



CREDIT UNION CENTRAL *of* MANITOBA

Strong today for a  
**stronger tomorrow**

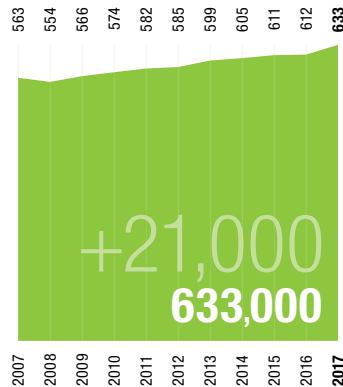
2017 ANNUAL REPORT



## CONSOLIDATED SYSTEM STATISTICS

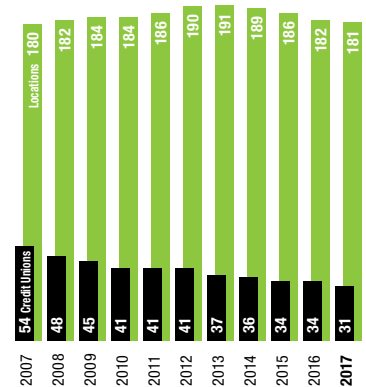
December 31, 2017  
All figures preliminary  
unaudited results

### MEMBERSHIPS (thousands)



Membership in Manitoba's 31 credit unions grew by 21,000 in 2017, a significantly higher increase than in any of the previous five years. In a province of 1.27 million, credit union membership stands at 633,000.

### CREDIT UNIONS AND LOCATIONS



There were three amalgamations in 2017, each involving two credit unions, which brought the total number to 31. On January 1, 2017, Portage and Austin merged to create Stride Credit Union, while Rorketon Credit Union merged with Catalyst Credit Union April 1 and Grandview Credit Union merged with Sunrise Credit Union May 1. Total branches fell by one, with a branch closure in each of Winnipeg and Brandon offset by a new branch in Steinbach.

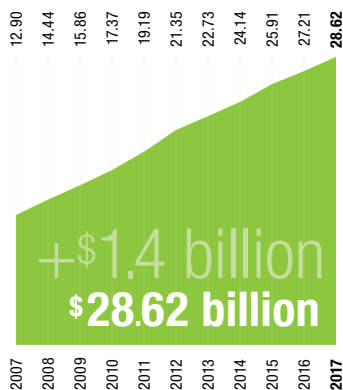
Altona Amaranth Arborg  
Ashern Austin Baldur  
Beausejour Benito Binscarth  
Birds Hill Birtle Boissevain  
Brandon Carberry Carman Cartwright  
Cypress River Dauphin Deloraine  
Dominion City Dugald Emerson Erickson  
Eriksdale Ethelbert Fisher Branch  
Flin Flon Gilbert Plains Gillam Gimli Gladstone  
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 Teulon  
Swan River 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.

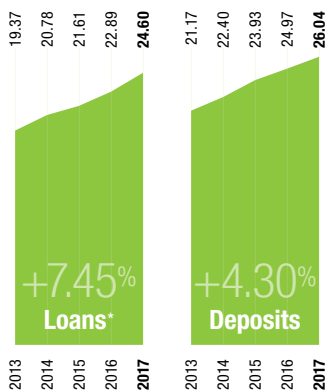
In **61** of those communities, a credit union is the only financial institution in place to serve local residents and businesses.

## CREDIT UNION ASSETS (\$ billions)



Total assets held by Manitoba's 31 credit unions increased by \$1.4 billion in 2017, close to 2016's increase of \$1.3 billion. Following ten-plus years of double-digit growth in the early part of this century, system growth has settled at a strong and solid level. Growth in 2017, at 5.2 per cent, was marginally higher than in 2016.

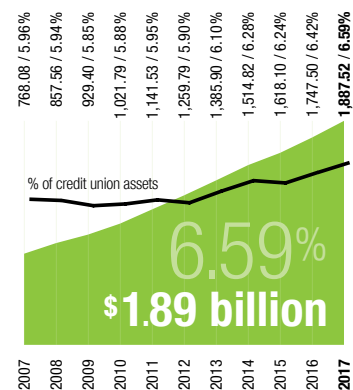
## LOANS AND DEPOSITS (\$ billions)



The system's combined loan portfolio grew by 7.45 per cent, or \$1.71 billion, in 2017 — higher than the 2016 growth of 5.92 per cent. Fifty per cent of the growth was in residential mortgages and 33 per cent in commercial real estate. Deposits, meanwhile, grew by \$1.07 billion, or 4.30 per cent, similar to 2016.

\* net of allowances

## CREDIT UNION EQUITY (\$ millions / % of assets)



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 \$1.89 billion in 2017, which represents 6.59 per cent of system assets, up from 6.42 per cent in 2016.

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, 2017

**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

**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, Rorketon, 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

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

**Minnedosa Credit Union** Minnedosa

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

**North Winnipeg Credit Union** Winnipeg

**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

**Prairie Mountain Credit Union** Ste. Rose du Lac, Laurier

**Rosenort Credit Union** Rosenort, Winkler

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

**Strathclair Credit Union** Strathclair, Oakburn, Shoal Lake

**Stride Credit Union** Portage la Prairie (3), Austin, Gladstone, MacGregor, Oakville, Plumas

**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, Grandview, 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, Rosburn, Russell, St. Lazare

**Westoba Credit Union** Brandon (3), 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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## 2017 ANNUAL REPORT

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## REACHING NEW HEIGHTS

**“The more we increase the active participation and partnership with young people, the better we serve them.**

**And the more comprehensively we work with them as service partners, the more we increase our public value to the entire community.”**

**— Carmen Martinez**

Former United States Ambassador to Zambia

**S**am Beardsell has a passion for rock climbing.

The 21-year-old Winnipeg resident, who describes himself as a very active person who also enjoys CrossFit, ultimate Frisbee and camping, was introduced to climbing a year ago. He quickly fell in love with the sport, drawn to its challenges and solitary nature.

“It’s something that just grabbed my attention,” Beardsell said. “I’ve played team sports my whole life. This is something that’s not a team sport. It’s up to you to climb the wall. Or not.

“It’s almost like a meditative thing — it’s just you on the wall,” he added. “And I like the physicality of it, too.”

Since discovering climbing, the young Manitoban has followed his passion around the globe, venturing as far away as Asia in search of new adventures.

“Me and my buddy spent 10 days living on a beach and climbing in Thailand,” Beardsell said. “Nothing quite beats that lifestyle.”

However, it’s a lifestyle that doesn’t come cheap. In addition to the travel, Beardsell also likes to have the right gear for his climbing excursions, which can get pricey.

“I definitely like having the right tool for the job, so that’s part of the reason I need to work as hard as I do,” he explained, noting that he tries to work hard in the summer and take time off in the fall, winter and spring to travel and climb.



*Sam Beardsell*

In addition to Thailand, Beardsell has also climbed in Cambodia and recently traveled to Costa Rica and Honduras. It's meant he's needed to carefully manage his money, which is where his relationship with his credit union has proven helpful.

A member of Cross-town Civic Credit Union since his parents opened a Fat Cat savings account for him when he was 15 years old, Beardsell has recently started investing in a

Tax-Free Savings Account (TFSA) and a Registered Retirement Savings Plan (RRSP). He said his credit union has been quick to provide him with support.

"Whenever I go in, it usually has to do with questions about my RRSP or TFSA and every time I go in I'm recognized. The staff remember me and I remember the staff. I enjoy that."

"Every time I have questions, I get offered valuable information," Beardsell added. "I find that very helpful."

While Beardsell's account was opened by his parents on his behalf, he said he's opted to stay with the credit union because he appreciates belonging to a financial institution with a local focus.

"For me, I'm probably going to stay in Manitoba. I really like it. So I'd rather be putting my money into a company that invests in and around the community," he explained.

**A**s a group, Manitoba's credit unions make investing in their communities a priority, giving back in a number of ways, including sponsorships, charitable donations and volunteer hours.

Credit unions also put a strong emphasis on supporting Manitoba youth, awarding an average of

more than \$124,000 in scholarships each year over the past decade. Beyond scholarships, credit unions support young people by participating in mentorship programs, contributing to summer camp programs, sponsoring youth sporting events and contributing to school programs.

For Carpathia Credit Union, supporting young people and its community takes on special meaning. As a closed-bond credit union serving the Ukrainian community, Carpathia not only gives back to organizations in its geographical community, but also within the broader Ukrainian community.

Each year, Carpathia awards a minimum of \$750 to schools in and around Winnipeg that offer a Ukrainian component in their curriculum. That results in a total contribution of about \$8,000 a year, directed toward programs that benefit between 400 and 500 students in the province.

Happy Thought School in East Selkirk, Manitoba is one of nine schools that receives funding from Carpathia. The kindergarten to Grade 4 school has 95 students enrolled in its English Ukrainian Bilingual Program. Happy Thought Principal Nancy Lovenjak said Carpathia's contributions go a long way in supporting her school's Ukrainian program.

"We love having that extra money because we have a lot of expenses," Lovenjak said, noting that the funds the school receives from Carpathia — roughly \$1,000 in 2017 — are used in a variety of ways, including going towards the school's Christmas tea, its Easter blessing, field trips and year-end celebration.

"Those events alone are big-ticket events, so we greatly appreciate what we receive from Carpathia Credit Union," Lovenjak said.

Happy Thought's English Ukrainian Bilingual Program has been operating for approximately 35 years. Lovenjak said the school is very proud of the program, describing it as one of the strongest of its kind in Manitoba. She said the contributions from Carpathia help to continue that proud tradition.

