments and fee income derived through its operations.



<i>Message from the Chairman</i>	2
<i>Guiding Statements</i>	5
<i>Board of Directors</i>	6
<i>Corporate Governance</i>	8
<i>Executive Management</i>	10
<i>Message from the CEO</i>	12
<i>CUCM's Supplier-Partners</i>	22
<i>Cooperative Principles at Work</i>	24
<i>International Year of Co-operatives</i>	26
<i>The Seven Co-operative Principles</i>	27
<i>Manitoba Credit Unions Order of Merit</i>	28
<i>Management Discussion and Analysis</i>	30
<i>Summary Consolidated Financial Statements</i>	34
<i>Long Service</i>	40



(A) challenge for credit unions — and one in which their central can and does play an active role — is to work together to find common approaches to meeting their needs in key operational areas.

RUSSELL FAST

Chairman, Board of Directors

Competition, regulation and technology continue to exert pressure on retail financial institutions' bottom lines — pressure compounded by low margins, with interest rates hovering at historic lows for upwards of four years. In this environment, credit unions face many challenges. Some are within their control as independent, autonomous businesses; others are within their control as a group.

3

A significant challenge facing each credit union is to become as operationally efficient as possible without compromising service and pricing to members or the ability to meet regulatory and market requirements. Credit Union Central of Manitoba (CUCM) is keenly aware that this is a priority for all credit unions and has, over the past number of years, been working on initiatives to itself become as efficient as possible without compromising service to its members. The merger initiatives with Alberta and Saskatchewan were pursued with this intention in mind, as is the process, currently underway, of examining every aspect of CUCM's business model. The business model review is examining all services CUCM provides to credit unions as a trade association and how and what it offers as a supplier of operational services and products. Early on, the review identified areas where CUCM could be taking more immediate action and the company will engage credit unions in discussions of these in 2013.

The second challenge for credit unions — and one in which their central can and does play an active role — is to work together to find common approaches to meeting their needs in key operational areas. Currently, compliance, regulation and technology are under the microscope.

CUCM and its subsidiaries have played a constant, important role in helping define and find solutions in the area of technology. At its most successful, it has done so by cooperating with others at the national level of the credit union system and financial services industry. Having successfully shepherded Manitoba credit unions through the migration to chip technology and providing a roadmap for card services as the lead on the Prairie Card Strategy, CUCM is now working with system partners and others to help define the way forward in the emerging field of mobile payments. The work of CUCM

and other centrals on initiatives of this magnitude is important for credit unions, as is the need for credit unions to implement aligned strategies that will meet their common needs and those of their members.

Closely related to the business model review is scenario planning. The board began using scenarios in 2005 as a way to systematically study the environment in which credit unions operate, define planning strategies and develop contingencies. We started by looking out to 2015; we are now building scenarios out to 2020.

Our scenario planning process is designed to answer the question of how CUCM will need to be positioned to provide solutions that contribute to credit union success. In June 2012, CUCM directors discussed key trends that will have an impact on credit unions over the next 10 years and began developing four scenarios based on two key drivers — the rate and impact of credit union consolidation and the system's response to new technology opportunities. Work on the scenarios continued into the fall and, once the scenarios have been finalized, credit unions will be asked to provide their feedback on what they mean for the future of CUCM.

4 Between the planning work described above and the performance of their regular board and committee duties, in addition to the departure of two directors, 2012 was a busy, productive year for members of the CUCM board. I would like to thank my fellow directors for their diligence and continued efforts on behalf of the credit unions in their districts and the entire province. I would also like to thank District 7 Director Don Farr and District 9 Director Wayne McLeod — whose efforts on behalf of credit unions over many years are greatly appreciated — and welcome their successors, Gord Sylvester and Randy Brown. I would likewise like to thank CEO Garth Manness and his team at CUCM for their continued excellent work on behalf of all Manitoba credit unions.



RUSSELL FAST

Chairman, Board of Directors



CREDIT UNION CENTRAL *of* MANITOBA

VISION

OUR VISION FOR THE FUTURE IS THAT :

Manitoba Credit Unions see CUCM as their trusted and valued partner and a respected thought leader.

They consider CUCM to be their first source of support, information and service.

CUCM is a source of creative solutions that contribute to credit union success and an outstanding promoter of credit union and co-operative values to Manitobans.

MISSION AND PURPOSE

CUCM serves Manitoba's credit unions by providing leadership and ensuring the delivery of high value products and services that help them achieve their vision.

Every day, we

- *Help Manitoba credit unions meet their strategic and operational business needs,*
- *Represent and advocate for Manitoba credit unions, globally, nationally and locally,*
 - *Promote co-operative principles and facilitate co-operative action.*

VALUES

WE BELIEVE IN :

- RESPECT FOR PEOPLE** *All individuals are highly valued and are treated equitably.*
- INTEGRITY** *We are reliable in our word, honouring commitments & promises.*
- EXCELLENCE** *We pursue the best possible outcomes in all that we do.*
- SERVICE** *We take pride in providing outstanding service to our members and other clients.*
- COMMUNITY** *We value community service and leadership as a contribution to healthy, vibrant communities.*
- INNOVATION** *We innovate with products, services and approaches that help credit unions succeed.*
- COLLABORATION** *We value: a consultative relationship with our members, a participative relationship among employees and a collaborative relationship with system partners (provincially, regionally and nationally).*

GUIDING PRINCIPLE

Learn from the past. Excel in the present. Shape the future.

BOARD OF DIRECTORS



DISTRICT 1 • CHAIR

Russell Fast

Second Vice-President,
Steinbach Credit Union

CUCM board meeting attendance: 13/14



DISTRICT 8 • VICE-CHAIR

Alexander (Sandy) Wallace

Director,
Niverville Credit Union

CUCM board meeting attendance: 14/14



DISTRICT 5

Peter Enns

Chief Executive Officer,
Crosstown Civic Credit Union

CUCM board meeting attendance: 14/14



DISTRICT 6

Lee Gregory

Chair,
Noventis Credit Union

CUCM board meeting attendance: 13/14



DISTRICT 2

Margaret Day
Vice-Chair,
Assiniboine Credit Union

CUCM board meeting attendance: 13/14



DISTRICT 3

Rose Marie Couture
Director,
Cambrian Credit Union

CUCM board meeting attendance: 14/14



DISTRICT 4

Dave Abel
President,
Casera Credit Union

CUCM board meeting attendance: 14/14

7



DISTRICT 7

Gord Sylvester
General Manager,
Beautiful Plains Credit Union

CUCM board meeting attendance: 14/14



DISTRICT 9

Randy Brown
Acting CEO,
Westoba Credit Union

CUCM board meeting attendance: 3/5

Wayne McLeod (retired)

CUCM board meeting attendance: 7/8

Board & Committee Activity

In addition to the scenario and other planning activities described in the message from the chair, the CUCM board continued, in 2012, to deal with a variety of issues while carrying on its ongoing committee and other work.

8

As part of the board's training and development plan, directors received presentations throughout the year on such topics as CUCM's treasury management system and the status of various payment initiatives. The board received presentations from David Phillips, President and CEO, Credit Union Central of Canada and Bob Reczka, CEO, Celero Solutions. The board also received an economic update presentation from consulting economists Dr. John Loxley and Dr. Michael Benarroch. Neil Townsend and Gord Flaten of CWB provided an agricultural update.

Another aspect of development at the board level was the introduction of peer-to-peer evaluations. In January 2012, CUCM directors completed their first peer-to-peer evaluations, the purpose of which is to enhance the capacity of the board and its individual members to deliver value while continuously seeking to improve. Directors received their assessments in January and discussed them with the chair in February.

Also, a board portal was been developed that should enhance board functionality by improving access to information through a secure site. It will be launched in 2013.

A major change in governance was the replacement of the Executive Committee, in May, with the Governance, Policy & Planning Committee. Where the former was assigned tasks associated with policy, board planning and goal setting for the CEO, the new committee has very specific duties and responsibility for overseeing the quality and effectiveness of CUCM's corporate governance. To date, the committee has focused on improving the board's evaluation tools and processes and on ensuring the board is in compliance with OSFI's draft guideline on the corporate governance of federally regulated financial institutions.

The board received a presentation on work undertaken to establish an Enterprise Risk Management program for CUCM and, in 2013, will be asked to approve a risk governance policy and establish a risk appetite framework for CUCM.

