



2015 Annual Report

SUSTAINABLE GROWTH

STRONGER TOGETHER

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STEINBACH CREDIT UNION

SUSTAINABLE GROWTH MODEST BEGINNINGS



From modest beginnings, Steinbach Credit Union began a journey that would take it down a path that no one could have predicted. Seventy-four years of experiences, challenges and accomplishments have culminated in Steinbach Credit Union holding a place of prominence locally, provincially and nationally. Over the years, SCU has seen continuous and often dramatic growth in size, assets and membership that correlated with its relevance in the community.

This photo depicts SCU's first building, built in 1946, that displays a motto of Saving, Serving and Sharing. There was a need in the community in those early days and sharing was the answer as members worked together for the benefit of all.

Today, after 74 years of steady growth, SCU still meets the needs of our growing communities in southern Manitoba and constantly strives for a sustainable growth that will keep us strong for generations.





SUSTAINABLE GROWTH FIRM FOUNDATION

Every successful organization needs a firm foundation so that it can rise above whatever comes its way. Looking back at SCU's history, the foundation that was passed on to us has undeniable strength and sustainability. As we look into the future we want to pay it forward by keeping the essence of our grass roots with an eye set firmly on passing on an enduring legacy.

MESSAGE FROM THE BOARD CHAIR

I'm honoured to serve as your Chair of the Board of Directors of the Steinbach Credit Union for the past two years. During my 15 year tenure with the Board, I've had the pleasure to see our credit union grow and adapt in a highly competitive financial services industry which continues to witness credit union consolidation both provincially and nationally. Throughout this time, SCU has maintained the core of who we are as a credit union while adapting to the changing needs of our members for technological solutions and sound financial advice. I feel blessed to lead this dynamic group of individuals who are truly committed to the sustainable growth of our credit union as we continue to map our future. On behalf of the SCU Board of Directors, I am pleased to report that 2015 was another successful year.

We were proud to welcome our members to our beautiful new location in Steinbach. Our grand opening was made ever so special with the inclusion of SCU founding members during our celebration. We designed this space with our members and community in mind as we strove to create an environment that is welcoming and serves as a point of pride for our members and our community for years to come. Our new building is a symbol of our continued sustainable growth that took form from humble beginnings 75 years ago with the desire to serve the needs of our community, one member, one product and service at a time. This philosophy has helped us grow into the eighth largest credit union in Canada and the largest in Manitoba. As we enter 2016, we are reminded of our beginning and look forward to celebrating our 75th anniversary with our membership.

The rapid pace of changing technology within the financial services industry is forcing traditional financial institutions to rethink how we deliver services. New entrants composed of FinTechs and peer-to-peer lenders are reshaping the industry as consumer needs continue to evolve. Determining the difference between technological hype and game changers is critical to long term success and relevancy within the market.

Greater collaboration within the credit union system has begun to take form as we work together to deliver innovative payment solutions to compete with potential new entrants such as Apple® and Google™ Pay. Looking for ways to optimize our joint economies of scale will deliver cost benefits to the entire credit union system and allow us to compete more effectively in the Canadian Financial Services environment. SCU's commitment is to establish the right balance for our credit union to ensure long term sustainable growth that will take us beyond 75 years of service to our members.

I'd like to extend my sincere gratitude to CEO Glenn Friesen and his Executive Leadership Team for their support and dedication. I'd also like to thank every member of our staff for continuing to provide our members with unparalleled service. A special thanks goes to my fellow board members whose leadership I truly respect. I also offer my humble gratitude to every SCU member for allowing me the opportunity to serve as your Board Chair.