"We really, really appreciate it from the bottoms of our hearts. Carpathia's contribution goes into making it the great program that it is."



*Stingers Credit Union staff (from left):  
Colton Bork, Matina Phanthirath  
and Aloha Castrence.*



Carpathia director Dr. Taras Babick has experienced that generosity from both sides of the equation. As the artistic director of the Orlan Ukrainian Folk Ensemble, a group Carpathia has supported at various times during its 40-year history, Babick has seen first-hand what financial support from the credit union can mean to a community organization.

“Carpathia is very gracious,” Babick said. “Over the years, I would say they’ve supported the majority of the (Ukrainian) performing groups in Winnipeg.”

Babick said Orlan, which has 24 performers ranging in age from high school students to adults, has been the beneficiary of several financial grants from Carpathia.

“It’s a huge help,” Babick said. “You have to understand, the majority of these ensembles are all volunteer in nature and much of the help is volunteer. Fundraising becomes a challenge and Carpathia understands that.”

“I’m always so proud of our organization because they realize the importance of grassroots support and they realize that the gifts they offer to these various groups really help to sustain our culture,” he added. “Carpathia is a highly successful business, but they’re also true to the values of our founding pioneers, who were all immigrants and who wanted to be better Canadians and did that by becoming part of the Canadian mosaic while not forgetting where they came from.”

**“A strenuous effort must be made to train young people to think for themselves and take independent charge of their lives.”**

**—Anne Sullivan**

American teacher and lifelong companion of Helen Keller

Sam Beardsell was fortunate to have been put in a position to begin learning about money management and personal finances at a relatively young age. Not all young Manitobans are quite so lucky.

Due to any number of circumstances, many young people in Manitoba don’t receive the financial literacy skills needed to navigate the real world.

However, several credit unions around the province are actively working to change that by partnering with local high schools to establish student-run credit unions. One such example is Stingers Credit Union at Tec Voc High School in Winnipeg.

Founded in 2014, Stingers Credit Union represents a partnership between Assiniboine Credit Union and Tec Voc's Applied Commerce Education program. Students in the program volunteer to work at the credit union, which operates out of the school's student-run store. Fellow students can become members of Stingers Credit Union, which offers free chequing and savings accounts as well as a number of other services, including money orders, U.S. bank drafts and certified cheques.

Kathleen Mira is a teacher in the school's Applied Commerce Education program and also serves as the branch manager for Stingers Credit Union. Mira said the school often sends students on work experience projects and, in doing so, discovered that many kids didn't have bank accounts.

"At one point we did a poll and only 25 per cent of kids had a bank account," Mira said. "So we saw a need there."

That need, combined with the potential work experience that could come from having a student-run credit union, led Tec Voc to approach Assiniboine about creating Stingers Credit Union. The result was a credit union that allows 30 to 35 students each semester to gain valuable work experience and customer service skills while providing the entire school's student body with access to financial services. Mira said since it opened, membership at Stingers has increased three-fold each year.

"When they realize what this opportunity provides them, the kids get really excited about it," she said. "When they see the benefits they'll get from it down the road, they feel empowered."

The credit union, which last year received a Cooperative Youth Leadership award from the Manitoba Cooperative Association (MCA), is open Monday through Friday over the school lunch hour. On an average day, Mira said staff at the credit union will handle anywhere between 10 to 15 transactions, as students stop by to make deposits or withdrawals.

Manichan Luangkhot, Assiniboine's Manager of Financial Access Programs, serves as the liaison with Stingers. Luangkhot said in addition to

employment and money management skills, Stingers gives the students that work there an important confidence boost.

"We have the opportunity to bring knowledge to the students, and along with that knowledge we're building their confidence," Luangkhot said. "They're looked at as leaders among their peers."

Aloha Castrence, Matina Phanthirath and Colton Bork are three of the students who work at Stingers Credit Union. The three say they've learned a number of things, including how to open accounts, proper cash-handling skills, customer service techniques, the importance of privacy and how to work together.

They've also become a source of knowledge for their fellow classmates.

"Before I joined the credit union, I wasn't really sure what a credit union was," Phanthirath, 18, said, adding that she now has a better understanding of what credit unions have to offer and can share that with her friends. "In a way, we've kind of become teachers to the students."

Bork, 16, said he opted to work at Stingers for the experience he could put on his resumé, as well as the opportunity to learn about customer service and how to handle customers. He said his role with the credit union soon became far more than just a job.

"It's a passion, it's not really work," Bork said, adding that he's appreciative of the opportunity. "It's an example of how Assiniboine is working to help our community. It's for our experience, not their benefit."

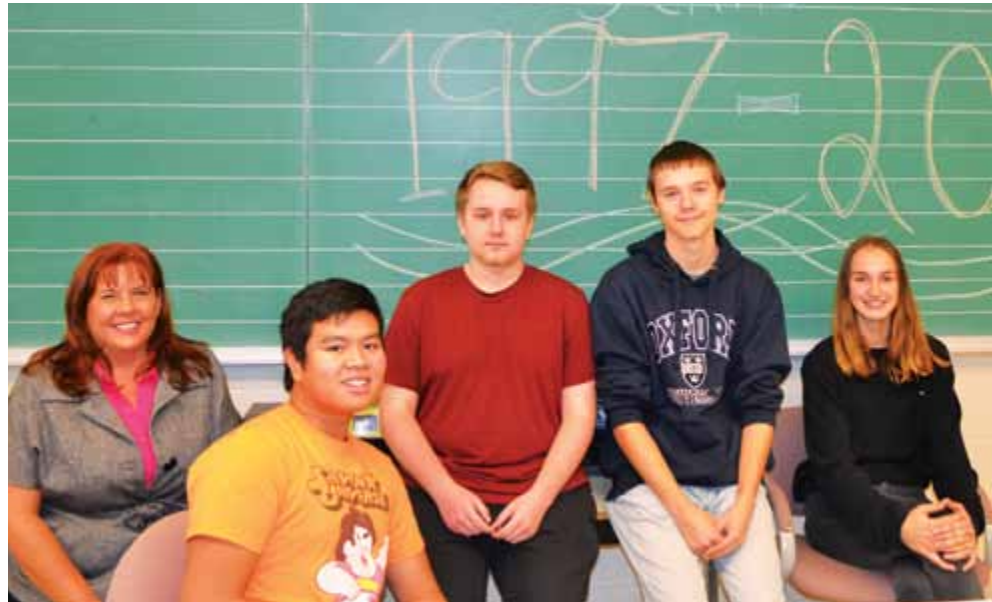
Castrence, 18, said working in the credit union has also created a sense of belonging and camaraderie among the group.

"For me, it's all about the team-based environment and working together to be effective," she said.

Mira said the partnership with Assiniboine has opened many doors for her students.

"It's been awesome working with them. They've been so supportive of everything we do. They're essentially eliminating a lot of the barriers that these kids could encounter, helping them to get on track,

*Titan Credit Union celebrated its 20th anniversary in 2017. From left: Kelly Wilde, teacher; Mike Alamil, board member; Carson Dickinson, board member; Jacob Yerlitz, president; Christine Kolbeck, branch manager.*



get a bank account and increase their financial literacy,” Mira explained. “You should have good money management skills. It’s vital for everybody to be a functioning member of society.”

**S**tingers Credit Union is far from the only student-run credit union opening doors for Manitoba students. Several other Manitoba high schools have similar partnerships with credit unions, including Winnipeg’s Transcona Collegiate.

Since 1997, the school has been home to Titan Credit Union, a partnership with Casera Credit Union. Titan was the first student-run credit union in Manitoba and its two-decade success story has served as a model for the benefits of student-run credit unions.

“Encouraging youth is an essential component of Casera’s cornerstone value of supporting our community and the Titan initiative has proven to be an excellent way for young people to strengthen their financial literacy skills and acquire real-world job experiences,” said Brent Thomas, CEO, Casera Credit Union.

Like Stingers, Titan Credit Union has been a recipient of MCA’s Youth Leadership award, receiving the honour in 2006. The experience of establishing Titan and its subsequent success was also instrumental in Casera’s 2015 partnership with Winnipeg’s Dakota Collegiate, which resulted in the launch of Lancer Credit Union.

Thomas, a graduate of Dakota Collegiate, said student-run credit unions fit Casera’s mandate to build and support programs that help young people develop financial literacy skills to prepare them for life outside of school.

“We believe the program enhances students’ financial education, helps develop leadership and teamwork skills and provides a strong foundation for future job opportunities,” Thomas said.

Serena Streilein knows all about the kinds of opportunities working at a student-run credit union can present. In 1998, Streilein joined Titan Credit Union as a Grade 10 student at Transcona Collegiate.

“It was a great learning experience because running Titan as a working credit union gave us all a good business foundation,” Streilein said.



*Steinbach Credit Union's Emma Lafreniere addresses students at Steinbach Regional Secondary School, home of Sabres Credit Union, one of the newest student-run credit unions in Manitoba.*

Streilein used her experience at Titan and a subsequent work placement at Casera (then Transcona) Credit Union's Kildare Avenue branch to earn an interview for a summer job. After a summer working for the credit union as a member services representative (MSR), Streilein joined the credit union as a permanent part-time employee. From there, she progressed through a number of roles within the credit union and today works as the Executive Assistant to the CEO.

It's a job she's worked hard to achieve since her days with Titan Credit Union.

