

CREDIT UNION  
CENTRAL OF MANITOBA

2013 ANNUAL REPORT



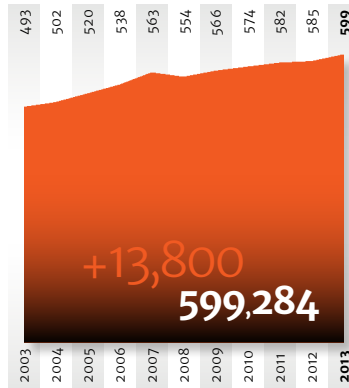


## CONSOLIDATED SYSTEM STATISTICS

December 31, 2013

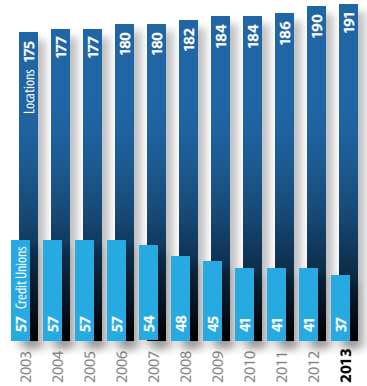
All figures preliminary  
unaudited results

### MEMBERSHIPS (thousands)



Manitoba credit unions welcomed 13,800 new members in 2013. With 599,284 members among a total population of 1.25 million, close to half of all Manitobans now belong to a credit union.

### CREDIT UNIONS AND LOCATIONS



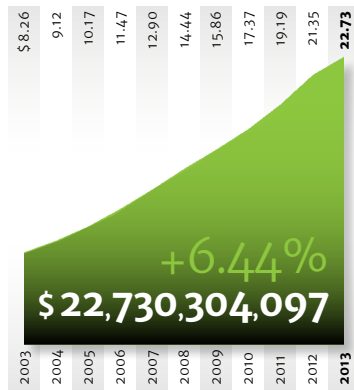
Access Credit Union grew by two branches in 2013, following mergers with Sanford Credit Union on January 1 and Community Credit Union on July 1. Also on July 1, three credit unions in Manitoba's Parkland region — Ethelbert, Dauphin Plains and Roblin — merged to form Catalyst Credit Union. Two new branches opened in Winnipeg during the year, a Carpathia branch in River Heights and a Crosstown Civic branch in the Maples, while Assiniboine merged two of its branches in the south end of the city.

## 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.

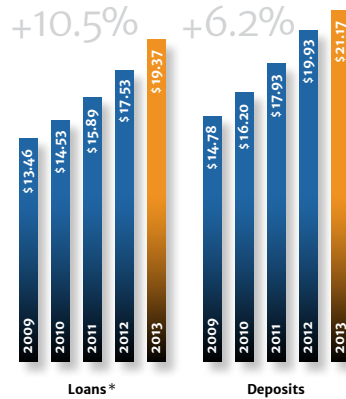
In 67 of those communities, a credit union is the only financial institution in place to serve local residents and businesses.

**CREDIT UNION ASSETS** (billions of dollars)



With consolidated assets of \$22.73 billion, Manitoba credit unions grew by \$1.4 billion in 2013. In the 10 years since 2003, assets have increased by \$14.5 billion, or 275%. Manitoba ranks third, behind only B.C. and Ontario, in terms of provincial system assets.

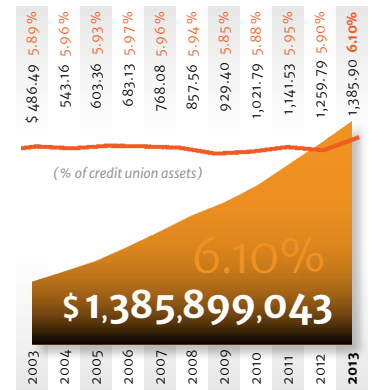
**LOANS AND DEPOSITS** (billions of dollars)



Loans increased by nearly \$1.84 billion (net of allowances) in 2013, a 10.5% increase over 2012, a year in which loans rose by 10.3%. Once again residential mortgages lead the way with an increase of \$1.30 billion or 14.7% growth over 2012. Meanwhile deposits also grew albeit at a slower pace, from \$19.9 billion to \$21.1 billion, an increase of \$1.2 billion.

\* 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 — grew from \$1.26 billion in 2012 to \$1.39 billion in 2013, a 10% increase. Credit union equity as a percentage of assets rose by point-two of one percent over 2012. This graph does not include earnings retained by Credit Union Central of Manitoba or the Deposit Guarantee Corporation of Manitoba.

- Altona Amaranth Arborg Ashern Austin Baldur Beausejour Belmont Benito Binscarth 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 Gretna Grunthal Hamiota Hartney Headingley Holland Inglis Inwood Kenton Killarney La Rivière La Salle Lac du Bonnet Landmark Laurier Lowe Farm MacGregor Manitou 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 Rosburn 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

# MANITOBA'S CREDIT UNIONS



## DISTRICT 1

Steinbach CREDIT UNION [3 BRANCHES]

## DISTRICT 2

Assiniboine CREDIT UNION [24]

## DISTRICT 3

Cambrian CREDIT UNION [11]

## DISTRICT 4

Belgian-Alliance CREDIT UNION [3]

Carpathia CREDIT UNION [4]

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 [17]

Crosstown Civic CREDIT UNION [9]

SUNOVA CREDIT UNION [12]

## DISTRICT 6

Catalyst CREDIT UNION [7]

Flin Flon CREDIT UNION [1]

Grandview CREDIT UNION [1]

Noventis CREDIT UNION [8]

Prairie Mountain 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

La Salle CREDIT UNION [1]

Niverville CREDIT UNION [2]

Oak Bank CREDIT UNION [3]

Rosenort CREDIT UNION [1]

Starbuck CREDIT UNION [2]

## DISTRICT 9

Sunrise CREDIT UNION [13]

Vanguard CREDIT UNION [11]

Westoba CREDIT UNION [21]



#1 LENDERS  
TO SMALL BUSINESS  
IN MANITOBA

Together, Manitoba's credit unions are the number-one lenders to agricultural producers and small & medium sized businesses in the province



599,000  
MEMBERS



#1 LENDERS  
TO AG PRODUCERS  
IN MANITOBA



\$22.7  
BILLION  
TOTAL ASSETS

DEPOSITS GUARANTEED

100%

by the Deposit Guarantee Corporation of Manitoba



1,800+

SURCHARGE-FREE  
ATMs IN CANADA



191  
LOCATIONS

Credit Union Members



51% VERY SATISFIED  
44% SATISFIED

BRANCHES IN

117

MANITOBA  
COMMUNITIES

67

Manitoba communities where the credit union is the ONLY financial institution in town

