

75
CELEBRATING YEARS
OF GROWTH 1941-2016

A VISION WITH YOU IN MIND

2016 ANNUAL REPORT



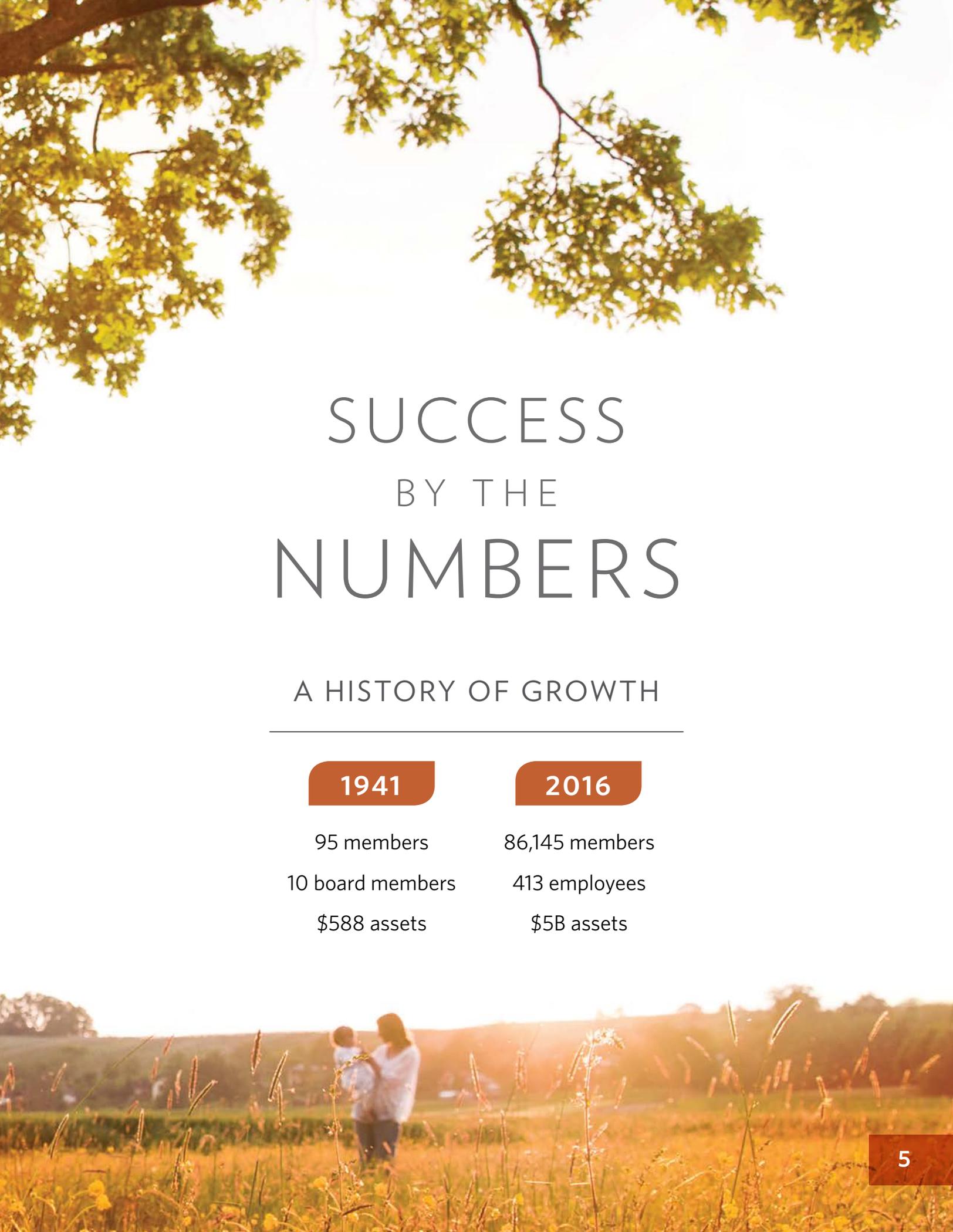
STEINBACH CREDIT UNION



TABLE OF CONTENTS

Success by the Numbers	5
Celebrating 75 Years of Growth	6
A Tribute to our Founders	8
Message from the Board Chair	10
SCU Board of Directors	11
SCU Executive Leadership Team	12
Message from the Chief Executive Officer	13
Saving with SCU	14
Helping Families Grow Their Roots	16
Supporting Local Businesses	19
Managing a World of Constant Change	20
Building on our Legacy	22
Summary of the Consolidated Financial Statements	24





