

CREDIT UNION CENTRAL *of* MANITOBA



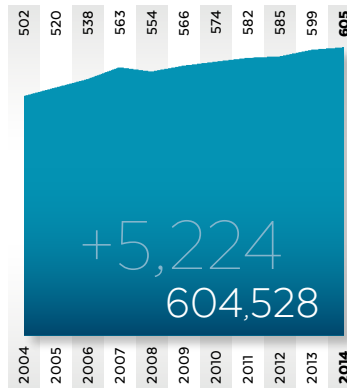
2014 Annual Report



## CONSOLIDATED SYSTEM STATISTICS

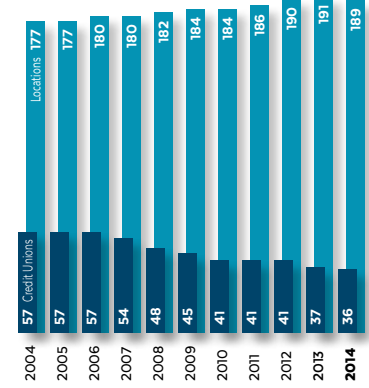
December 31, 2014  
 All figures preliminary  
 unaudited results

### MEMBERSHIPS (thousands)



Manitoba credit unions welcomed over 5,000 new members in 2014, vaulting the total number of memberships over 600,000 – nearly half the population of the province.

### CREDIT UNIONS AND LOCATIONS



There was one amalgamation in 2014. On July 1, Sandy Lake Credit Union joined with Sunrise Credit Union, now the ninth largest in Manitoba. Total branches fell by two, largely as the result of Assiniboine amalgamating five older legacy branches into two new ones. In December, Entegra Credit Union added a fourth location to its network by opening a new branch in St. Vital.



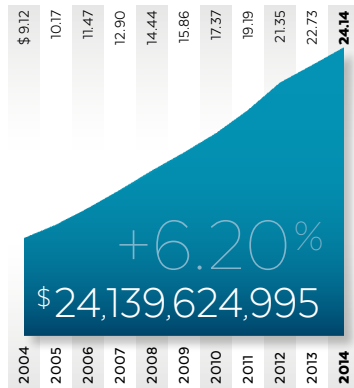
## Manitoba's Credit Unions

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.

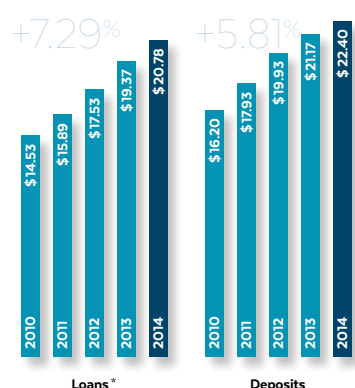


**CREDIT UNION ASSETS** (\$ billions)



Total Manitoba credit union assets increased by \$1.4 billion over the course of 2014. At 6.2% year over year, growth was slightly lower than 2013 and considerably lower than the decade-long string of double-digit growth in the first decade of the century. Among the provincial credit union systems, Manitoba ranks third in assets behind B.C. and Ontario.

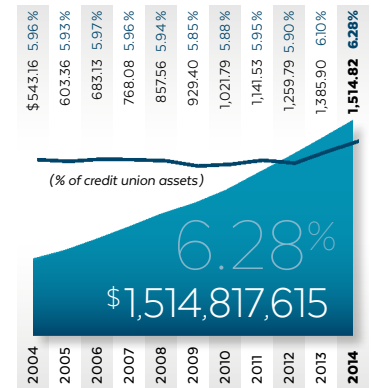
**LOANS AND DEPOSITS** (\$ billions)



Following a good 2013, in which it increased by 10.5%, lending was strong again in 2014 with a total increase (net of allowances) of \$1.4 billion or 7.3%. And Manitobans had \$1.23 billion more on deposit with credit unions at the end of 2014, a 5.8% increase over 2013.

\* net of allowances

**CREDIT UNION EQUITY** (\$ millions)



Credit union equity comprises member share capital, surplus shares, preferred shares, contributed surplus and retained earnings. By the end of 2014 their consolidated equity stood at over \$1.5 billion, nine per cent growth over 2013. Credit union equity as a percentage of assets — a key indicator of financial strength — now sits at 6.28%, up from 6.1% in 2013.

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
- Low 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 [21]

## DISTRICT 3

**Cambrian** Credit Union [11]

## DISTRICT 4

**Belgian-Alliance** Credit Union [3]

**Carpathia** Credit Union [4]

**Casera** Credit Union [3]

**Entegra** Credit Union [4]

**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]

**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 [14]

**Vanguard** Credit Union [11]

**Westoba** Credit Union [21]





## CREDIT UNION CENTRAL OF MANITOBA

is the trade association and service provider for the province's 36 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.

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## The board of directors of Credit Union Central of Manitoba was focused squarely on the future in 2014.

As described in the pages of this year's report, there was a great deal of activity related to board governance, how committees are composed and function, and how Credit Union Central of Manitoba (CUCM) is represented on the boards of related organizations.

All of these changes were made to improve our governance structure and processes, as well as the level of expertise of individuals who serve Manitoba credit unions on and through the CUCM board. The move to six peer groups, for example, was necessitated by the fact that the composition of some of the nine districts in our previous system was in conflict with CUCM's governance principles, in terms of

the relative representation of the districts themselves and credit unions within them.

CUCM released *Signs & Signals: A Report on Indicators against CUCM's 2020 Scenarios* in 2014. In addition to activity at the regional and national levels of the credit union system, the document takes the pulse on technological, societal, regulatory, and economic trends — looking for clues in the environment that might suggest how the system will evolve out to the year 2020.

A purely straight-line projection based on the pace of mergers over the past 10 years (from 57 credit unions in 2005 to 36 at the end of 2014) would suggest that Manitoba will have in the neighborhood of 20 credit unions in 2020. Historical trends are one thing; the realities of the current and future

environments (particularly in the current climate of upheaval, economic and otherwise) is quite another.

CUCM grapples with many of the same issues as other centrals, yet CUCM's environment is unique to it. Likewise, Manitoba credit unions share many issues but have a unique way of looking at themselves as individual entities. How does the board and management of each credit union define its success, what is its identity in the communities it serves, how does it respond as an organization to the myriad pressures on its operations and resources — from technology to financial performance to compliance — and how does each plan for continued success? These are questions that all 36 credit union boards ask themselves every meeting and tackle in planning sessions. That no two credit unions among the 36 ever have exactly the same answers is a good thing; the uniqueness of each credit union is one of the strengths of our co-operative system.

How we, CUCM and credit unions, respond to these pressures is as important as the fact that we do respond. That is the essence of leadership at every level of the system.

In many areas, credit unions, the regional/provincial centrals and the national central are responding by dealing with common issues by working toward common solutions. This report contains examples of our organizations working together with renewed effort on strategically important financial services initiatives.

Credit Union Central of Canada played its part by taking another step in its evolution to a purely trade association role by reincorporating as the Canadian Credit Union Association (CCUA) in 2014 under the



*Canada Cooperatives Act.* The CCUA will be owned and directed by credit unions. Its structure and governance model will bring increased focus and accountability to effectively representing the credit union system.

One of the most important responsibilities for centrals today is to represent the interests of their credit unions at all the various levels where decisions are made that will impact them. In each of these areas, the need for effective liaison between the credit union community and decision-makers will continue to grow. The advocacy strategy that CUCM's management and board developed in 2014 provides a blueprint for the expansion and future focus of this vital trade association role for CUCM.

Our board accomplished a great deal in 2014. In terms of governance alone, CUCM is in a stronger position today than it was even a year ago to respond more quickly to change and to the needs of all Manitoba credit unions as they — and we — look to the future. This work would not have been possible without the excellent representation that credit unions have in the person of their directors on the board. For your dedication, fair judgment and balanced approach to issues we face together as a system, I thank you. Sincere thanks, too, to CUCM's excellent management group, led by CEO Garth Manness, who put our plans into action and kept a steady hand on the tiller of our collective efforts.



