

# Summary Consolidated Financial Statements

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CREDIT UNION CENTRAL *of* MANITOBA

## MANAGEMENT REPORT

February 27, 2020

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 MANNES

*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*



## *Report of the Independent Auditor on the Summary Consolidated Financial Statements*

To the Members of Credit Union Central of Manitoba Limited

### *Our opinion*

In our opinion, the accompanying summary consolidated financial statements of Credit Union Central of Manitoba Limited and its subsidiary (together, the Organization) are a fair summary of the audited consolidated financial statements, on the basis described in note 1 to the summary consolidated financial statements.

### *The summary consolidated financial statements*

The Organization's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2019 comprise:

- the summary consolidated statement of financial position as at December 31, 2019;
- the summary consolidated statement of operations and comprehensive income (loss) for the year then ended;
- the summary consolidated statement of members' equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended;
- and the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### *The audited consolidated financial statements and our report thereon*

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 27, 2020.

### *Management's responsibility for the summary consolidated financial statements*

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in note 1.

### *Auditor's responsibility*

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited 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*.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants  
Winnipeg, Manitoba  
February 27, 2020

*PricewaterhouseCoopers LLP*  
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6  
T: +1 204 926 2400, F: +1 204 944 1020

\*PWC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## Summary Consolidated Financial Statements

### Summary Consolidated Statement of Financial Position

As at December 31

in thousands of Canadian dollars

#### Assets

Liquidity pool	5,375,982	3,801,997
Derivative instruments	7,006	9,712
Income taxes recoverable	—	6,763
Intermediation pool	47,585	63,008
Property and equipment	14,058	14,752
Other assets	3,158	339
Deferred income taxes	—	6,885
	<b>5,447,789</b>	<b>3,903,456</b>

#### Liabilities

Accounts payable	26,197	7,800
Income taxes payable	1,324	—
Members' deposits	4,808,467	3,318,656
Obligations under repurchase agreements	27,787	201,906
Derivative instruments	156,748	91,396
Deferred income taxes	4,293	—
	<b>5,024,816</b>	<b>3,619,758</b>

#### Members' equity

Share capital	333,166	231,666
Accumulated other comprehensive income	38	—
Retained earnings	89,769	52,032
	<b>422,973</b>	<b>283,698</b>
	<b>5,447,789</b>	<b>3,903,456</b>

Approved by the Board of Directors



DIRECTOR



DIRECTOR

## Summary Consolidated Statement of Operations and Comprehensive Income (Loss)

For the year ended December 31

in thousands of Canadian dollars

	2019	2018
<b>Financial revenue</b>		
Liquidity pool — other interest income	143,919	105,156
Intermediation pool — interest income	340	1,069
Intermediation pool — dividend income	175	180
	<u>144,434</u>	<u>106,405</u>
<b>Cost of funds</b>	80,407	56,204
	<u>64,027</u>	<u>50,201</u>
Unrealized gains (losses) on non-derivative instruments	82,570	(14,292)
Unrealized losses on derivative instruments	(33,472)	(18,358)
Net cost of derivative instruments	(14,909)	(15,038)
	<u>34,189</u>	<u>(47,688)</u>
<b>Financial margin</b>	98,216	2,513
<b>Other income</b>		
Share of Celero's income	2,777	2,145
Share of CCWH's income	644	134
Share of NEI's income	—	119
Rental income — net	693	569
Net operating (expense) recovery	(243)	191
	<u>3,871</u>	<u>3,158</u>
<b>Income before credit union patronage distributions</b>	102,087	5,671
<b>Credit union distributions</b>		
Financial margin distribution	(40,629)	(29,773)
Distribution of Celero's income	(2,777)	(2,145)
Distribution of NEI's income	—	(119)
	<u>(43,406)</u>	<u>(32,037)</u>
<b>Income (loss) before income taxes</b>	58,681	(26,366)
Income tax expense (recovery)	12,496	(8,565)
<b>Net income (loss) for the year</b>	<u>46,185</u>	<u>(17,801)</u>
<b>Other comprehensive income</b>		
Equity accounted investments	38	—
<b>Comprehensive income (loss)</b>	<u>46,223</u>	<u>(17,801)</u>

## Summary Consolidated Financial Statements

### Summary Consolidated Statement of Members' Equity

For the year ended December 31

in thousands of Canadian dollars	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2017</b>	223,184	15,005	60,255	298,444
Changes in initial application of IFRS 9	—	(15,005)	15,005	—
<b>Restated balance at January 1, 2018</b>	223,184	—	75,260	298,444
Net loss for the year	—	—	(17,801)	(17,801)
Dividends to members	—	—	(5,427)	(5,427)
Members' shares issued	8,482	—	—	8,482
<b>Balance at December 31, 2018</b>	231,666	—	52,032	283,698
<b>Balance at December 31, 2018</b>	231,666	—	52,032	283,698
Net income for the year	—	38	46,185	46,223
Dividends to members	—	—	(8,448)	(8,448)
Members' shares issued	101,500	—	—	101,500
<b>Balance at December 31, 2019</b>	333,166	38	89,769	422,973

### Summary Consolidated Statement of Cash Flows

For the year ended December 31

in thousands of Canadian dollars	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income (loss) for the year	46,185	(17,801)
Items not affecting cash		
Unrealized losses (gains) on FVTPL financial instruments	(49,098)	32,650
Depreciation of property and equipment	985	1,277
Loss on disposal of property and equipment	—	55
Deferred income tax expense (recovery)	11,179	(8,671)
Increase in liquidity pool assets	(1,455,649)	(136,623)
Net change in derivative instruments	34,586	556
Decrease in intermediation pool assets	15,148	106,477
Increase (decrease) in members' deposits	1,489,393	(75,312)
(Decrease) increase in obligations under repurchase agreements	(174,127)	33,197
Net change in other assets and accounts payable	23,703	(8,745)
	(57,695)	(72,940)
<b>Investing activities</b>		
Acquisition of property and equipment	(291)	(1,054)
	(291)	(1,054)
<b>Financing activities</b>		
Members' shares issued	101,500	8,482
Dividends to members	(8,448)	(5,427)
	93,052	3,055
<b>Increase (decrease) in cash</b>	35,066	(70,939)
<b>(Overdraft) cash — Beginning of year</b>	(62,866)	8,053
<b>Overdraft — End of year</b>	(27,820)	(62,886)
<b>Supplementary cash flow information</b>		
Income tax paid	1,341	11,766
Income tax received	8,112	17

# Notes to Summary Consolidated Financial Statements

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## 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 Limited (the “Organization”) for the year ended December 31, 2019, which are prepared in conformity with International Financial Reporting Standards.

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.cucm.org](http://www.cucm.org).

## 2 Compliance with minimum capital requirements

At December 31, 2019 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, 2019 and 2018 which contain the information detailing the calculation.