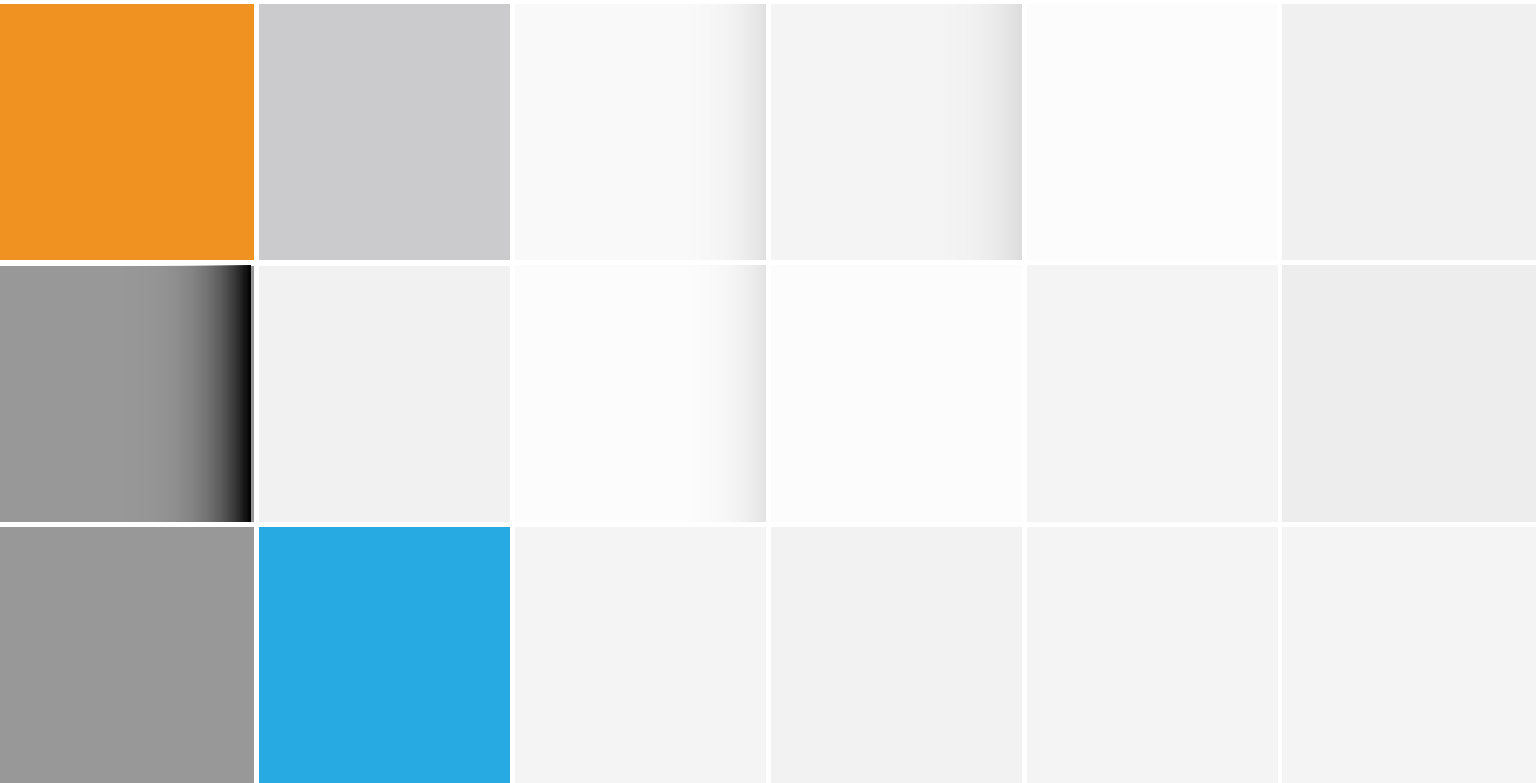


16

new branches  
built in Manitoba  
since 2003

## CREDIT UNION CENTRAL OF MANITOBA

is the trade association and service provider for the province's 37 autonomous credit unions and is governed by Manitoba's *Credit Unions and Caisses Populaires Act* and the *Cooperative Credit Associations 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.



CREDIT UNION  
CENTRAL OF MANITOBA



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*The scenarios (created by CUCM's board) allowed us to consider possibilities ranging from multiple centrals to a single national central, and from very few credit unions to only moderate reductions in numbers... The scenarios and indicators of change will be integral to the board and management as we plan for the short and the long term future of CUCM.*

**RUSSELL FAST**  
*Chairman, Board of Directors*



## In the spring of 2013, Credit Union Central of Manitoba (CUCM) published *Scenarios 2020*.

The process of building scenarios is a future-oriented thinking tool that organizations and working groups use to build shared views about possible futures — futures for which they need to prepare or futures they may want to shape.

In the scenario process, a group creates provocative and plausible narratives, based on different potential outcomes of key drivers of change that are not predictable or in the control of the organization. The value of scenarios lies not only in the resulting narratives, but in the process of co-creating them and then bringing them out for discussion in the larger world. The process itself creates provocative and important conversations about what needs to happen.

The CUCM board created four scenarios of how the provincial and national credit union systems might look in 2020, based on combinations of potential credit union behaviours in two areas: the level of collaborative investment in technology and the pace of mergers in Manitoba and Canada. The resulting scenarios allowed us to consider possibilities ranging from multiple centrals to a single national central, and from very few credit unions to only moderate reductions in numbers.

CUCM regularly monitors indicators that are discussed in the scenarios to see what is actually playing out over time, relative to what the scenarios contemplated. The scenarios and indicators of change will be integral to the board and management as we plan for the short and the long term future of CUCM.

Developments at the regional and national levels of the credit union system also have an impact on our planning and activities; there were several of note in 2013.

Following extensive consultation with different levels throughout the national system, Credit Union Central of Canada (CUEC) published a concept paper that set out potential changes to its corporate structure. A new organization, the Canadian Credit Union Association (CCUA), would be chartered to operate under the *Canada Cooperatives Act*, and CUEC would then transfer the national trade association business of CUEC to the new entity. With these changes, CUEC would move toward a more agile constitution and structure that would be more adaptable to change. It would also be more participatory, in that it would draw direct involvement from credit unions in its governance and policy structure. We will learn more about this in 2014 as the CUEC board carries out further consultations on the proposed changes.

Twenty-thirteen also saw the establishment of four national Chair and CEO task forces to look at areas of overlap, duplication and gaps in several areas of trade services that are

provided to credit unions throughout the national system. They are investigating how the system can work together better on compliance, research, leadership conventions and government relations. The task forces will complete their reports in 2014.

As part of planning for the long-term, CUCM participated in an official dialogue, launched in 2013, with SaskCentral and Atlantic Central. The working premise of Project Jigsaw is that centrals and credit unions need to change how they deliver services and that an implementable and segmented service delivery model for both tiers needs to be developed to enable the delivery of member products and services on a collective basis. Phase I was completed in 2013. Its objectives were to understand the needs and challenges impacting the long-term sustainability of the three systems, identify collaborative solutions that would enable credit unions to compete more effectively, and build a case for change to motivate credit unions and centrals to act. Based on the findings of Phase I (which were shared with Central 1 and Alberta Central), the Manitoba system's various decision-making bodies recommended to the board that CUCM participate in Phase II, the development of the models, subject to the participation of SaskCentral and Atlantic Central.

The board of directors will continue the important work related to CUCM's short- and long-term plans. We look forward, in doing so, to gathering input from all areas of the system — especially senior Manitoba credit union leaders, but also colleagues at other centrals and leaders at CUCC. We also look forward to the continued excellent leadership and support of CEO Garth Manness and CUCM's senior management, whose efforts continue to underscore the organization's dedication to the future success 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.*

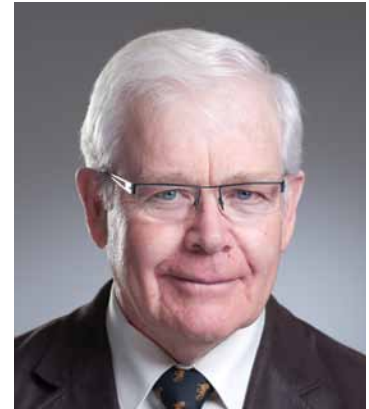
**BOARD OF DIRECTORS**



**DISTRICT 1 • CHAIR**

***Russell Fast***  
Second Vice-President,  
Steinbach Credit Union

*CUCM board meeting attendance: 12/12*



**DISTRICT 8 • VICE-CHAIR**

***Alexander (Sandy) Wallace***  
First Vice-President,  
Niverville Credit Union

*CUCM board meeting attendance: 12/12*



**DISTRICT 5**

***Peter Enns***  
Chief Executive Officer,  
Crosstown Civic Credit Union

*CUCM board meeting attendance: 11/12*



**DISTRICT 6**

***Lee Gregory***  
Chair,  
Noventis Credit Union

*CUCM board meeting attendance: 11/12*





**DISTRICT 2**

***Al Morin***

Chief Executive Officer (retired)  
Assiniboine Credit Union

*CUCM board meeting attendance: 8/9*

***Margaret Day***

*CUCM board meeting attendance: 3/3*



**DISTRICT 3**

***Rose Marie Couture***

Director,  
Cambrian Credit Union

*CUCM board meeting attendance: 12/12*



**DISTRICT 4**

***Dave Abel***

President,  
Casera Credit Union

*CUCM board meeting attendance: 12/12*



**DISTRICT 7**

***Gord Sylvester***

General Manager,  
Beautiful Plains Credit Union

*CUCM board meeting attendance: 12/12*



**DISTRICT 9**

***Randy Brown***

Vice-President, Member Solutions  
Westoba Credit Union

*CUCM board meeting attendance: 11/12*

*Individuals' positions as of  
December 31, 2013 are shown.*

## *Board & Committee Activity*

In addition to scenario planning, strategic planning and business model activities described in the message from the chair and elsewhere in this annual report, the CUCM board continued, in 2013, to deal with a variety of issues while carrying out its ongoing committee and other work.

Ensuring CUCM's compliance with OSFI's corporate governance guidelines drove a significant amount of the board's work in 2013.

An Audit and Risk Committee was established to replace the Audit Committee and an Enterprise Risk Management (ERM) Policy and framework was developed. As part of the ERM Project, the board approved a risk appetite framework and risk measurement criteria for CUCM. The Audit & Risk Committee approved the appointment of Barrie Davidson as Chief Risk Officer for CUCM.

The board approved the engagement of Deloitte to provide independent professional advice on how CUCM might better set its investment criteria. The resulting report and recommendations drove changes to CUCM's Liquidity Pool Investment Policy. The changes in policy, which are achievable with only a marginal increase in risk, are not expected to lead to lower returns on investments.

Consistent with the goal of continuously improving CUCM's governance structure and processes, the board approved a board assessment policy and job descriptions for board members and committee vice-chairs. It also introduced various tools, including a director training program for 2014, a board committee selection process and policy, and a process for recording in-camera meeting minutes. Work on a board succession plan and a process to evaluate CUCM's representatives on external organizations' boards were started in 2013 and will continue into 2014.

The exploration of changes to CUCM's governance structure moved forward in 2013. Following a process that involved the Board Governance and Democratic Control Review committees, two models were presented to credit unions at the fall system meeting; they were subsequently asked to indicate which one they believed would provide greater flexibility while maintaining as much board continuity as possible. Their responses will determine which model the CUCM board recommends to the delegate body at the annual general meeting in March 2014.