**RUSSELL FAST**

*Chairman, Board of Directors*

## BOARD OF DIRECTORS



### DISTRICT 1 · CHAIR

#### **Russell Fast**

First Vice-President,  
Steinbach Credit Union

CUCM board  
meeting attendance: 14 / 15

### DISTRICT 8 · VICE-CHAIR

#### **Alexander (Sandy) Wallace**

First Vice-President,  
Niverville Credit Union

CUCM board  
meeting attendance: 15 / 15

### DISTRICT 2

#### **Kevin Sitka**

Chief Executive Officer,  
Assiniboine Credit Union

CUCM board  
meeting attendance: 11 / 12

### DISTRICT 3

#### **Paul Holden**

Director,  
Cambrian Credit Union

CUCM board  
meeting attendance: 10 / 12

#### **Al Morin**

CUCM board  
meeting attendance: 3 / 3

#### **Rose Marie Couture**

CUCM board  
meeting attendance: 3 / 3





**DISTRICT 4**

**Dave Abel**

President,  
Casera Credit Union

CUCM board  
meeting attendance: 15 / 15

**DISTRICT 5**

**Peter Enns**

Chief Executive Officer,  
Crosstown Civic Credit Union

CUCM board  
meeting attendance: 13 / 15

**DISTRICT 6**

**Lee Gregory**

Chair,  
Noventis Credit Union

CUCM board  
meeting attendance: 15 / 15

**DISTRICT 7**

**Gord Sylvester**

General Manager,  
Beautiful Plains Credit Union

CUCM board  
meeting attendance: 15 / 15

**DISTRICT 9**

**Randy Brown**

VP Member Solutions,  
Westoba Credit Union

CUCM board  
meeting attendance: 13 / 15

Following a process that was delayed more than once by talks of merger at the central level, in 2014 the system approved a new governance structure for CUCM.

CUCM will be governed by six peer groups, replacing the previous nine districts. Three peer groups will be composed of a single credit union with one director each. Each of the remaining three comprises multiple credit unions, with two directors each. Voting will continue to be based on credit unions' proportionate voting entitlements.

The change is designed to make the governance of CUCM more representative, and flexible, as credit unions within the system go through changes related to mergers and growth.

At the inaugural peer group meetings in January and February of 2015 (previously known as district meetings), elections will be held for CUCM director, Democratic Control Review Committee representative, peer group chair and vice-chair. All other advisory committee elections will be held in November of each year.

While making housekeeping changes necessitated by the new peer group governance, the board took the opportunity to make more substantive changes to the terms of reference for the Management Advisory Committee (MAC), Credit Union Insurance Advisory Committee, Human Resources Advisory Committee, Democratic Control Review Committee and the Bonding & Risk Management Committee (previously the 'Bonding Committee'). It introduced new rigour to the committee selection process and made the election processes more formal, with terms mirroring the election of directors. The composition of CUCM's board and committees is fundamental to the strength of the organization's governance structure, and having processes in place to ensure board effectiveness and renewal will help the board successfully fulfil its leadership and oversight responsibilities.

As part of a board succession plan approved in 2014, the Governance, Policy & Planning Committee was asked to identify and analyze gaps in current

director skills against the key competencies included as part of the CUCM director profile. Through this analysis, the board identified skills in the areas of accounting, audit and compliance, financial literacy, regulatory environment, risk management, and technology (specifically related to Banking & Payments) as recruitment priorities for the board in 2015 — information that was shared with credit union delegates in advance of the peer group election process.

The succession planning process also included the identification of potential leaders to serve in the capacity of Board Chair and Vice-Chair.

Also new for 2014 was a change in the process used to determine director participation on board committees. The Governance, Policy and Planning Committee now recommends committee appointments to the board based on skill sets and interests with an eye on rotating directors.

The board also looked at a process to evaluate CUCM's representatives to external organizations including Canadian Central, Concentra Financial, The Co-operators, Credential Financial and NEI Investments. The evaluation takes place during the second year of the incumbent's three-year term and the results feed into the renomination process when the term expires. The process includes a self- and board assessment of how well the individual informs the board of issues facing that organization, and a report from the organization on the individual's attendance and participation in meetings.

Recognizing the importance of continual evaluation, the board asked management to benchmark CUCM's governance practices against those of other organizations. The report was presented to the Governance, Policy and Planning Committee in the fall and will be shared with the full board in early 2015. The report shows that CUCM's practices compare favourably to other organizations in most areas.

#### MEETING ATTENDANCE

[CHAIR]	<b>Sandy Wallace</b>	5/5
[VICE-CHAIR]	<b>Randy Brown</b>	4/5
	<b>Russell Fast</b>	5/5
	<b>Lee Gregory</b>	3/3
	<b>Al Morin</b>	1/2

#### 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.

#### MEETING ATTENDANCE

[CHAIR]	<b>Lee Gregory</b>	5/5
[VICE-CHAIR]	<b>Gord Sylvester</b>	5/5
	<b>Dave Abel</b>	5/5
	<b>Peter Enns</b>	5/5

#### AUDIT AND RISK COMMITTEE

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

#### MEETING ATTENDANCE

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

#### 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.

#### MEETING ATTENDANCE

[CHAIR]	<b>Peter Enns</b>	2/2
[VICE-CHAIR]	<b>Paul Holden</b>	2/2
	<b>Kevin Sitka</b>	2/2
	<b>Gord Sylvester</b>	2/2

#### INVESTMENT COMMITTEE

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

#### CEO SEARCH COMMITTEE MEETING ATTENDANCE

[CHAIR]	<b>Paul Holden</b>	5/5
	<b>Peter Enns</b>	5/5
	<b>Kevin Sitka</b>	5/5
	<b>Sandy Wallace</b>	5/5

Manitoba credit unions operate in a financial services marketplace that is more demanding than ever before. Members are savvier, regulations are more stringent and the competition is intense.

Credit unions' competition comes in the form of sheer numbers. In addition to over 300 credit unions, more than 40 of the 80 domestic and foreign banks operating in Canada offer financial products and services — including bank accounts, credit cards, loans and investments — to Canadian consumers.

It comes in the form of consumers demanding to be able to make purchases and bank when and how they want. Credit unions are investing in technology to ensure an accessible, secure and convenient banking system for their members, and so are their competitors. From 2004 to 2013, according to the Canadian Bankers' Association, the six largest banks invested \$60.7 billion in technology.

It comes in the form of regulation and compliance. Even though no Canadian credit union or bank was in danger during or after the 2008 financial crisis, federally regulated financial institutions have had to implement strict international capital, liquidity and risk compliance regimes. Credit unions are following suit and the effect is positive, in that these rules further strengthen what was already a very strong system. Dealing with legislation on money laundering and terrorist financing, spam, and tracking U.S. nationals' accounts, as well as having systems in place to combat skimming and cyber-fraud, adds to what has become a complex, time-consuming and expensive compliance regime for credit unions.

It comes in the form of our low interest rate environment — which, given its longevity and

staying power, we can now safely call the new norm — adding further pressure on the split between deposit and lending rates, a major source of revenue for all financial institutions, and the *primary* source for credit unions.

By their nature as individual, autonomous entities, credit unions also compete with each other. This added level of competition is a very good thing for Manitoba consumers and owners of small and medium-sized businesses, who can expect excellent returns on deposits, competitive mortgage and lending rates and low service fees when they join any credit union.

In order to thrive in this environment, financial institutions must be efficient. As a group, Manitoba credit unions operate very efficiently, and there are a number that match the efficiency of banks, which is remarkable given the massive differences in scale between them.

And Manitobans continue to see great value in doing business with credit unions. Credit Union Central of Manitoba (CUCM) annual market research shows their market share at nearly 50 per cent outside Winnipeg and Brandon, and 36.5 per cent in those cities, well above that of the nearest competitor. Credit unions hold 51 per cent of commercial loans, 45 per cent of deposits, and 37 per cent of residential mortgages in Manitoba. The percentages of “very satisfied” and “satisfied” users of credit unions, and the percentage of those most likely to recommend their credit union to friends and family, continue to outperform the competition by wide margins.

