



CREDIT UNION CENTRAL *of* MANITOBA

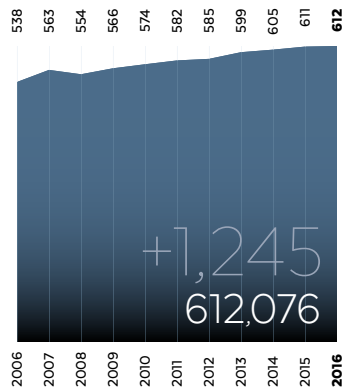
2016 ANNUAL REPORT

THE CREDIT UNION EFFECT

CONSOLIDATED SYSTEM STATISTICS

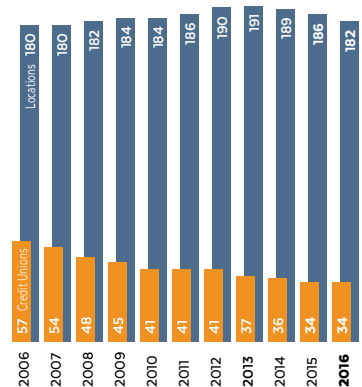
December 31, 2016
All figures preliminary
unaudited results

MEMBERSHIPS (thousands)



Membership in Manitoba's 34 credit unions increased by 1,245 in 2016, bringing the overall system membership total to 612,076. In the past decade, approximately 74,000 new memberships have been opened — an increase of 13.7 per cent.

CREDIT UNIONS AND LOCATIONS



The number of credit unions in Manitoba held steady at 34 in 2016 (the January 1, 2017, amalgamation of Portage and Austin credit unions, which created Stride Credit Union, reduced that number to 33 at the start of the year). The total number of locations decreased from 186 to 182 over the course of 2016, but remains slightly higher than the overall total from 10 years ago (180).

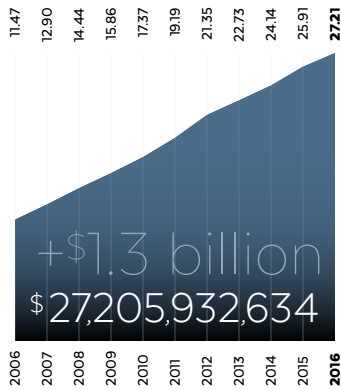
Altona Amaranth Arborg Ashern
Austin Baldur Beausejour Benito
Binscarth Birds Hill Birtle Boissevain
Brandon Carberry Carman Cartwright
Cypress River Dauphin Deloraine Dominion City
Dugald Emerson Erickson Eriksdale Ethelbert
Fisher Branch Flin Flon Gilbert Plains Gillam Gimli Gladstone
Glenboro Glenella Grand Rapids Grandview Gretna Grunthal
Hamiota Hartney Headingley Holland Inglis Inwood Kenton
Killarney La Rivière Lac du Bonnet Landmark Laurier
Lowe Farm MacGregor Manitou Melita Miami Miniota
Minnedosa Minto Moosehorn Morden Morris
Neepawa Ninette Niverville Oak Bank Oak Bluff
Oak Lake Oak River Oakburn Oakville
Pilot Mound Pinawa Pine Falls Plum Coulee
Plumas Portage la Prairie Reston
Rivers Riverton Roblin Rorketon
Rosenort Rossburn Russell St. Lazare
Ste. Rose du Lac Sandy Lake Sanford
Selkirk 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

Credit unions serve 109 communities throughout the province, giving Manitobans substantially better access to quality financial services and products than any other financial institution.

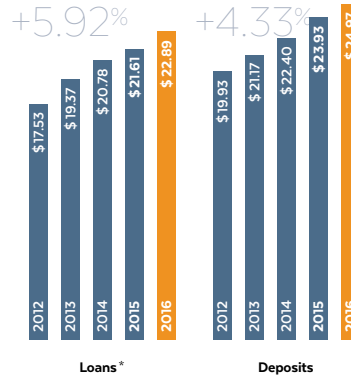
In 61 of those communities, a credit union is the only financial institution in place to serve local residents and businesses.

CREDIT UNION ASSETS (\$ billions)



The total assets held by Manitoba's credit unions increased by \$1.3 billion in 2016, reaching another new high of \$27.21 billion by the end of the year. Since 2006, the combined assets of the province's credit unions have increased by an impressive 137 per cent.

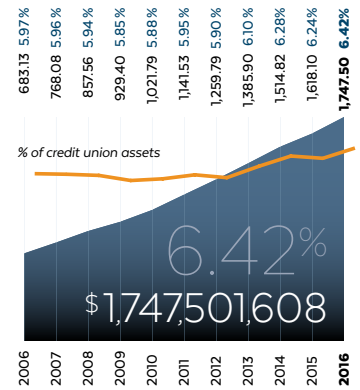
LOANS AND DEPOSITS (\$ billions)



The system's combined loan portfolio grew by 5.92 per cent or \$1.28 billion in 2016, ending the year at \$22.89 billion. Deposits held by Manitoba's credit unions reached nearly \$25 billion last year, increasing by 4.33 per cent to close 2016 at \$24.97 billion.

* net of allowances

CREDIT UNION EQUITY (\$ millions)



Credit union equity consists of member share capital, surplus shares, preferred shares, contributed surplus and retained earnings. Expressed as a percentage of total system assets, credit union equity is one of the leading indicators of the strength of the overall credit union system. The consolidated equity of Manitoba's credit unions reached \$1.74 billion in 2016, which represents 6.42 per cent of system assets, up from 6.24 per cent in 2015.

This graph does not include earnings retained by Credit Union Central of Manitoba or the Deposit Guarantee Corporation of Manitoba.

MANITOBA'S CREDIT UNIONS

Branch locations as of December 31, 2016

Access Credit Union Altona, Carman, Dominion City, Emerson, Gretna, Grunthal, Lowe Farm, Manitou, Miami, Morden, Morris, Oak Bluff, Plum Coulee, Sanford, Sprague, Vita, Winkler

Amaranth Credit Union Amaranth

Assiniboine Credit Union Winnipeg (16), Gillam, Thompson

Austin Credit Union Austin, Gladstone, MacGregor, Plumas, Portage la Prairie

Beautiful Plains Credit Union Neepawa, Glenella

Belgian-Alliance Credit Union Winnipeg (3)

Cambrian Credit Union Winnipeg (10), Selkirk

Carpathia Credit Union Winnipeg (5)

Casera Credit Union Winnipeg (3)

Catalyst Credit Union Dauphin, Ethelbert, Gilbert Plains, Inglis, Roblin, Winnipegosis

Crocus Credit Union Brandon (2)

Crosstown Civic Credit Union Winnipeg (9)

Entegra Credit Union Winnipeg (4)

Erickson Credit Union Erickson

Flin Flon Credit Union Flin Flon

Grandview Credit Union Grandview

Me-Dian Credit Union Winnipeg, Grand Rapids

Minnedosa Credit Union Minnedosa

Niverville Credit Union Niverville, Landmark

North Winnipeg Credit Union Winnipeg (2)

Noventis Credit Union Arborg, Ashern, Eriksdale, Fisher Branch, Gimli, Headingley, Moosehorn, Riverton, Selkirk, Starbuck, Winnipeg Beach

Oak Bank Credit Union Oak Bank, Birds Hill, Dugald

Portage Credit Union Portage la Prairie (2), Oakville

Prairie Mountain Credit Union Ste. Rose du Lac, Laurier

Rorketon & District Credit Union Rorketon

Rosenort Credit Union Rosenort, Winkler

Steinbach Credit Union Steinbach, Winnipeg (2)

Strathclair Credit Union Strathclair, Oakburn, Shoal Lake

Sunova Credit Union Beausejour, Inwood, Lac du Bonnet, Oak Bank, Pinawa, Pine Falls, Selkirk, Stonewall, Teulon, Whitemouth, Winnipeg (3)

Sunrise Credit Union Baldur, Boissevain, Brandon, Cypress River, Deloraine, Hartney, Holland, Melita, Minto, Reston, Sandy Lake, Treherne, Virden, Waskada

Swan Valley Credit Union Swan River, Benito

Vanguard Credit Union Binscarth, Birtle, Brandon, Hamiota, Kenton, Miniota, Oak Lake, Oak River, Rossburn, Russell, St. Lazare

Westoba Credit Union Brandon (4), Carberry, Cartwright, Glenboro, Killarney, La Rivière, Ninette, Pilot Mound, Rivers, Souris, Swan Lake, The Pas, Winnipeg (2)

Winnipeg Police Credit Union Winnipeg



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Understanding the impact of the credit union system on the Manitoba economy is a straightforward assignment. The numbers are plentiful and easy to grasp: billions of dollars in assets; hundreds of thousands of members; close to 200 locations; dozens of communities where a credit union is the only financial institution in town.

Add to that millions of dollars in donations to community events and organizations, thousands of hours of volunteer time by credit union employees, hundreds of scholarships handed out each year and countless other community contributions and the picture really begins to come into focus.

While the numbers help to illustrate the scope of the credit union system and its contribution to the Manitoba economy, it's the stories of real Manitobans that underscore the impact credit unions have on the lives of people in the province —

the credit union effect,
if you will.

THE CREDIT UNION EFFECT

Manitobans of all ages, from all areas of the province, have been touched by the ripple effect created by credit unions.

People like Keith Lemkey, an entrepreneur with a highly successful landscape design business in East St. Paul. Lemkey Landscape Design, which Keith and his wife Debbie founded, is an award-winning firm with clients throughout Manitoba and beyond. Lemkey's designs have been recognized by landscaping magazines and the Manitoba Landscape Association with numerous awards.

It's a business he built out of a personal passion. Lemkey got the idea for the business while on his honeymoon in Hawaii more than 30 years ago.

