



Focused on you.



Annual Report 2013
STEINBACH CREDIT UNION

Focused on you.

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“I want financial products and services that help me achieve my goals.”

Just as we did over 70 years ago, the Steinbach Credit Union continues to focus on the financial well-being of our members. Our philosophy is this: simply listen to our members and provide what they want and need while ensuring growth for all. How do we do it? By staying focused on what our members are saying and doing; how they live their lives; what they want from a financial institution; and how they use the services we provide. This level of focus is unprecedented and has kept us at the forefront of the credit union movement in Manitoba. How is it working? Just ask any member.

President's Message

On behalf of the SCU Board of Directors, I am pleased to report that 2013 was an impressive year for Steinbach Credit Union. As a result of judicious investing, careful planning and a dedicated team of employees, SCU once again experienced growth in overall assets, loans, net income and members.

Our Linden Ridge branch celebrated its 10th anniversary on February 17th, 2013, and our Lagimodiere branch continues to provide us with steady growth. But our growth is not just limited to our branches. We've outgrown our current location in Steinbach, with corporate administrative staff now scattered among six satellite office locations throughout the city. It's long been the Board's vision to reunite our branch and head office functions into one location in the heart of Steinbach, and to that end, we'll soon have our 265 Steinbach-based staff together under one roof to more efficiently serve the close to 40,000 members who call this branch home. On June 27, 2013, sod was turned for the new branch and corporate office, signalling the start of construction on our six-storey, 95,000 square foot corporate and retail office.

In September of 2013, SCU hosted the Large Credit Union Conference (LCUC) which brings together the CEOs and

Board Chairs of the 14 largest credit unions in Canada. It was the first time SCU hosted this annual and important credit union event, during which we took an active role in helping to shape the direction credit unions will take in the next few years.

Throughout 2013, lending rates remained at historical lows, and while SCU is always there to help our members attain what they may need or want, we remain vigilant not to assume more risk than would be tolerable. With our safe guards in place SCU remains in a good position going forward.

After a few years of tougher times in the hog industry, hog prices have started to rebound and we remain cautiously optimistic about the industry's long-term health. 2013 was a good year to be a grain farmer in Manitoba as they reaped the country's biggest increase in farm cash receipts over the first nine months of this year.

As a new year begins, I extend many thanks to CEO Glenn Friesen and his Executive Leadership Team for their continued dedication; and a big thank you to every one of our staff for going above and beyond in providing members with unparalleled service. I send a special thank you to my fellow board members

whose wisdom and leadership have earned much respect. I also offer my sincere gratitude to every SCU member for giving me the opportunity to serve as President and Board Chair.

I have served as President for 16 years and it was truly an honour and a privilege to have served such a fine community. 2013 marks the end of my tenure as President, but I will continue to faithfully serve as your board member.



Ted Falk
Ted Falk, President

2013 SCU Board of Directors

“As a result of judicious investing, careful planning and a dedicated team of employees, SCU once again experienced growth in overall assets, loans and members.”



Ted Falk
President



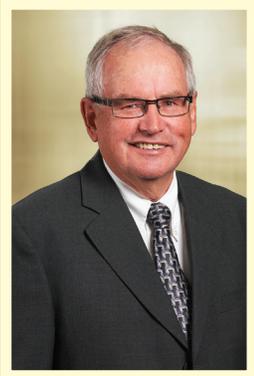
Reg Penner
First Vice President



Russ Fast
Second Vice President



Alan Barkman
Director



Sieg Peters
Director



Doris Martens
Director



Robert Dueck
Director



Henry Van de Velde
Director



Robert Penner
Director

Our members told us they want options; options for saving, investing and building their future and the future of those who are important to them. SCU offers a wide range of options including registered and non-registered investments and TFSAs, and some of the best savings accounts that pay interest from dollar one. It's all brought together by an experienced team of managers and planners who are continually focused on our members. It's a big reason why in 2013, SCU saw its deposits increase by over \$161 million.