And credit unions' performance, while well below the decade-long double-digit growth experienced early this century, reflected their members'



satisfaction and the trust Manitobans have in credit unions. Year-over-year asset, loan and deposit growth in 2014 was 6.20, 7.29 and 5.81 per cent, respectively.

CUCM's vision statement (page 12) talks about our desire that Manitoba credit unions see CUCM as their trusted and valued partner and thought leader, and their first source of support, information and service.

Each year, the work of CUCM is driven by that vision, by the strategic priorities we identify by talking to all our stakeholders — including and especially credit unions — and by the demands of members and the industry. An additional driver in recent years has been, and remains, the completion of projects coming out of the implementation phase of the 2011 review of CUCM's business model. We undertook the business model review to ensure that we were providing credit unions with the products and services they require for their operations, and will continue to review them on an ongoing basis.

In our planning for 2014, CUCM set out three strategic priorities related to this vision and to supporting credit unions' success: providing system-level expertise in key areas impacting credit union sustainability; developing and delivering services and tools for credit unions that support and enable them, operationally and strategically; and evolving CUCM's business model in the short- and longer-term. During the course of the year we added a fourth: to develop and resource a proactive advocacy strategy. Specifics of deliverables coming out of these priorities, which are described elsewhere in this report, include the launch of branch and remote deposit capture technologies and discussions on a national credit union payments strategy, the creation of a full-time compliance and risk function for credit unions, knowledge management and advocacy strategies, further work on CUCM's organizational structure and succession plans, human resources risk management, strategic human resources guidance, internal leadership development, credit union sustainability analyses, and market research.

Collaboration has always driven the work of CUCM, the other centrals, and, to varying degrees,

credit unions. In recent years — driven by the same drivers exerting pressure on credit unions, with the added dimension of a series of unsuccessful merger discussions on the Prairies — the desire to work together more closely has taken on new life. At the national level, the CUCC board, the central CEOs and credit union representatives are looking at all aspects of the system, from payments to government relations to marketing. At the provincial level, some credit unions are engaging CUCM to facilitate discussions on collaboration. And regionally, a group of three credit unions independently formed Manitoba's first CUSO (Credit Union Service Organization) in 2014.

By doing things like designing the entire, and expanded, annual convention around the theme "Collaboration: Words to Action" to drive discussions, and hosting follow-up meetings to ensure that momentum gained is not lost, CUCM is working with credit unions to support collaboration.

On the topic of collaboration, I would like to extend my thanks and appreciation to every member of our board and executive, who stepped in during my absences this past year. I would especially like to acknowledge Board Chair Russ Fast, Bob Lafond and the senior vice-presidents for the extra work they took on this past year on my behalf, and credit unions as a whole for the thoughtfulness and kindness expressed to my family.



**GARTH MANNES**  
*President and Chief Executive Officer*

EXECUTIVE MANAGEMENT



**PRESIDENT and  
CHIEF EXECUTIVE  
OFFICER**

**Garth Manness**

**SENIOR CONSULTANT  
to the CHIEF EXECUTIVE  
OFFICER**

**Bob Lafond**

**SENIOR  
VICE-PRESIDENT,  
MEMBER SOLUTIONS**

**Wilson Griffiths**

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

**Barrie Davidson**

**SENIOR  
VICE-PRESIDENT,  
GOVERNANCE & STRATEGY  
and CORPORATE SECRETARY**

**Marilyn Brennan**

# 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.

## 1 VOLUNTARY AND OPEN MEMBERSHIP

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

## 2 DEMOCRATIC MEMBER CONTROL

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

## 3 MEMBER ECONOMIC PARTICIPATION

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

## 4 AUTONOMY AND INDEPENDENCE

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

## 5 EDUCATION, TRAINING AND INFORMATION

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

## 6 CO-OPERATION AMONG CO-OPERATIVES

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

## 7 CONCERN FOR COMMUNITY

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



## 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:*

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

## PRINCIPLE

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





The Vision, Mission and Purpose, Values and Guiding Principle define what Credit Union Central of Manitoba works to be every day and what it strives to be in the future. These statements are constant, foundational.

In setting out the work required to serve the interests and strategic and operational needs of Manitoba credit unions year-to-year, the company sets out strategic priorities and attaches specific action items to them. There were four in 2014, related to CUCM's business model, expertise and knowledge, services and tools, and advocacy.

Following is a high-level overview of each.

STRATEGIC  
PRIORITY

### **Evolve CUCM's business model in the short- and longer-term, to ensure availability of expertise and services, and to ensure sustainability for as long as required**

- Complete the transition to CUCM's new business model, and continue to work with centrals and other partners to seek opportunities to evolve our business model in the long term.

#### **CUCM BUSINESS MODEL REVIEW**

The Business Model Review began in 2011 and its findings moved into implementation starting in 2012.

Key initiatives for 2014 were to move forward on projects related to CUCM's new organizational structure and leadership development, and to develop a knowledge management implementation strategy, and an Agricultural Support program.

Rolled out in late 2013, CUCM's new **organizational structure** redefined operating and strategic areas and aligned them with the organization's overall strategy. In developing an updated succession plan, current and optimal leadership cultures were assessed, as were the priorities used to drive the design of a leader success profile and leadership development plan for 2015. An employee recognition program framework

was also designed and will be rolled out in 2015.

In investigating the requirements related to an **Agricultural Support Strategy**, a survey of credit unions revealed only sporadic need for an agricultural consulting role at CUCM. There was, however, a strong need expressed for more timely information and a desire for changes to the content of CUCM's annual agricultural outlook. CUCM engaged the consulting firm MNP to deliver an Agricultural Outlook to the system meetings that has a heavier concentration on issues that pertain to Manitoba producers, and quarterly briefing reports.

A widely used definition of **knowledge management** (KM) is "the systematic management of an organization's knowledge assets for the purpose of creating value and meeting tactical and strategic

requirements. It consists of the initiatives, processes, strategies, and systems that sustain and enhance the creation, assessment, sharing, refinement, and storage of knowledge.”

CUCM defines its KM vision as “having people, with deep knowledge and skills working with the right tools and processes within a culture of learning and curiosity, developing accessible knowledge that benefits Manitoba credit unions.” This vision aligns with CUCM’s guiding statements — the concepts of providing thought leadership and creative solutions, in particular.

CUCM’s KM strategy challenges the company to consider knowledge as an asset, and the effective

flow, use and improvement of system knowledge as important outcomes. It also outlines what will be required, in terms of technology and governance, to deliver on the KM vision.

Once credit unions had received the strategy, at the November system meeting, CUCM produced a high-level implementation plan. The implementation project itself will start in 2015 and will focus on redesigning the extranet (cuCommunity and Manuals), the CUCM employee intranet, and related processes. A process to update, refresh and consolidate all content, particularly in Manuals, got underway in 2014 and will continue to involve all areas of CUCM.

#### STRATEGIC PRIORITY

### Provide system-level expertise in key areas impacting credit union sustainability

Translate expertise into information and guidance that enables credit unions and supports their decision making. Current areas of primary focus are:

- Credit Union Risk Management, Compliance and Governance: developments, issues and options
- Payments, Card and Mobile developments for credit unions: developments, issues and options
- What it takes for a credit union to stay sustainable: the drivers, indicators, trends and scenarios

### REGULATION AND COMPLIANCE

#### EMERGENCY LIQUIDITY PROTOCOLS (ELPs)

One of the many measures that followed in the aftermath of the 2008 financial crisis was a suggestion by the Office of the Superintendent of Financial Institutions (OSFI) to provincial centrals that they develop emergency liquidity protocols (ELPs). CUCM, the Deposit Guarantee Corporation of Manitoba (DGCM) and the provincial Financial Institutions Regulation Branch (FIRB) had already formed a committee to do this when the February 2014 federal budget came down. It announced the transfer of oversight of provincial centrals to provincial governments, eliminated provincial central access to federal liquidity support (which it had made available to credit unions during the 2008

crisis), except in a global crisis and then only if an indemnification was received from the province.