Executive Committee meeting attendance

[CHAIR]	Russell Fast	1/1
[FIRST VICE-CHAIR]	Sandy Wallace	1/1
[SECOND VICE-CHAIR]	Wayne McLeod	1/1

Governance, Policy & Planning Committee

[CHAIR]	Sandy Wallace	3/3
[VICE-CHAIR]	Margaret Day	3/3
	Peter Enns	1/1
	Russell Fast	3/3
	Wayne McLeod	2/2

Audit Committee meeting attendance

[CHAIR]	Dave Abel	3/3
[VICE-CHAIR]	Lee Gregory	3/3
	Margaret Day	1/1
	Peter Enns	3/3
	Gord Sylvester	2/2

Conduct Review Committee meeting attendance

[CHAIR]	Dave Abel	2/2
[VICE-CHAIR]	Lee Gregory	2/2
	Peter Enns	2/2
	Margaret Day	1/1
	Gord Sylvester	1/1

Investment Committee meeting attendance

[CHAIR]	Rose Marie Couture	3/3
[VICE-CHAIR]	Lee Gregory	3/3
	Peter Enns	3/3
	Gord Sylvester	2/2

EXECUTIVE COMMITTEE**GOVERNANCE, POLICY & PLANNING COMMITTEE**

The Executive Committee, which dealt with policy issues, board planning activities, and goal setting for the CEO and issues outside the purview of other committees, was disbanded in May and replaced with the Governance, Policy & Planning Committee. The new committee has very specific governance roles and accountabilities for organizational policy and planning.

AUDIT COMMITTEE

The mandate of the Audit Committee is to review the annual audited financial statements with management and the external auditor before the financial statements are approved by the board. In its review, the committee considers compliance with regulatory requirements, accounting principles, and CUCM practices. It also reviews the non-audit services performed for the company by the external audit firm, any significant litigation claims, and establishes whether management or the external or internal auditors are aware of illegal or unethical activities that might affect the organization. With the internal auditor, the committee reviews any high-risk recommendations made to management on the subject of internal control, financial risk or process improvement.

CONDUCT REVIEW COMMITTEE

The Conduct Review committee carries out duties required by the Cooperative Credit Associations Act. It applies CUCM's conflict of interest policies and procedures in reviewing conflict of interest situations and all transactions with related parties of CUCM.

INVESTMENT COMMITTEE

The Investment Committee monitors the general, liquidity and liquidity pool investment policies of CUCM. It also deals with and reports on exceptions to policy, and reviews, approves and presents for board approval any investment opportunity pursuant to the General Investment Policy.

EXECUTIVE MANAGEMENT



PRESIDENT *and*
CHIEF EXECUTIVE OFFICER
Garth Manness



CORPORATE SECRETARY *and*
DIVISION MANAGER,
CORPORATE SERVICES
Dale Ward

10



DIRECTOR, HUMAN RESOURCES
Pat Gifford



DIRECTOR, STRATEGIC SOLUTIONS
Louise Smith



DIRECTOR, LENDING SERVICES
Ted Richert



**CHIEF FINANCIAL OFFICER
and TREASURER**

Barrie Davidson



**SENIOR CONSULTANT TO THE
CHIEF EXECUTIVE OFFICER**

Bob Lafond



**DIVISION MANAGER,
BANKING & PAYMENT SERVICES**

Wilson Griffiths

11



DIRECTOR, RISK MANAGEMENT

Dina Long



DIRECTOR, TREASURY SERVICES

Louise Thiessen



CHIEF INFORMATION OFFICER

Kim Robinson

[PART TIME]



From a Balanced Scorecard perspective — which measures customer satisfaction, among other factors — 2012 was the most successful year to date for CUCM.

GARTH MANNES
President and Chief Executive Officer

The activities of Credit Union Central of Manitoba (CUCM) take place within the context of its Vision for the Future:

“Manitoba Credit Unions see CUCM as their trusted and valued partner and a respected thought leader. They consider CUCM to be their first source of support, information and service. CUCM is a source of creative solutions that contribute to credit union success and an outstanding promoter of credit union and co-operative values to Manitobans.”

13

As the trade association owned by its 41 member-owners (40 as of January 1, 2013), CUCM’s vision applies to the daily ongoing support of credit unions’ operations. Despite the pressures of competition, technology, compliance and extremely tight margins, Manitoba credit unions grew at a healthy pace in 2012. Year over year, assets grew by \$2.16 billion (11.28%), loans by \$1.6 billion (10.28%) and deposits by \$2 billion (11.14%). Equity grew by \$118 million. Membership was up 3,239 (0.56%) and credit unions added four new branches throughout the year in addition to expanding or replacing existing branches.

CUCM’s vision also applies to its own planning activities.

Planning for the future of CUCM — determining how the organization should best be positioned to maximize the success of credit unions — is an ongoing process. Our chairman touched on scenario planning activities going on at the board level as one method we use to navigate into the future in this increasingly complex industry.

Over the course of the past decade and longer, CUCM has been involved in the analysis and discussion, at the national and regional levels, of business models. In the wake of the work to investigate the feasibility of merging with Alberta Central and SaskCentral, and then SaskCentral alone, neither of which ended with an agreement, the board took the decision that CUCM should undertake a comprehensive review of its business model to ensure that it would continue to provide effective service delivery to credit unions in the short- and long-term.

There are two phases to the business model review: understanding the need for CUCM to change to meet the evolving needs of credit unions and, based on that, to build and transition to a new model.

The outcomes of the first phase included redefining CUCM's purpose, starting with CUCM's guiding statements. The vision statement — which now talks about where CUCM wants to be positioned for credit unions — came out of early work in this phase. Phase one also mapped out a suite of projects that will be tackled in phase two, the transition phase: a products and services evaluation, organizational design, alignment of key processes, member relationship management, knowledge management, performance management, leadership development, behaviours and culture, change management and longer-term strategies to evaluate CUCM's participation in a regional or national central.

CUCM is in the midst of the first project of phase two: the products and services evaluation. The goal of this project — the primary starting point from which the scope and direction of the rest of the projects in the suite will be defined — is to evaluate the relevancy, added value and profitability of all of the products and services CUCM offers credit unions, including trade services.

The evaluation, however, has proved to be more complex and time-consuming than originally anticipated, particularly in light of the development of a number of new items requiring immediate attention. To wit, the review has identified two areas to consider adding to CUCM's product and service mix, subject to the development of opportunity assessments — compliance and risk management and agricultural support services. The review has been further slowed by the identification of the need to develop long-term strategies, scenarios and financial analyses for Lending Services, Banking & Payment Services and Printing & Supply, work which will be completed in early 2013.

Once the products and services review is complete we will move into the next group of phase two projects: organizational design, alignment of

key processes (developing a continuous method of ensuring that products, services and processes are aligned with the vision), member relationship management (methodologies to internally track and share information about customers and work being done for them at CUCM) and knowledge management (methodologies to capture and share knowledge within CUCM related to service delivery to credit unions).

As noted earlier, the business model review will take some time. CUCM will engage credit unions for their input at key milestones throughout the project.

In late 2012, CUCM presented to the Management Advisory Committee (MAC) a list of what it believes to be appropriate guiding principles for trade functions. Using as a benchmark the principles established in 2000 by the Trade Association Working Group (TAWG), the principles were reviewed and updated. The trade functions were then tested against the guiding principles. MAC confirmed that the guiding principles and current functions — along with the aforementioned agricultural and compliance and risk management functions — were appropriate. The committee also discussed whether an 'all or none' approach should be adopted when Manitoba credit unions are considering participating in major initiatives such as the current national Ding Free campaign, and asked management to develop a set of principles that would identify 'all or none' initiatives.

MAC is a key resource for CUCM management, which uses the group — composed of management representatives from each of the nine districts — as a sounding board to help assess proposals to adjust CUCM's operations in general and to advise on specific initiatives under consideration by CUCM. In 2012, CUCM considered the addition of two new advisory committees to assist it in its operations. The Credit Union Insurance Advisory Committee (CUIAC) was strongly supported by credit unions. It will provide a forum for discussion of issues related to credit unions' provision of incidental insurance to members, such as credit life and disability, and credit union-owned brokerages offering property and

There are two phases to the business model review: understanding the need for CUCM to change to meet the evolving needs of credit unions and, based on that, to build and transition to a new model.

casualty insurance. The committee will also support CUCM's advocacy role by providing management with advice and direction on insurance matters, and liaise with insurance industry organizations such as the Insurance Council of Manitoba and the Insurance Brokers Association of Manitoba.

And while the establishment of a new committee to advise Central Credit Committee (CCC) on items of an operational nature was not implemented, demand remains for a regular forum to facilitate information sharing and feedback on lending best practices, policies and procedures. CUCM began work on this by reviewing the system's model loan policies, the results of which are currently with the guarantor, the Deposit Guarantee Corporation of Manitoba (DGCM). Consultation with credit unions on a strategy going forward will take place once DGCM has completed its review.