“ I think about retirement all the time... now that I don't have to think about how I'll get there. ”





“Flexibility is key to me. I need access to my accounts at anytime from anywhere.”

Throughout 2013, SCU continued to set the pace in new product and service offerings. Further advancements in mobile banking allow members, both individual and business, to do virtually all their banking from their mobile device or computer. Send and transfer money electronically, get account balances and view activity, receive alerts when account activity takes place... all of this and more can be done from wherever members may be. Ding free[®] ATM service across Canada makes it more affordable to get cash, World Elite MasterCard[®] provides another option to make it more convenient.

CEO's Message



In 2013, SCU continued to focus on its members, providing innovative products along with the unparalleled level of service for which we are famous. As always, this was the key to achieving our leading position in customer satisfaction for financial institutions, while remaining Manitoba's largest credit union. On the financial front, loan growth was over \$386 million, an increase of 12%, and assets grew by just over \$201 million, a 5% increase, to a total of \$4.164 billion. For new products, we improved the clarity and consistency of our Customer Automated Funds Transfer processes, and we launched the new SCU Choice Rewards World Elite MasterCard®.

But by far the most change came in the online and digital world. In June, Small Business Online Banking was offered to our small business members, providing easy administration and user-friendly functionality. And our new in-house personalized cheque printing service means members can have their cheques printed while they wait.

In December, the Steinbach Credit Union Mobile App began providing members with a more convenient way to access online banking. The new app is currently available for iPhone, iPod and iPad, with development for Android devices already underway.

In April, we launched a new way to guard against on-line fraudulent activity. Our Direct Alerts service allows members to receive notification via email, text or both, when activity has occurred within their online banking accounts.

In May, we introduced Trusteer Rapport, a free downloadable security software application designed to protect our members from browser-based fraud when they are connected to MemberDirect™ online banking.

Members may have also noticed a change in the SCU branch experience in 2013 as we implemented PIN pads at the teller stations. Members with

CHIP cards are now able to input their PIN in complete and secure privacy, no longer having to verbalize their private information.

A huge part of being focused on our members and our staff is our willingness to listen which really comes through in member satisfaction surveys. 80% of our members rank SCU a 9 or 10 out of 10 and a full 82% of members indicate that they would refer SCU to their family and friends. These are tremendous stats of which we can all be proud.

Due to the continued and combined efforts of a dedicated staff, 2013 was a very prosperous year. Once again I thank the SCU Board, the Executive Leadership Team and all the staff for the unwavering commitment and enthusiasm in all they do. And to every SCU member, I offer a special note of thanks. Your continued support and trust makes all of us truly proud, and makes the job we do so worth while.

A handwritten signature in black ink, appearing to read 'Glenn Friesen'. The signature is stylized and fluid, with a long horizontal stroke at the end.

Glenn Friesen, Chief Executive Officer

2013 Executive Management Team

“A huge part of being focused on our members is our willingness to listen.”



Glenn Friesen
Chief Executive Officer



Don Loewen
Chief Financial Officer



Andy Alguire
Vice President
Information Technology



Tim Friesen
Vice President
Risk



James Gosselin
Vice President
Corporate Lending



Celina Philpot
Vice President
Corporate Development



Donna Wankling
Vice President
Marketing



“ ”

“ I want to know
I can count on
a helping hand
when I need it.”

SCU is here to help its members. It's the focal point of everything we do. When a member needs a helping hand for a home, cottage, vacation property, car, boat or an education... we find a way to get it done. A wide range of lending options and products are available and all decisions are made right here in Manitoba. By focusing on our members' needs, we were able to increase our lending by 12% in 2013.

The things that matter to our members, matter to us. In 2013, we continued our support of the communities in which our members live. Corporate contributions and volunteer work by our staff helped bring success to a variety of local activities and causes throughout Manitoba. And as always, we kept an eye on the future and what may benefit everyone who belongs to SCU. We found different options and new products and expanded our services to keep SCU one of the highest ranked financial institutions in the country. We kept the pace and maintained a balance between what's out there and what our members actually want. The end result? **We are stronger... together.**

“ I support companies that support my community and adjust to the changes in my life.”