*Governance, Policy & Planning Committee attendance*

[CHAIR]	<b>Sandy Wallace</b>	4/4
[VICE-CHAIR]	<b>Russell Fast</b>	4/4
	<b>Margaret Day</b>	1/1
	<b>Peter Enns</b>	1/1
	<b>Al Morin</b>	3/3
	<b>Randy Brown</b>	3/3

*Audit Committee meeting attendance*

[CHAIR]	<b>Dave Abel</b>	1/1
[VICE-CHAIR]	<b>Lee Gregory</b>	1/1
	<b>Peter Enns</b>	1/1
	<b>Gord Sylvester</b>	1/1

*Audit & Risk Committee meeting attendance*

[CHAIR]	<b>Dave Abel</b>	3/3
[VICE-CHAIR]	<b>Lee Gregory</b>	3/3
	<b>Peter Enns</b>	3/3
	<b>Gord Sylvester</b>	3/3

*Conduct Review Committee meeting attendance*

[CHAIR]	<b>Dave Abel</b>	2/2
[VICE-CHAIR]	<b>Lee Gregory</b>	2/2
	<b>Peter Enns</b>	2/2
	<b>Gord Sylvester</b>	2/2

*Investment Committee meeting attendance*

[CHAIR]	<b>Rose Marie Couture</b>	5/5
[VICE-CHAIR]	<b>Lee Gregory</b>	5/5
	<b>Peter Enns</b>	5/5
	<b>Gord Sylvester</b>	5/5

**GOVERNANCE, POLICY & PLANNING COMMITTEE**

*This committee oversees the quality and effectiveness of CUCM's corporate governance. Among a wide range of responsibilities, the committee studies, recommends and reviews the development of, and compliance with, board policies and procedures that advance good corporate governance. The committee oversees board succession and the population of other board committees. It oversees the development of board training and orientation programs, reviews all CUCM compliance reports and liaises with the Democratic Control Review Committee on system democracy issues.*

**AUDIT AND RISK COMMITTEE**

*In 2013, this committee was formed to expand the role of the Audit Committee. Responsibilities include overseeing CUCM's external and internal auditors and the organization's risk management processes, including the appointment and compensation of the external auditors, the Director of Internal Audit and the Chief Risk Officer. The committee reviews and reports on the audited financial statements, reviews difficulties encountered by the auditors in the performance of their audits, reviews critical and significant recommendations on the subjects of internal control, financial risk or process improvement — and management's response thereto — and ensures that management maintains an appropriate system of internal controls. The committee also reviews the risk appetite framework, including risks identified by management through the risk register, and provides input to the approval of changes to business strategies and the corresponding risk appetite. It also reviews significant risks and exposures, and management's response to those risks, and the impact of changes to investment and lending policies recommended by the investment committee.*

**CONDUCT REVIEW COMMITTEE**

*This 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**

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

SENIOR MANAGEMENT



**PRESIDENT *and*  
CHIEF EXECUTIVE OFFICER**  
*Garth Manness*



**SENIOR CONSULTANT TO THE  
CHIEF EXECUTIVE OFFICER**  
*Bob Lafond*



**CORPORATE SECRETARY**  
*Dale Ward*



**SENIOR VICE-PRESIDENT, FINANCE  
*and* CHIEF RISK OFFICER**  
*Barrie Davidson*



**SENIOR VICE-PRESIDENT,  
MEMBER SOLUTIONS**  
*Wilson Griffiths*





**DIRECTOR, INTERNAL AUDIT**  
*Dina Long*



**VICE-PRESIDENT,  
TREASURY SERVICES**  
*Louise Thiessen*



**CHIEF INFORMATION OFFICER**  
*Kim Robinson*  
[ PART TIME ]



**VICE-PRESIDENT, CONSULTING  
AND PEOPLE SERVICES**  
*Pat Gifford*



**VICE-PRESIDENT, STRATEGY  
AND KNOWLEDGE SERVICES**  
*Louise Smith*



**VICE-PRESIDENT,  
LENDING AND COMPLIANCE**  
*Ted Richert*

## Manitoba credit unions enjoyed a successful year in 2013.

Loan demand, up by 10.5% over 2012, was particularly strong, as Manitobans continued to look to their local credit union for financing to drive their small businesses, new ventures, farm operations, housing and consumer purchases. Deposit growth (up by 6.2% over 2012) was slower, which resulted in credit unions investing less liquidity with CUCM and slowed overall asset growth to 6.4% over 2012.

Credit union service to communities, the backbone of their operations and their identity, continued to grow. Not only was there a net gain of one branch in 2013, bringing the number to 191 (67 in communities where they are the sole provider of financial services and thus furthering gap between credit union and bank branches), they continued to support initiatives, large and small, brought forward by leaders of communities throughout the province.

With three successful mergers in 2013, the number of credit unions fell from 41 to 37.

CUCM's latest annual market research (January 2014) reveals that Manitobans' positive opinions of credit unions are as strong as ever. It shows that 51% of members are "very satisfied" with their credit union (44% "satisfied"), compared to 31% of bank customers who are very satisfied with their financial institution (62.5% "satisfied"). In addition, 40.5% of members would "definitely" recommend their credit union to friends and family, compared to 21% of bank customers. And their positive attitudes translate into numbers: with nearly 14,000 new members, credit unions are the clear choice for financial services for more Manitobans than ever.

Credit unions have been successful in this province for over 75 years by focusing the needs of their members and their communities. For its part, Credit Union Central (CUCM) contributes to credit unions' success by working to become their trusted and valued partner, respected thought leader, source of support and provider of creative solutions.

*Credit unions have been successful in this province for over 75 years by focusing the needs of their members and their communities.*

*For its part, Credit Union Central contributes to credit unions' success by working to become their trusted and valued partner, respected thought leader, source of support and provider of creative solutions.*

**GARTH MANNES**

*President and Chief Executive Officer*



*CUCM's strategic priorities for 2013, as set out in the 2012–2014 corporate strategic plan, were to evolve CUCM's business model short-term, evolve CUCM's business model long-term, align products and processes to centre on member needs, and manage information and knowledge effectively.*

Phase One (2011–2012) of the business model review — understanding the need for CUCM to change to meet the evolving needs of credit unions — was built on reviews of business advisory services (consulting), treasury services/controller's and system credit, as well as analysis and modeling performed during the Prairie Central and CUCM-SaskCentral merger projects.

Phase Two — to build and transition to a new model — began in June 2012. It contains a suite of nine projects. In 2013, two were completed — Products and Services Evaluation and Organizational Design — and solid groundwork was laid for Knowledge Management. The other six, in various stages of progress, include Alignment of Key Processes, Align Member Relationship Management, Performance Management, Leadership Development, Behaviours and Culture and Change Management.

The products and services evaluation, the starting point from which the scope and direction of the other projects in the suite would be defined, confirmed the requirement for CUCM to continue to offer the majority of its existing services. The evaluation also concluded that project management services and Printing & Supply were no longer sustainable. It also identified gaps — in agricultural support services but also in a crucial operational area for credit unions, risk and compliance. In 2013, CUCM embarked on a search for a senior risk and compliance officer.

In November, management announced a new organizational design, one that is better aligned with CUCM's corporate vision and the results of the products and services evaluation. With it, there are now three divisions headed by senior vice-presidents. Member Solutions provides fee-based services to members and clients in the areas of banking and payments, consulting, human resources, I/T and marketing. Finance & Risk manages the financials for CUCM and the investments CUCM makes on behalf of credit unions, and oversees enterprise risk management and the operations of 317 Donald. Governance & Strategy manages the governance processes for CUCM; assists the CEO in the creation and execution of strategic plans and initiatives; manages information, knowledge and research; and provides lending and credit union compliance and risk services. CUCM's executive now consists of the CEO, the senior consultant to the CEO and the senior vice-presidents of the three new divisions. CUCM will fully transition to the new design in 2014 by filling vacant positions, implementing leadership and change management programs and reallocating office space.

A new group, Strategy & Knowledge Services, brings together functions that have responsibilities in areas of research, communications and information synthesis for credit unions, employees and other stakeholders. A knowledge management (KM) project was launched in October to develop and implement a KM strategy to support CUCM as it shapes its future direction. The project team will assess the criticality of

information and experience for the delivery of CUCM's products, services and thought leadership to clients, identify where information and knowledge exist today and define basic policies related to their use, sharing and destruction. In January 2014, Celero will deliver a report on findings and recommendations based on extensive requirements gathering and workshops held for all business lines. A strategy and implementation plan will follow.

*In the spirit of the principle of cooperation among cooperatives, there exist within the credit union system a number of standing and ad hoc committees that bring system leaders and knowledge experts together to share, learn and work on governance and operational matters of common interest to all credit unions. In 2013, the work of a number of them had a direct and important impact on Manitoba credit unions.*

The Prairie Card Strategy Committee completed its work in 2013 with the finalization of a new credit card agreement with CUETS/TD and the execution of individual credit union agreements. The new agreement is an improvement over the previous one, with credit unions receiving a higher percentage of revenue, access to cardholder information, input on marketing plans and the option to source debit cards from other suppliers. In addition, TD will consult with a new governance committee, composed of representatives from each province and TD, on any changes to product offerings, the allocation of marketing funds and other matters. Assiniboine, Cambrian and Steinbach credit unions sit on the committee.