"I'd never seen anything like that before," he said of the outdoor spaces and landscape ideas he saw there. "The waterfalls and ponds and greenery. I thought 'I would love to have this in my yard.' So I pursued it as a personal interest to start with and then that evolved into a career."

Like most businesses, Lemkey's company grew over time, through a combination of hard work, a commitment to constantly learning new ideas and a focus on customer service.

He wasn't a member of a credit union when he founded the business in 1981. In fact, Lemkey readily admits he didn't have a good understanding of what a credit union was back in those days.

"I wasn't that comfortable with the idea of what a credit union was, but part of it was my ignorance of not knowing what a credit union was," Lemkey said.

That all changed when he and Debbie reached a turning point with both the business and their personal finances.

Lemkey approached his existing financial institution with a variety of ideas.

"We wanted to buy a lot, build a house, sell our other house and finance everything," he explained. "I wanted to up my line of credit on the business and I wanted to up my credit card limits."

However, despite several years of solid history with the institution, Lemkey wasn't given the green light and was instead told there was too much risk. After a lengthy discussion, the Lemkeys decided perhaps they were dealing with the wrong financial institution.

So in 1997, following a conversation with a friend at their church (then Carpathia Credit Union CEO, now Cambrian Credit Union CEO Tom Bryk), the Lemkeys decided to give a credit union a shot, becoming members of Carpathia Credit Union in Winnipeg.

Lemkey said he was surprised by how easy it was to switch to a credit union.

"I just perceived that to be such a big ordeal," he said. "In hindsight, it took less than an hour."

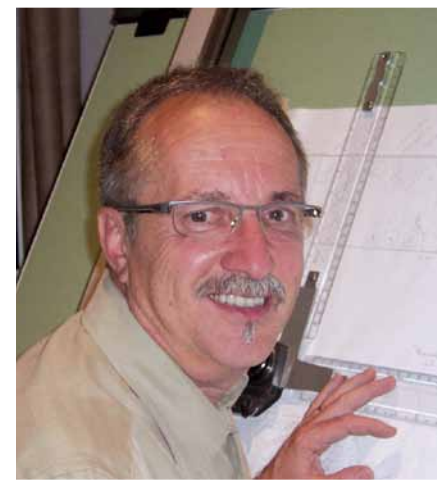
Upon switching, Lemkey also got the go-ahead to proceed with his dreams for his home and business.

"I went down there, showed them our financial statements, our business plan, our target market and what we were proposing to do and they didn't see any issue at all," he said.

Two decades later, his relationship with his credit union is as strong as ever. Keith and Debbie are both members, and their two daughters became members too. As a small business owner who places a priority on listening to his clients, Lemkey says he appreciates the personal service he receives from his credit union.

"The biggest thing is the relationships," he said. "If I need a loan or if we have a business plan that we're trying to change, it's a phone call to either one of our loans officers."

"That's what I really appreciate. In my business, I have many suppliers, but I don't shop," said Lemkey, noting that he's dealt with the same nursery for 36 years. "I find a supplier based on the relationship I'm going to have (with them). When I do need something or I'm in a bit of a bind, I can count on them. I look for that with my lending institution"



*Keith Lemkey, President
Lemkey Landscape Design Ltd.*

Despite several years of solid history with their lender, entrepreneurs Keith and Debbie Lemkey were told there was too much risk to increase their business line of credit and credit card limits. After a lengthy discussion, they decided perhaps they were dealing with the wrong financial institution.

*The Fasts Project, a 2012 project
by Lemkey Landscape Design*

as well. I like to know that if I'm dealing with one place, they've got my back."

There have been other benefits to being a credit union member, Lemkey added, noting that receiving a patronage dividend was a pleasant and welcome surprise. (Manitoba's credit unions made \$29.2 million in patronage allocations to members in 2015, in the form of surplus shares, cash bonuses and rebates.)

"It was something we'd never experienced before," Lemkey said, joking that he'd never received so much as a Christmas card from his previous financial institution, let alone a cheque. "It was a really positive experience."

But it's customer service that remains paramount, Lemkey said, adding that very few businesses actually walk the walk when it comes to customer service. That's something that's never been an issue in the 20 years he's been a member of a credit union.

"It's just easy," Lemkey said. "When I walk in, everybody knows my name. It's convenient and they're more accommodating."

Personal touches

That dedication to providing excellent customer service is something that's familiar to Gail Freeman-Campbell, too. The Brandon-area small business owner has made a career out of providing a high level of personal care to her clients, a development made possible thanks in part to a loan she received from her credit union.

Like Lemkey, Freeman-Campbell pursued one of her passions and turned it into a booming business. A former nurse, Freeman-Campbell saw an opportunity to help seniors and Manitobans with disabilities remain in their own homes as long as possible.

So in late 2012, she founded Daughter On Call, a private homecare service that serves the elderly, people with disabilities and adults who are incapacitated after surgery. In addition to nursing care, Freeman-Campbell's business also provides

support in the form of meal preparation, cleaning, laundry and other housekeeping services.

"I essentially started it because I was noticing that there was a real need in our community, as well as surrounding communities, for private homecare, so I decided to take the plunge," Freeman-Campbell said, noting that she spent about four months working on a business plan.

After being rejected by other financial institutions that were reluctant to take a chance on her idea, Freeman-Campbell approached Sunrise Credit Union and got the break she needed.

"I took it to Sunrise and they were impressed with my business plan," she said, explaining that the credit union gave her a line of credit that enabled her to cover salaries and other expenses as she got her business off the ground.

Starting with just herself and one casual aide in 2012, Freeman-Campbell now employs a staff of 45, including health care aides, nurses and office staff. Daughter On Call has expanded beyond just Brandon and now provides services in a number of communities throughout Western Manitoba. For the past year, Freeman-Campbell has also written a column on senior care and health issues for the *Brandon Sun*.

Through it all, Freeman-Campbell's relationship with the credit union has grown right along with her business.

"It was great, and I've just had a really great working relationship with Sunrise since then. They've been very supportive."

Freeman-Campbell says she's since moved all of her personal accounts, including her mortgage, to the credit union.

"They're just fabulous. It doesn't matter if it's me or one of my office staff—when we walk in we always get greeted by name."

Daughter On Call is looking to expand into other communities in Manitoba and Freeman-Campbell is also exploring the possibility of branching out into alternative housing for seniors.

THE CREDIT UNION EFFECT



Morgan Hanlon (right), one of 45 Daughter On Call employees, with client Ruth Molnar

Daughter On Call's philosophy is built around treating clients like family. As her business continues to grow, that's something owner Gail Freeman-Campbell continues to look for from her financial institution.



*Gail Freeman-Campbell
Founder & Owner, Daughter On Call*

“With the Baby Boomer generation, there’s not going to be the care home beds,” she explained. “A lot of the Boomers aren’t going to be choosing to go into a care home. They’re going to be looking at staying at home or alternative housing options.”

Freeman-Campbell said Daughter On Call’s philosophy is built around treating clients like family. As her business continues to grow, that’s something she continues to look for from her financial institution.

“We’re all about the extra-personal touches in our business and that’s definitely something I look for with a credit union or bank that I might be dealing with.”

She says that she plans to continue her relationship with her credit union, recalling that the other financial institutions she approached weren’t interested in her business when she was starting out.

“They sure want my money now though,” she said.

The next generation

It’s not just established small business owners who appreciate their relationship with a credit union.

Budding entrepreneurs like 17-year-old Kennedy Baker have also benefited from their dealings with a credit union.

Baker, a Neepawa resident and grade 12 student at Neepawa Area Collegiate Institute, has long had a passion for art. She says she’s been painting or drawing in one fashion or another her entire life. However, she recently applied her artistic talents to a new pursuit and discovered she may have stumbled upon a business idea.

“I saw a pair of shoes online that I really wanted but couldn’t afford to buy, so I decided to make them,” Baker explained. She began hand painting her own designs on canvas sneakers and the results proved popular with her family and friends.

Sensing she was onto something, Baker decided to take part in What’s the Big Idea?, an entrepreneurship event presented by the Minnedosa & Area Community Development Corporation and the

Neepawa & Area Development Corporation that took place in October 2016.

Much like the television show *Dragons’ Den*, the premise behind What’s the Big Idea? was to have local entrepreneurs pitch their business ideas to a panel of judges, who then chose winners based on the strength of their pitches. Local businesses put up prize money that was awarded to the winners in a variety of categories.

At the October event, Beautiful Plains Credit Union and Minnedosa Credit Union co-sponsored the “Best Pitch” award, a \$300 prize that went to the best idea of the day.

During the pitch, Baker had to sell the judges on her designs, the idea for her business and also outline her startup costs, how much she planned to sell her shoes for and other aspects of her business plan.

She impressed the credit union judges so much that she ended up walking away with the \$300 prize, which she promptly reinvested in her business by buying more paints and supplies.

Following her win, Baker has remained in contact with Beautiful Plains Credit Union (where she’s a member), providing them with updates on the state of her business. She met with a representative from the Winnipeg Jets and True North Sports & Entertainment, who was so impressed by Baker’s Jets-themed shoes that he asked if she’d be willing to display them in the Jets Gear store during a game to get a sense of the reaction from staff and customers. Baker agreed and dropped off a pair prior to recent game. She was later thrilled to hear the shoes had sold before the end of the first period.

Baker is now exploring the possibility of creating more custom shoe designs for not only the Jets but other professional sports teams across the country. She says her goal is to have a pair of shoes for every team in Canada.

She’s also branching out into other areas of design, creating a logo for her graduating class and submitting a logo design in a contest put on by the Rural Manitoba Female Hockey League.

However, Baker's passion remains her custom-designed shoes. Inspired by her win in the What's the Big Idea? event, she now has hopes of pursuing the idea as a career.

"If I could make my living off of these shoes, that would be just the best thing ever," she said. "I could do what I love by doing art and get paid for it."

