



I choose **SCU.**

Steinbach Credit Union 2012 Annual Report



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I choose attention to detail.

At SCU, we believe if you take care of the little things, everything else will fall nicely into place. That's why we make sure everything is just right for our members by offering a large variety of products, an unparalleled level of service, and a steadfast focus on meeting our members' needs. It's why we continue to score some of the highest customer satisfaction ratings in the industry in trustworthiness and staff focus, and why more and more people are choosing SCU. In 2012, we increased total assets to almost \$4 billion. Now that's attention to detail.



I choose **SCU.**

President's message



On behalf of the SCU Board of Directors, I am pleased to report that 2012 was another impressive year in all areas of our credit union. SCU experienced exciting growth in overall assets, loans and members.

While 2012 provided a challenging and competitive environment in our marketplace, it also marked the International Year of the Cooperative, which celebrates coming together, staying together and working together, so that everyone enjoys success. This past year we took the opportunity to appreciate what our SCU co-operative has done – and continues to do – for our members and communities.

Since 1941 SCU has encouraged positive change by aiding many personal endeavors, business starts, and community ventures, most of which evolved into thriving successes. Today, SCU continues to look for ways to improve, stay current and offer each member the best service available. In the year of co-operative celebration we look back in gratitude and look forward to the future with heightened expectation.

The announcement of a new branch for Steinbach made late in 2011 created excitement which grew by several notches during 2012. Visible progress to the landscape of Main Street was achieved in the fall with the demolition of five, aging properties. Renderings for the new branch were finalized in December. Ground-breaking is planned for spring, 2013 with construction estimated to take 18-20 months. We're all eager to see what the future will hold!

During 2012, the hog industry weathered another setback due to higher feed grain costs after the worst U.S. drought in over 50 years. Market conditions are expected to improve as feed costs recover. SCU has been dealing with the hog industry for a very long time, we understand the highs and lows, and we remain optimistic about the future.

The Manitoba housing market in 2012 managed to remain steady even with CHMC changes to the allowable maximum mortgage amortization. With regards to lending, the SCU Credit Policy and Lending Procedures Review was approved by the Board. SCU Lending Policies and Procedures provide direction and guidelines in order to ensure that member deposits are adequately protected, that our investment in member loans is high quality, and that our return on investment is relative to risk undertaken.

Amalgamation throughout the credit union system continued in 2012 and by mid-year, the top 100 credit unions in Canada reported 85% of total system assets in the country – over \$132 billion. SCU remains the 7th largest credit union in Canada with almost \$4 billion in assets.

I extend great thanks to CEO Glenn Friesen and his Executive Leadership Team for their dedicated work and guidance; a warm thank you to every staff member for continuing to go above and beyond by providing our members with unparalleled service; and a special thank you to my fellow board members. Your ability to help the credit union continue along its incredible journey of growth and success is inspiring.

Finally, I express my sincere gratitude to every SCU member for choosing to come together as a co-operative, keeping together for progress and working together to achieve success. We're all excited about the possibilities in the coming year!



Ted Falk, President

2012 SCU Board of Directors



Ted Falk
President



Reg Penner
First Vice President



Russ Fast
Second Vice President



Alan Barkman
Director



Sieg Peters
Director



Doris Martens
Director



Carl Doerksen
Director



Robert Dueck
Director



Henry Van de Velde
Director



I choose local knowledge.

Whether it's a new home, a condo, a vacation property, a cottage by the lake, or a complete renovation to an existing home; or whether it's a new car, a boat, a vacation, or an education; when it comes to borrowing money, we make the entire process as comfortable as possible. We offer the widest range of flexible mortgage products and lending options, and all decisions are made right here in Manitoba by experts who know the marketplace and are guided by local needs. That means better, faster service; so much better that in 2012, we increased our lending by 9.8%.



I choose **SCU.**



I choose success.

There are two keys to a successful and worry-free retirement: having a plan and getting started. We help with both. Our members choose SCU for their investments because of our experienced wealth management team. That team helps to create plans based on sound advice, timely guidance and flexible products that are right for our members, no matter what their dreams may be. Then we help them get started with a wide range of registered and non-registered saving options, mutual funds, TFSAs, estate planning, and/or business succession planning. And it all starts with our Regular Savings rate, a market-leading rate that pays interest from dollar one. Whatever dream they choose, we can help make it come true. It's all about saving, and in 2012, our members helped SCU increase its deposits by \$381 million.



I choose **SCU.**

CEO's message



In 2012, SCU remained steadfastly focused on providing the best level of service to all members. This was the key to SCU maintaining its leadership role in customer satisfaction for financial institutions, while remaining Manitoba's largest credit union. 2012 saw us answer the bell with new products and services designed to meet member needs and provide solid growth. On the financial front, loan growth was \$287 million, an increase of 9.8%, and assets grew by \$407 million, or 11.4%.