CUCM's relationship with DGCM is extremely important, as is its relationship with provincial government ministers, deputies and the registrar of financial institutions.

In 2012, CUCM initiated a plan to meet regularly with DGCM and the registrar to discuss issues of common interest. Defining each organization's roles and responsibilities in the credit union system was the first order of business at the inaugural meeting. Elsewhere on the provincial regulatory front, CUCM met directly with the Minister of Finance (responsibility for the *Credit Unions and Caisses Populaires Act* was restored to the Finance portfolio in 2012) to provide an overview of the environment in which credit unions currently operate. In addition, the registrar, after consulting with CUCM and DGCM,

published a set of guidelines related to accepting out-of-province deposits and another set related to the selling of preference shares or common shares above the maximum exemption limit.

At the federal level, Credit Union Central of Canada (CUC) monitors legislative developments and lobbies on behalf of credit unions. CUCM participates in these efforts through membership on CUC's Legislative Affairs Committee and its board of directors. In addition to general lobbying to raise awareness of credit unions and their importance to Canadians and the economy, and lobbying on items that arise during legislative sessions, CUC deals with ongoing issues such as the mandates of Farm Credit Canada (FCC) and Business Development Bank of Canada (BDC) and the regulatory burden on small financial institutions, credit unions specifically.

In 2012, the government followed up on its federal credit union legislation (an amendment to the *Bank Act* in 2010) by releasing the regulations that would allow a credit union to pursue a federal charter and thereby do business across provincial lines. The regulations cover issues such as disclosure on continuance (i.e., notification of members), filings with the Canadian Payments Association and other regulations. No Manitoba credit unions have thus far indicated their desire to pursue a federal charter.

CUC also participates in federal pre-budget consultations. In the latest round, CUC petitioned the government to examine the regulatory burden faced by small financial institutions and the cost implications of complying with FINTRAC (Financial Transactions Reports Analysis Centre of Canada — money laundering and terrorist financing — which

CUCM is an active participant on initiatives whose scale and impact demands a unified approach by most or all credit unions at the regional and national levels.

16

requires credit unions to track member activity against a published list of known and suspected terrorist groups), FATCA (the Foreign Account Tax Compliance Act, a piece of U.S. legislation that would compel financial institutions outside the U.S. to help prevent Americans from using foreign financial institutions to invest back into the U.S. and thereby evade U.S. tax, by: identifying persons of interest to the IRS; reporting information on those persons to the IRS; and withholding a 30% tax on any U.S.-sourced payments) and other regulations. CUCC also recommended that the situation of small financial institutions be considered when the recommendations in the federal Red Tape Reduction Action Plan are implemented, including the One-for-One rule that will require regulators to offset new costs with equal reductions and remove one regulation for every new one imposed. One result of lobbying by CUCC and others is that Canada and the U.S. may enter into an inter-governmental agreement that would make FATCA less onerous than initially imagined.

CUCM and a number of Manitoba credit unions participated again in Hike the Hill, a CUCC initiative that brings federal legislators together with system representatives from across the country. Previous hikes are believed to have been at least partly responsible for the federal government's establishment, in 2012, of a special multiparty House of Commons Committee on Co-operatives. The committee presented its report in September. It recommended that the federal government should: educate all government employees, the general public and others about the strategic roles co-operatives play in our economy; have the CMHC provide reasonable mortgage and refinancing services to housing

co-ops; explore the feasibility of giving Canadians the flexibility to invest RRSP funds in co-operatives; work closely with regional economic development agencies to highlight the importance and functioning of co-operatives; review issues related to the capitalization of co-operatives; review the *Canada Cooperatives Act* in consultation with provinces, territories, and the co-operative sector; study the possibility of consolidating the responsibility for co-operatives under a suitable department, such as Industry Canada; and continue to reduce the red tape burden for co-operatives and other businesses. Absent from the report, however, was any reference to a Farm Credit Canada (FCC) mandate review, which CUCC had argued for in its submission to the committee.

Despite the difference of opinion on its mandate, many credit unions are attempting to work positively with FCC. System representatives from Ontario, Saskatchewan and Manitoba sit on a national liaison committee with FCC where they share information, work to resolve issues and discuss opportunities to work together. Still, the push for action on FCC's mandate continued with Hike the Hill 2012. Legislators — including members of the House and Senate agriculture committees — were asked to push for amendments to FCC's legislation to give it a complementary mandate within the industry, similar to that which governs Export Development Canada and the Business Development Bank of Canada (BDC), the federal government's lender to small business. (On a related note, a BDC-credit union system liaison committee was established late in 2011 to seek opportunities for collaboration to better meet the needs of entrepreneurs and to promote better communications between BDC and the credit union system.)

CUCM is an active participant on initiatives whose scale and impact demands a unified approach by most or all credit unions at the regional and national levels.

Over the last number of years, the world of payments has undergone significant change, first with the rollout of EMV/chip technology — which is now complete in the Manitoba credit union system — and then with the entry of new providers, such as PayPal, into the market. The Canadian payments industry and all of its stakeholders — banks, credit unions and the federal government — is now along the path of planning for the latest series of innovations in payments, mobile and contactless.

Given the importance of a safe and efficient payments system and the need to ensure that the framework supporting the payments system remains effective in light of new participants and innovations such as mobile payments, in 2010 the federal government struck the Task Force for the Payments System Review. In December 2011 the Task Force presented its final report, *Moving Canada into the Digital Age*, to the Minister of Finance. This report makes a compelling case for Canadian payments system overhaul and makes specific recommendations for government and the financial services industry to lead the charge. So far, the federal government has responded with two initiatives: by 2016, the government will stop issuing cheques, opting instead for direct deposit only or stored value cards; and in June 2012, the government announced the formation of the Finance Canada Payments Consultative Committee (FinPay) to help the Government stay abreast of market developments and to contribute to policy development in support of an innovative and safe payments system. Participants in the Canadian payments industry — made up of representatives of Canada's major banks, Desjardins and CUCC — responded to another of the task force recommendations by striking, in 2011, the Financial Services Industry Steering Committee.

Central CEOs and their payments resources are working with the CEOs of a number of the larger

credit unions in Canada to ensure that all elements required to expedite payment initiatives and deliver the utmost value for all credit unions will be in place and that the system's best expertise on mobile is deployed.

At the regional level, the Prairie Card Strategy Committee released its overall recommendations in the fall and presented them to Manitoba credit unions at the November 2012 system meeting.

On debit card, the committee recommends the unbundling of debit from credit in the current card services contract, which would allow for alternative card production services. The committee also recommends that debit card governance and control structures be reviewed to ensure: that credit unions, rather than vendors, determine strategic decisions; that vendors are provided with timely direction based on the identified needs of credit unions; the facilitation of an integrated approach to debit and credit; and that a debit card product roadmap be built that includes the system's approach to Interac Flash, NFC/mobile, branded debit readiness and value-added applications such as prepaid, loyalty and multi-use cards.

On the credit card side, the committee recommended CUETS as the best agent bank option and suggested that credit unions interested in owning their own receivables should work together to define their business requirements and perform due diligence on service provider options, which could include further investigation of a hybrid model offered by Vancity.

The committee also recommends that centrals continue to consult with credit unions regarding collective action for card services and pursue ongoing development of strategic intelligence, market analysis and strategy development. Such an approach would build on the relationships and understanding established through the project to bring a strong Prairie perspective to national and Central 1 payments programs and initiatives.

As noted earlier, CUCM devotes considerable time to strategic planning and the development of goals. While not unusual in business, this is particularly

important for a trade association that serves a large group of owners with diverse needs that vary with their size and their own goals and objectives. Measuring and analyzing performance against goals is done in a number of ways, including surveys of credit union satisfaction with CUCM. Assessing and managing risks — those associated with falling short of achieving goals and, at least as important, operational risks — will be aided by the implementation at CUCM of enterprise risk management (ERM). Following an introduction and overview of ERM to the board and senior management by experts from PricewaterhouseCoopers (PWC), interviews with senior managers identified potential risks to the organization. The results, a risk register for CUCM, will be presented to the board in the first quarter of 2013. If approved, this will be followed by analysis and evaluation of the risks and, by the end of the second quarter, the development of plans to respond to them.

The question of better positioning itself to manage risk led, in 2012, to two new departments being created to replace the Controller's department. Treasury Risk & Compliance now manages internal and external compliance and risk mitigation, while Financial Reporting & Accounting is responsible for CUCM's financial statements, budgeting and accounting.