Baker's story is just one example of how credit unions strive to make a positive impact on the lives of young Manitobans. Each year, the province's credit unions hand out hundreds of scholarships (266 individual scholarships worth more than \$165,000 in 2015 alone).

Several credit unions also run student credit unions at local high schools, with an aim towards assisting young people in the development of personal finance and employability skills, as well as to provide them with a hands-on working introduction to the co-operative model of financial services.

Employees giving back

The credit union effect can also be felt in communities throughout the province through the volunteer work of employees.

In keeping with the International Co-operative Principle of *Concern for Community*, credit union employees give back to their communities in a host of ways. They serve as board members with organizations like the YMCA and the Lions Club. They pitch in to coach and support hockey teams, rodeo events, curling, figure skating, golf, archery and many other sports clubs. They give their time to community centres and amateur theatre groups. They volunteer with local churches and support arts groups. They work as volunteer fire fighters. They're members of parent councils, councilors in their rural municipalities and mayors of some towns.

A perfect example of that spirit of community support is Ken Curtis, a branch manager with Assiniboine Credit Union in Winnipeg. For more than 30 years, Curtis has volunteered his time with the Canadian National Institute for the Blind (CNIB),

now serving as the Vice-Chair of the Manitoba division of the CNIB.

Despite no personal connection to the organization (neither Curtis nor anyone in his circle of family and friends suffers from vision loss or impairment), Curtis said he was inspired by the people he met and worked with through his involvement with the CNIB.

"When you get to know the people who live with blindness, and a number of them are very good friends of mine now, they are incredible people," he said. "I can't even imagine not being able to see. It's just incredible what these people accomplish."

That's why when Curtis heard the story of 10-year-old Benny Francey, he wanted to help. Francey, who is legally blind due to a rare disease called Leber congenital amaurosis, recently received a pair of eSight glasses thanks to a GoFundMe campaign organized by his aunt. The glasses, valued at approximately \$15,000, use a high-speed, high-definition camera to capture everything the user is looking at, allowing Francey to see for the first time.

When Curtis heard about Francey in the media, he arranged for the boy and his family to attend a Jets game as a fun way to take his new glasses for a test drive. With tickets donated by Assiniboine and jerseys for Francey and his family donated by Curtis, Benny was able to see his hockey heroes play for the first time. He even met this favourite player, Patrik Laine.

"It was just an amazing story the day this little boy was able to see his mother for the first time," Curtis said. "That's what drives me. Having the opportunity to interact with these people and in some way try to help them. It's amazing stuff to be a part of. It's so wonderful."

This summer, Curtis will assume the role of Chair, a position that will demand a significant commitment of his time. When making the decision whether to take on that role while still working full time, Curtis said he consulted with his credit union's senior management, who were very supportive

At the 2016 'What's the Big Idea?' competition, 17-year-old Kennedy Baker so impressed the judges with her designs and business plan that she won the \$300 'Best Pitch' award – which she promptly reinvested in her business.



A representative from the Winnipeg Jets invited Kennedy Baker to display a pair of her hand-painted shoes in the Jets Gear store during a recent game. They sold before the end of the first period.



THE CREDIT UNION EFFECT



When Assiniboine Credit Union branch manager Ken Curtis (centre) heard about 10-year-old Benny Francey (fourth from the left), he knew he wanted to help. Francey, who is legally blind, had just received a pair of specialized eSight glasses, which allowed him to see for the first time. Curtis arranged for Francey and his family to take in a Jets game, so he could put his new glasses to the test. (Pictured, from left: Ryan Francey, Jenna Cason, Ashton Francey, Benny Francey, Ken Curtis, Bob Cameron, Garry Nenson.)

Ken Curtis has found that many of the skills he's learned in his credit union career have helped him in the fundraising and philanthropic work he does for both the CNIB and the Riverview Health Centre Foundation.

of the idea. That unwavering support was not lost on Curtis.

“It’s huge, and to the credit of Assiniboine Credit Union, they see the value in that and there have never been any challenges at all. So it’s made it very easy for me to be able to do those kinds of things.”

Curtis also sits on the CNIB’s national Philanthropy and Fundraising Committee, which provides expertise, advice and counseling to CNIB senior management to help them implement the organization’s overall fundraising strategy.

It’s a role that requires him to periodically travel to Toronto to attend meetings and Curtis says his credit union has been fully supportive of that work as well.

“Assiniboine Credit Union has recognized the value of that and has authorized me to go to Toronto from time to time when I need to be involved in that,” he said.

Curtis’s volunteer contributions also extend beyond his work with the CNIB. He sits on the board of the Riverview Health Centre Foundation, an organization dedicated to enhancing the Riverview Health Centre’s ability to provide quality care to its patients. (The Riverview Health Centre is a 387-bed facility in Winnipeg that caters to those with rehabilitation, palliative and long-term care needs.)

Curtis’s role on the foundation’s board is to help raise money for projects that support the health centre. Much like in his work with the CNIB, Curtis said many of the skills he’s learned in his career with the credit union have helped him in his fundraising and philanthropic work with the foundation.

“Fundraising is an interesting challenge because there aren’t a lot of people out there who desire to be a fundraiser or desire to ask people for money,” Curtis explained. He added that when he coaches people in philanthropy, he coaches them just as he would coach an account manager on discussing the value of the products and services that the credit union offers.

“I coach them in almost the identical way I coach them at work,” he said. “When we’re out there talk-

ing to people about the CNIB, we’re selling the services that the CNIB provides the blind and visually impaired people of Manitoba, with the hopes that they’ll recognize the value of the services we offer and decide to support the organization.”

Curtis said he plans to continue to volunteer with the CNIB for many years to come. When it comes to volunteering and community support, he won’t be alone.

All told, each year the Manitoba credit union system’s 3,300 employees give back thousands of hours of their time (26,145 hours in 2015) to support charitable organizations, community events and other good causes.

Being local matters

Credit unions are committed to the communities they serve in large part because so many of the people involved in a credit union live in those same communities. When an organization’s directors, senior management, employees and members call a particular community home, that means they’re invested in the well being and growth of that community.

Having a local presence is important to Lawrence Warwaruk and his brother, Chris, too. The two brothers are the co-founders of Farmery Estate Brewery, a Neepawa-area craft brewery that employs approximately 35 people.

They grew up on the family farm near Erickson and always planned to become farmers themselves. But when the economics of farming made it impossible to stay on the farm, they turned to other options, opening a restaurant (LuxSolé) and later a gastropub (Luxalune) in Winnipeg.

While successful in the food and beverage industry, the brothers missed their farming roots, so eventually they closed the other businesses and returned to rural Manitoba to use their farming background and service-industry experience to create Farmery.

Part of the Farmery vision is to keep everything “as homegrown as it gets,” as evidenced by the fact

that their beer is brewed using ingredients harvested right from their farm just outside Neepawa.

That emphasis on being homegrown also extended to the brothers' search for a financial services provider, which is why when Lawrence and Chris were seeking out financing partners in 2016, their first stop was their local credit union, Beautiful Plains Credit Union.

"Beautiful Plains came in at the right time when we needed someone local here," Warwaruk said. "We're happy to have a credit union be part of the team."

Warwaruk said the brothers approached a local credit union first because they wanted to be able to build a long-term relationship with their financial services provider.

"With the local credit union here in Neepawa, you get to know the people, you're part of the community, they get to know your business, they can patronize your business and they know first-hand the success of your business and what it does for the community."

"I think for most businesses that want to expand, you have to have a good partner when it comes to financing. We wanted to establish a good working relationship with our local credit union," Warwaruk said. "As we grow and develop some experience working with each other, we'll continue to grow together."

Warwaruk said the plan for Farmery is to continue to grow locally. He hopes the relationship with the credit union will help both parties grow.

"We're going to be here for the long term and that's the kind of relationship we're establishing with the credit union. They're going to benefit from

our success and help us work through obstacles that will affect both of us. We really appreciate that," he said. "They're invested in us just as we're invested in the community. I think that's the kind of position we want to be in."

Warwaruk said like any new business venture, Farmery will face challenges in the future. He's counting on a strong relationship with the credit union to help them with those challenges.

"We're growing a business. It's not going to fall into your lap. We need to have that strong relationship to pull us through that.

"We want to be part of a growing and vibrant community. A local, strong credit union is going to be part of that. And we'll be part of that with them."

Real connections

The connection between credit unions and their communities runs deep. Credit unions are lenders, service providers, sponsors, volunteers and job creators. In 61 Manitoba communities, a credit union is the only financial services provider in town. They invest in new branches and improvements to existing branches, making nearly \$38 million in value improvements in 2015 alone.

The connection is so strong because credit unions are owned and run by Manitobans, and they remain committed to serving the needs of their members. Members like Keith Lemkey, Gail Freeman-Campbell, Kennedy Baker and Lawrence Warwaruk. Real Manitobans who want the best for their families, businesses and communities, and Manitobans who have each experienced the credit union effect for themselves.

THE CREDIT UNION EFFECT



Lawrence Warwaruk (left) and his brother, Chris, are the co-founders of Farmery Estate Brewery, a Neepawa-area craft brewery that employs approximately 35 people.

Part of Farmery Estate Brewery's vision is to keep everything "as homegrown as it gets," as evidenced by the fact that their beer is brewed using ingredients harvested right from their farm just outside Neepawa.

So when founders Lawrence and Chris Warwaruk were seeking out financing partners in 2016, their first stop was their local credit union.



Tom Patrick/Yukon News



As a whole, the Manitoba credit union system sponsors a number of organizations and events. In 2016 these included (from top): the Manitoba Summer Games, which took place in Steinbach; Camp Wannakumbac in Riding Mountain National Park; the men's and women's Masters curling championships, held this year in Winnipeg; the Manitoba High Schools Athletic Association's Scholar Athlete awards; the Chair in Co-operative Enterprises at the University of Winnipeg; and the 55-Plus Games in Brandon.