There were many highlights in 2012 that stand out and are worth mentioning. Together with other credit unions in Canada, SCU now offers a surcharge-free ATM network throughout the country. It's called the Ding Free[®] ATM arrangement and, while it was already in place with other credit unions in Manitoba, it now extends across the country with participating credit unions. There's even a Ding Free[®] locator app available for iPhone, Android, Windows and Blackberry devices that helps our members find the nearest surcharge-free ATM.

Interac e-Transfer[†] is a new feature that was introduced which allows members to send money from their desktop or mobile phone to anyone with a Canadian financial institution account, and an email address or mobile phone number. November 19 marked the launch of this ultra-convenient service.

This past year, SCU also responded to the fact that line of credit use and demand had expanded. To meet member needs, we refined the suite of products offered to now include: Overdraft Link Line, a Regular Line of Credit, Equity Link Line and a Registered Savings Product Link Line.

[†]Trade-mark of Interac Inc. Used under license.

Convenience was a big motivator for other changes made in 2012. New hours for the Steinbach branch – open later on weekdays and open longer on weekends; expanded cross-border acceptance of SCU Member cards allowing members to use their existing SCU debit cards at over 2 million retailers in the U.S.; and a new MemberDirect™ online banking feature called Account Plus that provides Credential Clients with an online tool to allow them to view their Credential accounts with other SCU accounts via MemberDirect™ online banking.

At the end of 2012, we were just days away from launching our new website, with a more intuitive navigation system and a more robust collection of information. A few highlights include; MemberDirect™ log-in featured on every page; easy to find rates; new content for mortgages, lending and investments; and the site will adjust automatically to display on mobile devices and smart phones.

As you can see, 2012 was an extremely rewarding year. I thank the SCU Board, the Executive Leadership Team and all the staff for their tremendous work, commitment and enthusiasm. I extend a special thank you for each and every SCU member. Your choice to continue to give your support and trust has allowed us once again to enjoy success throughout the year.



Glenn Friesen, Chief Executive Officer

2012 SCU Executive Leadership Team



Glenn Friesen
Chief Executive Officer



Don Loewen
Chief Financial Officer



Kevin Sitka
Chief Operating Officer



Andy Alguire
Vice President
Information Technology



Tim Friesen
Vice President
Risk



James Gosselin
Vice President
Corporate Lending



Rhonda Honke
Vice President
Human Resources



Celina Philpot
Vice President
Corporate Development



Andrea Waenink
Vice President
Sales and Service



Donna Wankling
Vice President
Marketing

I choose to keep things simple.

Our world is rapidly changing and keeping up with those changes is a demanding task. SCU members can rest assured we work tirelessly to introduce new products and services they need to be more efficient and successful. 2012 saw the launch and updating of some exciting products. The new *Interac* e-Transfer[†] service lets members send money electronically from a computer or mobile device to any recipient with an account at a Canadian financial institution. MemberDirect™ lets our members do their banking from virtually anywhere. And mobile banking lets them stay on top of all their finances from wherever they may be. Every innovation is geared to keeping life simple, while helping members get to where they want to be.

[†]Trade-mark of Interac Inc. Used under license.



I choose **SCU.**



I choose to always look forward.

Since the first day we opened our doors over 70 years ago, SCU is constantly changing. We continually seek out new options, products and services that will benefit our members. From updated internal banking systems, to the development of new branches that provide more convenience to our members, SCU is leading the way into the future. 2012 provided exciting changes and with the announcement of a new branch in Steinbach, we all look forward to more exciting times ahead.



I choose **SCU.**

I choose family values.

The importance of our community cannot be understated. It is, in many ways, our family. A vibrant community means it is thriving; and that's good for everyone. In 2012, SCU continued its strong support of a wide variety of local activities. SCU made corporate contributions to worthy causes throughout Manitoba and staff gave its time and energy fundraising, volunteering and hosting events for local charities. All of this leads to stronger communities... which is good for all of us. After all, we are stronger together.



I choose **SCU.**

January 28, 2013

Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Members of Steinbach Credit Union Limited

The accompanying summary consolidated financial statements, which comprise the summary statement of financial position as at December 31, 2012 and 2011 and the summary statements of net income and comprehensive income, and changes in members' equity for the years ended December 31, 2012 and 2011, are derived from the audited consolidated financial statements of Steinbach Credit Union Limited for the year ended December 31, 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated January 28, 2013.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Steinbach Credit Union 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 of the summary consolidated financial statements described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (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 Steinbach Credit Union Limited for the years ended December 31, 2012 and 2011 are a fair summary of those consolidated financial statements, on the basis of the summary consolidated financial statements described in Note 1.