The document is intended to outline the protocols that will be followed in a liquidity crisis: who provides funding and when during the course of a liquidity issue. A key component of the protocols is the development of analysis and monitoring thresholds. There are two staging categories, Early Warning and Emergency Liquidity Support (ELS), with three stages in each. The committee developed guidelines regarding roles and responsibilities, with credit unions managing their own liquidity needs and sources, CUCM managing the system’s liquidity pool and clearing agent, DGCM providing the 100 per cent deposit guarantee and oversight through its *Principles of Sound Business Practice*, FIRB providing general oversight through the *CU/CP Act* and

Regulations, and the Province providing emergency liquidity support. The draft protocols will be presented to the provincial government in 2015.

#### BASEL III ADVOCACY PLAN

DGCM outlined its proposal for the implementation of Basel III for Manitoba credit unions in 2014. Through discussions with DGCM and FIRB, CUCM is undertaking a process to understand the impacts of the proposed Basel III implementation and is using this information to work with credit unions to determine what, if any, Manitoba-specific adaptations are needed.

#### RISK & COMPLIANCE

In response to increasingly complex compliance and risk monitoring and reporting requirements, and demand from credit unions, CUCM created a new position to provide guidance to Manitoba credit unions on compliance and risk management, Master Bonding, and support in the form of trend analysis, information/policy repositories, incident assistance, and liaison with system partners and law enforcement.

There were several major developments and a great deal of activity on the compliance front in 2014.

Canadian Anti-Spam Legislation (CASL) came into effect July 1, 2014, which necessitated updating credit unions' privacy policies as they relate to communicating with members.

CUCM purchased U.S. Foreign Account Tax Compliance Act (FATCA) model policies and procedures from SaskCentral and modified them for Manitoba. As with other areas related to compliance, the department worked with Manuals to ensure that credit unions have clear access to regulatory information and procedures, including CRA rules on FATCA reporting.

With the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) having examined a handful of credit unions by mid-year, there was a great deal of interest when CUCM offered credit unions Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) seminars in Winnipeg and Brandon. The seminars covered

changes to legislation, the risk assessment process, and new business relationships.

Email transfer fraud, which increased with usage, was an area of concern in 2014 for the Credit Union Bonding Program (TCUBP). And while skimming incidents are generally on the wane, a major skim and fraud spend at the end of December hit many credit unions in Manitoba, Saskatchewan and Alberta.

Work continues on consolidating all compliance and risk information in one place, Manuals, for credit unions.

#### STRATEGIC PLANNING & RESEARCH

The strategic cycle for CUCM is completely inter-related with the knowledge and research functions. The cycle includes: considering current state, future scenarios, vision and gaps; creating priorities from that thinking; creating appropriate measurement vehicles; creating plans and projects to address priorities; monitoring project progress; and measuring against agreed outcomes.

One of CUCM's core research functions is to examine ongoing trend information, primary and secondary research, and system results to arrive at some conclusions about risks and opportunities. Many of these ideas are presented in the ongoing Strategic Intelligence Report (SIR), which receives wide exposure within the system. The SIR is presented to CUCM's Management Advisory Committee (MAC), its own management group — and credit union planning workshops, with comparative information tailored to the specific audience. The SIR information is also combined with other trending information as a basis for presentations by CUCM management at various meetings throughout the year.

CUCM initiated a second phase study on the financial needs and preferences of youth, as well as a further exploration on the financial needs of new Canadians. Reporting on these studies is in development. The department is also developing databases and secondary research to prepare for a study on the financial needs of Aboriginal consumers.

CUCM conducts **Benchmarking and Credit Union Sustainability Analysis** that is tied directly to credit union risk and enterprise risk management. Benchmarking was expanded in 2014 to include the links between sustainability, competitiveness and staffing efficiency. CUCM has been actively researching what the branch models of the future will look like and exploring collaborative solution opportunities.

### CEO PAYMENTS STRATEGY

Recognizing that collaboration and a willingness to take action are vital to the success and sustainability of payments within the credit union system, in 2012 the CEOs of CUCM, Central 1, Alberta Central, CUCC and CEOs from the Large Credit Unions of Canada group (LCUC) formed the CEO Payments Strategy Committee.

The first phase of the work was completed in 2014. It involved a comprehensive review of all facets of the existing payments landscape, including emerging technologies, drilling down to an examination of payments within the credit union system, and then examining opportunities for innovation and growth. From that foundation, the committee

focused on building a comprehensive strategy and governance model that will best serve the needs of the credit union system.

The strategy was developed on three strategic themes: Destiny Control, Member Relevance and Competitiveness, and Productivity. Priority projects attached to these three themes will enable credit unions to: offer more relevant, innovative and adaptable products; have greater influence and control with suppliers, government and within the market place; and create more productive, sustainable and efficient processes.

Phase two, advancing the strategy, has begun. Expanding upon what it learned in phase one, the committee completed the payments strategy framework, identified priorities across short- to long-term horizons, and more clearly defined resources that would be required to execute the strategy. The projects will continue through 2015 and culminate in business case development to move several key initiatives forward.

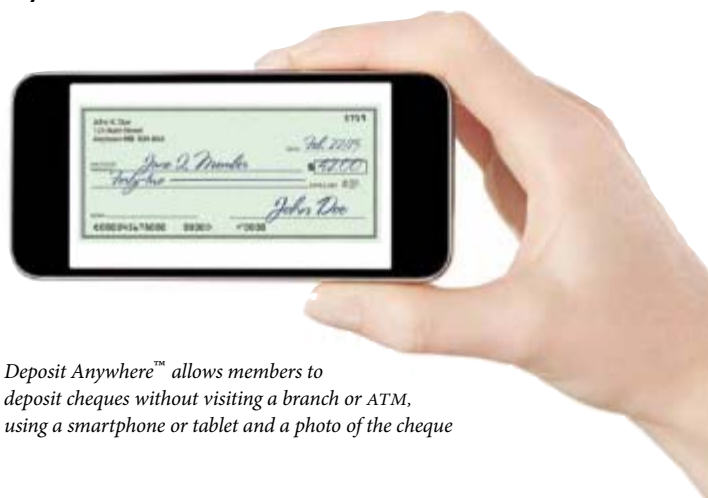
Development of the payments strategy is a first step. Implementing any solutions coming out of the committee's work would involve new and separate efforts.

STRATEGIC  
PRIORITY

**Develop & deliver services and tools for credit unions that support and enable them, operationally and strategically**

### BANKING & PAYMENTS

Canadian financial institutions are facing increased costs for handling and settling cheques as volumes decline due to growing consumer and business adoption of alternative electronic payment solutions. Year-over-year declines in cheque volumes are expected to continue and will be further driven by the federal government's plan to stop issuing cheques by April 2016. Providers of payments services, of which CUCM is one, are responding.



*Deposit Anywhere™ allows members to deposit cheques without visiting a branch or ATM, using a smartphone or tablet and a photo of the cheque*

In 2014, CUCM, in collaboration with Central 1 and Credit Union Payment Services (CUPS), rolled out a project for **Branch Remote Deposit Capture (BRDC)**. In BRDC, the front and back of a cheque are scanned and the images take the place of the original item in the clearing process. By capturing cheque deposit images at branches, banks and credit unions will gain handling efficiencies and reduce or eliminate the shared courier system that exists today between branches and cheque processing centres. Phases of the project included pilot implementations, training and support, developing a courier bag strategy for other paper items, and a rollout strategy that will satisfy the requirements of credit unions, Central 1, CUPS and CUCM. BRDC will be fully implemented and rolled out to all credit unions in 2015.

Discussions continued in 2014 on a future rollout of **electronic exchange of cheque images between financial institutions**. While image exchange has been in place between the centrals since August 2013, it has not started between other financial institutions: CUCM, Central 1 and CUPS have initiated a project to move this forward.

The Large Credit Unions of Canada (LCUC) group commissioned Central 1 to develop a **Mobile Remote Deposit Capture (MRDC)** solution. *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. Several Manitoba credit unions offer now this service to their members.