"This job utilizes all the skills I've developed," Streilein explained. "Time management, decision-making and technical knowledge are all key components."

Streilein isn't the only Titan alum who went on to work for Casera. Jonathan Olsen served on the board of directors for Titan in 2010 and joined Casera as an MSR in 2014. Olsen said what he learned about finance during his time with Titan translated easily into his current role with Casera.

"Titan Credit Union was an excellent program that gave me the tools and experience after leaving high school to enter the work force," Olsen said.

**"Young people need the hands-on training that comes with a summer job. They need to know how to dress for success and nail job interviews. But most of all, they need mentorship, guidance, and inspiration."**

**— Hilda Solis**

Member of the Los Angeles County Board of Supervisors and United States Secretary of Labor

Success stories like Streilein's and Olsen's will likely continue to occur throughout the province as student-run credit unions thrive. In 2016, Steinbach Regional Secondary School got in on the act, partnering with Steinbach Credit Union (scu) to establish Sabres Credit Union.

Emma Lafreniere, Steinbach's Manager of Loss Prevention, was highly active on the committee that helped launch Sabres. Lafreniere said she was drawn to the idea of a student-run credit union because she'd already spent years visiting local schools to talk about money management, entrepreneurship, how to apply for a loan and other financial topics.

"It had always interested me. Even 10 years ago, prior to the idea for Sabres Credit Union, I had already been involved in trying to get financial literacy into the hands of youth," she said, adding that a student-run credit union seemed like a natural extension of that work.

"They learn about board governance, they learn about how a credit union functions, they learn everything from the transactional level to structure and management, writing policies and procedures, fraud, lending, the whole gamut," she explained.

Since Sabres launched in 2016, Lafreniere said she's heard from students and teachers at the school that the initiative is having a positive effect.

"They (the students) have started to become empowered about their own finances. Even if that just means savings, the students have suddenly taken a really strong interest in it," Lafreniere said. "Some of them have applied for part-time jobs here at SCU, so we've seen it come back full circle."

Lafreniere, 36, is no stranger to empowering young people. In addition to her role with SCU, she's active within the Steinbach Chamber of Commerce, participating on the Chamber's Business Development Committee and working to engage young leaders in the community by creating a youth leadership development program that is expected to launch in April 2018.

"I've always believed the role of a leader is to create more leaders," Lafreniere said. "I wanted to take this knowledge and passion that I've developed in the credit union system back into my community to develop other young leaders around me."

The program will include networking opportunities, course work and a mentorship component, all aimed at furthering the development of young

leaders at local businesses in the Steinbach area.

Lafreniere's work in supporting the development of young leaders extends far beyond Steinbach. In 2016, she served as the chair of the Credit Union Young Leaders of Manitoba (CUYLM), a group of roughly 250 young leaders from the province's credit unions. CUYLM's mandate is to empower youth to grow and prosper in the credit union system and to provide a forum for young credit union leaders to share ideas and visions.

Lafreniere said her experience on the CUYLM committee, as well as her time as its chair, reinforced the importance of collaboration and giving back.

"I've spend my entire 15-year career at Steinbach Credit Union, but it was when I chose to really start to engage and collaborate with other young leaders that I really began to have a passion for having a life-long career in the system," Lafreniere said.

Nicole McAllister, a branch manager at SCU's Lagimodière Boulevard branch in Winnipeg, agreed with Lafreniere's sentiment. McAllister, 35, spent three years on CUYLM, including a stint as the chair of the Marketing Subcommittee, where she worked to grow the membership of the group. She said she found significant value in the relationships that were created during her time on the committee.

"I still maintain some of those relationships with individuals I met from other credit unions," McAllister said. "Those relationships have proved valuable when working through projects or needing to collaborate or bounce ideas off of one another."

She added that while every credit union has its own unique vision and culture, there remain many opportunities to collaborate.



*Shellyna Lipic, Chair,  
Credit Union Young Leaders  
of Manitoba (CUYLM).*

“There are a lot of similarities where we’re able to work together and happy to share information,” McAllister said.

Lafreniere said CUYLM and the credit union system as a whole should be proud of that spirit of collaboration.

“We’re showing Manitoba young people that there are fantastic careers to be had here in Manitoba and that the credit union system is a great place to have a career,” she said.

Last year, in recognition of all her work at the local and provincial levels, Lafreniere received a National Young Leader Award at the National Young Leaders Conference in Halifax. She’s since been asked to join the National Young Leaders, an advisory committee within the Canadian Credit Union Association (CCUA).

## “Employees, especially young people, want more than a paycheque.”

— Marissa Mayer

Former CEO of Yahoo!

Lafreniere’s colleague at SCU, Shellyna Lipic, is now the chair of CUYLM. Like Lafreniere, Lipic is eager to create youth-to-youth connections within Manitoba communities. To help make that happen, she’s spearheading a new initiative to create workshops for recent college and university graduates, where representatives from the credit union system can share their knowledge and experiences with young people.

One of the goals of the workshops will be to promote financial literacy in Manitoba communities, Lipic said.

Through conversations with fellow young leaders and co-workers within her credit union, Lipic, SCU’s Manager of Loan Compliance, realized the

importance of promoting financial literacy among younger Manitobans. She said many have questions about retirement planning, applying for loans, budgeting and other related financial issues.

“I definitely feel like there’s a need for it,” Lipic said.

Beyond promoting financial literacy, the workshops will also give credit union young leaders the chance to talk about the advantages of pursuing a career in the Manitoba credit union system.

“This will be an awesome opportunity for young leaders to get out in the community and create awareness about the benefits of working for a credit union and banking at a credit union,” Lipic said.

Attracting and retaining talented young employees is a challenge for any business, and Manitoba credit unions have made it a priority. One such example is Access Credit Union, where young employees like Eduard Toews are given the latitude and resources needed to explore initiatives they feel might be beneficial to their organization.

Toews, a 29-year-old programmer analyst with Access, took what was initially a small project and, with the blessing of the credit union, pursued an idea that eventually allowed Access employees to be significantly more efficient.

“It started about two years ago with a small request,” Toews explained. “We wanted to see member information in a better way than it was previously displayed in our banking system.”

Based on the original request, Toews developed a software system he dubbed Member-at-a-Glance, which allowed employees to quickly locate member information and provide quick, effective member service.

Access CEO Larry Davey said Toews’ system, now referred to as Engage, presents key member data in a format that makes it much easier for staff to locate vital information.

“A lot of our lenders used to have to dig through the banking system to find information,” Davey said. Since Toews’ system was introduced, staff often

*Eduard Toews (left) receives  
Access Credit Union's Innovation Award  
from CEO Larry Davey.*



don't have to go into the banking system at all, Davey noted. "It's made life much easier for our staff."

Davey said when Toews floated the idea of creating the system, the credit union opted to give him the resources and time he needed to build it. Once the first version was complete, Toews recognized there was room for improvement and solicited feedback from staff about ways to enhance the system. As a result, the latest version features a number of enhancements, including customer relationship management capabilities.

Davey said Toews also played a key role in developing the credit union's expense report application.

"It does all of our expense reporting," he said, explaining that the application allows employees to take pictures of all their receipts, automatically sends expense reports to the appropriate signers, generates email notifications when expenses have been approved and notifies the credit union's finance department to pay the expenses once approved.

"It's amazing," Davey said. "He's an incredible individual. We're very, very fortunate."

Davey said by hiring young leaders and putting an emphasis on professional development, the credit union has made a conscious effort to create a culture where young people like Toews will feel their careers can thrive.

"It started to create an environment where younger people could see they were going to get the support and opportunities to move forward," Davey said.

To formally recognize exceptional employees like Toews, Access recently introduced six annual employee awards. The awards honour employees who excel in areas like community engagement, leadership, member service, self-development and innovation. There's also an "Unsung Hero" award for employees who might be doing important things in the background that would otherwise not be recognized. Toews was given the Innovation award for his work on the development of Engage.

Davey said the awards were introduced as an effort to highlight some of the great work employees were doing.

“It really did build an entire culture around recognition, and that’s why we felt the awards would be important and embraced by the employees,” Davey said.

For his part, Toews said he was humbled to receive the award and be recognized for all of the work he put into it.

“For me, it was a great opportunity to see my own limits,” Toews said of the project. “It was a lot to learn and there were a lot of challenges, but I think it was great. I’m really thankful to have been given the opportunity.”

**E**lsewhere in the credit union system, other young leaders are also pursuing innovative new ideas that are transforming their organizations. At Gimli-based Noventis Credit Union, Jody McPherson led a team that launched Laserfiche to implement the electronic storage of lending and member files.

The project, which began in late 2013 and was completed in 2015, digitized the credit union’s lending process, reducing the time it takes to process loans from hours or days to just minutes. In 2017, Laserfiche named Noventis as one of the recipients of its Run Smarter Awards, which recognize organizations that have improved productivity, transformed business processes and “realized visionary initiatives.”

“The system is great for our geographically dispersed branches,” McPherson said. “We can obtain files from different places with just a few clicks.”

She added that every day there are new workflows added to the system that make employees’ jobs more efficient.

“It was a big project, but it’s a great solution.”

McPherson, 36, began her credit union career as a part-time MSR with Eriksdale Credit Union (Eriksdale merged with Arborg, Gimli and Riverton credit unions in 2010 to form Noventis Credit Union). She went on to hold a series of increasingly senior positions within the credit union and was recently promoted to Associate Vice-President of

Operations. She said she’s remained with the credit union because she identifies with its values.