The primary goal of CUCM, of course, is meeting credit unions' day-to-day and longer-term needs. What follows are some highlights of work accomplished in that regard in 2012.

Banking & Payment Services (BPS) implemented a major infrastructure refresh for onsite and offsite data storage systems and server hardware, which brought the entire infrastructure supporting key payments processing up to date, with enhanced archive capabilities and fewer physical devices. With Celero, the division also moved its backup site for data and critical systems from Winnipeg to Calgary, thus lessening the potential operational impact of a major regional disaster.

Thirteen Manitoba credit unions have now implemented the Interac eTransfer service offered through MemberDirect. BPS is acting as an intermediary between Manitoba credit unions and Central 1, the service provider, for daily settlement, reporting and monthly billing functions.

As noted earlier, the entire payments industry is starting to move more quickly toward electronic payments and image exchange. In 2012, BPS led the development of a plan to begin exchanging member cheque images between centrals. The plan, to be fully implemented in 2013, will lead to several efficiencies including reduced labour to handle member cheques processed in other provinces, lower risk of human error, the elimination of daily inter-central courier costs and earlier availability of out-of-province cheque images to credit unions.

Following changes in previous years to Central Credit Committee (CCC) procedures, discretionary lending limits (DLLs) increased once again for the majority of Manitoba's credit unions. The recently introduced loan transaction review (LTR) process continued with credit unions receiving quantitative feedback quarterly and, commencing with the fourth quarter of 2012, additional qualitative information that gives credit unions a better level of feedback. CCC continued to represent Manitoba credit unions on the National Lenders Committee, a body that provides leadership in loan and investment areas through the promotion of quality asset growth and operational efficiencies and provides the credit union system, through discussion and strategic planning, with a high standard of leadership on lending matters. CCC also participated on CUCM's Agricultural Lending Subcommittee, which deals with a variety of agricultural issues including advocacy with respect to FCC.

In addition to services that credit unions are required to use or support (CCC, manuals and trade services), optional services that most or all credit unions use (BPS, and Treasury Services for excess liquidity), internal operations that support CUCM operations (accounting, risk and internal HR), a

One of the core functions of Strategic Solutions is to synthesize ongoing trend information, primary and secondary research and credit union system results to arrive at some conclusions about risks and opportunities.

number of areas of CUCM derive some or all of their income from services they provide to credit unions on the open market, in competition with other companies.

One of these is the Printing & Supply department, which is wholly revenue-dependent on sales of paper, printing, banking, promotional and other supplies to Manitoba credit unions, CUCM and related organizations.

The Human Resources department (HR) is allocated internal revenue for the payroll, benefits, employee records and other services it provides to CUCM. In 2012, HR carried out a full review of CUCM's benefits program, rolled out a new system for HRIS/payroll and other services, and completed a workplace violence hazard assessment for CUCM and then built an action plan to mitigate identified risks. The department also managed the Manitoba portion of the biannual Canadian Credit Union survey initiative, which concluded in the spring of 2012 with the publication of the results of the Directors Remuneration and Board Practices Survey.

The balance of HR's revenue is derived from work for credit unions and two major clients.

HR continues to deliver a comprehensive suite of human resources solutions to Celero Solutions — and Everlink Payment Services. For the latter, in 2012, it implemented a new HRIS/payroll, rewards and recognition program redesign and enhanced its performance management program.

In 2012, employee relations and compensation were the services most commonly requested by Manitoba credit unions. HR also completed a review of the GM/CEO and branch manager job evaluation

tools, which resulted in the decision to phase out said tools and replace them with regression analysis and compensation data from the market to determine GM/CEO salary and compensation — and develop an in-house job evaluation system for branch manager compensation. Other services included four executive recruitments, job evaluation systems, employee satisfaction surveys and HR policy reviews, along with a variety of other projects and consulting engagements.

The Strategic Solutions group provides multiple strategy, research and information services. It uses trade funding for services it provides that are elemental to CUCM's operations or of benefit to the credit union system as a whole. For example, the department facilitates CUCM's corporate strategic planning process and assists with similar activities at the board level, such as scenario planning and the tracking of related change indicators.

One of the core functions of Strategic Solutions is to synthesize ongoing trend information, primary and secondary research and credit union system results to arrive at some conclusions about risks and opportunities. Many of these ideas — along with the attitudinal, demographic and other research it conducts on a regular basis — are presented in the *Strategic Intelligence Reports*.

Strategic Solutions provides a wide variety of services to Manitoba credit unions in the general areas of board and management planning, performance analysis and compliance. The department also conducts surveys of various levels of complexity for credit unions and affiliates, primarily using the online CUAdvisor tool. These services

CUCM aims to be transparent, accessible and helpful to its member-owners.

This attitude comes from the top down.

are designed to provide critical information about markets, members and credit union fundamentals, to assist boards and management to make informed strategic decisions.

Using annual historical benchmarking and sustainability analysis, Strategic Solutions profiles the performance of credit unions relative to their peers. In 2012, the department shifted focus to competitive drivers, including the drivers of efficiency, as the traditional method of benchmarking credit unions against those of like size is beginning to have its limitations because of the shrinking number of credit unions, the nature of competition and the blurring of distinctions between urban and rural credit unions.

The department continued to review options for credit unions on ways to meet evolving regulatory targets, work that will be particularly important as the system moves through a period of transition — not only with regard to regulation, but also with regard to further consolidation and the related equity impacts. Another area of specialty is process focus, which allows credit unions to make the best use of resources and reduce risk by standardizing or redesigning critical processes. The effective use of analytics tools is important for credit unions' understanding of sustainability and profitability drivers, and for future scenario planning. ProfitStars is one such tool in wide use among credit unions. Strategic Solutions facilitates learning on best practices and uses of the tool. Having asked ProfitStars users what they wanted from the tool in 2012, learning was centered on use of the budget tools, interest risk sensitivity analysis and 'what if' modeling tools.

CUCM is the Master Policy Holder for Manitoba within CUMIS's Credit Union Bonding Program. Strategic Solutions manages this role. It represents

the interests of the Manitoba credit unions with CUMIS and meets with CUCM's Bonding Advisory Committee to keep credit unions current on changing insurance drivers, their potential impact on costs and what credit unions can do to mitigate them. Other related CUCM activity revolves around identifying and informing credit unions of risk gaps related to the use of a variety of e-services and supporting them to ensure their needs are met within Central 1's Fraud Alert System.

Via the CUCC National Statistics Working Group, Strategic Solutions provides analysis to an ongoing national focus on more effective collection and sharing of comparable system data. It is also focused on the same topic provincially. The objective is to maximize the value and minimize the effort of data collection.

Strategic Solutions continues to enhance and refine its Credit Union Internal Audit service, which is based on coaching and continuous improvement principles. In 2012, new services were added: one for credit unions that want audit services on the loans side only and another — for credit unions that maintain their own program — that provides an external review of their program for validation and learning purposes.

Credit unions, like other financial institutions, must adhere to strict federal regulation proceeding from the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. The regulator in this case is FINTRAC, the Financial Transactions and Reports Analysis Centre of Canada. In 2012, Strategic Solutions led a seminar on the lessons learned about FINTRAC by our internal audit resources and on resources available in CUCM manuals. It also hosted a presentation and Q&A with senior reviewers

from FINTRAC. Strategic Solutions also launched a FINTRAC readiness service that will help credit unions prepare for FINTRAC reviews and act on required changes following a review. Strategic Solutions can also provide the required biannual FINTRAC audit.

Communication with and between credit unions is a priority for CUCM. At semiannual system meetings we present credit unions with information and encourage their feedback on our strategic plans, budgets and major items of the day, such as mobile payments. In the report you are reading, other planning documents or our regular communications to credit unions on the cuCommunity Intranet site, CUCM aims to be transparent, accessible and helpful to our member-owners.

This attitude comes from the top down, from credit unions — who rightly demand that CUCM operate in an open and efficient manner — through the representatives they choose to represent them on CUCM's board of directors. Under the leadership of Chairman Russ Fast, members of the board, in their dealings with each other and CUCM management, display a deep-seated belief in the value of cooperation and the importance of working together toward credit unions' common goals.

From a Balanced Scorecard perspective — which measures customer satisfaction, among other factors — 2012 was the most successful year to date for CUCM. That success is due to the skill and hard work of our staff, the oversight from our board and the support and guidance of our members. I thank them all.