#### FINANCIAL ELDER ABUSE

*Financial Abuse of Older Adults: Recognize, Review and Respond* is a made-in-Manitoba training program developed through a partnership between Credit Union Central of Canada (CUCM), CUCM

Photo: Robert Lowdon



*Credit Union Central of Canada CEO Martha Durdin took part in the November 28 launch of a made-in-Manitoba program promoting awareness of financial abuse of older adults.*

and Prevent Elder Abuse Manitoba (PEAM), in collaboration with the Financial Consumer Agency of Canada.

Being the first of its kind for Canadian financial institutions, Martha Durdin, President and CEO of Credit Union Central of Canada, and Jane Rooney, Financial Literacy Leader, Financial Consumers Agency of Canada, among others, were on hand to launch the program in Winnipeg in November.

This course will teach credit union staff how to identify incidences of elder abuse, mitigate the risks, and find community resources to help victims. It will also educate them on their legal and ethical responsibilities. Upon completion, credit union employees may be given opportunities to share their knowledge with members of the community, especially seniors. The training will be offered free of charge to all Manitoba credit unions via CU Source throughout 2015.

## Develop and resource a proactive advocacy strategy

- to be more relationship-focused in government engagement, and
- to act as an enabler among and between credit unions, provincially and nationally, as they seek to work together to their mutual benefit.

### CUCM ADVOCACY STRATEGY

The health and viability of the credit union system depends on ensuring that policy and decision makers fully appreciate the financial services co-operative model with all of its regional and local nuances. As their trade association, one of CUCM's roles is to represent the interests and perspectives of Manitoba credit unions when engaging with government and regulators, national bodies and working groups.

Historically, CUCM has fulfilled this role on an ad hoc basis, but the pace and complexity of change in today's environment calls for a more strategic approach. In 2014, CUCM's board and executive developed a blueprint for the expansion and future focus of CUCM advocacy.

Efforts will focus on **legislation and regulatory frameworks** and structures at the federal and provincial levels that have the potential to impact business and operations — and, with governments in all jurisdictions, on opening opportunities for future growth and prosperity.

With **national bodies and working groups**, CUCM will represent the interests of Manitoba credit unions on strategic issues and operational processes that have the potential to impact business and operations, and create opportunities for continued success and sustainability.

The strategy also calls for CUCM to facilitate discussions and provide resources, processes and support to groups of **credit unions** exploring collaboration as a way to meet their current or future business needs.

The strategy calls for CUCM to build relationships with key stakeholders, develop a process to identify, prioritize and define positions, and implement approaches on particular issues.

### EFFECTIVENESS OF ADVOCACY

Through the latter half of 2014, Credit Union Central of Canada engaged centrals, credit unions and members in a nationwide campaign to educate MPs and government officials — via letter, emails, Tweets, Facebook postings, and face-to-face meetings including those held during the system's annual Hike the Hill advocacy event — on the realities of the **taxation of credit unions** at the federal level and to urge them to support a request that the government consider a tax measure that would help make the playing field more level between banks and credit unions. Manitoba credit unions heeded the call and were among the most actively engaged participants.

Among the 47 recommendations in the finance committee's pre-budget report, tabled in December, is one calling on the government to examine ways to address the competitive imbalance between credit unions and banks, in addition to recommending transitional support for federal credit unions. This recommendation signals an acknowledgement of the argument at a high level within the federal government (possibly for the first time) that a competitive imbalance exists that the government ought to remedy, and should be seen as a validation of the Hike the Hill, Hike the Hill at Home, and My Credit Union Matters! advocacy efforts.

There was also some movement on **Farm Credit Canada** (FCC) in 2014. After the 2013 Hike the Hill, the House of Commons Finance Committee recommended that the federal government consider a mandate review of FCC. While the government chose not to pursue a mandate review in 2014, the Minister of Agriculture and Agri-food provided FCC with ministerial guidance directing the Crown



*CUCM employees show their support for the My Credit Union Matters! advocacy effort, posing for a 'selfie' last September. Manitoba credit unions and their members were very active in the campaign, sending more emails to the Minister of Finance and MPs than any other province.*

corporation to expand partnership building with credit unions. This is to include sharing information and exploring opportunities for collaboration in the market such as loan syndication, the provision of complementary services to producers and the development of mechanisms to facilitate co-operation at the local level. In 2014, FCC also adjusted its employee compensation program to remove barriers that were preventing FCC from cooperating with credit unions on agricultural loans. FCC has committed to further developing positive relations with credit unions in 2015.

#### NATIONAL TRADE ASSOCIATION (CCUA)

In September, the board received a presentation from Martha Durdin, President and CEO of Credit Union Central of Canada on that organization's transition to a national trade association and its value proposition.

Over the last few years, Credit Union Central of Canada has been evolving to focus purely on its national trade association role. In support of this transition, a new co-operative entity, the Canadian Credit Union Association (CCUA), was incorporated in 2014 under the *Canada Cooperatives Act*.

While the activities of the CCUA have yet to be

approved by all stakeholders, it will be the national industry association for the Canadian credit union system, owned and directed by credit unions.

CCUA defines trade association services as "activities that a national industry association does on behalf of its members." It will not provide the fee-for-service or consulting activities the provincial/regional centrals provide. The CCUA will (pending approval) take on Advocacy & Legislative Policy, National Awareness Building, National Regulatory Compliance, and Professional Development and Education.

In addition to standing committees on legislative policy and government relations, marketing and communications, compliance and education, and professional development, credit union advisory committees for small and medium-sized credit unions and for large credit unions will guide the association and ensure that the needs of members are being met. The committee structure will be designed to effectively direct and oversee the strategic direction of CCUA through collaboration, communication and consensus building.

Once the centrals validate the overall plan, including governance, the next step will be to draft the bylaws that will govern the CCUA.

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 IT 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 IT services and products.

#### GENERAL STATEMENT ON 2014

Celero enjoyed a very successful year in 2014. Building on structural changes in 2013 and realizing the benefits of improved partner pricing, Celero was able to sustain positive net income throughout the year.

#### HIGHLIGHTS IN BRIEF 2014

Upgrades in 2014 included the completion of core network switches, intrusion prevention systems and improvements to core banking system infrastructure. Overall prime-time availability of the eroWORKS DNA banking system was 99.96% and an independent 3416 Audit — which measures whether systems and processes have appropriate security and privacy controls in place — was carried out, with Celero once again receiving an “unqualified” or “clean” audit report.

Upgrades to the DNA banking system included an enhancement to the settlement and clearing process that saves credit unions interest on their float charges with CUCM, and Remote Deposit Capture was implemented to enable members to deposit funds to their account using a smart phone.

Celero embarked on its Credit Union of the Future strategy, which is designed to bring future-oriented

technologies and services forward that will help credit unions position themselves to anticipate and meet members’ needs in the future. As part of the strategy, a client council was formed to help guide Celero product development and investment decisions.

2014 also marked a year of growth as Celero was able to secure a significant IT outsourcing agreement with Northern Credit Union. This agreement enables Celero to continue to build its scale as an IT services company for credit unions and expands the organization’s opportunity for growth throughout Canada.

#### LOOKING FORWARD TO 2015

The Credit Union of the Future Strategy will continue to be a key focus as the organization builds on the momentum gained in 2014. 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.

### GENERAL STATEMENT ON 2014

During its first decade of existence Everlink has evolved considerably, significantly strengthening and diversifying to the point the company has essentially achieved its vision to be a “leading provider of comprehensive, innovative and integrated payments solutions to credit unions, banks and ISOs in Canada.”

### HIGHLIGHTS IN BRIEF 2014

For the fifth year in a row, Everlink has grown its revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) while tightly managing expenses.

Forecast revenue of \$22 million was lower than budget, though higher than 2013, due to declines in ATM and cross-border debit transaction volumes (5.9% and 20%, respectively), client initiated deferral of card issuance business, card-bureau delivery delays, and a significant drop in POS Acquiring hardware business. Forecast operating expenses of \$18 million are lower than budget and 2013. Payment processing platform performance for both the Co-operative and Everlink nodes was 99.9998%, with no service disruptions in 2014.