The Co-operative Network Services Committee (CNSC) is a committee of CUCC that provides advice and recommendations to the provincial centrals that are parties to the master services agreement with Everlink for switching and card services. Through CNSC, central and credit union representatives from each province advise on the governance and operation of the Cooperative Node and develop and recommend strategies pertaining to card-based services. CUCM and Cambrian sit on the committee. In 2013, CNSC piloted its country blocking and travel notification service, which will help credit unions reduce the incidence of debit fraud overseas by blocking card use in high-risk locales. (Members can have the block lifted when planning to travel in those areas.) CNSC also guided the work of CUCC as it worked with Everlink and ATM hardware vendors to certify and upgrade all credit union ATMs to the latest operating system. The committee will continue to work with CUCC in 2014 to help ensure that Cooperative Node credit unions remain in full compliance with Interac ATM regulations.

Payments is a high strategic priority for credit unions. The CEO Payments Strategy Committee, composed of the CEOs of CUCM, Central 1, Alberta Central and representatives from the Large Credit Unions of Canada group (LCUC), was formed in late 2012 to develop a payments strategy for the national system. The full spectrum of payments is in scope: current and future clearing and settlement issues,

mobile payments, relationships with industry participants and regulatory bodies, and implications for credit unions' strong competitive positioning in the small and medium enterprise market. The group is currently building a detailed analysis of different payments options and their prioritization. Understanding the need for a clear, long-term strategy for credit unions, the group is committed to developing a clear mandate and accountability for national payments delivery. It will also, in consultation with credit unions, develop an aligned roadmap on governance that will address member needs and benefits, speed to market, innovation and strategic perspective.

*In an industry as highly regulated as financial services, fostering positive relationships with regulators and legislators is an important function of centrals at the provincial and national levels. In Manitoba, that task is spearheaded by CUCM, while CUCC deals with government at the federal level.*

CUCM continues to meet quarterly with the Deposit Guarantee Corporation of Manitoba (DGCM) and the Financial Institutions Regulations Branch (FIRB) to discuss legislative and regulatory items of common interest to Manitoba credit unions. Two ongoing topics the group was active on in 2013 were the implementation of Basel III-influenced guidelines and the development of a Manitoba-based approach to system liquidity protocol principles and standards.

During the liquidity crisis of 2007–2008, the federal government, through Bank of Canada programs such as purchase resale agreements (PRAS), helped banks and credit union centrals maintain adequate access to capital. Since then, the Bank of Canada has focused on ensuring that emergency lending protocols are in place to cover local crises. In 2013, the centrals looked into accessing the Bank's own emergency liquidity program to cover short-term situations. In the absence of plans with the centrals' deposit guarantee corporations and provincial governments to address emergency lending to credit unions, the Bank demurred. With OSFI also recommending the development of local protocols, CUCM, DGCM and FIRB agreed to develop drafts and ask the provincial government to indicate which it could potentially support. Work began in October, with CUCM as project lead.

Basel III implementation has been identified as a top priority by Canadian regulators. OSFI has already implemented new standards for federally regulated financial institutions and provincial jurisdictions are now working to harmonize their capital requirements. In July, DGCM outlined proposed revisions to capital adequacy standards for Manitoba credit unions using the Basel III framework. The new standards would increase the quantity and quality of risk-weighted capital that every credit union and the caisse must maintain. In November, DGCM began a consultation process with credit unions, the caisse and FIRB for their implementation.

In its 2013 budget, the federal government announced it would phase out a tax deduction for credit unions that had been in place for four decades. The deduction acknowledged credit unions' unique inability, among financial institutions, to raise capital in the markets. Despite a concerted lobbying effort led by CUCC, the federal government did not amend the bill and the tax changes came into effect January 1, 2014. The deduction's removal will result in credit unions paying an additional \$200 million in federal tax from net income and thus compound the impact of increasing regulatory demands, and further reduce their ability to build capital and invest in new technology. The change affects all but the smallest credit unions. CUCM met with provincial finance officials, including the minister, to confirm that the federal change would not impact provincial tax payable by Manitoba credit unions. This was confirmed in the 2013 provincial budget.

CUCC continues to lobby the federal government for a Farm Credit Canada (FCC) mandate review. The system's position is that the legislation governing the Crown lender should require that it conduct itself in a manner that is complementary to private sector financial institutions, not in competition with them. In 2013, there appeared to be some support, across party lines, for such a review.

CUCM and CUCC continued to monitor developments in regards to a number of other pieces of legislation and regulations affecting credit unions.

Amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations come into force on February 1, 2014. FINTRAC (the Financial Transactions and Reports Analysis Centre of Canada, an independent enforcement body reporting to the minister of finance) released guidelines related to the amendments in early 2014. The amendments will impact credit unions' compliance regimes by requiring them to put in place more stringent monitoring and record keeping.

Canada's anti-spam legislation, which received Royal Assent in December 2010, will come into effect July 1, 2014. The regulations, which were delayed due to the number of pieces of legislation involved, will stipulate, among other things, that commercial electronic messages can only be sent with the express or implied consent of recipients.

In December 2012, regulations related to federal credit union legislation were finalized. Any credit union converting its operations from provincial to federal jurisdiction would be governed under the *Bank Act* and thus subject to federal Acts, standards and regulations. As federal institutions, they would be covered by the deposit guarantee provided by the Canadian Deposit Insurance Corporation (CDIC).

In early 2014, the federal government released requirements for Canadian financial institutions under FATCA, Washington's *Foreign Account Tax Compliance Act*. The Act requires financial institutions around the world to report account information about American citizens to the U.S. government. As expected and hoped, an inter-governmental agreement (IGA) was struck between U.S. Treasury and Finance Canada that will allow Canadian financial institutions to report through the CRA. It also exempts financial institutions under \$175 million from having to report and excludes reporting on a number of deposit and investment instruments.

*The primary focus of most CUCM departments is to provide core and/or optional services to Manitoba credit unions.*

Although *Banking & Payment Services (BPS)* processed more than 25 million cheques worth over \$45 billion in 2013, it was a decline in volume of roughly 6% from 2012. Year-over-year declines are expected to continue and will be further driven by the federal government's plan to stop issuing cheques by April 2016. While the Canadian Payments Association (CPA) continued to work on rules and standards for the electronic exchange of cheque images between financial institutions, CUCM worked with other centrals in the Group Clearing Joint Venture to electronically exchange cheque images between central sites. This major initiative reduced costs for the participants and was the first step in positioning CUCM and the other clearing centrals for participation in the inter-financial institution exchange of cheque images, which is expected to begin sometime in 2014 or 2015.

CUCM has also been collaborating with Central 1 and Credit Union Payment Services (CUPS) to develop a strategy for cheque remote deposit capture (RDC). Eventually, all credit unions and chartered banks will capture cheque deposit images at their branches in order to gain handling efficiencies and reduce or eliminate the costs of the shared couriers that run today between bank and credit union branches and their respective cheque processing centres.

With the development of a mobile RDC solution, digitizing cheque images is now available to members. Developed by Central 1 at the request of the Large Credit Unions of Canada group (LCUC), Deposit Anywhere™ allows credit union members to use their mobile smartphones to deposit cheques to their accounts by taking a digital photo of the front and back of the cheque. In January 2014, Cambrian became the first credit union to launch the service in Manitoba.

In other developments in 2013, CUCM signed a contract with a new vendor for cash and coin that will deliver better pricing and service levels to credit unions. The department also built a new in-house archive solution for clearing and settlement reports to replace a legacy system that was being phased out. And, through Central 1, CUCM and other clearing centrals found a new provider for the settlement and delivery of U.S. cheques — a service made much more complicated in recent years by stringent U.S. anti-money laundering (AML) requirements.

In 2013, *Central Credit Committee (CCC)* completed a major review and update of the model loan policy to reflect the more urgent need for market competitiveness and prudent credit control. Discretionary lending limits (DLLs) were delivered to the system in July, with most credit unions receiving increases in the 5% to 10% range. As DLLs continued to grow, loan transaction review (LTR) sample sizes were increased as a means to help ensure responsible usage of lending limits: volumes were increased for the largest 11 credit unions, remained the same for 14, and reduced for the smallest 16. CCC also continued to represent Manitoba on the National Lenders Committee and continued to advocate on behalf of credit unions with FCC and Manitoba Agricultural Services Corporation (MASC) on an array of agricultural issues.



In 2013, *Treasury Risk & Compliance* implemented a regular stress testing program to help CUCM balance the desire to generate strong investment returns with the need for prudent asset management. Thirteen formal test scenarios are now run on a quarterly basis. The area also completed a small project to split what was a single liquidity pool portfolio into defined strategies that match assets against liabilities. This will allow for more targeted investment policy rules and specific performance measurement against the chosen strategies.

Formerly the Controller's department, *Financial Reporting & Accounting* (FRA) enhanced its service and improved efficiency by offering to pay CUCM vendors by electronic funds transfer (EFT). Vendor payments are now deposited directly into their accounts. And, building on work done in 2013, FRA will soon implement new software that will enhance CUCM's billing and time-tracking processes.

Details on activities related to *Treasury Services* are found in the Management Discussion & Analysis (see page 30).

Throughout 2013, *Human Resources* was involved in a number of projects related to the new business model. The largest of these was the redesign of the organization to optimize the use of talent and fill gaps in organizational capabilities. The department also managed a project to conduct 360-degree assessments and coaching for all senior leaders and began a review of employee rewards and recognition. The department also completed the biannual Canadian credit union survey initiative for executive and non-executive positions, a benefits and working conditions survey and a director remuneration and board practices survey, in addition to providing a wide variety of employee relations, compensation, search and other services to Manitoba credit unions, Celero and Everlink.