GARTH MANNES
President and Chief Executive Officer

SUPPLIER-PARTNERS

*CUCM is a part owner, with other peer organizations in Canada, of a number of organizations that provide services to Manitoba credit unions. Two of these organizations are **Celero Solutions** and, through Celero, **Everlink Payment Services**.*

Celero Solutions Inc. is an IT joint venture co-owned by the centrals of Manitoba, Saskatchewan and Alberta, and Concentra Financial. With 265 employees in Winnipeg, Regina, Saskatoon and Calgary, the company owns the core banking system used by the majority of Prairie credit unions and offers its customers a wide variety of IT services and products. Everlink Payment Services Inc. is a joint venture owned by Celero and U.S.-based Fidelity National Information Services Inc. (FIS) that provides switching and electronic payments solutions to credit unions and other financial institutions on the Prairies and elsewhere in Canada.

22



A major part of Celero's 2012 business plan was to aggressively look at areas where it could transform its operations in support of improved service and strengthened financial performance for the long term.

In pursuit of this, Celero's innovation program, I2, is dedicated to significantly improving critical customer-impacting areas: statement of work (SOW) process overhaul (development charges were eliminated in 2012; the goal is to now improve SOW turnaround time); DNA performance enhancements (despite aggressive efforts to improve DNA performance, important member transactions continue to take too long to process for some clients; the goal is to solve these delays); and eroWORKS merger costs (although Celero has a strong track record on banking conversions, the goal is to find process improvements that will reduce the cost of mergers).

Celero's financial target for 2012 was to achieve a small positive net income, but as credit unions tighten the reins on expenses, a general slowdown in IT spending is having a material effect on Celero's revenue picture and, despite in-house cost reductions, year-to-date results are running behind target. However, net new sales revenue has continued to grow with the acquisition of new customers and interest expressed by medium-large credit unions to engage in expanded activities with Celero in 2013.

Celero achieved banking system uptime of 99.971 per cent in 2012 and received a "no findings" 3416 Audit, which signals an extremely high degree of safety and security for clients. Solid progress was also made in reducing the number of outstanding DNA banking system enhancements, thanks in part to DNA Release 3.6 (November), on which Celero invested over 1,000 hours of testing and which will ultimately deliver a cleaner system with fewer issues.

Celero manages important interfaces with key technology vendors. In 2012, important developments with Open Solutions included an enhanced process to prioritize issues and enhancements, and the near-completion of a DNA source code access agreement. Celero also started negotiating a new Member Direct contract with Central 1 to gain greater service level commitments and improved pricing options.

By the end of 2012, much of the foundation for Celero's future operational and financial success was in place. As the company turns its sights on 2013, it will continue to focus on service excellence, financial performance, growing the business and — continuing efforts from 2012 that did not appear in this brief report — building a high-performance culture.



While 2012 was a good year for Everlink financially, it was a great year in terms of achieving its strategic objective of diversifying its payments solutions business.

Everlink now has six lines of business, with the Network Payment Gateway, ATM Managed Services and Professional Services lines providing a core foundation. Card Issuance and Management, POS Acquiring Services and Fraud Management are poised for dramatic growth.

Everlink accomplished a great deal in 2012. It added one new credit union and 11 new POS-ISO (Point of Sale — Independent Sales Organizations) clients and continued its record of re-signing 100% of all business by renewing its contract with Laurentian Bank and concluding renewal negotiations with Manulife Bank.

Compared to 2011, revenue was up by 9.2% to \$20.1 million, operating expenses were almost entirely contained (with the majority of any increases due to cost of goods sold), net income of \$462,000 was up 30% and there was positive cash generation of \$2.3 million year-over-year.

The company launched new products and services in all six lines of business, including: mass and bulk card issuance solutions for contact and contactless EMV cards; Interac Flash (issuing and acquiring); expedited Interac fraud reporting; POS device certifications; POS-ISO application functionality for ISO/merchant support and reporting; and a merchant acquiring program. The company expanded its presence in the POS-ISO market by 150%.

Everlink is confident that 2013 will be another strong, solid year, with increased growth and improved profitability. The company plans to stay focused on client loyalty, employee engagement and payment processing platform performance and expects to see top-line revenue growth through diversification in the Card Issuance and POS Acquiring lines of business. The company will also place more emphasis on profitability in 2013, particularly now that the majority of its diversification efforts have been achieved, although there will be drags on profitability from ongoing non-cash expenses — particularly those related to the CGI customer list asset — and new expenses related to payment processing platform renewal.

As an organization owned by and serving credit unions, adherence to the Seven International Co-operative Principles is of paramount importance for CUCM. One of these is Concern for Community.

CUCM employees spend the workday in an area in transition in downtown Winnipeg where they sometimes see, first-hand, what life can look like for people living on the fringes of mainstream society. This may be a factor that explains the continual rise in giving by CUCM employees. Another could be the fact that CUCM management opens every quarterly staff meeting with a presentation from a United Way or other agency dedicated to dealing with homelessness, poverty, domestic violence, teen discord or myriad other issues that impede the ability of individuals to lead lives that are their due as human beings.

24

Staff donations rose, again, in 2012. Employees contributed through payroll deductions, CUCM Staff Club events and the All Charities Campaign, a week of fundraising, fun and education about the needs that exist and how community organizations are trying to meet them.

Employees donated to the United Way and its 104 member agencies, 13 provincial and national health and well-being organizations and 15 other agencies and organizations. They were also out in the community — wearing their “Credit Unions Build a Better World” t-shirts — staffing Salvation Army Christmas kettles, biking for Heart & Stroke, delivering Meals on Wheels, serving lunch at Siloam Mission and helping with renovations at Community Financial Counselling Services, West Broadway Youth Outreach and Siloam’s Madison Lodge, a community for people trying to break their own cycles of poverty and leave the streets for good.

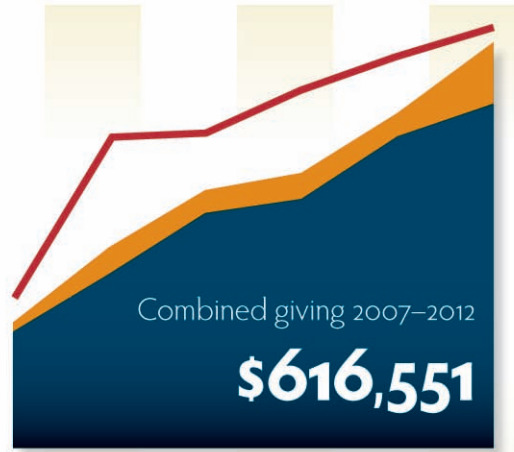
In the third quarter of 2012, CUCM incorporated community involvement into its balanced scorecard. The goal, while fairly modest at about one day of volunteerism per employee per year, is liable to result in even higher levels of volunteerism in coming years.

Many employees responded, too, to the Co-operative Development Foundation’s Build a Better World fundraising campaign to commemorate the International Year of Co-operatives. Their combined pledges of \$8,000 per year for four years will result, after corporate matching, in a \$64,000 contribution by CUCM to CDF’s \$12-million campaign goal.

As a corporate entity, CUCM follows the lead of its employees in its own giving, matching — through donations or gifts in kind — virtually all financial donations they make throughout the year.

Donations & Matching

By matching employee donations to local, national and international organizations, CUCM's own donations are directly driven by the giving of employees. Together, CUCM and staff have donated **over \$616,000** to charitable causes in the last six years.



	2007	2008	2009	2010	2011	2012
■ Employee participation	34%	67%	68%	77%	84%	90%
■ United Way/All Charities campaign	\$28,903	\$38,053	\$47,696	\$49,922	\$59,833	\$65,021
■ Staff Club and other fundraising	\$1,466	\$4,231	\$3,632	\$4,137	\$3,716	\$9,748
Employee giving	\$30,369	\$42,284	\$51,328	\$54,059	\$63,549	\$74,769
Matched by CUCM (after expenses)	\$28,869	\$39,984	\$49,003	\$51,179	\$61,237	\$69,921
Total	\$59,238	\$82,268	\$100,331	\$105,238	\$124,786	\$144,690

SUPPORTING CO-OPERATIVE DEVELOPMENT

Rick Doerksen, a long-term credit union system employee and co-op development expert, returned to Cambodia in early 2012 to follow-up on work he had previously done with a Canadian Co-operative Association (CCA) partner organization. This time he was working with the CCA and local agencies to nurture the development of an appropriate apex agency for rural Cambodian credit unions. Rick also addressed the September 2012 African Confederation of Savings and Credit Co-operatives' Annual Congress in Uganda.