Working with clients, suppliers and industry groups, Everlink rolled out significant enhancements and implemented upgrades across all of its product lines in 2014. The company further grew its products/services portfolio in all six lines of business (Payment Network Gateway, ATM Managed Services, Fraud Management, Card Issuance and Management, POS Acquiring, and Professional Services), addressed priorities in each of its three market segments (credit

unions, banks and ISOs), and continued its strategy to mitigate dependence on traditional core network payment gateway (switching) products/services and its credit union client base. The company expanded services and renewed contracts with existing clients and signed five year agreements with two new customers for switching and card issuance services.

The make-up of Everlink’s revenue is increasingly weighted toward its diversified Lines as compared to the traditional switching business. Notably, revenue related to Payment Network Gateway is slowly declining, while ATM Managed Services is growing modestly but showing strong potential. Conversely, Card Issuance is experiencing outstanding growth, Fraud Management is showing solid potential, and POS Acquiring is expected to return to the positive growth trajectory enjoyed in the recent past.

### LOOKING FORWARD TO 2015

2015 looks very promising with top line returns to strong, double-digit growth due to continued growth in the Card Issuance line of business, combined with significant carry-over of 2014 business as well as aggressive growth related to the restart to both of the POS Acquiring and AMS lines.

Revenue is expected to improve by 15.5%, largely on carry-over of Card Issuance business sold in 2014, as well as an estimated 100% increase in new Card Issuance and 17% growth in POS Acquiring business. This will be offset by flat to slightly lower growth in Payment Network Gateway and Professional Services. Operating expenses will increase approximately 18%.



MANITOBA CREDIT UNIONS

# Order of MERIT

The **Manitoba Credit Unions Order of Merit Award** recognizes individuals who, by their exemplary service, their leadership and their commitment to the Seven International Co-operative Principles, have demonstrated a significant commitment to Manitoba credit unions and the communities in which they operate. As part of the award, recipients have the honour of selecting a Manitoba secondary or post-secondary educational institution 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.

## Ray Bauschke nominated by CAMBRIAN CREDIT UNION



Over the course of the 55 years that Ray Bauschke has served the international credit union system, he has made a significant impact on innumerable credit unions, centrals and regulatory bodies in roles as varied as employee, director and consultant. Always eager to share his knowledge as a teacher, speaker, facilitator and author, his has been a varied and rich career.

He started his credit union career as the accountant for the Credit Union League of Manitoba (1957–59), then moved on to general manager positions with Astra (1959–1963) and Co-operators, now Cambrian, (1964–1968). Early on, he was drawn to the academic — and international — aspects of the system. He is listed as a charter member and founder of the Madison-based Credit Union Executive Society (CUES), an organization dedicated to executive and director education.

From 1968 to 1971 he worked as VP of CU Services with the Minnesota League of Credit Unions (a central), then, following a two-year stint as the WHA Jets' business manager, came back to the fold to work as a project manager with Manitoba's Stabilization Fund, where he was responsible for shepherding a number of credit unions back to health. He spent the balance of the 1970s and into the '80s consulting, writing and

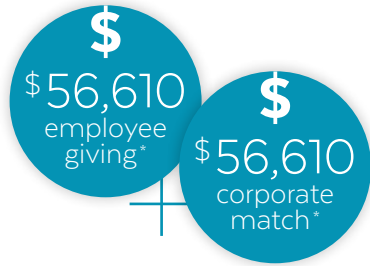
teaching. In Ontario, in addition to helping credit unions in trouble, he wrote that deposit guarantee corporation's comprehensive *Sound Business and Financial Practices for Ontario Credit Unions* and conducted studies for sustainable credit union development. He taught credit union management courses for CUNA at the universities of Houston, Cornell, Notre Dame and Berkley, and facilitated strategic planning and delivered innumerable lectures, seminars and speeches in the US, UK, Canada and the Caribbean. During this time, the National Credit Union Administration (the federal CU regulator) recommended to many credit unions in trouble that they engage Ray.

Over the course of his career, Ray wrote *Credit Union Directors: A Focus on Power* (1971, with Kent Francis), *Credit Union Manager's Salary Manual* (1972), *Credit Union Management* (1973, with Kent Francis), *Energize Your Volunteers* (1978), *The Duties, Responsibilities and Prudent Conduct of Credit Union Directors* (1982) and *Credit Union Success Principles* (1985).

From 2004 to 2012, Bauschke served as director, first vice-chair and corporate governance committee member of Cambrian Credit Union. He was nominated for the Order of Merit award by his fellow board members, who were beneficiaries of the years of knowledge and experience Ray brought to the table.

Ray has asked that the \$1,000 bursary attached to his award go to a student in the Asper School of Business MBA program.

## EMPLOYEE GIVING AND COMMUNITY SERVICE



CUCM's corporate funding is driven by decisions its employees make — as individuals and as a group through staff club events and the United Way All Charities Campaign — about their own philanthropy. CUCM matches employee donations to organizations whose aims are consistent with CUCM's core values and the spirit of Co-op Principle #7, Concern for Community. Through matching, employees and CUCM have contributed an annual average of \$106,500 over the past eight years to organizations that have a broad range of goals.

CUCM exposes employees to organizations, on the front lines in the community, by inviting speakers to talk about their work prior to each quarterly staff meeting. And, by having added a Community Leadership & Engagement score to the company balanced scorecard, CUCM incents employees to donate time to organizations' ongoing activities or special projects.



\* Corporate match includes \$5,263 of in-kind giving

- Alpha House \$
- ALS Society of Manitoba \$
- Alzheimer's Society \$
- Canadian Cancer Society \$
- Canadian Diabetes Association \$
- Canadian Mental Health Association \$
- Canadian Parks & Wilderness Society \$
- Cancer Care Manitoba \$
- Cerebral Palsy Association \$
- Children's Wish Foundation \$
- CURE Foundation \$
- Dream Factory \$
- Firefighter's Burn Fund \$
- Grace General Hospital Foundation \$
- Habitat for Humanity (includes Women's Build) \$
- La Leche League \$
- Main Street Project \$
- Rossbrook House \$
- Society for Manitobans with Disabilities \$
- Spina Bifida & Hydrocephalus Association \$
- Canadian Liver Foundation \$
- Co-operative Development Foundation \$
- Heart & Stroke Foundation \$
- Immigrant & Refugee Community Organization of Manitoba \$
- Kidney Foundation of Canada \$
- Salvation Army \$
- Siloam Mission \$
- United Way of Winnipeg \$
- Winnipeg Harvest \$
- A Port in the Storm (medical hostel) \$
- Canadian Blood Services \$
- Canadian Breast Cancer Foundation \$
- Children's Hospital Book Fair \$
- Christmas Cheer Board \$
- Earth Day Clean-Up \$
- Manitoba Community Services Council \$
- Manitoba Lung Association (Breath of Spring) \$
- Terry Fox Foundation \$

## MANAGEMENT DISCUSSION & 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 consolidated financial statements and notes as at and for the year ended December 31, 2014.

The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is dated February 20, 2015 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 5.8% in 2014 compared to 6.2% in 2013. Growth of deposits in the System is the main factor determining growth in System assets. System assets grew 6.2% in 2014, down from growth of 6.4% in 2013. Loan growth in the system also declined; 7.3% in 2014 compared to 10.5% in 2013.

After falling sharply in 2013, credit unions' deposits at CUCM continued on that trend for much of the year before rebounding in the fourth quarter. Credit unions' deposits at CUCM, excluding the impact of mark-to-market, ended the year \$11 million higher, an increase of 0.4% year-over-year. System liquidity held at CUCM ended the year at

10.9% of total credit union members' deposits (2013: 11.4%). Year-over-year, excluding the impact of mark-to-market, short-term deposits (original term less than 13 months) rose by \$213 million while the longer term deposits fell by \$129 million.

Throughout the year, credit unions continued to show a strong preference for keeping their liquidity deposits in short terms. At year end, 86% of liquidity deposits matured within 13 months, up from 80% in 2013. 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, the President & CEO and other items earlier in this annual report contain highlights and major developments, internal and external, that affected CUCM in 2014.

### OPERATING RESULTS

#### *RETURNS ON MEMBERS' DEPOSITS*

CUCM's weighted average cost of funds remained stable in 2014, decreased slightly from 1.360% in 2013 to 1.307% in 2014.