SYSTEM SPONSORSHIPS

In addition to the donations and sponsorships made by individual credit unions, the Manitoba credit union system as a whole also sponsors several worthy causes on a collective basis, based on a set of shared criteria.

Manitoba Summer Games

The largest ongoing developmental multi-sport event in the province, the Manitoba Games provide an environment for upwards of 7,500 Manitobans (athletes, coaches, officials and volunteers) to participate in an Olympic-like experience that creates life-long memories for everyone involved. The Games' goals include providing host communities with a legacy of upgraded facilities, equipment, officials and volunteers.

Manitoba High Schools Athletic Association

The Credit Unions of Manitoba Scholar Athlete Award is awarded annually to four students who maintain a minimum 85 per cent average and participate in at least two interscholastic high school athletic activities. Manitoba's credit unions award each student a \$1,000 scholarship.

University of Winnipeg Chair in Co-operative Enterprises

The Chair in Co-operative Enterprises was established in and is affiliated with the Business and Administration Department of the University of Winnipeg. The Chair promotes the teaching of, and research into, co-operative enterprises in Canada. It interacts with both the provincial co-operative sector and government, and the co-op sector in the rest of Canada and other countries through public lectures, seminars, teaching and research.

Curl Manitoba Masters Championships

The Manitoba's Credit Unions Masters Provincial Championship is the showcase event for Manitoba curlers ages 60 and over. Each year, men's and women's teams from across the province take part in this prestigious bonspiel.

Manitoba 55-Plus Games

Held every year since 1983, the Manitoba 55-Plus Games provide a healthy and fun atmosphere for Manitobans ages 55 and over to compete in a wide variety of sporting events, including golf, bowling, swimming and track. Manitoba's credit unions are proud sponsors of the 55-Plus Games, which promote the benefits of healthy active living for older Manitobans.

Wasagaming Foundation Camp Wannakumbac

Located on the west shore of Clear Lake in Riding Mountain National Park, Camp Wannakumbac is a not-for-profit organization that provides exciting camping experiences for all participants through innovative instruction that fosters creative learning. The camp also serves as the setting for the Manitoba Cooperative Association's Co-op Youth Leadership Retreat, which fosters leadership skills and encourages youth involvement in co-operatives.

Camp Wannakumbac is operated by the Wasagaming Foundation Inc., a registered charity that receives funding from Manitoba's credit unions and other co-operatives.



\$85,432	
Employee Giving	\$66,892
Director Giving	\$3,990
Special Events	\$14,550

\$85,432	
Corporate Match	\$78,450
Gifts-in-Kind *	\$6,982
* includes \$920 in campaign expenses	



CUCM EMPLOYEE GIVING AND COMMUNITY SERVICE

CUCM's corporate giving is driven by decisions its employees make about their own philanthropy.

CUCM matches employee donations — gifts made as individuals and as a group through staff club events and the United Way/All Charities Campaign — to organizations whose aims are consistent with CUCM's core values and the spirit of Co-operative Principle #7, *Concern for Community*.

Through matching, **employees and CUCM have contributed well over \$1 million** (an annual average of \$119,166) over the past 10 years to organizations that have a broad range of goals.

CUCM exposes community organizations to employees by inviting them to speak prior to CUCM staff meetings. What's more, by adding a Community Leadership & Engagement score to the company balanced scorecard, CUCM incents employees to donate time to organizations' ongoing activities or special projects.

- Alpha House 💰
- ALS Society of Manitoba 💰
- Alzheimer's Society 💰
- Canadian Blood Services 🤝
- Canadian Breast Cancer Foundation 🤝
- Canadian Cancer Society 💰
- Canadian Diabetes Association 💰🤝
- Canadian Liver Foundation 💰
- Canadian Parks & Wilderness Society 💰
- Canadian Red Cross 💰
- Canadian Women's Association 💰
- CancerCare Manitoba 💰
- Cerebral Palsy Association 💰
- Children's Hospital Foundation of Manitoba 💰🤝
- Children's Wish Foundation 💰
- Christmas Cheer Board 🤝
- Co-operative Development Foundation 💰🤝
- CURE Foundation 💰🤝
- Dream Factory 💰
- Earth Day Clean-Up 🤝
- Firefighters Burn Fund 💰
- Habitat for Humanity 💰
- Heart & Stroke Foundation 💰🤝
- Immigrant & Refugee Community Org. of Manitoba 💰🤝
- John Howard Society of Manitoba 💰🤝
- Kidney Foundation of Canada 💰
- La Leche League Canada 💰🤝
- Main Street Project 💰
- Manitoba Community Services Council 🤝
- Manitoba Lung Association (Tulip Days) 🤝
- Marymount 💰
- Mediation Services 💰
- Mennonite Central Committee 💰
- Never Alone Foundation 💰
- NorWest Co-op Community Health 💰
- Plan International 💰
- Prairie Wildlife Rehabilitation Centre 💰
- Rossbrook House 💰
- Salvation Army 💰🤝
- Siloam Mission 💰🤝
- Society for Manitobans with Disabilities 💰🤝
- Spina Bifida & Hydrocephalus Association 💰
- Syrian Refugee Family Sponsorship (through MCC) 💰🤝
- Terry Fox Foundation 🤝
- United Way of Winnipeg 💰🤝
- Winnipeg Harvest 💰🤝
- Wildlife Haven Rehabilitation Centre 💰



CREDIT UNION CENTRAL *of* MANITOBA

Credit Union Central of Manitoba is the trade association and service provider for the province's 34 autonomous credit unions.

CUCM 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 six peer groups sit on its board of directors. CUCM is financed through assessments and fee income derived through its operations.

VISION

OUR VISION FOR THE FUTURE IS THAT:

Manitoba credit unions see CUCM as their trusted and valued partner and a respected thought leader. They consider CUCM to be their first source of support, information and service.

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

MISSION AND PURPOSE

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

Every day, we:

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

VALUES

WE BELIEVE IN:

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

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

Innovating for long-term sustainability is a priority for credit unions.

CUCM faces the same challenge.



MESSAGE FROM THE CHAIRMAN

Innovative financial technology solutions disrupt traditional business models, while bringing significant opportunities to improve services and process.

Innovating for long-term sustainability is a priority for credit unions. Credit Union Central of Manitoba (CUCM) has the same challenge. CUCM is owned by credit unions and seeks to provide thought leadership and to be a trusted partner. Its priorities are therefore a direct reflection of credit union priorities.

A wave of financial technology innovation disrupts traditional business models, while bringing significant opportunities to improve services and process. Ever-increasing regulation necessitates a deep understanding of compliance requirements and risks.

Setting the strategic direction for an organization like CUCM in such an environment is challenging for a board of directors. In order to continue to provide sound leadership and guidance in this environment, CUCM's board is transitioning to a competency-based model for board succession planning.

This work began in 2015 and continued in earnest in 2016, with an eye toward ensuring directors have the individual attributes required to lead the organization effectively.

The effort included a self-assessment against the CUCM Director Competency Profile in the spring of 2016, as well as the completion of a gap analysis. A second self assessment of directors not up for re-election in 2017 was completed last fall.

Ensuring that the board has the skillsets needed to guide the organization in the future is one of the reasons CUCM is exploring legislative changes that would give it the ability to appoint independent directors if necessary, a change that would broaden the director pool. This step, which would require an amendment to *The Credit Unions and Caisses Populaires Act*, is meant to augment the existing policy on director appointments, and would be used if and when needed.

The intent behind this potential change is to give CUCM — and credit unions — the flexibility to broaden the pool of available directors with the depth and breadth of knowledge required to lead, while ensuring member-owners continue to have democratic control over the organization. A number of details related to this amendment require further clarification and work will continue on this front in 2017; the board is encouraged by the prospect of further strengthening its range of competencies.

All of this work will help to make sure CUCM's board remains well positioned to steward the organization and contribute to the ongoing sustainability of the Manitoba credit union system in the years to come.

A board's strength is bolstered by diversity. In 2016, CUCM's board approved the Board Diversity Policy so that it now includes a commitment to work toward a goal of women representing 30 per cent of directors around the board table by 2020. This new policy is a reflection of the value the organization places on highly qualified directors from diverse backgrounds.

In order to assess potential candidates to CUCM's board, we established a Nominating Committee to endorse nominations for directors. The committee's purpose is to consider the overall board composition, as well as its diversity and competency needs, and then endorse candidates who meet the board's leadership requirements.

All of this work will help to make sure CUCM's board remains well positioned to steward the organization and contribute to the ongoing sustainability of the Manitoba credit union system in the years to come. As we move into 2017, I'm pleased to chair a group of directors who bring a wide range of skills and knowledge—as well as a genuine passion for credit unions—to our board. I would like to thank them for their contributions over the past year.

I would also like to thank CEO Garth Manness and CUCM's executive management group for their efforts in 2016. Their leadership and commitment helps CUCM fulfill its vision to be the first source of support and service for Manitoba's credit unions.



RUSSELL FAST

Chairman, Board of Directors

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.