“It just felt like a family,” McPherson said. “I liked the business atmosphere but I also liked that there was more to it than just profit and the bottom line. We are here to serve our members and I think people can relate to that.”

**“I’ve witnessed so many meetings and conferences where people are trying to figure out what young people think, and my feeling has consistently been that you should just ask them.”**

**— Tavi Gevinson**

Writer, magazine editor and actress

**M**cPherson has also been heavily involved in CUYLM, having served as the committee’s chair in 2017. She said serving as the chair and being on the committee opened her eyes to the opportunities young people in the credit union system are given to further their careers and help their communities grow. She credits the system’s senior leaders for creating a culture where young people feel listened to and valued.

“They want to know what we think,” McPherson said of the system’s senior leaders. “They love our feedback. Everyone wants to know what the young leaders are thinking.”

That recognition has led to greater involvement by young leaders at system-wide meetings and increased participation in CUYLM, she said.

“They’re so encouraged because they know that their voice is going to be heard,” McPherson said. “People now expect a Young Leaders presence.”



“People stay with the credit union because they believe in the credit union values and the younger generation really puts a focus on that,” she added. “Our innovative culture and our commitment to our communities has really made me proud to be a part of Noventis.”

Lafreniere echoed those comments, saying young people are eager to be part of a team and feel like they belong.

“Millennials want to be a part of something,” Lafreniere said. “They don’t just want to be a client. They want to be a member.”

That sense of belonging, coupled with the promise of opportunity, will be a real draw for many talented young Manitobans, McPherson said.

**“There is opportunity at every level within the credit union system,” McPherson said. “If you put in the work, the sky’s the limit.”**





*Winnipeg's Siloam Mission broke ground on a major expansion of their facility in early 2018. Manitoba's credit unions will receive naming recognition of the Student Classroom as thanks for their contribution.*

## SYSTEM SPONSORSHIPS

**Guided by the international co-operative principle of Concern for Community, Manitoba credit unions are strong supporters of a wide range of community organizations and events throughout the province.**

Over the past decade, credit unions have contributed more than \$26 million in charitable donations and sponsorships. In 2016, that giving equated to more than \$2.3 million in donations and \$1.7 million in sponsorships. Credit unions also provide community support through paid volunteer hours for employees and reduced service fees for nearly 9,000 organizations in Manitoba.

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. Last year, four new sponsorship opportunities received funding from Manitoba's credit unions.

## Siloam Mission Make Room Capital Campaign

Since 1987, Winnipeg's Siloam Mission has provided essential services for those experiencing homelessness. In that time, the need for those services has grown steadily. In recent years, Siloam has identified several critical issues that need to be addressed: Demand for meals has risen by 24 per cent since 2011, with as many as 350 people regularly left waiting outside for meals; 'Hannah's Place' emergency shelter has been turning away 20 to 40 people most nights, regardless of the weather; and the current facility requires women to share the shelter with men. With space at a premium, the Mission has found itself having to move people out to allow more to come in — which reduces opportunities to build relationships and trust among staff, volunteers, donors and clients.

To address these challenges, Siloam has purchased land and buildings around its existing location and embarked on a campaign to raise \$19 million, in order to expand its kitchen and dining room, add 50 shelter beds to increase capacity from 110 to 160 (including separate areas for women and men), add new showers, lockers, day beds and barber services, expand space to accommodate more transition programs, services, case managers and volunteers, and create a larger reception area and space for volunteers, including youth and family groups and school tours.

Manitoba's credit unions contributed to a \$100,000 gift to the *Make Room* campaign and, as thanks, will receive naming recognition of the Student Classroom in Siloam's expanded facility.

### Ongoing Sponsorships

- Wasagaming Foundation Camp Wannakumbac
- Curl Manitoba Masters Championships
- Manitoba High School Athletic Association Scholar Athlete Awards
- Manitoba 55-Plus Games

## 2017 Canada Summer Games

Featuring 16 sports, over 250 events and a major cultural festival, the 2017 Canada Summer Games welcomed over 4,000 athletes and coaches and more than 20,000 visitors to Manitoba. The Canada Games are this country's largest multi-sport event for young athletes, and the 2017 Games celebrated the event's 50th anniversary, and acknowledged Canada's 150th birthday. They left a lasting legacy of new and enhanced sport facilities, and volunteer and leadership development that will benefit athletes and the broader community for years to come.

Manitoba's credit unions provided \$150,000 in sponsorship funds for the Games.

### Habitat for Humanity Manitoba

With the help of volunteers and community partners, Habitat for Humanity Manitoba works with people from all walks of life to build safe, decent, affordable housing for purchase by low-income working families.

Manitoba's credit unions provided \$25,000 in sponsorship funds.

### Manitoba Forage and Grassland Association (MFGA) Aquanty Project

Recent flood events in the Assiniboine River Basin have resulted in significant crop losses, property and infrastructure damage, leading to unprecedented Agri-Recovery claims above and beyond crop insurance. The MFGA Aquanty Project seeks to develop new risk management tools to reduce the impact of extreme flood or drought events for the agricultural industry within the Basin by identifying preventative measures, implementing risk prevention and mitigation activities, all with the intention of lessening the need for government disaster relief in response to such events.

Manitoba's credit unions have committed \$38,000 in support of this project over the next five years.



*CUCM's team "Green with Envy" spent the afternoon of April 21 picking up litter and garbage in downtown Winnipeg as part of the 2017 Earth Day Cleanup.*



**\$84,766**

Employee Giving	\$72,821
Director Giving	\$4,680
Special Events	\$7,265

**\$84,766**

Corporate Match	\$78,733
Gifts-in-Kind	\$6,033



## 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 No. 7, Concern for Community.

Through matching, employees and CUCM have contributed \$1.28 million over the past 10 years—including nearly \$170,000 in 2017—to organizations that have a broad range of goals. CUCM exposes community organizations to employees (and vice versa) by inviting them to speak prior to CUCM staff meetings. What's more, by including a Community Leadership & Engagement score on its balanced scorecard, CUCM incents employees to donate time to organizations' ongoing activities and special projects.

- A&O Support Services for Older Adults 🌐
- A Port in the Storm 💰
- Access Credit Union Charity Golf Tournament 🌐
- Agape Table 💰🌐
- Alpha House 💰
- ALS Society of Manitoba 💰
- Alzheimer's Society 💰
- Antique Motorcycle Club of Manitoba 🌐  
(for Spina Bifida & Hydrocephalus Association)
- Big Brothers Big Sisters of Winnipeg 🌐
- Canadian Blood Services 🌐
- Canadian Cancer Society 💰
- Canadian Liver Foundation 💰
- Canadian Parks & Wilderness Society 💰
- CancerCare Manitoba Foundation 💰
- Children's Hospital Foundation of Manitoba 💰🌐
- Children's Wish Foundation 💰
- Christmas Cheer Board 🌐
- Co-operative Development Foundation 💰🌐
- CURE Foundation 💰🌐
- Diabetes Canada 💰🌐
- Dream Factory 💰
- Earth Day Cleanup 🌐
- Elizabeth Fry Society of Manitoba 💰
- Firefighters Burn Fund 💰
- Good Neighbours Active Living 💰
- Habitat for Humanity 💰
- Heart & Stroke Foundation 💰🌐
- Immigrant & Refugee Community Org. of Manitoba 💰🌐
- John Howard Society of Manitoba 💰
- Kidney Foundation of Canada 💰
- Koats for Kids 🌐
- La Leche League Canada 💰🌐
- Main Street Project 💰
- Manitoba Community Services Council 🌐
- Manitoba Lung Association (Tulip Days) 🌐
- Marymount 💰
- Mennonite Central Committee 💰
- MS Society 🌐
- N.E.E.D.S. Inc. 💰
- Never Alone Foundation 💰
- Palliative Manitoba 💰
- 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) 🌐
- United Way of Winnipeg 💰🌐
- Wildlife Haven Rehabilitation Centre 💰
- Winnipeg Harvest 💰🌐

**Changes to the nominating process will ensure the board remains well positioned to guide the organization as it navigates a complex future.**



## MESSAGE FROM THE CHAIRMAN

The sound stewardship of an organization is the task of any good board of directors. For a company such as Credit Union Central of Manitoba, which operates in an industry defined by its competitiveness, pace of change, and ever-increasing regulation, the role of the board is that much more intricate and demanding.

Working to ensure that CUCM has the oversight and guidance it needs to fulfill its vision as a provider of high-value products and services to credit unions requires that the board has a high level of skills and competencies as well as a deep pool of experience from which to draw.

It's from that perspective that, throughout 2017, CUCM's board of directors continued its work on redefining its nomination process, striving to ensure the composition of the board includes a diverse range of competencies. This culminated in the board's approval of changes to the director nomination and assessment process, based on feedback provided by the Nominating Committee. As a result of these changes, director nominees to CUCM's board will now be asked to self-assess against CUCM's competencies profile as part of the nomination process. This self-assessment will help Nominating Committee members more accurately score candidates. The Nominating Committee will also be provided with the results of the board's competencies gap analysis, which will help inform committee members of the current competency gaps. The outcome of these changes will ensure the board remains well positioned to guide the organization as it navigates a complex future.

As a board, we're increasingly interested in the world around us and how that world affects CUCM and the Manitoba credit union system. Over the course of the year, the board examined a number of issues of potential consequence to credit unions, including the possibility of a negative interest rate environment, the transfer of oversight for CUCM from the Office of the Superintendent of Financial Institutions to the Financial Institutions Regulation Branch, changes to the Anti-Money Laundering and Terrorist Financing regime, the Common Reporting Standard, changes to privacy legislation, and proposed amendments to *The Credit Unions and Caisses Populaires Act*. This work was undertaken with the goal of broadening the understanding of these issues among all board members.