As part of OSFI requirements, *CUCM Information Technology* undertook a Disaster Recovery project for critical applications and services in 2013. The project involved Celero technical staff and CUCM business line staff shutting down access to current production environments and bringing up the backed up environments in the remote disaster backup. All testing was successful, with the exception of complete access to CUCM's general ledger system, which will be addressed and retested in 2014. I/T also undertook for CUCM a Business Continuity Plan project, another OSFI requirement. Celero worked with CUCM staff to gather business-related information pertinent to business continuity and provided CUCM with a mock disaster tabletop exercise that will be used on an annual basis to confirm the viability of the plan.

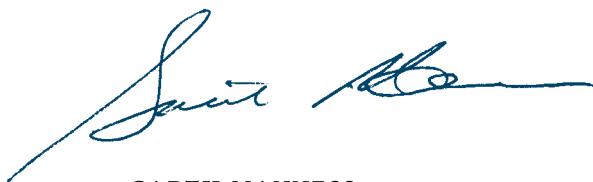
The *Strategic Solutions* group synthesizes ongoing trend information, primary and secondary research and credit union system results to arrive at some conclusions about risks and opportunities. The information is used widely throughout the system, from presentations to system leadership groups to credit union planning workshops. It is also, at least annually, captured in the Strategic Intelligence Report (SIR). While providing continuity in tracking statistics on an annual basis, the data is also examined from different perspectives each year. In 2013, for example, the department viewed sustainability and benchmarking analysis through the lens of models discussed within Project Jigsaw to try to gain the perspective of potential benefits to members.

Strategic Solutions continued to assist credit unions with equity reviews and related planning, continued to support credit unions using ProfitStars and provided process redesign services to credit unions. It also helped credit unions prepare for FINTRAC reviews and to plan, implement and document required changes following a review. In the area of research, the department conducted member surveys of various levels of complexity, for credit unions and affiliates provincially and nationally, of which the majority were online using CUCM's CUAdvisor tool. And two special survey-based studies for 2013 were initiated to inform CUCM's planning: a further exploration of the needs of new Canadians for financial services; and the perspective of aboriginal consumers in Manitoba.

As the master policy holder for Manitoba within TCUBP (The Credit Union Bonding Program), CUCM represents the interests of Manitoba credit unions with CUMIS, in conjunction with representatives from other centrals, deposit guarantee corporations and federations. TCUBP updated some key coverage in 2013, the fidelity bond limit and directors' and officers' liability limits. In a related area, Strategic Solutions continued to provide support to a project, launched in late 2012 on behalf of a network of seniors' advocacy agencies, to develop tools and processes to help credit unions spot and appropriately navigate through suspected elder financial abuse.

After the third quarter of 2013, CUCM decided to cease operations of Printing & Supply. Declining sales and mounting costs put the department in the position of not being able to contribute to CUCM's bottom line, in contravention of CUCM's pricing and cost-recovery guidelines. A strategy was developed to ensure the continued provision of products of importance to Manitoba credit unions' operations. The exit was well underway at the end of 2013 and CUCM expects it will be completed ahead of the target date of April 30, 2014.

I would like to thank all of our employees for their continued dedication to the goals of CUCM and Manitoba credit unions — especially my senior management team, who stepped up as a group for extended periods to carry on the important work of our central. I would likewise like to acknowledge the work of our board members, and board chair Russ Fast in particular, for their fair and balanced representation of the interests of their districts and the entire system of Manitoba credit unions.



**GARTH MANNES**

*President and Chief Executive Officer*

## 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.*



## 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 **Everlink Payment Services**.*

### celero▶

*Celero Solutions Inc. is an I/T joint venture co-owned by CUCM, SaskCentral, Alberta Central and Concentra Financial. With offices in Winnipeg, Regina, Saskatoon and Calgary, the company owns the core banking system used by the majority of Prairie credit unions and offers a wide variety of I/T services and products.*

Celero made progress on reducing costs in 2013. First half earnings shortfalls were erased through the latter half with an active cost reduction program and an intense focus on revenue growth. Forecasts indicate that Celero will realize a positive financial outcome for 2013.

Following network interruptions in March that negatively impacted Manitoba clients, Celero executed a planned network upgrade program to reinstate high levels of service resiliency. This included a third party audit of the company's network and data centres and resulted in numerous improvements to technical infrastructure. By the end of the year, overall prime-time availability of the eroWORKS DNA banking system, including the outages, was 99.939%. And an independent, comprehensive CSAE 3416 Audit — which measures whether systems and processes have appropriate security and privacy controls in place — was carried out by Deloitte and Celero once again achieved an “unqualified” or “clean” audit report.

In October, Celero released the latest version (4.0) of the DNA banking system, the largest release yet. The update resolved 80% of the top 40 issues with DNA and made available a number of enhancements and improvements. By January 2014, Celero will have replaced the core switches and network firewalls in

both its Calgary and Winnipeg data centres. The net result will be a completely new, faster and safer network infrastructure.

Through a negotiated bulk services agreement with Central 1 for MemberDirect® services, Celero clients will realize price savings, substantially improved service level agreements and the ability to grow in the highly cost effective online channel. Celero's banking system partner for DNA, Open Solutions, was acquired by Fiserv in early 2013. Fiserv's acquisition releases the potential for new products and services to be brought forward to customers.

Celero has invested significant effort in identifying trends and best practices in financial services I/T and will take this work into 2014. The company plans to work collaboratively with clients to develop a clear understanding of how future technologies will enable them to achieve their vision of the future. Expanded development capabilities in DNA will make enhancements and changes to the eroWORKS banking system faster and more cost-effective. Celero will continue with efforts to reduce costs and pass the savings on to customers. That, and a continued focus on service excellence, will contribute to Celero's strength as a technology partner to the credit union system and drive further growth and profitability.



**EVERLINK**

*Everlink Payment Services Inc. is a joint venture owned by Celero and U.S.-based FIS. The company provides switching and electronic payments solutions to financial institutions on the Prairies and elsewhere in Canada.*

In an industry that is growing by less than 3% annually, 2013 was a successful year for Everlink, financially.

Revenue of \$21.7 million represents 8.7% growth. Operating expenses increased by 7.0% but are expected to grow in 2014 by only 4.4%. 2013 cash is forecast to end the year at \$2.3 million. Net income before taxes of \$736,000 exceeded the company's goal by 10.4% and represented a year-over-year increase of 75.4%. Current projections suggest significant growth in net income for 2014 — to \$1.4 million, a 92% increase.

2013 was also successful in terms of the company's diversification toward a full service, end-to-end payments solutions business.

The company further grew its products and services portfolio in all six, now well established, lines of business (Payment Network Gateway, ATM Managed Services, Fraud Management, Card Issuance and Management, POS Acquiring and Professional Services) across its three, now well established, market segments (credit unions, banks and independent sales organizations, or ISOs). With these, Everlink continued its strategy to reduce dependence on traditional core network payment gateway (switching) products and services, and on its credit union client base.

Some highlights in brief included: product enhancements in ATM Managed Services, POS Acquiring and Fraud Management; a complete refresh of payment processing platform infrastructure to a state-of-the-art hardware/software platform; renewal of one bank client (continuing the track record of 100% client renewals); the conclusion of six new credit union Card Issuance deals; and the addition of two large ISO clients.

Payment Network Gateway (PNG) revenue began to level off in 2013, due to a combination of price compression and declining ATM and cross-border debit volumes (offset by growth in POS Acquiring volumes). Fraud Management grew significantly in 2013 and is projected to continue to grow in 2014, largely due to country and PIN block enhancements and some new business. For 2014, the company plans to focus heavily on Card Issuance and Management, POS Acquiring, ATM Managed Services and mobile payments (potentially a seventh line of business).

With growth in all lines of business, increasingly diversified revenue streams and a very positive industry and market reputation, Everlink is stronger and better positioned than ever to address the challenges of the rapidly evolving payments landscape.

## CO-OPERATIVE PRINCIPLES AT WORK

Much like credit unions in their communities, CUCM practices the seventh International Co-operative Principle of Concern for Community by responding to the needs of people and organizations in the community in which it operates.

It starts with employees.

The annual All Charities Campaign is organized by a volunteer committee and their fellow employees are eager participants and generous contributors during its two-week run. CUCM's staff club, also run by volunteers, hosts luncheons that raise funds throughout the year and coordinates one-off charity raffles for event tickets and other prizes.

Equally important is the fact that employees determine where their communal and individual dollars will go, which directly drives the company's philanthropy, as employee donations to charity are matched dollar-for-dollar by CUCM. Supported organizations run the gamut: some provide assistance to people marginalized by addiction, violence, family breakdown or cultural divides; some work in areas of health and medical research, rehabilitation, education and awareness; and others provide the homeless with a warm meal, a dry bed, and a safe place to meet and engage in life-affirming activities.

It starts with employees and is reinforced by management.

Education about the needs that exist in Winnipeg and beyond is important to CUCM, so each quarterly staff meeting starts with a speaker from a funded group or agency. Perhaps as a result of hearing these personal stories first-hand, CUCM fulfilled more service requests than ever and sent 64 employees out into the community in 2013, where they logged 695 hours of community service on special fundraising events and agency work projects.