Jim Harris, a communications professional at CUCM, travelled with CCA to Uganda where he took part in a mission to learn more about the Ugandan Co-operative Alliance's (UCA) Integrated Finance and Agricultural Producer Initiative (IFAPI), a project supported by CCA. In return, the CCA asked Jim and his fellow communicators to take advantage of every opportunity to write and speak about the contributions CCA is making to people's lives overseas through the development and strengthening of co-operative enterprises.



CUCM employee Jim Harris (above, foreground) took part in a cooperative study mission to Uganda in 2012. Rick Doerksen also visited Uganda in 2012, and spent time in Cambodia as well.



To mark the United Nations International Year of Co-operatives (IYC) and the 75th anniversary of financial co-operatives in Manitoba, a system campaign “to educate Manitobans about the co-operative model and celebrate the benefits of credit unions and their collective contribution to the fabric of life in Manitoba over the past 75 years” took centre stage in 2012.

CUCM posted to Facebook and tweeted daily on co-operative principles and development, and credit union history and current facts, and launched a “My Manitoba Community” video contest that generated considerable interest, with 30 entries submitted by storytellers from around the province. On Co-op Day at the Forks, CUCM, credit unions, the Caisse Group and co-ops came together in September for an afternoon of music, games and education. Governments helped celebrate as well. The Province held a reception and flew the IYC flag for the national launch on January 12, and Mayor Sam Katz, councillor Brian Mayes and CUCM CEO Garth Manness raised the Hands & Globe over Winnipeg City Hall on Credit Union Day.

The Chair in Co-operative Enterprises in the University of Winnipeg’s Department of Business & Administration launched in November. With funding from the Province, the university and the co-operative sector, the program will help produce graduates who can move directly into the industry and ultimately assume leadership roles in credit unions and other co-ops. Manitoba credit unions’ commitment of \$125,000 over four years will serve as the system’s legacy of IYC and the 75th.

The year’s activities generated a higher than usual amount of media coverage and a poll taken in early 2013 showed that Manitobans agree (40%) or strongly agree (26.5%) with the statement that “credit unions have made a positive contribution to the fabric of life in Manitoba over the past 75 years.”



Credit unions and co-ops celebrated the International Year of Co-operatives in a variety of ways throughout 2012. The ‘My Manitoba Community’ video contest (above, left) attracted 30 entries, and hundreds of visitors joined credit union mascot Fat Cat for Co-op Day at the Forks in Winnipeg on September 16 (right).

THE CO-OPERATIVE PRINCIPLES

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.

FIRST 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.

SECOND 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.

THIRD 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 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.

FOURTH PRINCIPLE: 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.

FIFTH 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.

SIXTH 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.

SEVENTH PRINCIPLE: CONCERN FOR COMMUNITY

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

The Manitoba Credit Unions Order of Merit Award

recognizes individuals who, by their exemplary service, leadership and commitment to the Seven International Co-operative Principles, have made significant contributions to Manitoba credit unions and the communities in which they operate.

Recipients have the honour of selecting a Manitoba school and faculty or program to receive a \$1,000 bursary to award to a student based on achievement, need or other criteria.

The Order of Merit Selection Committee comprises two director representatives chosen by Executive Forum and two management representatives selected by CUMAM, which shares the cost of the bursaries with CUCM.

28

Doug Crookshanks *nominated by CROCUS CREDIT UNION*

Doug Crookshanks has devoted 34 years of his talent and time to serving the Manitoba credit union system. His contributions include 10 years on the board of the Brandon Mental Health Employees Credit Union and, following their merger in 1988, another 24 years with Crocus Credit Union, from which he recently retired as president.

Over the course of his time with the Crocus board, Doug has served the wider system as vice-chair and chair of District 7 and as a member of the planning committee of Executive Forum and CUCM's Order of Merit committee.

Doug has distinguished himself as a true community supporter by serving as a member of the board of governors of Assiniboine Community College, as a trustee and member of several committees of Knox United Church, as a board member of the Manitoba Psychological Society and, for several years, as a steward and local president of the MGEU. He also managed and coached children's soccer.

Doug had a distinguished career in the field of psychology, first as a clinician and department head, then as the Program Manager of the Child and Adolescent Treatment Centre in Brandon. His experience with human resources, strategic planning, budgeting and myriad other skills honed during his career in the mental health field proved invaluable to all of the organizations he has lent his skills to, both within and outside the Manitoba credit union system.

Doug has asked that the bursary be awarded to a student in Assiniboine Community College's mature student program.



Lee Family nominated by ERICKSON AND ASSINIBOINE CREDIT UNIONS

Theodore Lee (1885–1965) came north from Minnesota as a young man, married Emma Gusdal (1893–1958) in 1908 and settled down to farm west of Erickson. When the co-op movement came along, Theodore embraced it. He helped organize Erickson's first pool elevator and served on its board, was a charter member of Erickson Consumers Co-op (1939) and served as the first manager of Erickson Credit Union, which operated from the Lee home when it opened in 1952.

John Lee (1909–1992), known around Erickson as Mr. Co-op, was a charter member and the first president of Erickson Credit Union. He served on the board of Manitoba Pool, like his father, Erickson Consumers Co-op, Co-op Implements, Federated Co-ops and helped organize the Manitoba Federation of Agriculture Co-op Camp (Camp Wannakumbac). The MCA recognized him as a Distinguished Co-operator in 2003.

John's wife, Harriet (1916–2010), was the credit union's first secretary. Very active in her church and community organizations, like 4-H, she was also a founding member of the Erickson Women's Institute (1940) and served on its board for more than 60 years. Harriet and John raised five children, Craig and Norval among them.

At the tail end of a career as an agricultural economist with the province, Craig was elected to Astra's board. As president from 2004 to 2007, he helped guide its merger with Vantis and Assiniboine, an experience that positioned him well for his current chairmanship of Assiniboine's governance and ethics committee. He is currently chair of the University of Winnipeg's Board of Regents.

Norval stayed closer to the family roots, literally and figuratively, than his older brother. He took over the family farm and donned the mantle of local co-op leadership. Since 1967, Norval has served Manitoba Pool, Erickson Consumers Co-op, Manitoba Milk Prices Review Board and MAFRI. As a director of Erickson Credit Union since 1988, president since 1990, he represented District 7 on CUCM's board from 2000 to 2007, serving various committees, and remains CUCM's representative on the Wasagaming Foundation board. He was an RM of Clanwilliam councillor from 1989 to 1998.

Craig and Norval have asked that the bursary be awarded to a student in University of Winnipeg's Management of Co-operatives program.



This family photo of the Lee clan includes Harriet and John (centre), Norval (second from left) and Craig (far right). Inset: Theodore Lee.

PREVIOUS RECIPIENTS

2003 Bill Halpenny [ASTRA CREDIT UNION] • Wasył Topolnický [CARPATHIA CREDIT UNION] • Henry F. Wiebe [HEARTLAND CREDIT UNION]

2004 Dave Hughes [CROCUS CREDIT UNION] • George Sawatzky [NIVERVILLE CREDIT UNION] • Irvin Wiebe [AGASSIZ CREDIT UNION]

2005 Norwood Grove Study Group Number 1 [CREDIT UNION PIONEERS] • Monsignor Arthur Benoit [CREDIT UNION PIONEER]

2006 Harold Foster [ARBORG CREDIT UNION] • Stan Scarr [WINNIPEG POLICE CREDIT UNION]

2007 John Gottfried [CASERA CREDIT UNION] **2008** Barney Martin [CREDIT UNION CENTRAL OF MANITOBA]

2010 Marion Murphy [CREDIT UNION PIONEER] **2011** Mel Klassen [ACCESS CREDIT UNION] • Wayne McLeod [WESTOBA CREDIT UNION]

This section of the annual report providing management's discussion and analysis (MD&A) of the consolidated results of Credit Union Central of Manitoba (CUCM) should be read in conjunction with the audited consolidated financial statements and notes as at and for the year ended December 31, 2012. The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). This MD&A is dated February 25, 2013 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 management to make assumptions that involve a number of 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 including: 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. We caution readers that the foregoing list is not exhaustive. CUCM does not undertake to update any forward-looking statements contained in this annual report. Undue reliance should not be placed on forward-looking statements, as actual results may differ materially from expectations.

ECONOMIC OUTLOOK

The U.S. economy achieved 2.3% GDP growth in 2012, despite negative growth of -0.1% in the fourth quarter. While a weak fourth quarter was the result of reduced defense spending and shrinking inventories, consumer and business spending as well as the housing recovery were still strong and support economists' expectations that recovery (although weak) will continue in 2013.