## The executive management group's leadership and acumen helps CUCM fulfill its vision to be the first source of support and service for Manitoba's credit unions.

The board continued this work at its June planning session, when it reviewed CUCM's Strategic Intelligence Report and the Canadian Credit Union Association's (CCUA) National Awareness & Perceptions study. The board also reviewed alternative liquidity options for credit unions, payments options in light of the PayCo decision, credit card options as a result of CUETS' decision to exit that business, a national wealth management strategy and the potential migration of trade services to CCUA.

Going forward, the board plans to use all of this knowledge as it considers how proactive it should be in its leadership role with CUCM and the Manitoba credit union system. As chairman, I'm confident we have a group of directors with the skills, experience and wherewithal to effectively guide the organization. I would like to thank them for their contributions to—and passion for—the success of CUCM over the past year.

I would also like to thank CUCM's executive management group for their efforts in 2017. Their leadership and acumen helps CUCM fulfill its vision to be the first source of support and service for Manitoba's credit unions.

I'd particularly like to thank CEO Garth Manness, who not only provided strong and consistent leadership to CUCM throughout 2017, but was also instrumental in leading the project that resulted in the creation of Aviso Wealth. The formation of Aviso Wealth is an important step for the credit union system that will help us enhance and differentiate the member wealth management experience. I have no doubt this new organization will benefit greatly from Garth's recent decision to accept the role of Aviso board chair, just as the Manitoba credit union system continues to benefit from his leadership and wisdom.



**RUSSELL FAST**

*Chairman, Board of Directors*



# The Seven International 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.

## BOARD OF DIRECTORS



**PEER GROUP 4**

**Larry Davey**

President & CEO  
Access Credit Union

Board Meeting Attendance 6/6

**Darryl Lowen**

Board Meeting Attendance 2/3



**PEER GROUP 4**

**Jim Rediger**

Chief Executive Officer  
Westoba Credit Union

Board Meeting Attendance 9/10



**PEER GROUP 5**

**Lee Gregory**

Director  
Noventis Credit Union

Board Meeting Attendance 10/10



**CUCM CHAIR**

**PEER GROUP 1**

**Russell Fast**

First Vice-Chair  
Steinbach Credit Union

Board Meeting Attendance 10/10



**CUCM VICE-CHAIR**

**PEER GROUP 3**

**Paul Holden**

Vice-Chair  
Cambrian Credit Union

Board Meeting Attendance 8/10



**PEER GROUP 2**

**Kevin Sitka**

Chief Executive Officer  
Assiniboine Credit Union

Board Meeting Attendance 9/10



**PEER GROUP 5**

**Gordon Kirkwood**

Chief Executive Officer  
Entegra Credit Union

Board Meeting Attendance 10/10



**PEER GROUP 6**

**Gord Sylvester**

General Manager  
Beautiful Plains Credit Union

Board Meeting Attendance 10/10



**PEER GROUP 6**

**Alexander (Sandy) Wallace**

President  
Niverville Credit Union

Board Meeting Attendance 10/10

## CORPORATE GOVERNANCE

### Continued improvements to competency-based succession, director assessments, performance benchmarking and the nomination process occupied the CUCM board in 2017.

The board continued to make improvements to the competency-based board succession planning process implemented in 2016. Director nominees are now required to self-assess against CUCM's Director Competency Profile as part of the nomination process. A candidate interview, conducted by the Nominating Committee, takes place when there is a competition for a vacant director position. The purpose of the Nominating Committee is to assess the director candidates, taking into consideration the overall composition and diversity of the board, the competencies of the candidates compared to CUCM's Director Competency Profile, the board's leadership requirements and the overall functioning of the board.

The board refined the process used to evaluate CUCM's representatives to external organizations. The process includes completion of an individual self-assessment by the representative of their own performance, and an indication from the Corporate Secretary of the external organization of the representative's attendance and participation in board and committee meetings. The revised policy also provides clarity to the representative

on reporting expectations to CUCM's board. The assessment process is conducted during the second year of the representative's three-year term, with the results feeding into the board's decision to re-appoint the representative.

A refreshed director peer assessment process was conducted in 2017. The new online assessment tool was developed and facilitated by an independent third party. Consolidated results of the assessment were presented to the full board in February, while individual assessment results were shared with each director in confidence.

The Governance and Conduct Review Committee completed a review of the board committee structure in 2017. No changes to the committee structure were suggested, but the board did approve a recommendation that no more than 50 per cent of Audit and Risk Committee members be allowed to serve on the Investment Committee. This change addresses concerns about the appropriateness of directors serving on both the Investment Committee and the Audit and Risk Committee, given the role each committee plays in recommending and reviewing CUCM's investment policies.

#### 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  
**Integra** Credit Union  
**Noventis** Credit Union  
**Sunova** Credit Union  
**Sunrise** Credit Union  
**Vanguard** Credit Union

A full review of CUCM's Chief Compliance Officer function was conducted by PricewaterhouseCoopers in 2017. Recommendations to improve CUCM's compliance program have been implemented. Changes include the development of a risk-based compliance function monitoring approach that includes the incorporation of a regulatory compliance section within the ERM framework.

A report benchmarking CUCM's governance practices against the governance practices of other organizations is prepared on an annual basis. The 2017 report shows that CUCM's governance practices are in line with other organizations except in the area of board diversity.

The 2017 planning session focused on strategic initiatives. The board considered alternative liquidity options for credit unions, payments options given the decision not to proceed with PayCo, credit card options for credit unions, and a national wealth management strategy. Input provided by the board was incorporated into CUCM's 2018 to 2019 Corporate Plan.

The Nominating Committee met twice in 2017. The committee is comprised of one representative from each of the peer groups in which a director

election is being held, and two directors from CUCM's board.

At a meeting held May 5, committee members reviewed the nominations for the Director A position in Peer Group 4. The position became vacant due to the resignation of Darryl Loewen. The committee endorsed both candidates on the basis that they met the eligibility requirements as set out in CUCM's by-laws and on the belief that they had the skills required to effectively contribute to the board.

At a meeting held November 28, the committee assessed the nominations for the Director A positions in Peer Groups 4, 5 and 6. Based on feedback arising from the Nominating Committee meeting held in May, a candidate interview has been introduced to the nominating process. Interviews were conducted with the two director nominees in Peer Group 6. Given there was only one candidate in Peer Groups 4 and 5, no interview of those candidates took place. The committee endorsed all four of the candidates on the basis they met the eligibility requirements and on the belief they have the skills required to effectively contribute to the board. The candidates in Peer Groups 4 and 5 will be acclaimed at their respective peer group meetings. An election will take place in Peer Group 6.

#### PEER GROUP 6

**Amaranth** Credit Union

**Beautiful Plains** Credit Union

**Belgian-Alliance** Credit Union

**Casera** Credit Union

**Compass** Credit Union

**Flin Flon** Credit Union

**Me-Dian** Credit Union

**Minnedosa** Credit Union

**Niverville** Credit Union

**North Winnipeg** Credit Union

**Oak Bank** Credit Union

**Prairie Mountain** Credit Union

**Rosenort** Credit Union

**Strathclair** Credit Union

**Stride** Credit Union

**Swan Valley** Credit Union

**Winnipeg Police** Credit Union

## MEETING ATTENDANCE

[ CHAIR ]	<b>Lee Gregory</b>	4/4
[ VICE-CHAIR ]	<b>Gord Sylvester</b>	4/4
	<b>Gord Kirkwood</b>	4/4
	<b>Jim Rediger</b>	3/3
	<b>Sandy Wallace</b>	1/1

## AUDIT AND RISK COMMITTEE

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

## MEETING ATTENDANCE

[ CHAIR ]	<b>Gord Sylvester</b>	2/2
[ VICE-CHAIR ]	<b>Jim Rediger</b>	2/2
	<b>Larry Davey</b>	1/1
	<b>Paul Holden</b>	2/2

## INVESTMENT COMMITTEE

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

## MEETING ATTENDANCE

[ CHAIR ]	<b>Sandy Wallace</b>	4/4
[ VICE-CHAIR ]	<b>Kevin Sitka</b>	4/4
	<b>Russ Fast</b>	4/4
	<b>Paul Holden</b>	4/4

## 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. It applies CUCM's conflict of interest policies and procedures in reviewing conflict of interest situations and all transactions with related parties of CUCM.*



CREDIT UNION CENTRAL *of* MANITOBA

**Credit Union Central of Manitoba is the trade association and service provider for the province's 31 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.

**CUCM's role continuously challenges the organization, pushing us to bolster our areas of expertise and explore new ways to provide value.**

**Never was this truer than in 2017.**





## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Credit Union Central of Manitoba's role as a trusted partner and thought leader for Manitoba's credit unions is integral to our vision, mission and purpose and at the core of our efforts to provide the leadership and services credit unions need to help them achieve their vision.

It's also one that continuously challenges the organization, pushing us to bolster our areas of expertise and explore new ways to provide value. Never was this truer than in 2017, when work on a number of fronts called on the full breadth of talents and skills the organization has to offer.

From an advocacy perspective, CUCM was highly engaged at both the provincial and national levels last year, with attention paid to a multitude of files. That work included reviewing and providing input on dozens of draft submissions, policy papers and consultations related to a wide range of issues, wherever possible consulting with Manitoba credit unions that volunteered to provide feedback that could be consolidated in our response.