### *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 \$700,000 to charitable causes in the last seven years.*



*CUCM Senior Business Consultant Rick Doerksen worked with this group of credit union managers in Malawi.*

## SUPPORTING CO-OPERATIVE DEVELOPMENT

*Rick Doerksen, who has had multiple assignments with the Canadian Cooperative Association as a technical specialist, was selected to test a prototype Developmental Ladder Assessment program in Malawi. The assignment was for three weeks and impacted six SACCOS (Savings & Credit Co-operatives — the African term for credit unions). It was also tested for use with apex bodies. Rick and Sunova Credit Union jointly spearheaded the invitation of a CCA delegate to be hosted under the Women's Mentorship Program. Moh Moh Khin, from Myanmar, spent several days with the two organizations in a variety of functional areas. Rick also hosted a meeting with a delegation from the National Bank of Malawi that was in Winnipeg to visit the Deposit Guarantee Corporation of Manitoba.*

## EMPLOYEE GIVING AND COMMUNITY SERVICE

A Port in the Storm (medical hostel)		29 hours
Alpha House	\$ 1,432	
ALS Society of Manitoba	537	
Alzheimer's Society	440	4½ hours
Big Brothers/Big Sisters		
Boys and Girls Clubs of Winnipeg	26	4 hours
Canadian Breast Cancer Foundation		
Canadian Cancer Society	755	
Canadian Diabetes Association	1,043	
Canadian Co-operative Association		65¼ hours
Canadian Liver Foundation	217	
Canadian Parks & Wilderness Society	580	
Canadian Red Cross	26	13¾ hours
Cancer Care Manitoba	2,696	
Cerebral Palsy Association	367	
Children's Wish Foundation	563	
Christmas Cheer Board		17½ hours
Community Financial Counselling Services		12¾ hours
Co-operative Development Foundation		29½ hours
Co-operative Development Fund	11,785	
CURE Foundation	582	
Dream Factory	899	
Earth Day Clean-Up		19¼ hours
Firefighter's Burn Fund	697	
Grace Hospital	112	
Habitat for Humanity (includes Women's Build)	604	
Heart & Stroke Foundation	4,329	31 hours
Immigrant & Refugee Community Organization	398	
Kidney Foundation of Canada	192	
Koats for Kids		19 hours
La Leche League	306	
Main Street Project	204	
Manitoba Community Services Council		12¼ hours
Manitob Lung Association (Breath of Spring)		4 hours
Rossbrook House	408	
Salvation Army	1,411	70 hours
Siloam Mission	2,927	149½ hours
Spina Bifida & Hydrocephalus Association	102	
Terry Fox Foundation		2 hours
United Way of Winnipeg	17,649	102½ hours
United Way of Brandon	550	
Variety Club of Manitoba		5¼ hours
West Broadway Youth Outreach		12 hours
Winnipeg Harvest	999	92 hours
YMCA-YWCA of Winnipeg	265	

695  
community  
service hours

contributed by  
61  
employees



\$53,102  
Employee  
giving in 2013\*



\$53,102  
Corporate  
Match†  
of employee giving

\* Donations made to 2013  
United Way/All Charities  
campaign by payroll  
deduction will be collected  
in 2014.

† Corporate match includes  
\$5,677 of in-kind giving

Figures have been rounded



## 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.*

### **Al Morin** *nominated by* ASSINIBOINE CREDIT UNION



Al Morin, the former CEO of Assiniboine Credit Union, joined the provincial credit union system in 1974, starting as a development coordinator with Credit Union Central of Manitoba (CUCM). He left in 1980 to take the position of chief operating officer with Assiniboine Credit Union (ACU), which had five branches and \$90 million in assets. When he was appointed CEO in 1997, ACU had eight branches and \$350 million in assets. Today, Assiniboine is Canada's eighth-largest credit union, with \$3.5 billion in assets, 550 staff, 24 branches and a network that includes dealer financing, virtual banking, wealth management and insurance.

Under Morin's leadership ACU has been an agent for change. It was the first credit union in Canada to hire a community economic development manager and, later, a Vice-President of Corporate Social Responsibility and a Socially Responsible Investment Specialist. It established community loans funds, proactively supported a range of co-ops and neighbourhood revitalization and affordable housing efforts, made taxation service available to low-income families, opened branches in areas deemed unviable by banks, built green branches and won dozens of industry and community awards from myriad organizations. In 2012, ACU was the second financial institution in Canada invited to join the prestigious Global Alliance for Banking on Values.

Morin got behind projects, large or small, in which he saw benefit. He led the consortium of 10 credit unions that funded the MTS Centre, now home to the Winnipeg Jets; he was also Winnipeg's first CEO to sign onto Winnipeg Transit's EcoPass program.

He also served the wider provincial and national systems with distinction. He was a CUCM director for 11-plus years, serving on most of its committees. He sat on the boards of Concentra, Credential, Ethical Funds and Northwest & Ethical Investments (chair). He currently chairs the Civil Service Superannuation Fund, served seven years on Red River College's board, three as chair, and donated personal time and effort to launching the Jubilee Fund, which provides loan guarantees or bridge financing to worthy projects that don't qualify for traditional financing.

Al has asked that the bursary attached to his award go to a student from Argyle Alternative School in Point Douglas.



## *Don Farr* nominated by MINNEDOSA CREDIT UNION



Don Farr, the former general manager of Minnedosa Credit Union, joined the provincial system in 1990, after spending the first half of his career with the Bank of Nova Scotia. While a fairly late convert, he made up for lost time by quickly embracing Minnedosa Credit Union's motto, "Community Owned, Community Minded."

Farr excelled at community involvement, putting the face of the credit union on numerous community projects through sponsorship and personal involvement. A great supporter of chamber of commerce initiatives, he took on a leadership role on "Shop Local," "Minnedosa Merchant Bucks," "Christmas Cheque Program" and "Jeans for Charity" programs, the Terry Fox Run and Family Bonfire Night in the park. Farr served as fundraising chair for Minnedosa's 125th Anniversary Homecoming in 2008 and was the parade Marshall for over a decade. He was responsible for keeping Fun Fest, a treasured community event, alive. Under his personal direction and leadership, Minnedosa benefited from the credit union's support of the Minnedosa Foundation, Community Conference Centre, library expansion, Community Child Care Co-op, golf course expansion, Expressions Concert Series and Rockin' the Fields of Minnedosa.

Farr served alongside fellow town leaders with the Kinsmen, Elks and Rotary Club and was vice-present and president of the chamber of commerce. Through his efforts, several public buildings including the arena, golf-curling complex and the 50-plus centre are all home to lifesaving defibrillator equipment.

He also served the wider credit union system with distinction. From 1996 to 2011, he coordinated the marketing committee of District 7 and served as district vice-chair from 2002 to 2009, when he was elected to represent District 7 on the CUCM board. For three years, until he was sidelined by health issues in 2012, Farr served on the investment committee, the system credit committee (alternate) and represented the board on the Manitoba Co-operative Association's awards committee.

"Mentor, leader, colleague, friend; the name Don Farr is synonymous with community support and the Minnedosa Credit Union," the credit union board stated in its nomination of Don for the Order or Merit award.

Don has asked that the bursary attached to his award go to a graduate of Minnedosa Collegiate Institute who is planning to pursue a career in health care.

### 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]  
**2012** Doug Crookshanks [CROCUS CREDIT UNION] | **Lee Family** [ERICKSON AND ASSINIBOINE CREDIT UNIONS]

## MANAGEMENT DISCUSSION AND ANALYSIS

*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 summary consolidated financial statements and notes as at and for the year ended December 31, 2013. The summary consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A is dated February 28, 2014 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. Readers are cautioned that the foregoing list is not exhaustive. CUCM does not undertake to update any forward-looking statements contained in this annual report. Undue reliance should not be placed on forward-looking statements, as actual results may differ materially from expectations.

### MANITOBA CREDIT UNION SYSTEM

Growth in deposits in The Manitoba Credit Union System (System) was down to 6.2% in 2013 compared to 11.1% in 2012. Growth of deposits in the System is the main factor determining growth in System assets. System assets grew 6.4% in 2013, down from growth of 11.3% in 2012; however, loan growth remained stable at 10.5% compared to 10.3% in 2012. Higher growth in loans compared to deposits resulted in a decline in credit unions' deposits with CUCM. Credit unions'

deposits at CUCM ended the year \$521 million lower, a decline of 17.7% year-over-year. System liquidity held at CUCM ended the year at 11.4% of total credit union members' deposits (2012: 14.5%). CUCM funded the decline primarily from the sale of lower-yielding short-term investments, which raised the weighted-average return on the portfolio and brought financial margin returns, expressed as a rate of return on credit unions' deposits, to an all-time high.

CUCM's investment policy requires it to maintain a robust supply of investments maturing in the short term to ensure the ability to fund a potential sharp decline in System liquidity held at CUCM, and a portion of that supply was used for that purpose in the second half of 2013. Year-over-year, short- and longer-term deposits (13 months and longer) fell by \$291 million and \$144 million, respectively.