The average cost of funds paid to credit unions (Canadian and US balances, combined) was 81.9 basis points (bps) on current accounts and 110.7 bps on short-term deposit balances. The combined average cost of funds for these balances was 102.3 bps. Financial margin distributions in 2014 equated to an additional 97.95 bps on short-term liquidity (both current accounts and short-term deposits), resulting in a total payment of 200.25 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 274.7 bps. Credit unions earned an additional distribution of financial margin of 8.3 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 283.0 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 2014, this component of financial margin equated to an additional 6.0 bps.

The Bank of Canada lowered the overnight rate in late January 2015 and may do so again to stimulate business spending and promote exports via a lower dollar.

#### 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.

Short-term liquidity deposits continued to benefit from unusually high spreads earned on asset swaps (longer-term debt instruments combined with interest rate swap agreements to generate a rate of return that resets monthly or quarterly). These 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.

As asset swaps transacted in previous years begin to mature, CUCM anticipates replacing them in an environment where the spreads are lower. Accordingly, financial margin distributions are expected to decline from those paid in 2014. Future distributions will depend in part on investment opportunities available during 2015, as well as the size of the liquidity pool. Because of the tighter spreads currently available on asset swaps relative to those booked in previous years, growth in short-term liquidity deposits would dilute future distributions. Absent liquidity growth, CUCM expects financial margin earned on short-term deposits to average 77 bps. Financial margin distributed on longer-term deposits in 2015 is expected to be approximately 5 bps. Incremental margin earned on credit union borrowings will likely remain immaterial given the low volumes.

CUCM is also 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

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.

In 2014, CUCM wound down its procurement services for printing and supplies, resulting in a reduction of total recoveries relative to 2013. Other changes from 2013 that are of significance relate to the treasury area where the liquidity management assessment increased in 2014 because of a decline in other recoveries.

#### CAPITAL

Capital levels, share capital and retained earnings at CUCM are regulated by the Financial Institutions Regulation Branch of Manitoba Finance and the Office of The Superintendent of Financial Institutions. In addition to their 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.

#### 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 2014, the overall BSC result was 79.91 points out of a possible of 100.

#### ECONOMIC OUTLOOK

Globally, the most important story of 2014 was the plunge in oil prices (approximately 55%), beginning in September. This price change was driven by increased supply. The Organization of the Petroleum Exporting Countries (OPEC) decided to maintain current production levels despite the steady rise in production from non-OPEC producers, especially the United States. Low oil prices are expected to have a positive impact on GDP growth in most countries that are not significant oil producers. Among oil producers, only the U.S. is expected to avoid stagnation, or even recession, that may be caused by reduced oil revenues.

Forecasters expect to see real GDP growth around 3.5% for the World economy in 2015 and slightly higher in 2016. As in previous years, the main contributors are expected to be China (with growth lower than 7% after many years well above this figure) and India, with a strong contribution from the U.S. Europe will continue to face problems with some of its member economies (Greece could face bankruptcy as its new government has signaled that it is not prepared to continue with austerity measures) and, according to the IMF, the crisis in Ukraine will have a negative impact on regional economies including Russia's, which is facing recession in both 2015 and 2016.

Information about real GDP growth for the U.S. economy at the end of 2014 is still not available but, based on the growth in the first three quarters, 2014 could be its best year since 2006. The economy grew at a 3.9% annual pace in the third quarter of 2014 after a second quarter in which real GDP expanded at a rate of 4.6%. In four of the last five quarters, real GDP has increased by 3.5% or more and by 4.5% or more in two of the last five quarters.

Another encouraging indicator for the U.S. economy is employment growth. The last three months of 2014 were the strongest for job creation in 17 years. Of significance,

the main driving force behind this trend is Millennials (or Generation Y born between 1980 and 2000). These young workers today will be the middle-aged, household-forming, tax-paying, consuming family heads of tomorrow and their growing employment may mean that they will be able to compensate for consumption that may be lost due to the exit of Boomers from the workforce.

In spite of this good news, many economists are cautious. Growth in both wages and prices is still weak. Growth in average weekly earnings has been just 2.8% over the last year — fairly normal for this recovery, which started in 2011, but well below the rates in previous post-crisis expansions. The price index for personal consumption expenditures (the inflation measure targeted by the Federal Reserve) rose just 1.5% in the third quarter, down from a 1.6% increase in the second quarter. This is all occurring where the Fed's interest rate is nearly zero and room for further economic stimulus is very limited.

One explanation economists offer for the discrepancy between GDP growth and wages (and prices) is that productivity growth and the use of technology are limiting wage growth (although they add that this could gradually change in the next year or two). More pessimistic analysts believe that the economy is fundamentally unchanged from where it was two years ago and would not be performing as well as it is without the boost it has received from the falling prices of oil and other commodities or, to a lesser extent, the easing of federal deficit reduction measures.

Economists' forecasts for U.S. GDP growth range from 3.0% to 3.6% for 2015 and slightly lower for 2016.

The Canadian economy followed a similar pattern to that of the U.S. in the first half of 2014. After a weak first quarter, second quarter growth improved to 3.6%. With the decline in the price of oil, growth decreased to 2.8% in the third quarter and is estimated to drop to 2.7% in the fourth quarter. Bank of Canada economists expect that any weakening in investment in the oil and gas industry in 2015 will be offset by increased demand for non-energy exports and corresponding investment by those industries. Further support to economic growth is expected from a positive change to household disposable income resulting from lower gasoline prices. However, with the drop in the price of oil, the Canadian dollar is losing strength, falling from slightly above 94 cents US in January 2014 to around 80 cents in January 2015. This may further help Canadian non-energy exporters, but will also have a negative impact on household disposable income as prices for all imported consumer goods are expected to rise.

While the trends are clearly conflicting, the Canadian economy is still expected to grow by 2.3% in 2015 and around 2.1% in 2016. Ontario, with its recovering manufacturing sector, and British Columbia, with its diverse economy, are expected to lead the way. Manitoba is expected to have the third-highest economic growth among provinces in 2015.

Manitoba's economic growth in 2014 is expected to be around 1.8%. The major driver of this modest growth rate is increased exports, mainly to the U.S., from the manufacturing sector. Growth forecasts in 2015 for Manitoba range between 2.3% and 2.9%.



Manufacturing is expected to stay strong in 2015, but non-residential construction (Bipole III and dams in the North, new developments in downtown Winnipeg) should also contribute to the growth. The agricultural and service sectors are also expected to stay strong. The housing sector is expected to stay stable, with steady growth in sales. The retail sector may slow for some time due to the closure of Target stores, but may pick up toward the end of 2015 as cross-border shopping gets more expensive.

The latest forecasts for the Canadian dollar are between 75 and 80 cents US for most of 2015. The dollar could exceed those levels if oil prices recover, but could fall even lower if economic indicators for Canada don't meet expectations and the Bank of Canada decides to further reduce its overnight rate.

On January 21, 2015, after four years and four months with no change, the Bank of Canada reduced its overnight rate by one-quarter of one percentage point, to 0.75%. According to Bank officials, the decision was in response to the recent sharp drop in oil prices, which have caused the Bank concerns about both growth and inflation. The Bank's aim is to keep inflation at two per cent, the midpoint of an inflation-control target range of one to three per cent. The Bank of Canada continues to wrestle with striking a balance between stimulating the economy and averting a significant increase in household debt levels.

With oil prices expected to remain low for some time, the Bank of Canada is expected to lower its interest rate further (to 0.50%) at its next meeting on March 4, 2015. The prevailing opinion among economists is that the rate will stay at that level until at least the first quarter of 2016. This development may put further pressure on financial institutions and their financial margins, but at the same time reduce the risk of interest rate shock that would expose some consumers to debt servicing difficulties.



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

February 27, 2015

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 MANNESSE  
*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 27, 2015

**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, 2014 and the summary consolidated statements of operations and comprehensive income, members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 27, 2015.