Several key national issues demanded particular attention in 2017, including the use of "bank, banker, banking" terminology. Throughout the year, CUCM provided support to the Canadian Credit Union Association (CCUA), actively participating on the committee formed by CCUA to drive the advocacy strategy on "bank, banker, banking." CUCM also provided input and support to CCUA as it responded to the second phase of the Department of Finance's review of financial services legislation, which will culminate in legislative changes in 2018 and 2019. Additionally, representatives of CUCM accompanied a Manitoba delegation that met with Manitoba MPs and senators to discuss issues of importance to credit unions as part of the 2017 Hike the Hill and

Government Relations Forum. Late in the year, CUCM and CCUA again worked together to monitor the announcement of the Office of the Superintendent of Financial Institutions' (OSFI) B-20 Mortgage Guidelines and their impact on Canada's housing market.

At the provincial level, CUCM participated in a number of working sessions of the Law Review Committee, which was tasked with reviewing a series of proposals to update *The Credit Unions and Caisses Populaires Act*, with the aim of facilitating the transfer of supervisory authority over CUCM from OSFI to the Financial Institutions Regulations Branch (FIRB). The proposals also sought to accommodate a number of changes to the regulatory landscape within the Manitoba credit union system in relation to capital and liquidity requirements and governance. Guided by the interests of Manitoba credit unions, CUCM helped shape the content and form of the proposed amendments under review.

CUCM also continued the work it began in 2014 to develop Emergency Liquidity protocols to ensure credit unions have access to liquidity funding in the event of a financial or liquidity crisis. In 2017, CUCM worked on a project to complete the protocols and obtain provincial government support for the quantification and processes required to implement them.

Payments remain a topic of critical importance to credit unions. While the national payments company ("PayCo") proposal did not proceed, CUCM remains committed to working on behalf of Manitoba's credit

## CUCM continues to facilitate collaboration among credit unions, seeing collaboration as both a strategic priority and an important tool.

unions to explore a new national payments strategy. The organization worked with Alberta Central, SaskCentral, Celero, Everlink and other potential partners to continue to explore opportunities to achieve the objectives set out in the PayCo proposal. Work on this initiative will continue in 2018, with the goal of building a compelling strategy for all credit unions and centrals across Canada.

Payments Canada is in the process of implementing a multi-year roadmap to modernize Canada's national payments clearing and settlement infrastructure, to better support the long-term effectiveness of the Canadian payments ecosystem. Throughout 2017, CUCM worked to analyze the modernization project's implications for credit unions and explore effective solutions. Work related to the Payments Canada Modernization will continue in 2018.

On a final note about payments, Collabria was selected as the national preferred supplier of credit cards, and credit unions are expected to realize significant benefits through an improved credit card program. CUCM was highly involved in helping facilitate this transition for credit unions.

CUCM also continues to facilitate collaboration among credit unions by providing support to the Manitoba Collaboration Group, as the organization

sees collaboration as both a strategic priority and an important tool at the disposal of the Manitoba credit union system. The collaboration group is now comprised of 25 credit unions plus Caisse Financial Group, representing approximately 62 per cent of system assets. Over the course of 2017, the group explored options for collaboration in the areas of wealth management (providing input into the creation of Aviso Wealth) and compliance and risk consulting and coaching (resulting in the creation of a Compliance Coach & Consultant role, available to credit unions on a contract basis). The group also examined the economics, opportunities and realities related to collaboration in the area of back-office processes.

All of this work is tied to CUCM's central purpose of being a source of creative solutions that contribute to credit union success. Last year was a productive and rewarding year for CUCM. I would like to thank CUCM's executive management team for their insight, 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 continued leadership and guidance throughout the year.



**GARTH MANNESSE**  
*President and Chief Executive Officer*



## VISION

### OUR VISION FOR THE FUTURE IS THAT:

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

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

## MISSION AND PURPOSE

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

Every day, we :

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

## VALUES

### WE BELIEVE IN :

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

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

## EXECUTIVE MANAGEMENT



**PRESIDENT and  
CHIEF EXECUTIVE OFFICER**

**Garth Manness**



**CHIEF COMPLIANCE OFFICER  
and CONSULTANT TO THE CEO**

**Nicholas Rawluk**



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

**Marilyn Brennan**



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

**Barrie Davidson**



**SENIOR VICE-PRESIDENT,  
MEMBER SOLUTIONS**

**Wilson Griffiths**



MANITOBA CREDIT UNIONS

# *Order of* MERIT

**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.**

**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 the Credit Union Managers Association of Manitoba, which shares the cost of the bursaries with CUCM.**



## Peter Enns

Nominated by the board of directors of  
Crosstown Civic Credit Union

Peter Enns began his association with the credit union system in 1984, as a credit union examiner (later senior examiner) with Manitoba Co-operative Development. After moving to South Interlake Credit Union as CFO for a year, in 1992, he won the job of CEO of Crosstown Credit Union.

Peter played a key role in the amalgamation of Crosstown and Civic credit unions in 2007. Crosstown Civic immediately became the province's fourth-largest credit union. Under Peter's leadership, it grew from \$850-million in assets to nearly \$2.2-billion in 2015.

"Peter provided strong leadership and direction during an era that has seen substantial change for the financial services industry in general, and the Manitoba credit union landscape in particular," said board chair, Jascha Boge, at the time of Peter's retirement. "His focus on efficiency within the organization and the attendant value for the membership was constant."

Peter got involved in system committees once he joined the system proper, starting with the CUIS National Advisory Committee. He went on to serve, as a board or committee member, Red River Co-op (also serving as a delegate to Federated Co-operatives), Deposit Guarantee Corporation of Manitoba's (DGCMB) Rewards & Sanctions Committee, and CUCM's Management Advisory Committee. He was elected to represent his district on the CUCM board in 2007, which he served for eight years and during which time he sat on the Audit & Conduct Review, Bonding, Investment and Governance committees, as well as Concentra and its committees.

Outside the credit union system, Peter served the Concordia Hospital Foundation, East St. Paul Community Club, and canvassed for the Heart & Stroke Foundation and Alzheimer Society. He was also a member of the Mensa Canada Society for a time during the 1980s.

Peter has asked that the \$1,000 bursary attached to his award go to a member of the 2018 graduating class of River East Collegiate who is studying advanced mathematics and planning to pursue a business degree at either the University of Manitoba or University of Winnipeg.

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, 2017. 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 6, 2018 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, remained the same in 2017 as that experienced in 2016 (4.3 per cent). Deposit growth is the primary funding source for System asset growth. System assets grew 5.2 per cent in 2017, up from 5.0 per cent in 2016. Loan growth in the System increased to 7.5 per cent in 2017, up from 5.9 per cent in 2016.

System deposits at CUCM shrank 7.0 per cent in 2017 and, excluding the impact of mark-to-market, ended the year \$241 million lower than at year-end 2016. As a percentage of total credit union members' deposits, System deposits held at CUCM ended the year at 12.3 per cent (2016: 13.8 per cent). Year-over-year, excluding the impact of mark-to-market, short-term System deposits (original term less than 13 months) declined by \$215 million, while longer term System deposits fell by \$26 million.

Credit unions continue to show a strong preference for keeping their deposits in short terms. At year-end, 98.5 per cent of deposits matured within 13 months, up from 96 per cent at year-end 2016.



The primary reason for this preference continues to be very low market interest rates as well as financial margin distributions paid on short-term deposits. With the Bank of Canada beginning to raise interest rates, many credit union members have shifted their loan rates from variable to fixed. Maintaining liquidity deposits at CUCM in short terms helps credit unions reduce their interest rate risk.

A recent survey of credit unions indicates that they expect little change in the level and composition of their 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 fees-for-service.

## CUCM YEAR IN REVIEW

The messages from the Chairman of the Board and the President & CEO, as well as other items earlier in this annual report, contain highlights and major developments, internal and external, that affected CUCM in 2017.

## OPERATING RESULTS

### RETURNS ON MEMBERS' DEPOSITS

The Bank of Canada raised rates by 50 basis points (bps) during 2017, in two 25 bps moves (in July and again in September). This is the primary reason that CUCM's weighted average cost of funds increased in 2017 to 0.963 per cent, from 0.794 per cent in 2016.

The average cost of funds paid on short-term liquidity balances (Canadian and US balances, combined) was 72.0 bps on current accounts and 96.2 bps on short-term deposit balances, for a combined average cost of 91.5 bps. Financial margin distributions in 2017 equated to an additional 98.25 bps on short-term deposits (both current accounts and short-term deposits), resulting in a total average payment of 189.8 bps.

The average cost of funds paid on longer-term deposits was 234.7 bps. An additional distribution of financial margin of 12.83 bps was paid on these deposits (reflecting the additional income earned from the bond investments matched to these deposits), for a total payment of 247.5 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 rose in 2017, such that this component of financial margin increased to 0.9 bps, up from 0.3 bps in 2016.

### 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 2017, 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. Most of CUCM's holdings of asset swaps were booked in previous years, when market spreads were wider than they were in 2017.