SUCCESS BY THE NUMBERS

A HISTORY OF GROWTH

1941

95 members

10 board members

\$588 assets

2016

86,145 members

413 employees

\$5B assets

CELEBRATING
75 YEARS
OF GROWTH



The Steinbach Credit Union got its start in June of 1941, but seeds were planted more than a decade earlier during the height of the Great Depression. Rising from the dusty times of economic hardship, groups of the poor working class, farmers, and enterprising business professionals came together to bring about real change in their communities. SCU was founded with this community partnership in mind, combining a solid business model that supports individual enterprise, along with the spirit of the cooperative working toward the greater good.

The result is a different kind of credit union – one with a strong growth mindset and the agility to respond to an ever-changing economic climate. Through the years, SCU has grown from 95 members and \$588 in assets in late 1941, to opening our first branch in 1946, and expanding into the Winnipeg market in 2003. Over time, SCU has grown to become the largest credit union in Manitoba and the seventh largest across Canada by asset size. In addition, this past year marked two very important milestones for SCU: celebrating our 75th anniversary and achieving five billion dollars in assets by December 2016.

SCU's success is rooted in our philosophy of serving the needs of our members, one member at a time. And, by continuing our tradition of exemplary service, maintaining our commitment to our community, and building a strong foundation for growth, SCU will remain poised for continued success well into the future.



July 31, 1874 - Families arrive by ox cart to settle in Steinbach



1946 - Credit Union building opens on Reimer Avenue



1949 - Steinbach's Main Street

A TRIBUTE TO OUR FOUNDERS

"Do not go where the path may lead, go instead where there
is no path and leave a trail." RALPH WALDO EMERSON



Eugene Derksen



Peter J. Reimer



Abram T. Loewen



Joe T. Penner



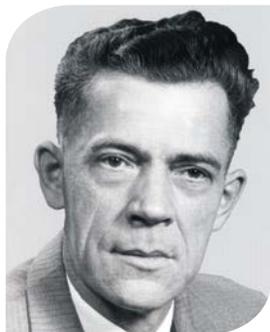
Paul Friesen

In mid-1941, Eugene Derksen brought together a group of his friends and fellow businessmen to discuss the idea of establishing a credit union for the Steinbach community. On June 2, 1941, P.J. Reimer, Joe Penner, A.T. Loewen, and others officially became the fathers of the Steinbach Credit Union. Despite early challenges, these founding members of SCU were undeterred in their commitment to providing a much-needed source of credit, restoring prosperity to the community, and working together to support the common good.

This tribute is in honour of the ten founding members of the Steinbach Credit Union who had the vision, wisdom, and strength of conviction to pave a new trail that would help in the renewal of Manitoba and provide financial benefit to the members of our community for generations.



Peter D. Friesen



Herman Neufeld



Aaron K. Reimer



Jac H.W. Reimer



Klaas J.B. Reimer

Message from the Board Chair

SCU was founded in 1941 with a strong vision of serving the needs of our members, supporting local businesses, and growing our community with a strong and stable foundation for the future. It is a vision we still hold today. During my 16-year tenure with the Board, I've had the pleasure of watching our credit union continue to thrive in a highly competitive financial services industry. This past year marked the Steinbach Credit Union's 75th year. And, as we enter Year 76 we are reminded of the strength of our membership and the importance of working together toward a common vision.

Throughout our history, SCU has delivered a strong record of success. I am pleased to report that 2016 was no exception. In addition to celebrating 75 years, this year marked another important milestone for SCU — achieving five billion dollars in assets. As a result, SCU has further cemented its status as the largest credit union in Manitoba, while also growing to become the seventh largest across Canada in assets. It is a testament to the hard work, commitment, and shared vision of the organization and its membership that SCU has been able to achieve these important milestones.