Throughout the year, credit unions continued to show a strong preference for keeping their liquidity deposits in short terms. At year end, nearly 75% of liquidity deposits matured within 13 months, virtually unchanged from 2012. The primary reason for this preference continues to be the very low market interest rates as well as the financial margin distributions paid on short-term liquidity. 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, maintaining liquidity in shorter term deposits may also help credit unions manage interest rate risk.

A recent survey of credit unions indicates little expected change in the level and composition of liquidity deposits over the coming year.

## CUCM PROFILE

CUCM manages Manitoba's credit unions' liquidity reserves, facilitates credit unions' clearing and settlement transactions through the Bank of Canada, monitors credit granting procedures, and provides trade services in areas such as corporate governance, government relations, representation and advocacy.

CUCM also provides banking, treasury, human resources, research, communications, marketing, planning, lending, procurement, product/service research and development, business consulting and legal services to credit unions.

Costs for providing these services are passed on to the users of the services, mainly in the form of assessments and fee for service.

## 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 2013.

## OPERATING RESULTS

### RETURNS ON MEMBERS' DEPOSITS

CUCM's weighted average cost of funds declined from 2.95% in 2012 to 2.60% in 2013. 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 US balances, combined) was 83.6 basis points (bps) on current accounts and 108.8 bps on short-term deposit balances. The combined average cost of funds for these balances was 101.3 bps. Financial margin distributions in 2013 equated to an additional 94.1 bps on short-term liquidity (both current accounts and short-term deposits), resulting in a total payment of 195.4 bps to credit unions on their short-term deposits.

The average cost of funds paid to credit unions on their longer term deposit balances was 293.7 bps. Credit unions earned an additional distribution of financial margin of 13.9 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 307.6 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 2013, this component of financial margin equated to an additional 3.6 bps.

CUCM anticipates market interest rates will remain stable through 2014.

## 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.

In the last few years, CUCM locked in unusually high spreads by investing a significant portion of the System's short term liquidity funds in the form of asset swaps (longer-term debt instruments combined with interest rate or cross-currency interest rate swap agreements). Asset swaps are used to manage associated interest rate risk and foreign exchange risk. Returns on asset swaps have been the main contributor to the financial margin distributions paid on short-term liquidity balances.

When System liquidity declined in the second half of 2013, CUCM funded the decline through lower-yielding maturing investments, thus preserving the higher-yielding asset swap portfolio and boosting financial margin distributions. As investment opportunities have diminished over the past year, growth in short-term liquidity deposits would dilute future distributions. Absent liquidity growth, CUCM expects financial margin earned on short-term deposits to be stable in 2014 and then decline in 2015 as asset swaps begin to mature and are reinvested at lower returns. Financial margin distributed on longer-term deposits in 2014 will likely continue to range between 5 and 10 bps. Incremental margin earned on credit union borrowings will likely remain immaterial given the low volumes.

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 current rates, which are lower.

#### RECOVERIES FROM MEMBER CREDIT UNIONS

CUCM's operations are mostly financed through recoveries, from member credit unions, of the costs incurred to provide services to credit unions. These recoveries mainly take the form of assessments to credit unions (basic and liquidity management) and fee income charged for services to credit unions. Recoveries via basic assessment were higher in 2013 mainly because of costs associated with the Business Model Review and implementation of an Enterprise Risk Management (ERM) framework. Fee income was higher primarily because of securities trading in the treasury area and higher costs for clearing and settlement services.

#### CAPITAL

Capital levels, share capital and retained earnings at CUCM are regulated by *The Credit Unions and Caisses Populaires Act* and the Office of The Superintendent of Financial Institutions. In addition to those bodies' regulations, policies regarding capital levels have also been established by CUCM's Board of Directors. The Board's policy for the level of retained earnings is guided by CUCM's operating principle that the System's equity belongs with credit unions, so earnings retained by CUCM are minimized. As System liquidity held at CUCM declined in 2013, the level of capital needed also declined. In keeping with its operating principle, CUCM returned \$40 million of excess capital shares to credit unions in 2013.

#### BALANCED SCORECARD

The Balanced Scorecard (BSC) is a management system as well as a measurement system, and enables CUCM to clarify vision and strategy and translate them into action. It aligns to CUCM's goals

and provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic results.

The BSC establishes measures of organizational success across four balanced perspectives: financial, customer focus, project execution/outcomes and organizational engagement/resilience. All measures selected reflect CUCM's focus on continuous improvement. In 2013, the overall BSC result was 82.53 points out of a possible of 100.

#### RISK MANAGEMENT

In 2013, the organization implemented an Enterprise Risk Management (ERM) framework. As a result CUCM's governance structure was revised: a Chief Risk Officer was identified for CUCM; the Audit Committee was renamed the Audit and Risk Committee and given an expanded mandate. Included in the ERM framework was forming the organization's risk appetite, creating the organization's risk register, setting of risk limits for risks identified in the risk register, and establishing the regular reporting of risks to the Audit and Risk Committee.

#### ECONOMIC OUTLOOK

The U.S. economy started 2013 with extremely modest real GDP growth of 1.1% in the first quarter, but due to better performance in the balance of the year, annual growth for 2013 is forecasted to reach 1.9% (final numbers are still not available).

One of most influential factors in 2013 growth was improvement in manufacturing shipments, although a significant portion of shipments did not come as a result of direct consumption but rather as a result of a significant increase in inventories that had been depleted over the last few years.

Another good sign for the U.S. economy is growth in employment in non-farm sectors. The unemployment rate is also going in the right direction, and although it still lingers around 7.0%, there are signs that in 2014 and 2015 it could get closer to 6.0%. International confidence in the U.S. economy is also on the rise after the bipartisan budget deal reached in

December 2013. This deal helped Washington avoid the “fiscal cliff” and may lead to an agreement on raising the debt ceiling in 2014 and somewhat higher government spending than previously expected.

Major contributors to the real GDP growth in 2014, expected to reach 2.5–2.8%, are again expected to be consumer spending (6.8%) and residential investment (14.5%), but non-residential investment in buildings and equipment is also expected to reach 6.0% growth.

The Canadian economy also started with a weak first quarter (1.1% real GDP growth), mainly due to reduced government spending and a decline in residential investment. Exports were the only bright spot in that period, with growth of 4.8%. GDP growth picked up later in the year, with growing consumer spending and residential investment. Annual GDP growth for 2013 is expected to be slightly higher than in the U.S. and finish at 2.2%.

GDP growth in 2014 is expected to come from non-residential investments and exports, with some contribution from consumer spending. Due to an increase in exports, the trade balance is expected to move in a positive direction, especially if prices of commodities rise with the expected global recovery.

The Canadian dollar should hover around US \$0.92, which may provide room for increased exports.

Interest rates are expected to remain at current levels in 2014 on both sides of the border, with some gradual increases toward mid-2015.

Final numbers for real GDP growth in Manitoba in 2013 are still not available, but expectations are that it will be between 2.2% and 2.5%, slightly higher than the national rate.

The agricultural sector was again (as in 2012) one of the major contributors to GDP growth. Non-residential investment and construction, as well as residential construction, also continued to contribute significantly. Manufacturing is still strong, with improving prospects for exports to the U.S. driven by the weakening exchange rate. Resource (oil and gas) exploration and production slowed after an extremely successful 2012. The unemployment rate in Manitoba stayed low

(5.3%) despite significant immigration in the last few years that has increased the size of the labour force.

In 2014, real GDP growth is expected to be around the same level as in 2013. The agricultural sector will continue its strong performance due to sales of a good portion of the record crop harvest from 2013. Due to the free trade agreement between Canada and the European Union, Manitoba livestock producers may have an exceptional opportunity for exports in 2014 as additional demand may reach about 150,000 tonnes of beef and pork. The resource sector is also expected to grow much faster than 2013, due to increased demand for minerals (primarily copper and gold). Several mines in Northern Manitoba are already ramping up production and their full potential is expected to show in 2015, when metal mining could grow by more than 19.0%.

Manufacturing will also remain strong in 2014, with leading players being New Flyer Industries and aerospace companies. Non-residential construction depends on a few large projects in the North, driven by Manitoba Hydro (Bipole III and dams), but the expansion of the Convention Centre and a few other projects in downtown Winnipeg scheduled to start in 2014 will also provide conditions for growth in this sector.

Despite relatively favourable economic results, Canadian economists and financial institutions continue to be concerned about household indebtedness that has continued to hit record levels in recent years, the latest being a debt-to-income ratio of 163.7% in the third quarter of 2013. Still, a prolonged low interest rate environment has helped Canadians manage the interest costs associated with their growing debt. The debt service ratio (interest payments on household debt relative to personal disposable income) has been at the historically low level of 6.9% for four consecutive quarters and, based on expectations that the Bank of Canada will not raise rates any time soon, the likelihood of a significant increase in delinquencies related to consumer debt is relatively small. Furthermore, the latest statistics indicate that in 2013 household debt expanded by 3.9%, the lowest annual rate of growth since 1995.



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

February 28, 2014

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 & Risk Committee, which is appointed by the Board of Directors, meets at least twice a year to review, with Management and the appointed external auditors, the scope of the annual audit and the final audited financial statements.

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

A handwritten signature in blue ink, appearing to read "Garth Manness".