PEER GROUP 1

Steinbach Credit Union

PEER GROUP 2

Assiniboine Credit Union

PEER GROUP 3

Cambrian Credit Union

PEER GROUP 4

Access Credit Union

Crosstown Civic Credit Union

Westoba Credit Union

PEER GROUP 5

Carpathia Credit Union

Catalyst Credit Union

Entegra Credit Union

Noventis Credit Union

Sunova Credit Union

Sunrise Credit Union

Vanguard Credit Union

PEER GROUP 6

Amaranth Credit Union

Austin Credit Union

Beautiful Plains Credit Union

Belgian-Alliance Credit Union

Casera Credit Union

Crocus Credit Union

Erickson Credit Union

Flin Flon Credit Union

Grandview Credit Union

Me-Dian Credit Union

Minnedosa Credit Union

Niverville Credit Union

North Winnipeg Credit Union

Oak Bank Credit Union

Portage Credit Union

Prairie Mountain Credit Union

Rorketon & District Credit Union

Rosenort Credit Union

Strathclair Credit Union

Swan Valley Credit Union

Winnipeg Police Credit Union

BOARD OF DIRECTORS

CUCM CHAIR

PEER GROUP 1

Russell Fast

First Vice-Chair,
Steinbach Credit Union

CUCM board
meeting attendance 12/12



PEER GROUP 2

Kevin Sitka

Chief Executive Officer,
Assiniboine Credit Union

CUCM board
meeting attendance 11/12



CUCM VICE-CHAIR

PEER GROUP 3

Paul Holden

Vice-Chair,
Cambrian Credit Union

CUCM board
meeting attendance 12/12



PEER GROUP 4

Darryl Loewen

Director,
Access Credit Union

CUCM board
meeting attendance 11/12



PEER GROUP 4

Jim Rediger

Chief Executive Officer,
Westoba Credit Union

8/9 CUCM board
meeting attendance



Randy Brown

3/3 CUCM board meetings

PEER GROUP 5

Gordon Kirkwood

Chief Executive Officer,
Entegra Credit Union

CUCM board
meeting attendance 12/12



PEER GROUP 5

Lee Gregory

Director,
Noventis Credit Union

12/12 CUCM board
meeting attendance



PEER GROUP 6

Gord Sylvester

General Manager,
Beautiful Plains Credit Union

CUCM board
meeting attendance 12/12



PEER GROUP 6

Alexander (Sandy) Wallace

President,
Niverville Credit Union

11/12 CUCM board
meeting attendance



CORPORATE GOVERNANCE

After transitioning from a district structure to peer group representation in 2015, in 2016 the board turned its attention to the competencies of board members and succession plans for the board and CEO. The board approved a CEO Succession Policy, Board Chair Succession Policy and Diversity Policy in 2016.

- The CEO Succession Policy outlines a process for CEO Succession and identifies the roles and responsibilities of the CEO, the Governance and Conduct Review Committee, and the board as a whole in the succession process.
- The Board Chair Succession Policy outlines the process for board chair succession, including training opportunities for potential successors and a list of desirable skills and attributes for the board chair position.
- The Board Diversity Policy speaks at a high level to the value of a board consisting of highly qualified directors from diverse backgrounds. The policy includes a commitment to work toward a 30 per cent representation by women on CUCM's board by the end of 2020.

The board commissioned a review of CUCM's director peer-assessment process and tools. Following the review, the board will use a revised peer assessment beginning early 2017. The board also approved changes to its self-assessment process and tool, including a change from an annual in-depth survey to a three-year evaluation cycle, using a variety of assessment types. A varied approach to the self-assessment process will allow for a deeper focus on key issues and is in line with board best practices.

The board continued its work from 2015 on a more competency-based approach to board succession planning. The board approved revisions to CUCM's Director Competencies Profile, which includes a list of knowledge-based competencies and attributes required of individuals to provide effective

leadership. After completing assessments and a gap analysis, the board examined potential gaps that would occur if the current incumbents were not re-elected following elections. The board shared this analysis with member credit unions as part of the director nomination process.

CUCM then began the process of seeking legislative changes that would provide the capability to broaden the director nomination pool. As suggested by the Democratic Control Review Committee (DCRC), the changes would allow for the appointment of independent directors at Manitoba credit unions as well as CUCM. The proposed change will not replace the existing director election process; rather, it is meant to augment it by allowing for the potential appointment of independent directors.

The board also established a Nominating Committee to endorse nominations to CUCM's board. The purpose of the Nominating Committee is to assess candidates for CUCM's board, taking into consideration the overall composition and diversity of the board, the competencies of the candidates, the board's leadership requirements and the overall functioning of the board.

The Nominating Committee is composed of the chairperson of the peer groups in which an election is taking place and two current CUCM directors not up for election. It is chaired by CUCM's corporate secretary. As part of this change, the board revised the process to call for director nominations. CUCM developed a process for collecting educational background, employment history, board experience and community involvement from the credit union delegates. The information will help CUCM to establish an inventory of potential directors.

CUCM launched a new board portal site on January 1, 2017. In conjunction with the launching of the new site, the board approved guiding principles governing the use of the portal and security around the distribution of board and board committee materials.

MEETING ATTENDANCE

[CHAIR]	Lee Gregory	5/5
[VICE-CHAIR]	Gord Sylvester	5/5
	Gordon Kirkwood	5/5
	Sandy Wallace	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. It also reviews correspondence from the regulators.

MEETING ATTENDANCE

[CHAIR]	Gord Sylvester	2/2
[VICE-CHAIR]	Paul Holden	2/2
	Darryl Loewen	2/2
	Jim Rediger	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.

MEETING ATTENDANCE

[CHAIR]	Sandy Wallace	4/4
[VICE-CHAIR]	Russell Fast	4/4
	Paul Holden	4/4
	Kevin Sitka	3/4

GOVERNANCE AND CONDUCT REVIEW COMMITTEE

This committee was formed in 2015 through the merger of the Governance, Policy and Planning Committee and the Conduct Review Committee. This committee oversees the quality and effectiveness of CUCM's corporate governance. Among a wide range of responsibilities, the committee studies, recommends and reviews the development of, and compliance with, board policies and procedures to advance good corporate governance. The committee oversees board succession and the population of other board committees. It develops and oversees training programs for the board and maintains a matrix of director talents and board requirements to identify skill strengths of directors and any gaps on the current board. This committee also 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.

What are the top issues and opportunities facing your credit union?

What does CUCM need to do to support you in these areas?



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Given the pace of change in the financial services industry, developing deep industry expertise has become a focus for CUCM in recent years.

Just as Manitoba's credit unions continuously strive to adapt to new consumer demands, changing regulations and emerging technologies, so too does Credit Union Central of Manitoba.

Each year CUCM poses two questions to credit unions: "What are the top issues and opportunities facing your credit union?" and "What does CUCM need to do to support you in these areas?" The answers we receive are always thoughtful and wide-ranging, and they serve us well as we work to set our priorities for the year. For 2016, CUCM focused its efforts on five strategic themes:

- Advocacy to protect and enhance credit union interests;
- Support aligned to credit union imperatives;
- Deep industry expertise;
- The art of collaboration; and
- People, infrastructure and core processes.

In terms of advocacy, CUCM was busy on several fronts in 2016, meeting with members of Parliament to discuss key issues such as the upcoming Common Reporting Standard legislation (which will introduce a new compliance obligation for Canadian credit unions), mortgage lending and insurance regulations, and an announced federal taxation review.

At the provincial level, CUCM's advocacy work focused on several issues, including the development of emergency liquidity protocols, processes to reduce overall risk—especially interprovincial risk—associated with payments, and indemnity between the provincial government and the Bank of Canada that would allow for Bank of Canada support under certain defined stress events.

All told, CUCM supplied representation to 37 different system working groups, committees and

boards in 2016, working to ensure the interests of Manitoba credit unions were well represented.

With respect to support aligned to credit union imperatives, 2016 was highlighted by significant work in areas that included compliance and risk support, lending services, people services, research and planning, marketing and member engagement services, strategic communications planning, and consulting services. The work in these areas was driven by credit unions' need for direction and services related to the plethora of standards, regulations and guidelines they are required to meet.

Given the pace of change in the financial services industry, developing deep industry expertise has become a focus for CUCM in recent years and work related to that goal continued last year. CUCM obtains knowledge through research and through deep involvement and consultation with credit unions. Throughout 2016, numerous working groups and committees at CUCM provided significant insights that allowed the organization to interpret research through a credit union lens.

CUCM flows its research findings to member credit unions and other stakeholders in a variety of ways. Insights and observations from research inform presentation opportunities and provide the context for CUCM to convene important conversations with credit unions. Those insights and observations also find their way into advocacy discussions with government and regulators.

The industry's pace of change is one of the challenges that compels credit unions to seek out opportunities to collaborate. In 2016, CUCM actively facilitated collaborative efforts among credit unions in the areas of wealth management, IT risk support,

By supporting effective collaboration among credit unions, CUCM helps to ensure the Manitoba credit union system remains responsive and adaptive.

compliance and enterprise content management. By supporting effective collaboration among credit unions, CUCM helps ensure the Manitoba credit union system remains responsive and adaptive in an increasingly complex and dynamic environment.

CUCM itself also participated in collaborative efforts at the national level, working with the Canadian Credit Union Association (CCUA), other centrals and various stakeholders on a wide range of files. The payments area was a particularly active file in 2016. The national CEO Payments Strategy Committee—consisting of the CEOs of CUCM, Central 1 and Alberta Central and CEOs from a number of members of the Large Credit Union Conference (LCUC) group—continued to work towards the fulfillment of a national payments strategy for the Canadian credit union system.

This work resulted in a number of key achievements, including the proposal of a new national payments company (or “PayCo”). If approved, PayCo would consolidate the digital banking and payments functions currently operated and governed by the centrals into a single credit union-owned and controlled business that will focus on building next generation payments capabilities for the credit union system.

In 2016, CUCM also remained committed to supporting the community in which it operates, adhering to the seventh International Co-operative Principle of *Concern for Community*. This included hundreds of hours of paid time by employees in support of community leadership and engagement activities as well as thousands of dollars in employee donations—matched by CUCM—made in part through the organization’s annual All Charities campaign. Full details on CUCM’s employee giving and community service, including a complete list of all of the charitable organizations supported, can be found elsewhere in this report.

Last year was a challenging and exciting year for the organization. Persistent change has become the new normal in our industry and CUCM worked hard in 2016 to provide support and expertise to Manitoba’s credit unions. I would like to extend my thanks to CUCM’s executive management team for their acumen, judgment and direction over the past year, as well as all CUCM employees for their commitment to the overall success of the organization and its member-owners, our credit unions.