PricewaterhouseCoopers LLP

Chartered Accountants

Summary Consolidated Statement of Financial Position

	December 31 2012	December 31 2011
Assets		
Funds on hand and on deposit	\$ 101,029,764	\$ 78,886,435
Investments	593,016,862	497,319,000
Loans to members	3,215,922,205	2,929,456,283
Other assets	3,209,572	3,103,010
Investments in associates	5,439,857	5,713,168
Property, equipment and intangible asset	42,600,298	40,509,811
Deferred income tax assets	1,305,875	779,875
	<u>\$ 3,962,524,433</u>	<u>\$ 3,555,767,582</u>
Liabilities		
Members' deposits	\$ 3,726,267,293	\$ 3,345,571,698
Accounts payable	12,983,718	11,391,840
Income tax payable	791,106	1,451,753
	<u>\$ 3,740,042,117</u>	<u>\$ 3,358,415,291</u>
Members' Equity		
Members' shares	\$ 388,170	\$ 414,430
Retained surplus	222,094,146	196,937,861
	<u>222,482,316</u>	<u>197,352,291</u>
	<u>\$ 3,962,524,433</u>	<u>\$ 3,555,767,582</u>

A full set of consolidated financial statements is available from Steinbach Credit Union Limited.

Approved by the Board of Directors



Director



Director

Summary Consolidated Statements of Net Income and Comprehensive Income

For the years ended December 31

	2012	2011
Income		
Interest from loans to members	\$ 118,351,967	\$ 109,998,704
Investment income	13,868,389	11,283,152
	<u>132,220,356</u>	<u>121,281,856</u>
Cost of funds		
Interest paid to members	<u>73,537,804</u>	<u>66,786,672</u>
	58,682,552	54,495,184
Financial margin		
	<u>58,682,552</u>	<u>54,495,184</u>
Operating expenses		
Administrative	12,789,514	13,113,194
Member security	3,556,705	3,054,908
Occupancy	3,787,055	3,724,014
Organizational	1,817,440	1,761,235
Personnel	<u>24,284,877</u>	<u>22,224,509</u>
	46,235,591	43,877,860
Less: Other income	<u>17,966,541</u>	<u>17,728,207</u>
	28,269,050	26,149,653
Income before recovery of doubtful loans, patronage refund and income taxes	30,413,502	28,345,531
(Provision for) recovery of doubtful loans	(1,772,217)	1,250,660
Patronage refund	–	(4,117,976)
Income before income taxes	<u>28,641,285</u>	<u>25,478,215</u>
Provision for income taxes	3,485,000	3,183,000
Net income and comprehensive income for the year	<u>\$ 25,156,285</u>	<u>\$ 22,295,215</u>

A full set of consolidated financial statements is available from Steinbach Credit Union Limited.

Summary Consolidated Statement of Changes in Members' Equity

For the years ended December 31

	Members' shares	Retained surplus	Total members' equity
Balance at January 1, 2012	\$ 414,430	\$ 196,937,861	\$ 197,352,291
Net income and comprehensive income for the year	–	25,156,285	25,156,285
Common shares redeemed, net of issuances	(26,260)	–	(26,260)
Balance at December 31, 2012	\$ 388,170	\$ 222,094,146	\$ 222,482,316
Balance at January 1, 2011	\$ 396,445	\$ 174,642,646	\$ 175,039,091
Net income and comprehensive income for the year	–	22,295,215	22,295,215
Common shares issued, net of redemptions	17,985	–	17,985
Balance at December 31, 2011	\$ 414,430	\$ 196,937,861	\$ 197,352,291

A full set of consolidated financial statements is available from Steinbach Credit Union Limited or at www.scu.mb.ca.

Notes to Summary Consolidated Financial Statements

1. Basis of the summary consolidated financial statements

Management has prepared the summary consolidated financial statements from December 31, 2012 audited consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards (IFRS). The audited consolidated financial statements can be obtained at any Steinbach Credit Union branch or on line at www.scu.mb.ca. The detailed notes included in the audited consolidated financial statements are not included in these summary consolidated financial statements.

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.

2. Compliance with minimum capital and liquidity requirements

The Credit Union is in compliance with the capital and liquidity reserve requirements at December 31, 2012 established by the Regulations to The Credit Unions and Caisses Populaires Act of Manitoba.

Readers of the summary consolidated financial statements are advised that in order to appropriately interpret the Credit Union's capital and liquidity, the reader must refer to the audited consolidated financial statements and notes for the years ended December 31, 2012 and 2011, which contain the information detailing the calculation.



STEINBACH CREDIT UNION

SCU STEINBACH

305 Main Street, Steinbach
204 326.3495

SCU LINDEN RIDGE

2100 McGillivray Blvd, Winnipeg
204 222.2100

SCU LAGIMODIERE

1575 Lagimodiere Blvd, Winnipeg
204 661.1575

DRIVE THRU ATMS

- Clearspring Mall, Steinbach
- 2100 McGillivray Blvd, Winnipeg
- 1575 Lagimodiere Blvd
- 1665 Henderson Hwy
- 997 St. Mary's Rd, Winnipeg

www.scu.mb.ca