The summary consolidated financial statements do not contain all of 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 Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

**Opinion**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Credit Union Central of Manitoba Limited for the year ended December 31, 2014 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  
Members' deposits  
Obligations under repurchase agreements  
Derivative financial instruments

#### Members' equity

Share capital  
Accumulated other comprehensive income  
Retained earnings

	2014	2013
	2,739,983	2,721,850
	7,285	5,820
	1,935	3,268
	72,139	95,893
	17,187	18,107
	2,025	2,750
	140	362
	<u>2,840,694</u>	<u>2,848,050</u>
	11,632	12,647
	2,537,949	2,431,178
	80,210	203,360
	30,576	12,866
	<u>2,660,367</u>	<u>2,660,051</u>
	151,943	159,095
	1,225	1,225
	27,159	27,679
	<u>180,327</u>	<u>187,999</u>
	<u>2,840,694</u>	<u>2,848,050</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

	2014	2013
<b>Financial revenue</b>		
Liquidity pool	71,100	79,596
Intermediation pool	1,606	1,764
	<u>72,706</u>	<u>81,360</u>
<b>Cost of funds</b>	32,093	39,082
	<u>40,613</u>	<u>42,278</u>
Unrealized gains (losses) on non-derivative instruments	23,221	(13,995)
Unrealized gains (losses) on derivative financial instruments	(22,578)	13,999
Net cost of derivative financial instruments	(14,667)	(13,004)
	<u>(14,024)</u>	<u>(13,000)</u>
<b>Financial margin</b>	<u>26,589</u>	<u>29,278</u>
<b>Other income (expense)</b>		
Share of Celero's income	889	94
Share of NEI's income	597	—
Rental income — net	169	195
Net operating recovery (expense)	(46)	349
	<u>1,609</u>	<u>638</u>
<b>Income before credit union patronage distributions</b>	<u>28,198</u>	<u>29,916</u>
<b>Credit union distributions</b>		
Financial margin distribution	(21,540)	(23,268)
Distribution of Celero's income	(889)	(94)
Distribution of NEI's income	(597)	—
	<u>(23,026)</u>	<u>(23,362)</u>
<b>Income before income taxes</b>	<u>5,172</u>	<u>6,554</u>
Income tax expense (recovery)	1,280	(286)
<b>Net income for the year</b>	<u>3,892</u>	<u>6,840</u>
<b>Other comprehensive income</b>		
Change in unrealized gains on available-for-sale assets	—	—
<b>Comprehensive income for the year</b>	<u>3,892</u>	<u>6,840</u>

## 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, 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>	159,095	1,225	27,679	187,999
<b>Balance at December 31, 2013</b>	159,095	1,225	27,679	187,999
Net income for the year	—	—	3,892	3,892
Dividends to members	—	—	(4,412)	(4,412)
Redemption of shares	(7,152)	—	—	(7,152)
<b>Balance at December 31, 2014</b>	151,943	1,225	27,159	180,327

### Summary Consolidated Statement of Cash Flows

for the year ended December 31

in thousands of Canadian dollars

#### Cash provided by (used in)

##### Operating activities

	2014	2013
Net income for the year	3,892	6,840
Items not affecting cash		
Unrealized gains on financial instruments held for trading and designated as FVTPL	(643)	(4)
Depreciation of property and equipment	1,603	1,727
Gain on disposal of property and equipment	—	(20)
Deferred income tax expense	222	554
Decrease in liquidity pool assets	38,400	456,081
Net change in derivative financial instruments	(6,333)	(6,178)
Decrease (increase) in intermediation pool assets	23,754	(7,239)
Increase (decrease) in members' deposits	108,540	(518,683)
Increase (decrease) in repurchase agreements	(123,150)	203,360
Net change in other assets and accounts payable	1,043	(21,037)
	47,328	115,401

##### Investing activities

Acquisition of property and equipment	(683)	(460)
Sale of property and equipment	—	67
	(683)	(393)

##### Financing activities

Net redemption of members' shares	(7,152)	(39,965)
Dividends to members	(4,412)	(6,062)
	(11,564)	(46,027)

#### Increase in cash

<b>Cash (overdraft) — Beginning of year</b>	48,915	(20,066)
<b>Cash — End of year</b>	83,996	48,915

#### Supplementary cash flow information

Income tax paid	2,782	6,667
Income tax received	3,073	1,172

### 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, 2014, 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, 2014 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, 2014 and 2013 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.

**Portage Credit Union** and  
**Strathclair Credit Union** were  
chartered in 1944, and celebrated  
70th anniversaries in 2014.

Chartered in 1949,  
**Austin Credit Union** and  
**Winnipeg Police Credit Union**  
celebrated 65 years.

## 40-44 years

**Joyce Reimer** Marketing Coordinator · Steinbach Credit Union

## 35-39 years

**Irma Albright** Asst. Branch Manager/Loan Officer III · Crosstown Civic Credit Union

**Neal Boyce** Manager of Wealth Management · Crocus Credit Union

**Connie Clarke** VP Systems & Administration · Cambrian Credit Union

**Doris Dyck** Manger, Member Services · North Winnipeg Credit Union

**Bruce Fink** Chief Financial Officer · Cambrian Credit Union

**Stefie Pilat** Member Service Representative · North Winnipeg Credit Union

**Sharon Larsen** Manager, Member Service & Administration · Erickson Credit Union

**Ward Wilton** Agricultural/Commercial Account Manager II · CUCM

## 30-34 years

**Leona Asham** General Manager · Amaranth Credit Union

**Daniel Dion** Chief Executive Officer · La Salle Credit Union

**Robert Dueck** Board of Directors · Steinbach Credit Union

**Ted Falk** Board of Directors · Steinbach Credit Union

**Clifford Froese** Corporate Lending Account Manager · Steinbach Credit Union

**Karen Guest** Manager Organizational Development & Training · Cambrian Credit Union

**Donna Lacy** Centralized Services Rep · Cambrian Credit Union

**Daren Miguez** Loans Clerk · Belgian-Alliance Credit Union

**Hugh Tibbs** Bizflow Developer · Cambrian Credit Union

## 25-29 years

**Maria Alphonso** Financial Services Officer · Cambrian Credit Union

**Jocelyn Boulet** Member Services Representative · Cambrian Credit Union

**Tom Bryk** Chief Executive Officer · Cambrian Credit Union

**Rhonda Curle** Member Service Rep/Steno · Minnedosa Credit Union

**Carole Dalrymple** Member Service Officer · Minnedosa Credit Union

**Jeffrey Dempster** Programmer/Analyst · Cambrian Credit Union

**David Domes** Chief Operating Officer · Belgian-Alliance Credit Union

**Colleen Elder** Member Services Supervisor · Cambrian Credit Union

**Debbie Fast-Friesen** Corporate Loans Admin · Steinbach Credit Union

**Barbara Guenther** Manager Deposit Compliance · Steinbach Credit Union

**Dave Hergesheimer** Chief Executive Officer · Oak Bank Credit Union

**Jill Koroscil** Business Development Officer · La Salle Credit Union

**Mary-Anne Mattes** Manager Centralized Loan Processing · Cambrian Credit Union

**Tom Maxwell** Loans Manager · Crocus Credit Union

**Shauna Mackenzie-Sykes** Director · Cambrian Credit Union

**Marjorie McMillan** MSR II · Westoba Credit Union

**Maureen McMurray** Application Support & Business Analyst II · Cambrian Credit Union

**Karen Melnyk** Loan Processing Assistant – Mortgages · Cambrian Credit Union

**Lorie Reimer** Manager, Member Services · Steinbach Credit Union

**Adeline Richardson** Administration Manager · La Salle Credit Union

**Donna Rowe** Member Services Supervisor · Cambrian Credit Union

**Kathy Russett** Ag/Commercial Lender · Catalyst Credit Union

**Glenn Solar** Retail Sales and Services Manager · Cambrian Credit Union

**Charlene Spakowski** Financial Services Officer · Cambrian Credit Union

**Amelie Thiessen** Corrections/Adjustments Admin · Steinbach Credit Union

**Shelley Weidmann** Member Services Supervisor · Cambrian Credit Union

**Diana Wotherspoon** Member Services Representative · Cambrian 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

Credit Union Central of Manitoba Limited

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