I would also like to thank CUCM Board Chair Russ Fast and the entire board for their leadership and sound guidance throughout the year.



GARTH MANNES

President and Chief Executive Officer

CUCM EXECUTIVE MANAGEMENT

PRESIDENT and
CHIEF EXECUTIVE OFFICER
Garth Manness



SENIOR CONSULTANT to the
CHIEF EXECUTIVE OFFICER
Bob Lafond



CHIEF COMPLIANCE OFFICER
and CONSULTANT to the CEO
Nicholas Rawluk



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



SENIOR VICE-PRESIDENT,
MEMBER SOLUTIONS
Wilson Griffiths



SENIOR VICE-PRESIDENT,
GOVERNANCE & STRATEGY
and CORPORATE SECRETARY
Marilyn Brennan





MANITOBA CREDIT UNIONS

Order of MERIT



Margaret Day

Nominated by ASSINIBOINE CREDIT UNION

Margaret began her 28 years' service to the system with her election to the board of Buffalo, a closed-bond credit union for provincial public sector employees. Twice chair, she led Buffalo through its merger with Assiniboine in 2008. She served one term as chair while on Assiniboine's board from 2008 to 2015. She was their representative on the Large Credit Union Conference (LCUC)—a small but influential group that has sparked collaboration and innovation across the national system—and on the Global Alliance for Banking on Values. She served one term on CUCM's board.

Progress, innovation, diversity and governance have been her touchstones. Among its many achievements with Margaret at the helm, Buffalo moved into the Union Centre on Broadway, opened its bond, and provided Lions Place seniors with in-Manor service calls, while Assiniboine opened in an area of Winnipeg's North End abandoned by banks, and developed a mortgage product for Muslims that didn't conflict with their faith. In guiding her organizations into two mergers, she took from the

unsuccessful one as much valuable experience as from the first. When Margaret says, "the strategic work of an organization is a collective effort with a lot of experienced minds working and learning together to determine the best possible solution," it is not an abstraction. In 2011, she received her Institute of Corporate Directors' 1CD.D designation, and Assiniboine is widely recognized for its commitment to good governance and shares its practices with local and national credit unions.

Margaret continues to dedicate her time and effort to a list of community, provincial and international efforts that have included the United Way, MFL Occupation Health Centre, the Canadian Labour Congress, MB B&B Marketing Co-op, and the Nor-West Community Food Centre, among others. Last year, she co-sponsored a Syrian refugee family.

Margaret has asked that the \$1,000 bursary attached to her award go to a female indigenous student, with an interest in co-operatives, who is studying at the University of Winnipeg's Selkirk Avenue campus.

The Manitoba Credit Unions Order of Merit 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.



John Klassen

Nominated by DEPOSIT GUARANTEE CORPORATION OF MANITOBA

John was introduced to the system as an employee of Manitoba Telephone Services. He joined as a member of Decibel—the MTS employees' credit union, which merged with Hy-Line (Vantis) and then Assiniboine—and, in 1970, was appointed to its supervisor committee. He resigned in 1975 when he became an inspector with the Credit Union Stabilization Fund, which sent him to Brandon in 1977 to manage its western region. In 1979, he joined Westoba as VP Finance, a position he held until 1999.

Provincial rules that limited annual withdrawals and locked in 100 per cent of contributions had long been a thorn in the side of Manitobans with defined-contribution pension plans when John joined the ranks of the retired. Over the course of a long campaign, John engaged the Manitoba credit union system, and helped mobilize the Manitoba Society of Seniors and other stakeholders, to lobby for change. MLAs and members of the provincial pension commission became well-acquainted with John; famously, he lay in wait at the legislature to present

Premier Gary Doer with a highly metaphorical impatience plant. Following a sustained campaign that involved many within the ranks of our system, in 2004 the annual withdrawal rate went from six to eight per cent and retirees were allowed to unlock 50 per cent of their funds.

Perhaps rekindled by the pension campaign, in 2005 John joined the Deposit Guarantee Corporation of Manitoba (DGCM) board, where he served in a variety of capacities, including chair, over the course of 10 years.

John has a solid record of volunteerism in Brandon, from board service to Westman Media Co-op, Wheat City Lions Club and Valleyview Community Centre to coaching youth hockey and canvassing for a number of charities. He has asked that the \$1,000 bursary attached to his award go to a graduate of Vincent Massey Collegiate — with good grades and a history of volunteering — who is planning to study business, accounting or education at the post-secondary level.



MANITOBA CREDIT UNIONS

Order of MERIT



Michael Taylor

Nominated by WINNIPEG POLICE CREDIT UNION

Michael began his career with Astra Credit Union in 1972, and quickly showed his dedication to the system by serving on the Winnipeg Chapter of Credit Unions from 1973–75. He moved to the Stabilization Fund in 1976 as an auditor, and then worked with credit unions in deficit positions. Anxious to apply his experience to a credit union, he became general manager of Winnipeg Police Credit Union (WPCU) in 1990.

From the start, Michael displayed a high level of commitment and dedication to the co-operative principles, particularly *Co-operation Among Co-operatives*. Over the years, WPCU developed a wide range of policies, business processes and technology and shared the information freely with other credit unions. His commitment earned WPCU the reputation as a 'go-to' organization on new policies and practices.

As its longest serving director (20 years, including three terms as president), Michael's dedication to the development of the Credit Union Managers Association of Manitoba's (CUMAM) Code of Ethics, Rules of Conduct and Objectives helped to formalize its role as a professional management organization.

His participation on national Cusource and CUDA task forces contributed to the value and relevance of 'The Credit Union System' course and clarified the competencies required of directors. (WPCU was the first board in Canada to complete the entire CUDA program.)

Michael served on various system committees over the years, including Marketing, Technology Advisory, Orderly Development, Risk & Bonding, HR and Management Advisory committees. He was the driving credit union force behind the Order of Merit program, and served six years as CUMAM's representative on the committee.

Michael was also instrumental in founding the Manitoba Credit Union Golf Tournament, which he ran for 25 years.

Outside the system, he serves as a director and treasurer of Status4 Inc., a local charitable organization, and as a director and treasurer of the condominium corporation in Oak Bank where he and wife Kathy live. Michael has asked that the \$1,000 bursary attached to his award go to the Credit Union Young Leaders of Manitoba (CUYLM), to be used to educate and motivate our young leaders of the future.

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.



Harry Bowler

Nominated by SUNRISE CREDIT UNION

Harry began his career as general manager of Tiger Hills Credit Union in 1986 and ended it as CEO of Sunrise Credit Union in 2017—a 31-year string of uninterrupted service to the same organization.

Harry has been involved with system committees his entire career, serving on the Management Advisory, Democratic Control Review, Risk & Bonding and System Credit committees, in addition to serving as chair of various districts over the years. He has also been an active member of the Credit Union Managers Association of Manitoba (CUMAM). His service on its executive included two terms as president and several stints as its convention chair.

After the amalgamation of Cypress River, Hartney, Virden, Tiger Hills and Turtle Mountain credit unions that created Sunrise in 2007, Harry was instrumental in helping form the Westman Marketing Group. By co-branding their involvement and sponsorship activities, the group has enabled credit unions to increase their presence throughout the region. It also provides collaboration opportunities in staff/board training and district relationships.

Harry has been a very active member of the communities in which he's worked, making sure the credit union was always well-represented. He served, often as president or chair, the Treherne Curling Club, Delahunt Golf Club, Treherne Minor Athletic, Treherne & Area Foundation, Treherne Chamber of Commerce, Treherne Economic Development Committee and Treherne Kinsmen Club, all of which benefited from his management skills. He says that being the founding chair of the Treherne & Area Foundation, which now has assets in excess of \$1 million, was very rewarding. "This is very impressive for a small community and provides a great legacy for the community."

He also started a minor baseball program; starting with one team of 12 players, it soon had over 100 kids involved.

Harry has asked that the \$1,000 bursary attached to his award go to a student enrolled in Business Admin or Agri-Business at Assiniboine Community College in Brandon, based on scholastic achievement and community involvement.

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, 2016. 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 15, 2017 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"), which excludes associate members of CUCM, decreased to 4.3 per cent in 2016 from 6.8 per cent in 2015. Deposit growth is the primary funding source for system asset growth. System assets grew 5.0 per cent in 2016, down from 7.3 per cent in 2015. Loan growth in the system increased to 5.9 per cent in 2016 from 4.0 per cent in 2015.

Member deposits at CUCM grew 4.3 per cent in 2016 and, excluding the impact of mark-to-market, ended the year \$150 million higher. As a percentage of total credit union members' deposits, member deposits held at CUCM ended the year at 13.8 per cent (2015: 13.8 per cent). Year-over-year, excluding the impact of mark-to-market, short-term member deposits at CUCM (original term less than 13 months) rose by \$279 million, while the longer-term member deposits at CUCM fell by \$127 million.

Throughout the year, members continued to show a strong preference for keeping their deposits in short terms. At year-end, 96 per cent of deposits matured within 13 months, up from 93 per cent in 2015. 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 deposits. To the extent that 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 members 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

On behalf of its members and associate members, CUCM manages liquidity reserves, facilitates 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 its members.

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 2016. The message from the President and CEO includes background information on a proposal to form a new national payments company (or “PayCo”). If PayCo is approved by each of the Credit Union Central boards, then CUCM’s payments operations will transition into this new entity. CUCM’s financials will show a significant reduction in clearing fees and other financial charges that will be largely offset by reductions in operating expenses, resulting in only a minor impact to CUCM’s net operating results.