On June 2nd, SCU celebrated 75 years of "*Growing with You*". Celebrations began in May with a weekly cash prize contest where lucky winners took home \$750. June 2nd was also a day of celebrating with the community by awarding \$7,500 to one winner in each SCU branch, sharing in refreshments, and enjoying the nostalgia of decades past with our 75th Anniversary Book. Thank you to everyone who enjoyed the festivities with us and helped make our celebration such a success.

While an anniversary marks the time for remembrance and observing how far SCU has come, it is also an important opportunity to define the path for our future. SCU's focus moving forward into our next 75 years will be to grow our membership and discover new solutions that continue to improve member experience. To that end, SCU is committed to investing in technology solutions that simplify banking, provide convenience, and help our members manage the pace of life — all while maintaining our high standards for service and sound financial advice. SCU's investment in technology, our work in forging important partnerships, and our ongoing participation in cooperative initiatives will help us maintain our competitive advantage in the marketplace and ensure that we continue to deliver sustainable growth.

In closing, I offer my gratitude and appreciation for the opportunity to serve as Chair for the SCU Board of Directors. The Board of Directors wishes to extend sincere thanks to SCU's CEO, Glenn Friesen, the entire Executive Leadership Team, and the staff of Steinbach Credit Union for their hard work, dedication, and tireless enthusiasm for serving the needs of our members.



Reg Penner,
Chair of the SCU Board of Directors

2016 SCU Board of Directors



Reg Penner
Chairman



Russ Fast
1st Vice-Chair



Henry Van de Velde
2nd Vice-Chair



Doris Martens
Director



Robert Dueck
Director



Robert Penner
Director



Maria Reimer
Director



Amanda Peters
Director

2016 SCU Executive Leadership Team



Glenn Friesen
Chief Executive Officer



Brent Turman
Chief Financial Officer



James Gosselin
Executive Vice President
of Financial Services



Celina Philpot
Executive Vice President
of Operations



Tim Friesen
Executive Vice President
of Risk Management



Andy Alguire
Vice President
Information Technology



Sharon McMahon
Vice President
Human Resources

Message from the Chief Executive Officer

As the CEO of the Steinbach Credit Union, let me first say that I am delighted and incredibly humbled by the support of our membership in helping us achieve our two milestones this year – SCU's 75th year anniversary and achieving five billion dollars in assets.

This year we delivered solid earnings, made gains in expanding our membership, and continue to see encouraging loan and deposit growth. As an organization committed to financial sustainability, we will look to further streamline operations, invest in technology, and deliver the highest quality of service that has become synonymous with SCU.

As Manitobans continue to navigate an evolving financial landscape, they are looking for solutions that improve the convenience and ease of financial service delivery. SCU has risen to the challenge, continuing to invest in innovation to stay abreast of the options that will deliver the most positive impact for our members. Our goal is simple – to deliver safe and proven technology that simplifies and enhances member experience.

SCU also understands that the pace of life in our digital age is a busy one, and that it can be a challenge to spend time on the phone for technical support. To that end, SCU has overhauled our Member Contact Centre options to introduce a new callback feature that saves our members time and helps them avoid waiting in a phone queue for service.

We also continue to improve the technology and functionality of the SCU Mobile App. Key highlights include introducing the ability to multi-task, where members can leave the application for up to twenty minutes and still return to the same page of the SCU Mobile App that they were previously on. Security is always a key focus for SCU, and so we have increased authentication for the Mobile App and redesigned the Help, Privacy, and Security pages to improve navigation and ease of use.

Members now have the ability to transfer funds online between a US chequing account and any eligible Canadian Accounts. And to assist our members who are travelling and need easy access to US funds, we now have one ATM at each branch where members can purchase US dollars.

For 2017 and beyond, SCU will continue to focus and invest in elevating the member experience, with many new enhancements expected. Upcoming projects will enhance the online banking and lending application process, introduce Mobile Pay for Android users, and other technology enhancements that will optimize our service offerings, simplify the banking process, and improve convenience.

In closing, I want to take this opportunity to thank the SCU Board, the Executive Leadership Team, and all of their staff for their dedication to our members. It is through your efforts that we have built a successful credit union. To SCU's membership, I want to convey my gratitude for your trust and commitment to our organization. I sincerely thank you for helping us achieve our record of strong growth and allowing us to work with you to be *Stronger Together*.