GARTH MANNES

*President and  
Chief Executive Officer*

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

BARRIE DAVIDSON

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



February 28, 2014

**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, 2013 the summary consolidated statements of operations and comprehensive income, members' equity and cash flows for the year December 31, 2013, and the related notes, are derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited for the year ended December 31, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 28, 2013.

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 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 year ended December 31, 2013 are a fair summary of those consolidated financial statements, on the basis described in Note 1 to the summary consolidated financial statements.

*PricewaterhouseCoopers LLP*

**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

\*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  
 Income taxes recoverable  
 Intermediation pool  
 Property and equipment  
 Other assets  
 Deferred income taxes

#### Liabilities

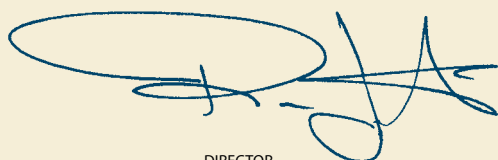
Accounts payable  
 Income taxes payable  
 Members' deposits  
 Obligations under repurchase agreements  
 Derivative financial instruments

#### Members' equity

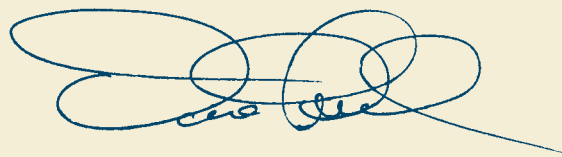
Share capital  
 Accumulated other comprehensive income  
 Retained earnings

	2013	2012
	2,721,850	3,127,640
	5,820	7,352
	3,268	—
	95,893	88,654
	18,107	19,421
	2,750	4,843
	362	915
	<u>2,848,050</u>	<u>3,248,825</u>
	12,647	29,412
	—	3,096
	2,431,178	2,954,556
	203,360	—
	12,866	34,575
	<u>2,660,051</u>	<u>3,021,639</u>
	159,095	199,060
	1,225	1,225
	27,679	26,901
	<u>187,999</u>	<u>227,186</u>
	<u>2,848,050</u>	<u>3,248,825</u>

Approved by the Board of Directors



DIRECTOR



DIRECTOR



**Summary Consolidated Statement of Operations and Comprehensive Income**

for the year ended December 31

in thousands of Canadian dollars

	2013	2012
<b>Financial revenue</b>		
Liquidity pool	79,596	93,845
Intermediation pool	1,764	1,188
	81,360	95,033
<b>Cost of funds</b>	39,082	45,012
	42,278	50,021
Unrealized gains (losses) on non-derivative instruments	(13,995)	5,853
Unrealized gains on derivative financial instruments	13,999	21,173
Net cost of derivative financial instruments	(13,004) 995	(20,002) 1,171
	(13,000)	7,024
<b>Financial margin</b>	29,278	57,045
<b>Other income (expense)</b>		
Share of Celero's income (loss)	94	(617)
Rental income — net	195	177
Net operating recovery	349	312
	638	(128)
<b>Income before credit union patronage distributions</b>	29,916	56,917
<b>Credit union distributions</b>		
Financial margin distribution	(23,268)	(22,582)
Recovery (distribution) of Celero's loss (income)	(94)	617
	(23,362)	(21,965)
<b>Income before income taxes</b>	6,554	34,952
Income tax expense (recovery)	(286)	3,552
<b>Net income for the year</b>	6,840	31,400
<b>Other comprehensive income (loss)</b>		
Change in unrealized gains on available-for-sale assets	—	(92)
<b>Comprehensive income for the year</b>	6,840	31,308

## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### Summary Consolidated Statement of Members' Equity

in thousands of Canadian dollars	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2011</b>	176,639	1,317	2,910	180,866
Net income for the year	—	—	31,400	31,400
Other comprehensive loss net of tax of \$92	—	(92)	—	(92)
Dividends to members	—	—	(7,409)	(7,409)
Issue of shares	22,421	—	—	22,421
<b>Balance at December 31, 2012</b>	<b>199,060</b>	<b>1,225</b>	<b>26,901</b>	<b>227,186</b>
<b>Balance at December 31, 2012</b>	199,060	1,225	26,901	227,186
Net income for the year	—	—	6,840	6,840
Dividends to members	—	—	(6,062)	(6,062)
Redemption of shares	(39,965)	—	—	(39,965)
<b>Balance at December 31, 2013</b>	<b>159,095</b>	<b>1,225</b>	<b>27,679</b>	<b>187,999</b>

### Summary Consolidated Statement of Cash Flows

for the year ended December 31

in thousands of Canadian dollars

	2013	2012
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	6,840	31,400
Items not affecting cash		
Unrealized gains on financial instruments held for trading and designated as FVTPL	(4)	(27,026)
Depreciation of property and equipment	1,727	1,651
Loss (gain) on disposal of property and equipment	(20)	67
Deferred income tax expense (recovery)	554	(458)
Decrease (increase) in liquidity pool assets	456,081	(352,827)
Decrease (increase) in derivative financial instruments	(6,178)	824
Increase in intermediation pool assets	(7,239)	(22,142)
Increase (decrease) in members' deposits	(518,683)	295,046
Increase in repurchase agreements	203,360	—
Net change in other assets and accounts payable	(21,037)	24,475
	<b>115,401</b>	<b>(48,990)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(460)	(866)
Sale of property and equipment	67	—
	<b>(393)</b>	<b>(866)</b>
<b>Financing activities</b>		
Issue (redemption) of members' shares	(39,965)	22,421
Dividends to members	(6,062)	(7,409)
	<b>(46,027)</b>	<b>15,012</b>
<b>Increase (decrease) in cash</b>	<b>68,981</b>	<b>(34,844)</b>
<b>Cash (overdraft) — Beginning of year</b>	<b>(20,066)</b>	<b>14,778</b>
<b>Cash (overdraft) — End of year</b>	<b>48,915</b>	<b>(20,066)</b>
<b>Supplementary cash flow information</b>		
Income tax paid	5,530	269

## 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, 2013, 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](http://www.creditunion.mb.ca).

### [2] Compliance with minimum capital requirements

At December 31, 2013 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, 2013 and 2012 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.*

**ASSINIBOINE CREDIT UNION** and  
**NORTH WINNIPEG CREDIT UNION**  
celebrated 70th anniversaries in 2013.

**NIVERVILLE CREDIT UNION**  
celebrated 65 years, and

**SWAN VALLEY CREDIT UNION**  
celebrated 60 years.

## 35–39 YEARS

**Mark Bryce** Manager of Agricultural Lending · Westoba Credit Union

**Gord Kirkwood** CEO · Entegra Credit Union

**Theresa Wright** Branch Manager · Westoba Credit Union

## 30–34 YEARS

**Kaydee Deremiens** VP of Human Resources · Sunrise Credit Union

**Brian Deutscher** VP People Solutions · Westoba Credit Union

**Karen Dubesky** MSR Supervisor · Carpathia Credit Union

**Judy Hildebrandt** MS Supervisor · Westoba Credit Union

**Clare Hoggins** Commercial Loans Officer · Crocus Credit Union

**Lesley Kuzyk** Agricultural Lender · Catalyst Credit Union

**Laurel Laniuk** Assistant Corporate Secretary · CUCM

**Cheryl Ripmeester** Member Service Representative · Sunrise Credit Union

**Linda Wasilka** Branch Manager · Strathclair Credit Union

## 25–29 YEARS

**Yvonne Baron** Loans Officer · Sunrise Credit Union

**Kathy Belton** Account Manager · Portage Credit Union

**Mitzi Borodenko** Branch Manager · Access Credit Union

**Jackie Conrad** Branch Manager · Sunrise Credit Union

**Joyce Dawson** Financial Service Representative · Access Credit Union

**Todd Delaurier** Commercial Credit Specialist · Westoba Credit Union

**Linda Derhak** Member Services Representative · Catalyst Credit Union

**Tim Doerksen** Regional Manager · Access Credit Union

**Gina Droux** Supervisor Clearing & Payment Services · Westoba Credit Union

**Pat Dziver** Member Service Representative · Strathclair Credit Union

**Gloria Fillion** Member Service Representative · Catalyst Credit Union

**Craig Giesbrecht** Branch Manager · Cambrian Credit Union

**Mary-Ann Janssen** Clearing Clerk · Catalyst Credit Union

**Dennis Lapointe** Ag/Commercial Account Manager II · CUCM

**Patti McTavish** Accounting/HR Administrator · Strathclair Credit Union

**Colleen Nash** Member Service Manager · Oak Bank Credit Union

**Lynn Nunn** Wealth Management Administrator · Sunrise Credit Union

**Debby Panko** Assistant Manager Member Services · Portage Credit Union

**Lynda Parisian** Operations manager (ret.) · Oak Bank Credit Union

**Brad Penner** CEO · Rosenort Credit Union

**Gene Pielechaty** Branch Manager · Sunrise Credit Union

**Maria Sing** Data Preparation Clerk · CUCM

**Elaine Skulmoski** Member Service Representative · Catalyst Credit Union

**Lisa Stienwandt** VP Corporate Services · Catalyst Credit Union

**Agnes Tack** Special Projects · Westoba Credit Union

**Lynn Tataryn** Ag/Commercial Lender · Catalyst Credit Union

**Anna Wieler** VP of Human Resources · Access 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

Credit Union Central of Manitoba Limited

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