OPERATING RESULTS

RETURNS ON MEMBERS’ DEPOSITS

CUCM’s weighted average cost of funds declined in 2016 to 0.794 per cent, from 0.904 per cent in 2015. This decline is primarily due to the maturity of higher-cost, longer-term deposits. As these deposits mature, credit unions have reinvested the proceeds in lower-cost, short-term deposits. At the same time, credit unions have also reduced their usage of lower-yielding current accounts, in favour of slightly higher yielding term deposits. Current account balances comprised 19 per cent of total liquidity deposits in 2016, down from 28 per cent in 2015. Had the composition not changed, the decline in the average cost of funds would have been even greater.

The average cost of funds paid on short-term liquidity balances (Canadian and US balances, combined) was 45.6 bps on current accounts and 76.6 bps on short-term deposit balances, for a combined average cost of 70.5 bps. Financial margin distributions in 2016 equated to an additional 95.54 bps

on short-term deposits (both current accounts and short-term deposits), resulting in a total average payment of 166.04 bps.

The average cost of funds paid on longer-term deposits was 256.5 bps. An additional distribution of financial margin of 7.5 bps was paid on these deposits (reflecting the additional income earned from the bond investments matched to these deposits), for a total payment of 264.0 bps on longer-term deposits.

Finally, the incremental income earned on loans to credit unions is distributed in proportion to excess liquidity deposits. The volume of borrowings fell in 2016, such that this component of financial margin declined to just 0.3 bps, down from 2.3 bps in 2015.

FINANCIAL MARGIN

Credit union liquidity deposits and share capital are managed as separate portfolios. Investment earnings are distributed in the form of financial margin distributions and dividends, respectively.

In 2016, short-term deposits continued to benefit from unusually high spreads earned on asset swaps (longer-term debt instruments combined with interest rate swap agreements), which generate a rate of return that resets monthly or quarterly. Because the rate resets frequently, there is virtually no interest rate risk associated with asset swaps. However, because of the longer-term underlying asset, liquidity risk is inherent in these securities; this is monitored and managed closely as part of CUCM's mandate to steward the system's liquidity. Returns on asset swaps were again the main contributor to the financial margin distributions paid on short-term deposits in 2016.

Deposit growth in the last months of 2015 and early 2016 coincided with excellent market opportunities, which CUCM seized to transact additional asset swaps at very attractive spreads. These investments will continue to benefit financial

margin returns over the next few years. However, a significant number of asset swaps mature in 2017 and current opportunities are well below the maturing returns. Absent a significant improvement in market opportunities, financial margin distributions on short-term deposits will decline as these maturities occur and are reinvested at the lower returns, beginning in April 2017. Similarly, growth in system liquidity will further dilute returns. Incremental margin earned on credit union borrowings will likely remain immaterial given the high level of system liquidity and low borrowing volumes. CUCM is also forecasting a decline in financial margin attributed to share capital and paid in the form of dividends. With the passage of time, investments made in prior years and at higher rates are maturing. Absent an upturn in rates, the proceeds from maturing investments will be invested at today's lower yields.

RECOVERIES

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

In 2016, the main factors in the year-over-year rise were increased Research & Development activities and higher professional services costs funded by Basic Assessment and increased consulting work performed for member credit unions.

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, process, and organizational capacity. All measures selected reflect CUCM's focus on continuous improvement. In 2016, the overall BSC result was 88.28 points out of a possible of 100.

ECONOMIC OUTLOOK

In 2015, world economists and forecasters were focused on real economic events like oil prices and economic slowdown in China. The attention in 2016 was more on political stories and the impact that political developments may have on the world economy.

Brexit and the U.S. elections dominated the news and, although economists still cannot agree on the full effect of these events, there is consensus that both events may have a significant impact on the world economy, the future of world trade, and on some of the international organizations (World Trade Organization, International Monetary Fund, and even the World Bank).

It was also a year of mixed messages illustrated by economic indicators and statistical data.

Employment in some developed economies grew, but did not result in expected GDP growth. Economic growth was stable, but central banks were reluctant to increase interest rates (lowered in the last few years to stimulate consumption and borrowing) as they continued to be concerned about future developments and risks to growth.

In this environment, the world economy recorded similar growth (3.1 per cent) as in 2015 (3.2 per cent) but the gap in growth between developed economies and emerging and developing markets was wider than in 2015. Developed economies grew by only 1.6 per cent (2.1 per cent in 2015) while emerging economies kept steady growth at 4.1 per cent despite some slowdown in China, India and Brazil. Surprisingly, Russia and the Middle East recorded better results than in 2015 in spite of the political turmoil in the regions.

The U.S. economy started 2016 with weak performance that lasted until the end of the second quarter. The main reason for this was a slowdown in the energy sector due to reduced oil output. In the second half, consumer consumption, the housing sector (homebuilding), and manufacturing contributed to faster growth. Exports also recorded significant growth in the second half of the year, mostly due to increased shipments of soybeans to China. However, this may be only a temporary boost to the economy if trade rules between the U.S. and China change under the new administration in the White House. Even with this recovery in the last six months of 2016, the annual GDP growth (1.6 per cent) was significantly lower than in 2015 (2.6 per cent). Still, the U.S. Federal Reserve decided to take an optimistic look at the future and raised its target interest rate by 0.25 per cent in December and signaled a faster pace of increases in 2017.

The Canadian economy had slightly slower growth (1.3 per cent) than the U.S. economy.

However, this growth was stronger than the 0.9 per cent recorded in 2015. Most of the growth came from BC, Ontario, PEI, and Manitoba. Alberta and New Brunswick were in a recession in 2016. Growth drivers in BC and Ontario were trade, consumer spending, manufacturing, non-residential construction, and the housing sector.

The diversified Manitoba economy proved again to be one of most resilient provincial economies to economic downturns. Growth for 2016 is estimated to reach 1.9 per cent to 2.1 per cent. Non-residential construction in Winnipeg as well as hydro projects in the North, agriculture, trade, consumer spending, and manufacturing were the strongest contributors. The financial sector also made a significant contribution to GDP growth, as did some other professional and health services.

The provincial employment figures are not as positive as the GDP growth numbers. Overall employment decreased by 0.4 per cent in 2016, leading to an increase in the unemployment rate to 6.1 per cent in 2016 (5.1 per cent in 2015). Historically, this percentage is considered high for Manitoba, but is still the second lowest in Canada.

Even more uncertainty in both political and economic developments may occur in 2017. Most economists are predicting that the global economy will grow at a faster pace than in 2016. Growth may come from both developed and emerging economies, bringing the global GDP growth rate to 3.4 per cent to 3.5 per cent. However, these forecasts do not incorporate all the effects of policy proposals by the new U.S. administration, as their scope and ultimate form are still uncertain. If some of the electoral promises (e.g., tariffs on Chinese and Mexican imports to the U.S.) are implemented, they may lead to a reduction in global trade and slower GDP growth around the world, higher than currently

forecasted inflation, and a drop in purchasing power for U.S. consumers.

According to the International Monetary Fund's forecast, emerging and developing economies are expected to grow by 4.5 per cent. The Chinese economy is expected to continue with a lower growth trend (6.5 per cent in 2017) than seen in the past. Most of the increase in growth for this group will come from the Russian and Brazilian economies, which are expected to get out of recession. India is also expected to get back on track and achieve growth around 7.2 per cent.

Developed economies are expected to grow by 1.9 per cent, an improvement on 2016 but still lower than in 2015. The Euro area, Great Britain, and Japan are still slowing down; most of the growth is expected to come from the U.S. and Canada.

The U.S. economy is in good shape after the recovery in the second half of 2016, and North American economists are optimistic about 2017, mostly based on some promises coming from the administration (e.g., tax cuts, keeping jobs in the U.S., buying American, deregulation, fiscal stimulus). However, things may be different if the rest of the world does not react positively to these policy changes. One more factor that may slow down U.S. growth is the strengthening of the dollar, which began in November and may continue in 2017, making American exports less competitive. There are two possible reasons for this trend. One is that some investors believe that the U.S. economy will regain strength and the other is that some investors invest in the U.S. dollar as a traditional "safe haven" in a time of potential crisis. In either case, the impact on American exports would be negative.

On the Canadian side, much will depend on the strength of the U.S. economy and on growth in the rest of the world that may have an impact on the

price of oil (and other commodities). The growth rate is expected to reach 1.9 per cent to 2.0 per cent. Growth drivers will be consumer demand, business investments made to keep Canadian manufacturers competitive on the world stage, market investments made to maintain a favourable position in trade with the U.S., increased government spending on infrastructure, and potentially higher consumer demand in the U.S. for Canadian products. Some economists also see the potential for growth in the export of professional services to the U.S., which has been trending upward for the last few years.

Canadian economists do not agree about expectations for the Manitoba economy. Most expect that Manitoba will again outperform the national growth rate and reach growth of 2.2 per cent to 2.3 per cent. However, there are some that expect growth of only 2.0 per cent. In any case, 2017 is expected to be another good year for Manitoba. Major contributors to this growth will be similar to what occurred in 2016: non-residential construction and consumer spending. Manufacturing is also expected to record some gains as other provinces may be a better market for machinery and fabricated metals than in 2015 and 2016. Toward the end of 2016, New

Flyer Industries concluded negotiations for contracts for delivery of buses to Boston and New York that will also contribute to the growing manufacturing output. Provincial employment trends are projected to reverse with 1.0 per cent growth. This change will reduce the unemployment rate to 5.8 per cent (from 6.1 per cent in 2016).

In the fourth quarter of 2016, the Bank of Canada decided to keep its policy interest rate unchanged at 0.5 per cent while the U.S. Federal Reserve decided to increase its target rate to 0.75 per cent. At that time, the U.S. Federal Reserve hinted that three more increases of 0.25 per cent each might come in 2017. However, at their latest meeting, the Fed's chairperson warned that future rate hikes might come slower than previously expected as they have to match future economic development. The Bank of Canada is even more cautious about the future and interest rate increases are not expected in 2017.