A significant dollar amount of asset swaps matured during 2017, a year of declining system liquidity. CUCM funded that decline from the maturity proceeds and reinvested the balance in asset swaps at the tighter spreads that prevailed during the year. CUCM was able to seize some unique and short-lived opportunities early in the year to increase its holdings in longer-term provincial bonds (also asset-swapped) to enhance returns. This activity led to a spike in monthly financial margin returns to a record high of 107.7 bps in mid-year. Liquidity rebounded in early fall, just as additional higher-yielding asset swaps matured, and the dilution caused returns to fall to 84.8 bps by December. Absent a significant improvement in market opportunities, financial margin distributions on short-term deposits will continue to decline as additional higher-yielding asset swaps mature, beginning in April 2018. Growth in system liquidity will further dilute returns.

Incremental margin earned on credit union borrowings rose in the latter part of 2018 as a small number of credit unions borrowed to meet their liquidity requirements.

CUCM's 2018 budget assumes a further decline in financial margin attributed to share capital, which is

paid through dividends. With the passage of time, investments made in prior years and at higher rates are maturing. After the CUCM budget was approved in November 2017, the Bank of Canada raised rates, in mid January, and has indicated that more rate hikes may follow this year. This will have an unbudgeted positive effect on returns.

#### RECOVERIES

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

In 2017, the main factors in the year-over-year decrease were decreased Research & Development activities and lower volumes for fee-based services to members.

#### CAPITAL

In January 2017, CUCM ceased to be regulated by the Office of The Superintendent of Financial Institutions; capital levels (share capital and retained earnings at CUCM) are now solely regulated by the Financial Institutions Regulation Branch of Manitoba Finance. In addition to their regulations, policies regarding capital levels have also been established by CUCM's board of directors. The board's policy for setting the level of retained earnings is guided by CUCM's operating principle that the system's equity belongs with credit unions, so earnings retained by CUCM are minimized.

#### BALANCED SCORECARD

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

and provides feedback on internal business processes and external outcomes, with the goal of helping CUCM continuously improve strategic results.

The BSC establishes measures of organizational success across four balanced perspectives: financial, customer focus, process, and organizational capacity. In 2017, the overall BSC result was 90.19 points out of a possible of 100.

## ECONOMIC OUTLOOK

In 2017, politics fully dominated and shaped the economic reality.

The new U.S. administration's "America first" policies brought about changes to international trade that had an impact on its major trading partners (Canada, China, Mexico, and the European Union) and others. Its decision to cancel American participation in the Trans-Pacific Partnership (TPP) significantly slowed down the process of ratifying this agreement and reduced the potential impact on the countries involved.

On the North American Free Trade Agreement (NAFTA), the U.S. administration wants to either change it to increase benefits for the U.S. or, if that is not possible, cancel it entirely. Negotiations in 2017 among the signatories (Canada, the U.S., and Mexico) resulted in little progress or understanding. Economists in all three countries agreed that uncertainty over NAFTA could reduce real Gross Domestic Product (GDP) of each country by about 0.2 per cent. In addition, the U.S. administration is actively seeking to introduce new or higher tariffs for imports, mainly from China (solar panels), but also from Canada (softwood lumber, newsprint).

Brexit (the British exit from the European Union) was expected to be a major story of 2017, but it practically became a non-event, even for the European Union and Great Britain, as negotiations between the involved parties did not bring much

progress. Negotiations are ongoing, however, and the expectation is that Brexit may have a stronger impact in 2018.

None of these regional developments, however, had much of an impact on the world economy. The world economy recorded strong growth in 2017. Overall growth reached 3.7 per cent, according to the International Monetary Fund (IMF), up from the 3.2 per cent recorded in 2016.

The gap in growth between developed economies and emerging and developing economies was similar to that seen in 2016. Developed economies grew by 2.3 per cent (1.6 per cent in 2016) and emerging economies improved their performance with growth of 4.7 per cent (4.1 per cent in 2016) despite some slowdown in India. China, Russia, Brazil, Southeast Asia and most of Latin America recorded better economic performance than in 2016.

The start of 2017 brought some uncertainty about economic prospects in the U.S., with the change in administration and its political and economic priorities. Still, the business community in the U.S. was optimistic and supportive of the new administration, based on promises made during the presidential campaign. Thanks to this optimism, business investment recorded growth of 4.6 per cent in 2017 after a contraction of 0.6 per cent in 2016. Other contributors to the strength of the American economy in 2017 relative to 2016 were exports and imports. Dragging some of this higher growth down was government spending that remained unchanged from 2016, residential investment that grew by only 1.3 per cent (after a 5.5 per cent increase in 2016), and consumer spending that grew by 2.7 per cent (the same as in 2016).

Real GDP growth for 2017 is estimated to be much stronger (2.3 per cent) than in 2016 (1.5 per cent). This strength prompted the Federal Reserve (The Fed) to increase the federal funds target rate to a range of 1.25 per cent to 1.50 per cent.

The Canadian economy recorded slightly lower real GDP growth than the U.S. in the last few years, but in 2017 Canadian growth was significantly stronger. Economists estimate that the Canadian economy grew by 2.9 per cent to 3.0 per cent. Major contributors were consumer spending (3.6 per cent growth), government spending (2.1 per cent) and a recovery in business investment (after a reduction of 8.8 per cent in 2016, 2017 brought growth of 1.5 per cent).

Housing starts and motor vehicle sales were somewhat higher than in 2016, but the real highlight of 2017 was growth in industrial production of 5.2 per cent (0.1 per cent in 2016).

The Bank of Canada responded to the strong economy by increasing its policy interest rate to 1.0 per cent at the end of 2017.

The Manitoba economy recorded growth of 2.6 per cent in 2017, slightly lower than the national rate, but that does not come as a surprise since the drivers of national growth were Alberta and Ontario, whose growth was 4.1 per cent and 2.9 per cent, respectively, in 2017.

Manufacturing was the biggest contributor to Manitoba growth in 2017. Exports also grew, on strong demand from the U.S., Alberta, and Ontario (with the Alberta and Ontario demand coming from business investment in those provinces). Residential construction benefited from 7,500 housing starts, more than in any of the previous five years. Non-residential construction is still strong due to infrastructure improvements across the province, including Hydro projects, along with some mixed-purpose projects in the Winnipeg market. Consumer spending has continued with the strong growth.

In agriculture, recent numbers from Statistics Canada indicate a 10 per cent increase in the province's two major crops, wheat and canola. Overall activity in the agricultural sector in 2017 is expected to rise 6 per cent.

A very positive change in employment numbers occurred in 2017. Overall employment growth is estimated to be 1.6 per cent (-0.4 per cent in 2016) and the unemployment rate is expected to fall from 6.1 per cent to 5.4 per cent. For a province with a significant increase in population, due to immigration over last 10 years, these numbers are a strong indicator of economic health.

In the past few years, economists have been predicting more uncertainty and economic challenges for each coming year. The same is true for 2018, but there are indications that, at the global level, 2018 may indeed be a very strong year. The IMF is forecasting that global output will be even stronger than in 2017, and reach 3.9 per cent, and that, while advanced economies will have growth similar to 2017 (2.3 per cent), emerging economies could reach 4.9 per cent.

Among advanced economies, the U.S. is expected to grow by 2.7 per cent, stronger than in 2017. The major reason for this is the tax reforms introduced in 2017, expected to deliver around \$136 billion in tax savings in 2018, mostly to corporations and top-earning individuals. It is anticipated these savings will translate into further growth in business investment and productivity, as well as foreign investment in the U.S. economy. Offsetting the effect of these reforms, the U.S. will have to finance the impact of the tax cuts (lower fiscal revenues) through increased borrowing and government debt. This may bring some political instability, as increases in government spending would require legislators to approve an increase to the debt ceiling. One government shutdown already happened in January and pundits expect a few more in 2018. Their impact on the economy could be significant if they last more than a few weeks.

NAFTA and Brexit will continue to be important concerns — for the countries involved, if not the rest of the world — and are expected to have an impact

on GDP growth. This may be especially significant for Canada and Mexico.

The good news is that Canada and 10 other countries signed the TPP agreement, although the U.S. did not. The expected reductions in tariffs could result in \$600 million in savings for Canadian consumers. Experience indicates that such savings could increase consumer spending and, thanks to economic multiplication, offset some of the negative impact on GDP growth that could result from changes to NAFTA.

The Canadian economy is expected to grow slower in 2018 than it did in 2017 (2.3 per cent). Major contributors to growth will still be consumer spending (2.8 per cent) and business investment (3.6 per cent), but growth in government spending is expected to be down from 2017, reaching just 1.8 per cent. Growth in exports is expected to be strong, at 2.3 per cent, because of a strong U.S. economy.

Growth in the Manitoba economy is also expected to be slower in 2018, in the range of 2.0 to 2.2 per cent. The manufacturing sector will continue to be one of the major contributors, but growth in this sector, too, will be somewhat lower than in 2017. Consumer spending will stay strong due to expected increases in wages and continuing immigration (which is expected to offset losses in inter-provincial migration). Bumper crops for wheat and canola from 2017 will reach markets in 2018 and deliver

significant revenues to farmers and the provincial economy. Housing starts will be lower than in 2017, but again, strong immigration numbers may surprise forecasters. Non-residential construction may slow due to the completion of some major projects.

As in 2017, employment is expected to grow (by 1.1 per cent), bringing the unemployment rate down to 5.1 per cent and result, potentially, in higher wages and higher consumer purchasing power. The flipside of lower unemployment is the potential for skilled labour shortages, which would limit further business growth.

Interest rates in both Canada and the U.S. are expected to be driven up by economic strength. Economists in both countries expect to see three increases of 0.25 per cent, but this could change; at its meeting in January, for example, The Fed decided to keep its target rate for federal funds unchanged. As they make changes, the Bank of Canada and The Fed both need to be careful to avoid creating a negative impact on business borrowing and further economic growth.