Report of the Independent Auditor on the Summary Consolidated Financial Statements

January 27, 2014

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, 2013 and the summary statements of net income and comprehensive income, and changes in members' 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, 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated January 27, 2014.

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, 2013 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

As at December 31

	December 31 2013	December 31 2012
Assets		
Funds on hand and on deposit	\$ 4,730,791	\$ 101,029,764
Investments	498,615,245	593,016,862
Loans to members	3,602,119,455	3,215,922,205
Other assets	3,646,914	3,209,572
Investments in associates	5,156,595	5,439,857
Property, equipment and intangible asset	47,908,648	42,600,298
Deferred income tax assets	2,034,875	1,305,875
	<u>\$ 4,164,212,523</u>	<u>\$ 3,962,524,433</u>
Liabilities		
Members' deposits	\$ 3,887,829,040	\$ 3,726,267,293
Line of credit payable	8,272,333	-
Accounts payable	13,586,529	12,983,718
Income tax payable	4,251,532	791,106
	<u>\$ 3,913,939,434</u>	<u>\$ 3,740,042,117</u>
Members' Equity		
Members' shares	\$ 403,500	\$ 388,170
Retained surplus	249,869,589	222,094,146
	<u>\$ 250,273,089</u>	<u>\$ 222,482,316</u>
	<u>\$ 4,164,212,523</u>	<u>\$ 3,962,524,433</u>

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

Approved by the Board of Directors


Falk.
Director


Doris Martens
Director

Summary Consolidated Statement of Net Income and Comprehensive Income

For the year ended December 31

	2013	2012
Income		
Interest from loans to members	\$ 125,148,470	\$ 118,351,967
Investment income	13,012,870	13,868,389
	<u>\$ 138,161,340</u>	<u>\$ 132,220,356</u>
Cost of funds		
Interest paid to members	\$ 70,458,648	\$ 73,537,804
Interest on line of credit	11,975	-
	<u>\$ 70,470,623</u>	<u>\$ 73,537,804</u>
Financial margin	<u>\$ 67,690,717</u>	<u>\$ 58,682,552</u>
Operating expenses		
Administrative	\$ 13,841,304	\$ 12,789,514
Member security	4,325,051	3,556,705
Occupancy	3,652,010	3,787,055
Organizational	1,902,908	1,817,440
Personnel	25,512,481	24,284,877
	<u>\$ 49,233,754</u>	<u>\$ 46,235,591</u>
Less: Other income	19,218,791	17,966,541
	<u>\$ 30,014,963</u>	<u>\$ 28,269,050</u>
Income before provision for doubtful loans and income taxes	<u>\$ 37,675,754</u>	<u>\$ 30,413,502</u>
Provision for doubtful loans	2,379,311	1,772,217
Income before income taxes	<u>\$ 35,296,443</u>	<u>\$ 28,641,285</u>
Provision for income taxes	7,521,000	3,485,000
Net income and comprehensive income for the year	<u>\$ 27,775,443</u>	<u>\$ 25,156,285</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, 2013	\$ 388,170	\$ 222,094,146	\$ 222,482,316
Net income and comprehensive income for the year	-	27,775,443	27,775,443
Common shares issued, net of redemptions	15,330	-	15,330
Balance at December 31, 2013	\$ 403,500	\$ 249,869,589	\$ 250,273,089
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

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

Notes to Summary Consolidated Financial Statements

December 31, 2013

1. Basis of the summary consolidated financial statements

Management has prepared the summary consolidated financial statements from the December 31, 2013 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, 2013 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, 2013, which contain the information detailing the calculation.

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

STEINBACH

- Clearspring Mall

WINNIPEG

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

www.scu.mb.ca



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