Reg Penner,
Chair of the SCU Board of Directors

2015 SCU BOARD OF DIRECTORS



Reg Penner
Chairman

Russ Fast
1st Vice-Chair

Henry Van de Velde
2nd Vice-Chair

Alan Barkman
Director

Sieg Peters
Director

Doris Martens
Director

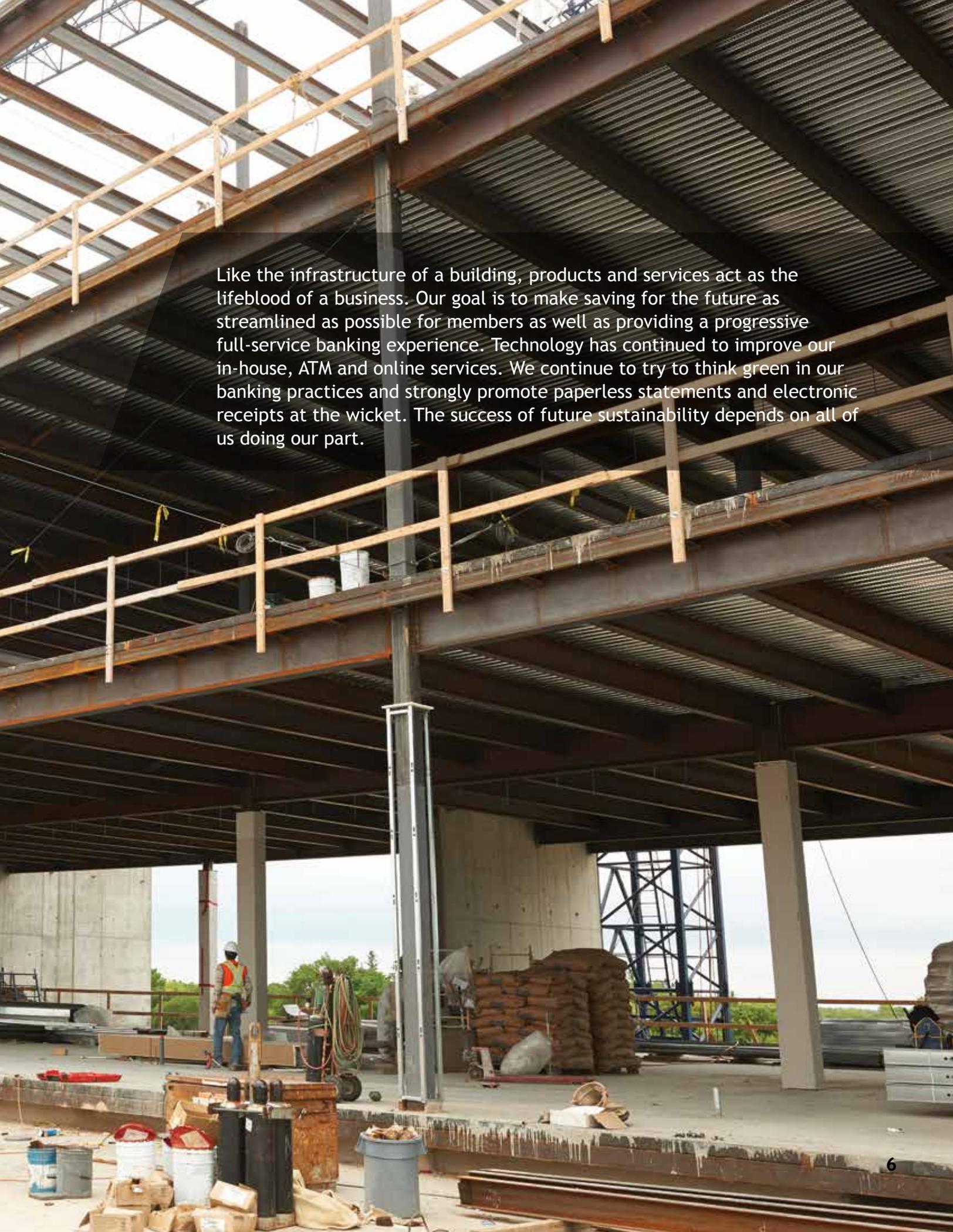
Robert Dueck
Director

Robert Penner
Director

Maria Reimer
Director

SUSTAINABLE GROWTH STRONG FRAMEWORK





Like the infrastructure of a building, products and services act as the lifeblood of a business. Our goal is to make saving for the future as streamlined as possible for members as well as providing a progressive full-service banking experience. Technology has continued to improve our in-house, ATM and online services. We continue to try to think green in our banking practices and strongly promote paperless statements and electronic receipts at the wicket. The success of future sustainability depends on all of us doing our part.