The U.S. dollar appreciated toward most currencies toward the end of 2016. In the same period, the Canadian dollar dropped to \$0.74 USD, but has since recovered to \$0.77 USD in early 2017. The expectation is that the exchange rate will remain in this range (\$0.74 USD to \$0.77 USD) for the rest of 2017.



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

February 23, 2017

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

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

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

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

GARTH MANNES

*President and
Chief Executive Officer*

BARRIE DAVIDSON

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



February 23, 2017

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, 2016, the summary consolidated statements of operations and comprehensive income (loss), 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 for the year ended December 31, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 23, 2017.

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, 2016 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 Professional 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

as at December 31

in thousands of Canadian dollars

Assets

Liquidity pool
 Derivative financial instruments
 Income taxes recoverable
 Intermediation pool
 Property and equipment
 Other assets
 Deferred income taxes

Liabilities

Accounts payable
 Income taxes payable
 Members' deposits
 Derivative financial instruments
 Deferred income taxes

Members' equity

Share capital
 Accumulated other comprehensive income
 Retained earnings

	2016	2015
	3,894,073	3,762,315
	8,580	9,002
	—	782
	24,233	27,686
	15,240	16,087
	2,383	4,766
	—	4,257
	3,944,509	3,824,895
	8,122	20,298
	1,747	—
	3,634,411	3,487,335
	39,691	66,942
	231	—
	3,684,202	3,574,575
	234,184	241,434
	1,225	1,225
	24,898	7,661
	260,307	250,320
	3,944,509	3,824,895

Approved by the Board of Directors

DIRECTOR

DIRECTOR

Summary Consolidated Statement of Operations and Comprehensive Income (Loss)

for the year ended December 31

in thousands of Canadian dollars

	2016	2015
Financial revenue		
Liquidity pool	88,021	78,830
Intermediation pool	660	892
	<u>88,681</u>	<u>79,722</u>
Cost of funds	28,705	27,135
	<u>59,976</u>	<u>52,587</u>
Unrealized losses on non-derivative financial instruments	(11,756)	(448)
Unrealized gains (losses) on derivative financial instruments	32,811	(24,389)
Net cost of derivative financial instruments	(21,437)	(21,861)
	<u>(382)</u>	<u>(46,698)</u>
Financial margin	59,594	5,889
Other income		
Share of Celero's income	1,437	1,251
Share of NEI's income	506	262
Rental income — net	297	176
Net operating recovery	48	473
	<u>2,288</u>	<u>2,162</u>
Income before credit union patronage distributions	61,882	8,051
Credit union distributions		
Financial margin distribution	(32,683)	(25,455)
Distribution of Celero's income	(1,437)	(1,251)
Distribution of NEI's income	(506)	(262)
	<u>(34,626)</u>	<u>(26,968)</u>
Income (loss) before income taxes	27,256	(18,917)
Income tax expense (recovery)	4,039	(4,501)
Net income (loss) for the year	<u>23,217</u>	<u>(14,416)</u>
Other comprehensive income		
Change in unrealized gains on available-for-sale assets	—	—
Comprehensive income (loss)	<u>23,217</u>	<u>(14,416)</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
Balance at December 31, 2014	151,943	1,225	27,159	180,327
Net loss for the year	—	—	(14,416)	(14,416)
Dividends to members	—	—	(5,082)	(5,082)
Members' shares issued	89,491	—	—	89,491
Balance at December 31, 2015	241,434	1,225	7,661	250,320
Balance at December 31, 2015	241,434	1,225	7,661	250,320
Net income for the year	—	—	23,217	23,217
Dividends to members	—	—	(5,980)	(5,980)
Members' shares redeemed	(7,250)	—	—	(7,250)
Balance at December 31, 2016	234,184	1,225	24,898	260,307

Summary Consolidated Statement of Cash Flows

for the year ended December 31

in thousands of Canadian dollars

Cash provided by (used in)

Operating activities

	2016	2015
Net income (loss) for the year	23,217	(14,416)
Items not affecting cash		
Unrealized losses (gains) on FVTPL financial instruments	(21,055)	24,837
Depreciation of property and equipment	1,486	1,595
Loss on disposal of property and equipment	1	206
Deferred income tax expense (recovery)	4,488	(4,117)
Increase in liquidity pool assets	(205,145)	(1,039,725)
Net change in derivative financial instruments	5,982	10,261
Decrease in intermediation pool assets	3,453	44,453
Increase in members' deposits	149,418	950,496
Decrease in repurchase agreements	—	(80,210)
Net change in other assets and accounts payable	(7,264)	7,077
	(45,419)	(99,543)

Investing activities

Acquisition of property and equipment	(640)	(701)
	(640)	(701)

Financing activities

Members' shares issued (redeemed)	(7,250)	89,491
Dividends to members	(5,980)	(5,082)
	(13,230)	84,409

Decrease in cash

	(59,289)	(15,835)
Cash — Beginning of year	68,161	83,996
Cash — End of year	8,872	68,161

Supplementary cash flow information

Income tax paid	38	65
Income tax received	2,360	1,691

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, 2016, which are prepared in conformity with International Financial Reporting Standards (IFRS).

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

A full set of the consolidated financial statements including significant accounting policies and other explanatory information is available from Credit Union Central of Manitoba or online at www.creditunion.mb.ca.

2 **Compliance with minimum capital requirements**

At December 31, 2016 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, 2016 and 2015 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.

45-49 years

Michael Taylor General Manager • Winnipeg Police Credit Union

35-39 years

Reava Ash-Gauthier Senior Loans Officer • Winnipeg Police Credit Union

Diane Aubin Community Account Officer • Assiniboine Credit Union

Shirley Bauch Central Admin Loans Clerk • Noventis Credit Union

Philip Bauernhuber VP of Lending & Credit • Noventis Credit Union

Susan Chartier Personal Account Manager • Access Credit Union

Norman Couture Senior Business Account Manager • Assiniboine Credit Union

Liz Fehr Systems Analyst • Access Credit Union

Trish Furgala Loans Admin Clerk • Noventis Credit Union

Steve Giesbrecht Director of Lending • Noventis Credit Union

Sherri-Ann King Loans Administration Officer • Westoba Credit Union

Cheri Lelond Executive Secretary • Westoba Credit Union

Nettie Lepage Credit Adjudication Officer • Westoba Credit Union

Valerie Penner Internal Processing Clerk • Access Credit Union

Glenn Reimer Commercial Account Manager • Access Credit Union

Bragi Simundsson Director • Noventis Credit Union

Darlene Skibinski Financial Services Rep • Noventis Credit Union

Adele Smith Loans Administration Officer • Westoba Credit Union

Steinbach Credit Union received its charter in 1941, making 2016 its 75th anniversary.

Founded in 1946, **Oak Bank Credit Union** celebrated 70 years of operation.

Rorketon & District Credit Union passed the 55-year milestone in 2016.

30–34 years

Candice Brown Loans Officer · Minnedosa Credit Union
Marlene Carr Accounting Clerk · Niverville Credit Union
Arlene Delichte Loans Administration Officer · Westoba Credit Union
Sharran Flaten Financial Services Officer · Access Credit Union
Susan Glasgow Finance Manager · Minnedosa Credit Union
Shari Hill MSR II · Westoba Credit Union
Mark Jeffers VP of Finance · Noventis Credit Union
Maureen Johnson Collections Administrator · Noventis Credit Union
Michele Johnson Commercial/Ag Account Manager · Noventis Credit Union
Lorette Kirby Financial Services Rep · Noventis Credit Union
Maryann Kologinski Loan Manager · Erickson Credit Union
Colleen Parkes Member Services Supervisor · Noventis Credit Union
Donna Pleskacz Deposit Administrator II · Westoba Credit Union
Lee Ann Riel Financial Account Manager · Assiniboine Credit Union
Sheryl Wagemakers Learning and Development Specialist · Assiniboine Credit Union

25–29 years

Ingrid Arcand Loans Administration Officer · Winnipeg Police Credit Union
Ron Ashcroft Manager Lending Services · Niverville Credit Union
Shaunna Asselstine Senior Loans Administrator · Winnipeg Police Credit Union
Sandy Charette Manager Deposit Services · Niverville Credit Union
Debbie Chuchmich Ag Business Service Team · Vanguard Credit Union
Lori Dueck Loan Processor II · Access Credit Union
Carmen Giesbrecht Executive Assistant · Niverville Credit Union
Wilson Griffiths SVP Member Solutions · Credit Union Central of Manitoba
Karen Kalynuik Loan Officer · Winnipeg Police Credit Union
Lana Kovich Centralized Lending Admin · Noventis Credit Union
Lawrence Klippenstein Board Chair · Winnipeg Police Credit Union
Rey Loewen Director · Rosenort Credit Union
Alayna McTavish Loans Clerk · Minnedosa Credit Union
Noel Olave Computer Operator II · Credit Union Central of Manitoba
Wendy Olson Financial Account Manager · Assiniboine Credit Union
Brenda Palsson Finance Admin Clerk · Noventis Credit Union
Nancy Penner Supervisor Loan Administration · Niverville Credit Union
Theresa Rea Member Services Supervisor · Noventis Credit Union
Darryl Rempel Account Manager · Niverville Credit Union
Trevor Rowe Loans Officer · Winnipeg Police Credit Union
Dwight Sanders Director of Lending · Noventis Credit Union
Debra Solomon Service Administrator · Assiniboine Credit Union
Gloria Tolentino Night Operations Supervisor · Credit Union Central of Manitoba
Judy Unrau Return Clerk · Credit Union Central of Manitoba
Noreen Walkin Executive Assistant · Noventis Credit Union
Wendy Yuzwa Branch Manager · Noventis Credit Union

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

EXTERNAL AUDITORS

PricewaterhouseCoopers LLP

CONSULTING ECONOMISTS

Dr. Michael Benarroch
Dr. John Loxley
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