First quarter growth could be as low as 1.1%, but the current consensus is that the economy will gain speed later in 2013 and end the year with annual growth of 2.0%. Most of the growth would come, as it did in 2012, from consumer and business spending and recoveries in the housing and auto markets. Household debt payments as a percentage of disposable personal income fell below 11% in 2012, which may give consumers room to return to the housing and auto markets.

At the beginning of 2013, the U.S. avoided the "fiscal cliff" thanks to an agreement to delay major tax increases and expenditure cuts. The next challenge for U.S. legislators is to achieve consensus

on a debt ceiling for government borrowing to finance its fiscal deficit. Although a new deal on the debt ceiling is expected, prolonged uncertainty about U.S. fiscal policies could cost the economy as much as 1.5% of GDP growth due to limited investment and business expansion. Any GDP growth in 2013, no matter how weak, could result in increased employment, although economists do not expect to see a significant drop in the unemployment rate because more people are expected to re-enter the job market.

Weak global growth in 2012 proved unfavourable for the Canadian economy. Annual growth reached a modest 2.0%, mainly due to very low growth of 1.2% in exports. Domestic demand was also negatively influenced by cuts to government spending, reduced growth in business investment and lower consumer demand for non-durable goods. The housing market, non-residential construction and vehicle sales were the most important growth drivers in 2012.

For 2013, business investment in general and non-residential construction in particular are expected to be major contributors to the forecasted growth of 1.8%. Consumer spending will record modest growth and the housing market could contribute much less than in the last few years due to lower sales and higher inventories in some markets (Toronto, Vancouver, Calgary). Government spending will be limited due to attempts to balance the federal budget by 2016. A major uncertainty for the national economy is the degree of further investment in oil production in Alberta and the fate of controversial pipeline proposals to move oil to the B.C. and U.S. Gulf coasts. The Alberta government expects its fiscal deficit for 2012 to reach more than \$4 billion, which could have an impact on the future of equalization payments for other provinces.

With 2.3% GDP growth in 2012, Manitoba performed better than the rest of Canada. Major contributors were agriculture, residential and non-residential construction, as well as manufacturing and resource (oil and gas) exploration and production.

Hydro exports, one of the growth drivers in the past, did not contribute significantly to 2012 growth due to reduced U.S. demand and the low price of natural gas. The employment picture in Manitoba is still favourable despite continuing increases in population driven by immigration. The unemployment rate was at 5.3% at the end of 2012 (third lowest in Canada after Alberta and Saskatchewan) and employment grew by 0.9%.

In 2013, the Manitoba economy is expected to grow slightly faster than the rest of Canada. Non-residential construction and the housing market are expected to record somewhat slower growth than in 2012, but a continued global recovery could lead to increased manufacturing shipments and exports. Agriculture is expected to have results similar to 2012. In these conditions, employment growth and the unemployment rate should stay close to 2012 levels.

Short-term interest rates are expected to remain low and unchanged for the foreseeable future. The U.S. Federal Reserve is committed to continued quantitative easing by buying \$95 billion per month of Treasury and mortgage-backed securities until the labour market improves significantly. In December, 2012, the Fed also announced a radical new real-side targeting approach to interest rates, under which it will not raise the federal fund target rate until the unemployment rate falls below a 6.5% threshold, subject to the inflation rate remaining at or below 2.5% over a one- to two-year period. This is a major break from the long established policies of inflation targeting only, policies which continue to be pursued by the Bank of Canada. Under this policy, the expectation is that rates will remain steady until mid-2015.

If economic growth reaches forecast levels, then longer term yields are expected to rise by the end of 2013. Short-term spreads are expected to widen by 2014 on the expectation of short-term rates in Canada rising before those in the U.S., while long-term spreads will be roughly at their 2012 levels.

MANITOBA CREDIT UNION SYSTEM

The Manitoba credit union system continued to increase market share in 2012, evidenced by another strong year of growth in deposits and loans, which were up 11.1% and 10.3% respectively (2011: 10.7% and 9.3% respectively). Credit unions' deposits with CUCM ended the year \$285 million higher, growth of 10.9% year-over-year. System liquidity held at CUCM ended the year at 14.5% of total credit union members' deposits, the same as 2011. This liquidity portfolio continues to be almost exclusively invested in Canadian issuers, all of which meet CUCM's high minimum standards. CUCM continues to invest a portion of the portfolio in asset swaps (long-term debt instruments combined with derivative financial instruments) with the intent to pay credit unions higher returns on their liquidity over the next several years. The underlying bond investments purchased (as a component of the asset swaps) are limited to those that meet CUCM's high investment standards; many take the form of subordinated debt issued by the Schedule I ("Big 6") banks. This debt has traditionally provided higher returns than are available on other corporate debt, including the senior debt issued by the same banks. Recent changes to OSFI regulations prohibit the banks from issuing new debt of this form after December 31, 2012. As the currently outstanding subordinated debt matures over the next few years, the maturity proceeds will likely be reinvested at lower returns.

Credit unions once again shortened the terms of their deposits at CUCM. Longer-term (13 months and longer) deposits fell \$136 million year-over-year (down 18%) even as shorter-term deposits grew by \$426 million (up 20%). Within the short-term category, credit unions maintain most of their funds in the form of term deposits for their slightly higher returns relative to current accounts. This is the fourth consecutive year in which deposits have shortened in terms. The primary reason continues to be that the very low interest rates available on longer term deposits make them unattractive. Additionally,

to the extent that credit union members are taking advantage of the opportunity to lock in longer-term loan rates while keeping their deposit terms short, credit unions are maintaining more liquidity in shorter term deposits with CUCM in order to manage their interest rate risk.

A recent survey of credit unions indicates little or no expected change in total liquidity over the next year. Furthermore, given the expectation that the Bank of Canada won't raise interest rates in the near future, credit unions expect to continue to keep their liquidity in shorter terms. During 2012, CUCM transacted a substantial number of new asset swaps in order to secure better returns on short-term liquidity. Even after purchasing those asset swaps, CUCM continues to maintain a robust supply of investments maturing in the short term to ensure that CUCM is able to fund a potential sharp decline in system liquidity.

RETURNS ON MEMBERS' DEPOSITS

CUCM's weighted average cost of funds declined from 3.36% in 2011 to 2.95% in 2012. This decrease was primarily due to the maturity of deposits booked in previous years, when interest rates were higher.

The average cost of funds paid to credit unions (Canadian and U.S. balances, combined) was 82.3 bps on current accounts and 108.1 bps on short-term deposit balances. The combined average cost of funds for these balances was 100.1 bps. Financial margin distributions in 2012 equated to an additional 92.1 bps on short-term liquidity (both current accounts and short-term deposits), resulting in a total payment of 192.2 bps to credit unions on their short-term deposits. The main contributor to this distribution was the earnings on the asset swap portfolio.

The average cost of funds paid to credit unions on their longer term deposit balances was 317.3 bps. Credit unions earned an additional distribution of financial margin of 20.6 bps on longer term deposits, reflecting the additional income earned from the bond investments matched to these deposits. Credit

unions received a total payment of 337.9 bps on their longer term deposit balances.

Finally, the incremental income earned on loans to credit unions is distributed to credit unions in proportion to their excess liquidity deposits; in 2012, this component of financial margin equated to an additional 1.4 bps.

CUCM anticipates market interest rates to remain stable in 2013.

FINANCIAL MARGIN

The main components of financial margin earned, excluding unrealized gains/losses, are investment earnings attributed to credit union liquidity deposits and share capital. These two portfolios are managed separately and the earnings are distributed to credit unions in the form of financial margin distributions and dividends, respectively.

As investments (including asset swaps) mature over the next year, they will be reinvested at the returns available at the time. Opportunities are expected to be less favorable in 2013 than they were

in 2012, so CUCM is expecting a slight reduction in financial margin returns on short-term deposits. Growth in short-term liquidity deposits would further dilute returns. Financial margin distributed on longer-term deposits in 2013 will likely continue to range between 15 and 20 bps. At the current low level of credit union borrowings, distributions on excess liquidity will likely be immaterial.

CUCM is forecasting a decline in financial margin attributed to share capital and paid in the form of dividends. Due to the nature of the funding source, these investments are longer term in nature and were invested at a higher yield. As these investments mature, they are being reinvested at rates currently available, which are lower.

CUCM YEAR IN REVIEW

The messages from the Chairman of the Board and the President & CEO, earlier in this annual report, contain highlights and major developments, internal and external, that affected CUCM in 2012.



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

February 22, 2013

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 judgements 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 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 "Garth Manness".

GARTH MANNESSE
*President and
Chief Executive Officer*

A handwritten signature in blue ink, appearing to read "Barrie Davidson".