SUSTAINABLE GROWTH CAPABLE LEADERSHIP

“Leadership is the capacity to translate vision into reality.” (*W Bennis*). SCU founders had a vision and it took leadership to make it a reality. To us, the word leadership means to serve, and we strive to keep the vision alive and serve the staff and members to the best of our ability.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2015, SCU continued down our path of sustainable growth in an environment of low interest rates, ever changing technologies with increased regulations and competition, all the while maintaining our exceptional member service delivery in a way that demonstrates our commitment to being stronger together. We had solid earnings, good gains from wealth management and growth in deposits, but slower growth in loans. We continue to seek opportunities to gain efficiencies in a manner that benefits our membership, employees and broader community. On the financial front, loan growth was \$154 million, an increase of 4.02%, and assets grew by \$326 million, a 7.36% increase, to a total of \$4.754 billion.

The landscape within the financial services industry in Canada is becoming increasingly competitive given the continued low interest rate environment, projected slow GDP growth, declining value of Canadian currency and increased regulatory requirements. We find ourselves in a new reality of slowing global growth. Maintaining a strong equity position will ensure that SCU weathers this storm and continues to prosper for years to come.

We strive to meet the needs of our members in an ever-changing fast paced world in the form of innovative products and services that deliver convenience and ease of use. In 2015 we introduced *Interac Flash*® enabled debit cards which allow members to make small purchases by simply waving their debit card over participating merchants POS terminals, without the requirement to enter their PIN.

Remembering to pick up US cash before leaving on a trip is one more thing you need to plan for. With this in mind, we launched US cash dispensing ATM

functionality in each branch, available to you when you need it, 24 hours a day, seven days a week. For your convenience, look for the signage that lets you know which ATM dispenses US cash. This feature is currently only available to SCU members and is a first for credit unions in Canada.

Paper consumption and usage is something that we are mindful of as it adds layers to the member service delivery experience and contributes to the growth of landfills. In addition to promoting e-statements, our journey continued with the introduction of electronic signature capture and the generation of electronic receipts in our Teller department. This journey will continue to unfold over the next several years as we strive to deliver better service in a more convenient and environmentally conscious manner.

We were extremely delighted and proud to open our new corporate office and branch in Steinbach this summer. Having all of our Steinbach staff in one location has contributed positively to our ability to serve our members better. We hope you enjoy your new credit union space.

I want to take this opportunity to thank the SCU Board, the Executive Leadership team and all the staff for their commitment and dedication to member service delivery. Your efforts on a daily basis contribute to the success of our credit union. To the membership of SCU I want to convey my sincerest thanks and gratitude for entrusting us to meet your financial service needs. Without you there would be no SCU. We are truly stronger together.



Glenn Friesen, Chief Executive Officer

2015 SCU EXECUTIVE LEADERSHIP TEAM



Glenn Friesen
Chief Executive
Officer

Don Loewen
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

Andy Alguire
Vice President
Information
Technology

Sharon McMahon
Vice President
Human Resources

SUSTAINABLE GROWTH IN YOUR NEIGHBOURHOOD

As SCU continues to serve our members in both the Steinbach and Winnipeg areas we continue to focus on what is important to you. We're in your community - what's important to you is important to us. We know that one of your biggest investments is the purchase of a home. SCU was here to aid many in making that step as comfortable as possible. In 2015, the lending portfolio grew by \$154 million. Members also know that SCU is the place to save and again this year SCU helped many members invest their dollars in what made sense for them. SCU also gave a competitive interest rate to those choosing to keep their money in a savings account. In 2015, deposits grew by \$238 million.





SCU
STORAGE CANAD INC.

SUSTAINABLE GROWTH WELCOME TO OUR NEW HOME





In July of 2015 all Steinbach SCU staff celebrated being under the same roof and we hope you are enjoying the new facility as well. In moving over to the new building we gained renewed energies in providing our members with the best services and attention possible. Since the beginning, members have recognized the quality of service SCU provides and, in 2015, supported and trusted SCU with an increase of 7.36% in total assets. This trust is not taken lightly and we look forward to another successful year ahead.