Glenn Friesen, Chief Executive Officer

SAVING WITH SCU

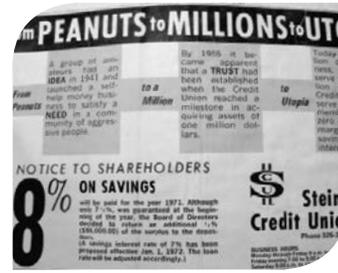




1966 - SCU's first logo was created



1960s - SCU advertises 5% on savings



1972 - SCU Carillon advertising

From the beginning, the Steinbach Credit Union has helped members save for the future and the future of those who are important to them. Shortly after SCU opened its first branch in November 1946, a slogan was painted on the side of the building that read *"Save for the Future; Serve the Community; Share in Thrift"*. This is a philosophy that SCU still believes in today.

With more than 75 years of experience serving Manitoba, SCU's team of experts work alongside our members - providing sound financial advice and effective solutions that help members achieve their needs. Whether Term Deposits, RRSPs, TFSAs, or a more complex investment portfolio, SCU has developed a comprehensive suite of products and services backed by the expertise of specialized teams to help our members achieve their goals.

This year, deposits grew by 4.73%.





SCU's local lending investments have helped to shape our Manitoba community.

At Steinbach Credit Union, we recognize that a home is one of the biggest investments – financially and emotionally – that our members will ever make. We have a long history of supporting our members, offering creative financing solutions that help families make sound financial choices while putting down solid roots in our Manitoba community.

We work to simplify the process with a wide range of mortgage products, competitive rates, and flexible payment options, all while delivering unparalleled service that goes *Above and Beyond*. After all, a home is more than a mortgage, it's an investment in a family and a community.

This year, SCU's lending portfolio grew by 6.02%.



HELPING FAMILIES GROW THEIR ROOTS





SUPPORTING LOCAL BUSINESS

At SCU, businesses and the people who run them are more than just a number; they are the lifeblood of their communities and the cornerstone of *our* business. The Steinbach Credit Union has always worked to support our local entrepreneurs, business people, and farmers. We believe in lending with a human perspective and working alongside our members to deliver solutions that solve problems and keep businesses thriving. After all, strong businesses generate more revenue, create jobs, and help build communities where all can prosper.





1950s - Drive-in pay station.



1970s - New Computer comes to SCU



1990s - SCU's first Call Centre

Since opening our branch in 1941, SCU has developed a legacy of investing in technology and delivering new products and service offerings that stay on top of changes within the market. One thing is certain - our world is going to continue to evolve at an ever-increasing pace where technology drives new innovation and vice versa.

This year, SCU has invested in upgrades to a number of online services in order to simplify banking and introduce new ways for our members to manage their financial needs. This will continue throughout 2017, where SCU will focus on creating new opportunities for our members to engage with us online.

A man and a woman are sitting at a table, looking thoughtful. The woman is wearing a yellow top and the man is wearing a blue shirt. There is a cup of coffee on the table. The background is a plain wall.

MANAGING A WORLD OF CONSTANT CHANGE

BUILDING ON OUR LEGACY





1980s - SCU building at 305 Main Street



2003 - SCU's first Winnipeg Branch is opened



2015 - SCU's new head office at 333 Main Street

We've come a long way in 75 years, but what hasn't changed is our founders' vision, first and foremost to serve the needs of our community. SCU's goal is simple - to be the premier financial services provider in Manitoba. And for 75 years SCU has gone *Above and Beyond*, working alongside each and every member to deliver on our service promise. We are committed to continual growth and evolution to respond to member needs with smart investments that build on technology, services, and features that help our members build successful financial futures.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

February 23, 2017



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, 2016 and the summary statements of net income and comprehensive income, and changes in equity for the year then ended, are derived from the audited consolidated financial statements of Steinbach Credit Union Limited for the year ended December 31, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 23, 2017.