BARRIE DAVIDSON
*Chief Financial Officer
and Treasurer*



February 22, 2013

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Credit Union Central of Manitoba Limited

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2012 and the summary consolidated statements of operations and comprehensive income (loss), members' equity and cash flows for the years ended December 31, 2012, are derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited for the year ended December 31, 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2013.

35

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Credit Union Central of Manitoba Limited.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited 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 the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited for the years ended December 31, 2012 are a fair summary of those consolidated financial statements, on the basis described in Note 1 to the summary consolidated financial statements.

Chartered Accountants

*PricewaterhouseCoopers LLP
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 (204) 926 2400, F: +1 (204) 944 1020, www.pwc.com/ca*

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Summary Consolidated Statement of Financial Position

for the year ended December 31

in thousands of Canadian dollars

Assets

Liquidity pool
 Derivative financial instruments
 Intermediation pool
 Property and equipment
 Other assets

Liabilities

Accounts payable
 Members' deposits
 Derivative financial instruments

Members' equity

Share capital
 Accumulated other comprehensive income
 Retained earnings

	2012	2011
	3,127,640	2,808,514
	7,352	6,746
	88,654	66,512
	19,421	20,273
	5,758	5,747
	3,248,825	2,907,792
	32,508	8,388
	2,954,556	2,664,220
	34,575	54,318
	3,021,639	2,726,926
	199,060	176,639
	1,225	1,317
	26,901	2,910
	227,186	180,866
	3,248,825	2,907,792

36

Approved by the Board of Directors



DIRECTOR



DIRECTOR

Summary Consolidated Statement of Operations and Comprehensive Income (Loss)

for the year ended December 31

in thousands of Canadian dollars

	2012	2011
Financial revenue		
Liquidity pool	93,845	85,422
Intermediation pool	1,188	2,487
Total revenue	95,033	87,909
Cost of funds	45,012	41,904
	50,021	46,005
Unrealized gains (losses) on non-derivative instruments	5,853	(2,993)
Unrealized gains (losses) on derivative financial instruments	21,173	(9,079)
Net cost of derivative financial instruments	(20,002)	(24,452)
Financial margin	57,045	9,481
Share of Celero's loss	(617)	(470)
Rental income — net	177	201
Net operating recovery	312	428
	(128)	159
Income before credit union patronage distributions	56,917	9,640
Credit union patronage distributions		
Financial margin distribution	(22,582)	(13,961)
Patronage refund	—	(1,500)
Recovery of Celero's loss	617	35
	(21,965)	(15,426)
Income (loss) before income taxes	34,952	(5,786)
Income tax (expense) recovery	(4,525)	590
Net income (loss) for the year	30,427	(5,196)
Other comprehensive loss		
Change in unrealized gains on available-for-sale assets of nil (net of income tax of \$92)	(92)	—
Comprehensive income (loss) for the year	30,335	(5,196)

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Summary Consolidated Statement of Members' Equity

in thousands of Canadian dollars	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2011	176,639	1,317	14,660	192,616
Loss for the year	—	—	(5,196)	(5,196)
Distributions to members net of tax of \$894	—	—	(6,554)	(6,554)
Issue of shares	2,640	—	—	2,640
Redemption of shares	(2,640)	—	—	(2,640)
Balance at December 31, 2011	176,639	1,317	2,910	180,866
Balance at December 31, 2011	176,639	1,317	2,910	180,866
Income for the year	—	—	30,427	30,427
Other comprehensive loss net of tax of \$92	—	(92)	—	(92)
Distributions to members net of tax of \$973	—	—	(6,436)	(6,436)
Issue of shares	22,421	—	—	22,421
Balance at December 31, 2012	199,060	1,225	26,901	227,186

38

Summary Consolidated Statement of Cash Flows

for the year ended December 31

in thousands of Canadian dollars

Cash provided by (used in)

Operating activities

	2012	2011
Net income (loss) for the year	30,427	(5,196)
Items not affecting cash		
Unrealized losses (gains) on instruments held for trading and FVTPL	(27,026)	12,072
Depreciation of property and equipment	1,651	1,685
Loss on disposal of property and equipment	67	—
Deferred income taxes recovery	(458)	(50)
Increase in liquidity pool assets — net	(352,827)	(505,305)
Decrease in derivative financial instruments — net	824	1,963
Decrease (increase) in intermediation pool assets — net	(22,142)	64,200
Increase in members' deposits — net	295,046	470,676
Net change in other assets and accounts payable	24,475	793
	(49,963)	40,838

Investing activities

Acquisition of property and equipment	(866)	(892)
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Financing activities

Issue of members' shares	22,421	2,640
Redemption of shares	—	(2,640)
Dividends — net of taxes	(6,436)	(6,554)
	15,985	(6,554)

Increase (decrease) in cash

	(34,844)	33,392
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Cash (overdraft) — Beginning of year

	14,778	(18,614)
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Cash (overdraft) — End of year

	(20,066)	14,778
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Supplementary cash flow information

Income tax paid	269	656
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NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**[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 for the year ended December 31, 2012, which are prepared in conformity with International Financial Reporting Standards (IFRS).

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 www.creditunion.mb.ca.

[2] Compliance with minimum capital requirements

At December 31, 2012 the Organization is in compliance with the capital requirements established by the regulations to *The Credit Unions and Caisses Populaires Act* and by the Office of the Superintendent of Financial Institutions Canada.

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, 2012 and 2011 which contain the information detailing the calculation.

The strength of the Manitoba credit union system is people.

Please join us in congratulating these individuals who have worked and volunteered to make their credit unions and the system what they are today.

40

GRANDVIEW CREDIT UNION celebrated its 70th anniversary in 2012.

ETHELBERT CREDIT UNION turned 65, and **ERICKSON** and **SANDY LAKE** credit unions each celebrated 60 years.

40-44 YEARS

JIM NEUFELD Branch Manager • Crosstown Civic Credit Union

DAVE OMICHINSKI CEO • Portage Credit Union

VALERIE SOLTYS General Manager • Erickson Credit Union

35-39 YEARS

GREG ANDERSON Senior Executive • Dauphin Plains Credit Union

DEBBIE INGELBEEN Office Manager • Prairie Mountain Credit Union

BRENDA ROBERTS Internal Auditor • Westoba Credit Union

COLETTE ROBINSON Senior Loans Clerk • Dauphin Plains Credit Union

RUTH WIEBE General Manager • Amaranth Credit Union

30-34 YEARS

RANDY BROWN Acting CEO • Westoba Credit Union

RICK DOERKSEN Senior Business Consultant • CUCM

SHELLEY PORTER Senior Loans Officer • Dauphin Plains Credit Union

JILL SHARMAN Manager, Manuals • CUCM

BRENT THOMAS CEO • Casera Credit Union

25-29 YEARS

KRISTINE ARNASON Manager, Banking Operations • CUCM

LLOYD BAUMGART Agricultural Account Manager • Access Credit Union

YVONNE BRELINSKI Manager, Member Services • Swan Valley Credit Union

CARRIE CANVIN Loan Processing Administrator • Access Credit Union

BRIAN CHARLES Chief Operations Officer • Entegra Credit Union

LINDA DERHAK Member Services Representative • Dauphin Plains Credit Union

GLORIA FILLION Member Services Representative • Dauphin Plains Credit Union

RICK FRIESEN Office Manager • Rosenort Credit Union

DOROTHY GIESBRECHT Member Service Supervisor • Access Credit Union

SANDRA HARDER Agricultural/Commercial Account Manager • Access Credit Union

MARY-ANN JANNSEN Clearing Clerk • Dauphin Plains Credit Union

ABASS KAMARA Courier Clerk • CUCM

NORVAL LEE Director/President • Erickson Credit Union

CHRIS SCHWARK Admin. Asst. to the Corporate Secretary/Event Coordinator • CUCM

SHARON SLATER Senior Member Services Representative • Casera Credit Union

LISA STIENWANDT Human Resources Manager • Dauphin Plains Credit Union

LOUISE THIESSEN Director, Treasury Services • CUCM

MARISSA WAGNER Chief Operations Officer • Belgian-Alliance Credit Union



CREDIT UNION CENTRAL *of* MANITOBA

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

CREDIT SOCIETY / AGENT BANK

Credit Union Central of Canada
Bank of Nova Scotia

EXTERNAL AUDITORS

PricewaterhouseCoopers LLP

SOLICITORS

Pitblado LLP

CONSULTING ECONOMISTS

Dr. Michael Benarroch
Dr. John Loxley
Dr. Brian Oleson