SUSTAINABLE GROWTH COMMUNITY



A tree grows stronger through time and SCU has also weathered the years and grown into a mature dependable financial institution. As we build our credit union we also build our communities. SCU supports many special events and projects that are imperative to a growing community. Helping those around us also comes naturally for the staff at SCU. In 2015 the staff generously donated time and energy raising funds, hosting events and volunteering for local charities. Because of a strong and caring membership and staff, SCU will sustain a level of growth that future generations can depend on.



SCU's FatCat® mascot encouraging participants in the Run at the Ridge event in Whyte Ridge. The race day culminates with an SCU sponsored Pancake Breakfast.

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**REPORT OF THE INDEPENDENT AUDITOR
ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

February 17, 2016



**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, 2015 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, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 17, 2016.

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, 2015 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

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SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	<i>December 31 2015</i>	<i>December 31 2014</i>
Assets		
<i>Funds on hand and on deposit</i>	\$ 45,843,415	\$ 25,543,221
<i>Investments</i>	618,362,696	490,353,944
<i>Loans to members</i>	3,983,717,978	3,829,789,210
<i>Income tax recoverable</i>	2,503,320	319,147
<i>Other assets</i>	6,528,616	7,285,282
<i>Investments in associates</i>	11,031,084	4,227,537
<i>Property, equipment and intangible asset</i>	85,118,483	68,487,149
<i>Deferred income tax assets</i>	884,875	1,884,875
	\$4,753,990,467	\$4,427,890,365
Liabilities		
<i>Members' deposits</i>	\$4,362,953,066	\$4,125,379,953
<i>Accounts payable</i>	20,081,264	22,173,467
<i>Secured borrowing</i>	66,175,771	2,543,923
	\$4,449,210,101	\$4,150,097,343
Equity		
<i>Members' shares</i>	\$ 422,745	\$ 415,265
<i>Retained surplus</i>	304,357,621	277,377,757
	\$ 304,780,366	\$ 277,793,022
	\$4,753,990,467	\$4,427,890,365

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

Approved by the Board of Directors



Director



Director

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SUMMARY CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31

	December 31 2015	December 31 2014
Income		
Interest from loans to members	\$ 131,722,992	\$ 134,370,825
Investment income	10,657,693	9,989,161
	<u>\$ 142,380,685</u>	<u>\$ 144,359,986</u>
Cost of funds		
Interest paid to members	\$ 71,782,909	\$ 73,260,403
Interest paid - other	402,134	57,559
	<u>\$ 72,185,043</u>	<u>\$ 73,317,962</u>
Financial margin	<u>\$ 70,195,642</u>	<u>\$ 71,042,024</u>
Operating expenses		
Administrative	\$ 14,984,707	\$ 13,279,845
Member security	3,893,950	4,065,466
Occupancy	4,061,689	3,633,854
Organizational	2,012,873	1,816,784
Personnel	26,553,704	25,798,064
	<u>\$ 51,506,923</u>	<u>\$ 48,594,013</u>
Less: Other income	19,385,336	20,629,257
	<u>\$ 32,121,587</u>	<u>\$ 27,964,756</u>
Net income before provision for doubtful loans, patronage refund and income taxes	<u>\$ 38,074,055</u>	<u>\$ 43,077,268</u>
Provision for (recovery of) doubtful loans	1,092,726	(30,900)
	<u>\$ 36,981,329</u>	<u>\$ 43,108,168</u>
Patronage refund	5,001,465	7,500,000
Net income before income taxes	<u>\$ 31,979,864</u>	<u>\$ 35,608,168</u>
Provision for income taxes	5,000,000	8,100,000
Net income and comprehensive income for the year	<u>\$ 26,979,864</u>	<u>\$ 27,508,168</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 year ended December 31

	Members' shares	Retained surplus	Total members' equity
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
Balance at January 1, 2014	\$ 403,500	\$ 249,869,589	\$ 250,273,089
Net income and comprehensive income for the year	-	27,508,168	27,508,168
Common shares issued, net of redemptions	11,765	-	11,765
Balance at December 31, 2014	\$ 415,265	\$ 277,377,757	\$ 277,793,022

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

NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

1. Basis of the summary consolidated financial statements

Management has prepared the summary consolidated financial statements from the December 31, 2015 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 online 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, 2015 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, 2015, which contain the information detailing the calculation.



SCU STEINBACH
333 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

scu.mb.ca

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