The summary consolidated financial statements do not contain all 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 year ended December 31, 2016 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 Professional Accountants

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	December 31 2016	December 31 2015
Assets		
Funds on hand and on deposit	\$ 23,609,637	\$ 45,843,415
Investments	688,448,946	618,362,696
Loans to members	4,223,594,929	3,983,717,978
Income tax recoverable	576,121	2,503,320
Other assets	6,691,816	6,528,616
Investments in associates	10,690,898	11,031,084
Property, equipment and intangible asset	83,480,369	85,118,483
Deferred income tax assets	84,875	884,875
	\$ 5,037,177,591	\$ 4,753,990,467
Liabilities		
Members' deposits	\$ 4,569,275,647	\$ 4,362,953,066
Accounts payable	23,728,018	20,081,264
Secured borrowing	112,441,736	66,175,771
	\$ 4,705,445,401	\$ 4,449,210,101
Equity		
Members' shares	\$ 430,725	\$ 422,745
Retained surplus	331,301,465	304,357,621
	\$ 331,732,190	\$ 304,780,366
	\$ 5,037,177,591	\$ 4,753,990,467

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

Approved by the Board of Directors



Director



Director

SUMMARY CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31

	December 31 2016	December 31 2015
Income		
Interest from loans to members	\$ 132,101,625	\$ 131,722,992
Investment income	12,108,573	10,657,693
	<u>\$ 144,210,198</u>	<u>\$ 142,380,685</u>
Cost of funds		
Interest paid to members	\$ 71,020,272	\$ 71,782,909
Interest paid - other	1,365,384	402,134
	<u>\$ 72,385,656</u>	<u>\$ 72,185,043</u>
Financial margin	<u>\$ 71,824,542</u>	<u>\$ 70,195,642</u>
Operating expenses		
Administrative	\$ 14,352,873	\$ 14,984,707
Member security	4,060,149	3,893,950
Occupancy	5,304,891	4,061,689
Organizational	2,192,801	2,012,873
Personnel	26,605,394	26,553,704
	<u>\$ 52,516,108</u>	<u>\$ 51,506,923</u>
Less: Other income	21,334,352	19,385,336
	<u>\$ 31,181,756</u>	<u>\$ 32,121,587</u>
Net income before provision for doubtful loans, patronage refund and income taxes	<u>\$ 40,642,786</u>	<u>\$ 38,074,055</u>
Provision for doubtful loans	1,114,959	1,092,726
	<u>\$ 39,527,827</u>	<u>\$ 36,981,329</u>
Patronage refund	7,508,983	5,001,465
Net income before income taxes	<u>\$ 32,018,844</u>	<u>\$ 31,979,864</u>
Provision for income taxes	5,075,000	5,000,000
Net income and comprehensive income for the year	<u>\$ 26,943,844</u>	<u>\$ 26,979,864</u>

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES EQUITY

For the year ended December 31

	Members' shares	Retained surplus	Total members' equity
Balance at January 1, 2016	\$ 422,745	\$ 304,357,621	\$ 304,780,366
Net income and comprehensive income for the year	-	26,943,844	26,943,844
Common shares issued, net of redemptions	7,980	-	7,980
Balance at December 31, 2016	\$ 430,725	\$ 331,301,465	\$ 331,732,190
Balance at January 1, 2015	\$ 415,265	\$ 277,377,757	\$ 277,793,022
Net income and comprehensive income for the year	-	26,979,864	26,979,864
Common shares issued, net of redemptions	7,480	-	7,480
Balance at December 31, 2015	\$ 422,745	\$ 304,357,621	\$ 304,780,366

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

NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

1. Basis of the summary consolidated financial statements

Management has prepared the summary consolidated financial statements from the December 31, 2016 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, 2016 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 year ended December 31, 2016, which contain the information detailing the calculation.

BRANCH LOCATIONS

Steinbach

333 Main Street, Steinbach
204.326.3495

Linden Ridge

2100 McGillivray Blvd, Winnipeg
204.222.2100

Lagimodiere

1575 Lagimodiere Blvd, Winnipeg
204.661.1575

DRIVE THRU ATMS

Steinbach

Clearspring Mall

Winnipeg

2100 McGillivray Blvd
1575 Lagimodiere Blvd
1665 Henderson Hwy
997 St. Mary's Rd

DRIVE THRU TELLERS

333 Main Street, Steinbach
1575 Lagimodiere Blvd, Winnipeg

Stronger together.