The U.S.-Canada exchange rate — which can be affected by rate changes in either country — is currently hovering around \$0.80. Economists do not expect to see much movement from there in 2018.

Barring dramatic downturns in global financial markets, major wars, or cataclysmic weather events, the outlook for 2018 appears to be very positive.



CREDIT UNION CENTRAL *of* MANITOBA

MANAGEMENT REPORT

February 22, 2018

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

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

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

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

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

GARTH MANNESSE

*President and  
Chief Executive Officer*

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

BARRIE DAVIDSON

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



February 22, 2018

## **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, 2017, the summary consolidated statements of operations and comprehensive income, members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Credit Union Central of Manitoba for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2018.

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, 2017 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

	2017	2016
<b>Assets</b>		
Liquidity pool	3,756,508	3,894,073
Derivative financial instruments	9,180	2,139
Intermediation pool	163,945	24,233
Property and equipment	15,030	15,240
Other assets	3,013	2,383
	<hr/>	<hr/>
	3,947,676	3,938,068
<b>Liabilities</b>		
Accounts payable	7,577	8,122
Income taxes payable	4,855	1,747
Members' deposits	3,394,364	3,634,411
Obligations under repurchase agreements	168,676	—
Derivative financial instruments	71,950	33,250
Deferred income taxes	1,810	231
	<hr/>	<hr/>
	3,649,232	3,677,761
<b>Members' equity</b>		
Share capital	223,184	234,184
Accumulated other comprehensive income	15,005	1,225
Retained earnings	60,255	24,898
	<hr/>	<hr/>
	298,444	260,307
	<hr/>	<hr/>
	3,947,676	3,938,068

Approved by the Board of Directors



DIRECTOR



DIRECTOR



## Summary Consolidated Statement of Operations and Comprehensive Income

for the year ended December 31

in thousands of Canadian dollars

	2017	2016
<b>Financial revenue</b>		
Liquidity pool	99,728	88,021
Intermediation pool	693	660
	100,421	88,681
<b>Cost of funds</b>	34,872	28,705
	65,549	59,976
Unrealized losses on non-derivative financial instruments	(36,330)	(11,756)
Unrealized gains on derivative financial instruments	79,059	32,811
Net cost of derivative financial instruments	(27,124)	(21,437)
	15,605	(382)
<b>Financial margin</b>	81,154	59,594
<b>Other income</b>		
Share of Celero's income	1,132	1,437
Share of NEI's income	387	506
Rental income — net	442	297
Net operating recovery (expense)	(548)	48
	1,413	2,288
<b>Income before credit union patronage distributions</b>	82,567	61,882
<b>Credit union distributions</b>		
Financial margin distribution	(33,226)	(32,683)
Distribution of Celero's income	(1,132)	(1,437)
Distribution of NEI's income	(387)	(506)
	(34,745)	(34,626)
<b>Income before income taxes</b>	47,822	27,256
Income tax expense	7,180	4,039
<b>Net income for the year</b>	40,642	23,217
<b>Other comprehensive income</b>		
Change in unrealized gains on available-for-sale assets (net of income tax of \$1,316)	13,780	—
<b>Comprehensive income</b>	54,422	23,217

## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### Summary Consolidated Statement of Members' Equity

in thousands of Canadian dollars	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2015</b>	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)
<b>Balance at December 31, 2016</b>	<b>234,184</b>	<b>1,225</b>	<b>24,898</b>	<b>260,307</b>
<b>Balance at December 31, 2016</b>	234,184	1,225	24,898	260,307
Net income for the year	—	13,780	40,642	54,422
Dividends to members	—	—	(5,285)	(5,285)
Members' shares redeemed	(11,000)	—	—	(11,000)
<b>Balance at December 31, 2017</b>	<b>223,184</b>	<b>15,005</b>	<b>60,255</b>	<b>298,444</b>

### Summary Consolidated Statement of Cash Flows

for the year ended December 31

in thousands of Canadian dollars	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	40,642	23,217
Items not affecting cash		
Unrealized gains on FVTPL financial instruments	(42,729)	(21,055)
Depreciation of property and equipment	1,512	1,486
Loss on disposal of property and equipment	—	1
Deferred income tax expense	265	4,488
Decrease (increase) in liquidity pool assets	98,546	(205,145)
Net change in derivative financial instruments	110,718	5,982
Decrease (increase) in intermediation pool assets	(124,616)	3,453
Increase (decrease) in members' deposits	(238,219)	149,418
Increase in repurchase agreements	168,718	—
Net change in other assets and accounts payable	1,931	(7,264)
	<b>16,768</b>	<b>(45,419)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(1,302)	(640)
	<b>(1,302)</b>	<b>(640)</b>
<b>Financing activities</b>		
Members' shares redeemed	(11,000)	(7,250)
Dividends to members	(5,285)	(5,980)
	<b>(16,285)</b>	<b>(13,230)</b>
<b>Decrease in cash</b>	<b>(819)</b>	<b>(59,289)</b>
<b>Cash — Beginning of year</b>	<b>8,872</b>	<b>68,161</b>
<b>Cash — End of year</b>	<b>8,053</b>	<b>8,872</b>
<b>Supplementary cash flow information</b>		
Income tax paid	4,094	38
Income tax received	76	2,360

## 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, 2017, which are prepared in conformity with International Financial Reporting Standards (IFRS).

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

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

## 2 Compliance with minimum capital requirements

At December 31, 2017 the Organization is in compliance with the capital requirements established by the regulations to *The Credit Unions and Caisses Populaires Act* and by the Financial Institutions Regulation Branch.

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, 2017 and 2016 which contain the information detailing the calculation.



## 40–44 years

**Jeannie Phillips** Financial Service Representative • Access Credit Union

**Theresa Wright** Business Account Representative II • Westoba Credit Union

## 35–39 years

**Tammy Davey** Branch Manager • Stride Credit Union

**Liana DeGraeve** Account Manager • Stride Credit Union

**Rick Doerksen** Senior Business Consultant • CUCM

**James Knockaert** VP–Lending • Sunrise Credit Union

**Dale McMurray** Director, Retail Credit & Collection Solutions • Assiniboine CU

**Ed Rempel** Consumer Loans Officer • Rosenort Credit Union

**Brent Thomas** Chief Executive Officer • Casera Credit Union

## 30–34 years

**Kristine Arnason** Director, Banking & Technology • CUCM

**Cindy Ashcroft** Business Account Officer • Assiniboine Credit Union

**Lloyd Baumgart** Agricultural Account Manager • Access Credit Union

**Carrie Canvin** Loan Processing Administrator • Access Credit Union

**Rick Friesen** Office Manager • Rosenort Credit Union

**Ian Gerrard** Chief Executive Officer • Vanguard Credit Union

**Serena Goebel** Financial Account Manager • Assiniboine Credit Union

**Fern Goodman** Financial Account Manager • Assiniboine Credit Union

**Sandra Harder** Commercial/Ag Account Manager • Access Credit Union

**Rae Johnston** Loans Officer • Assiniboine Credit Union

**Cheryl Lawrence** Financial Account Manager • Assiniboine Credit Union

**Nici Milton** Banking Specialist • CUCM

**Diane Routledge** Wealth Management Officer • Stride Credit Union

**Louise Thiessen** Vice-President, Treasury Services • CUCM

**Minnedosa Credit Union** received its charter in 1947, making 2017 its 70th anniversary.

Founded in 1952, **Erickson Credit Union** celebrated 65 years of operation in 2017.

## 25–29 years

- Cheryl Bauche** Service Administrator • Assiniboine Credit Union  
**Heather Collette** Member Service Representative • Access Credit Union  
**Sharon Dueck** Member Service Representative • Rosenort Credit Union  
**Gail Fedorchuk** Loans Officer • Assiniboine Credit Union  
**Cheryll Gemmill** Employment Specialist • Assiniboine Credit Union  
**Dennis Hedley** VP of Strategic Initiatives • Noventis Credit Union  
**Gaylene Johnson** Member Service Supervisor • Minnedosa Credit Union  
**Zaila Khan** Financial Advisor • Assiniboine Credit Union  
**Dawna Knutt** Custodian • Access Credit Union  
**Darryl Lee** Manager, Technical Support • CUCM  
**Kerri Mattson** Inbound Representative • Assiniboine Credit Union  
**Marcie McConnell** Online System Administrator • Westoba Credit Union  
**Lana Minary** Branch Manager • Assiniboine Credit Union  
**Elisa Raymundo** Financial Advisor • Assiniboine Credit Union  
**Mary Romeo** Member Services Representative • Assiniboine Credit Union  
**Nicole Rondeau** Consumer Credit Administrator • Assiniboine Credit Union  
**Charlene Sambrooke** Consumer Credit Administrator • Assiniboine Credit Union  
**Beverley Self** Operations Officer • Casera Credit Union  
**Melissa Skjaerlund** Chief Lending Officer • Oak Bank Credit Union  
**Kimberley Stasiuk** Financial Advisor • Assiniboine Credit Union  
**Debbie Strelczik** Agricultural Account Manager • Minnedosa Credit Union  
**Doreen Thordarson** Team Lead, Payment Services • Noventis Credit Union

**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.



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

**EXTERNAL AUDITORS**

PricewaterhouseCoopers LLP

**CONSULTING ECONOMISTS**

Dr. Michael Benarroch

Dr. John Loxley

MNP LLP



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