

2019 ANNUAL REPORT

Where smart money grows

A photograph of a woman with long brown hair smiling warmly and kissing a young child with blonde hair on the cheek. The woman is wearing a grey sweater and a dark jacket. The child is wearing a dark jacket. The background is softly blurred, suggesting an outdoor setting with trees.

SSCU

WHERE SMART MONEY GROWS®

Table of contents

4	Choose your best financial future
6	Success by the numbers
8	Message from the CEO
9	Executive team
10	Board team
11	Message from the Board Chair
13	SCU savings
14	SCU lending
16	SCU wealth
18	SCU business
20	Completed projects
22	Community: Going above & beyond
24	An award winning year
27	Financials

SCU is Where Smart Money Grows

We are the financial institution for members who want to make smart decisions with their money, who are on a journey toward their best financial future. That journey becomes easier when they have a financial partner in their corner – one who is passionate about helping them achieve their goals and who can offer both options and guidance to make the best decisions.

Choose your best financial future

SCU has always believed that in order to build a successful organization, we simply need to guide our members and help them make smart decisions with their money.

Through our specialized model, where employees are focused on key areas of member service, we can provide expert guidance to members for day-to-day banking, lending, saving, and investing. When combined with our highly competitive rates, and custom solutions for unique members, we offer the right mix of service and products to help our members meet their needs and goals.

The result? Phenomenal new membership growth and a strong referral base of existing members who refer their closest friends and family. One member at a time, we're finding ways to help our members build their best financial futures, and in turn they are honouring us with their trust and loyalty. After all, it's our members who make us great.

If you'd like to hear our members' own words about how we've helped them build their best financial future, please visit our website: scu.mb.ca/memberstories. There, you'll find two inspired-by-a-true-story videos that came from our members, talking about how SCU helped them take the next smart step in their financial journeys.

Success by the numbers



94,790

NUMBER
OF MEMBERS



7,859

NEW MEMBERS
2019



17.22%

ASSET
GROWTH



18.06%

DEPOSIT
GROWTH



9.51%

LOAN
GROWTH



Message from the CEO

I am incredibly proud of the work we've accomplished in 2019, and the strides we've made in setting SCU up for many more years of success. In a period of rapid change, we remain committed to adapting and evolving to meet our members' ever-changing needs, while maintaining our breadth of exceptional services that ensure we are serving every member in the way they prefer.

This has been a year of strong membership growth, with the addition of 7,859 new members in 2019 alone. Our strong membership growth is the reflection of a need we fill in the market – a financial institution that truly helps our members get more from their money. What's more, fifteen percent of those new members were referred by our existing members. We are incredibly honoured by this resounding support from our members who entrust us by referring their closest friends and family.

Our stability as an organization is an important contributor to SCU's success, particularly in a changing market. Members know what they can expect from us – great rates and sound advice – and they choose us because they know we will guide them in making wise decisions with their money. As a result, we delivered a strong fiscal performance and made tremendous gains in our loan and deposit portfolios this year. This year, our loan portfolio grew 9.51%. Excluding an extraordinary year end deposit, which we know will only be temporary, deposit growth still hit a very solid 12.29%. I'm also pleased to announce that in May, for the first time ever we achieved deposit growth of \$100M in a single month.

In order to remain successful, we are committed to being highly responsive, offering our members more choice, greater convenience, along with the guidance they need to successfully navigate their financial journey.

As an organization, we believe in making prudent investments that set us and our members up for success. This year, we introduced

a number of new products and services that have provided new options for our members. We launched a new website that makes it easier than ever for people to connect with our products and services, and for potential members to see the value of choosing SCU. We also introduced our StudentFLEX™ line of credit as an affordable way for our members to finance their education.

For 2020 and beyond, we will continue to invest in our employees and their training, focusing on continual improvement to serve our members in the best way possible.

This year, we will continue exploring options to update our Linden Ridge branch. The oldest of our three branches, the building has served us well over the years. However, with older buildings come challenges that we will need to address. As we experience strong membership growth and new business particularly in the Linden Ridge area, we have simply outgrown the space, and are in the early planning stages of rebuilding the branch. A new Linden Ridge branch will provide us an opportunity to better serve our current and future members, while also providing enhanced working conditions for our employees.

In closing, I want to take this opportunity to thank the SCU Board of Directors, the Executive Leadership Team, and all of our employees for your hard work and dedication. To our members, I extend my sincere gratitude for your trust, commitment, and loyalty to SCU. We will continue to focus on serving each of you, one member at a time, with the right products and services that fit your unique needs and financial goals.



Glenn Friesen, Chief Executive Officer

2019 Executive Leadership Team



GLENN FRIESEN
Chief Executive Officer



AMANDA PETERS
Chief Financial Officer



CELINA PHILPOT
Chief Retail and
Brand Officer



JAMES GOSSELEIN
Chief Corporate
Sales Officer



TIM FRIESEN
Chief Risk Officer



ANDY ALGUIRE
Chief Information and
Technology Officer



SHARON McMAHON
Chief Human
Resource Officer

2019 Board of Directors



REG PENNER
Chairman



HENRY VAN DE VELDE
First Vice-Chair



MARIA REIMER
Second Vice-Chair



DORIS MARTENS
Director



ROBERT DUECK
Director



ROBERT PENNER
Director



BRUCE PENNER
Director



CHRIS GOERTZEN
Director

Message from the Board Chair

This year marks a new decade – a time to look back and celebrate our successes while looking forward to what we hope to accomplish within the next ten years.

In my more than 19 years on the Board of Directors, I've witnessed SCU's tremendous year-over-year growth. Our work to deliver strong fiscal performance and exceptional organizational efficiency has given us a distinct competitive edge, where we are able to offer some of the best savings rates in the market, while ensuring lending rates remain affordable. As a result, we've seen solid membership growth as we continue to attract new members.

Once they experience SCU, our members learn that even more than our great rates, our team of deposit specialists and lending experts offer guidance and advice as they buy their homes, invest for their futures, or set their children on a path to financial success of their own. We are honoured to be entrusted to serve this role in their lives. After all, we understand it's our members who make us great.

This means when our members talk, we listen – and respond – because we understand that with our members' valuable feedback, we are able to implement impactful and meaningful change that makes their lives easier, and makes us stronger as an organization.

This year, we introduced both Samsung Pay® and Google Pay™, creating a full mobile wallet suite that serves both Apple® and Android™ users. In addition, we became one of the first financial institutions in Manitoba to introduce an online lending portal where our members can apply for loans of up to \$35,000 completely online.

As we move into 2020, we will continue to invest in the technology, products, and services that make a difference for our members. This coming year, one area of focus will be further enhancing our digital offering by updating both our mobile and online banking platforms.

An important part of continued membership growth is ensuring we're meeting the needs of our youngest members. To that end, this year we'll be enhancing four of our youth accounts, and adding a new account to our suite of youth products. This updated line of products will provide our young members with more options, along with a focus on providing digital banking services that meet their needs.

Our efforts to serve our community have been recognized. I am thrilled to announce that SCU was named Outstanding Large Business by the Steinbach Chamber of Commerce. We were named amongst a group of highly regarded nominees for demonstrating fiscal success and excellence in growth and stability, quality of product and service, human resource practices, and our commitment to community. I'd like to sincerely thank the Steinbach Chamber of Commerce for this recognition.

This year marked a few changes with our Board of Directors. Amanda Peters has joined SCU as the Chief Financial Officer, stepping down from the SCU Board of Directors so that she can serve SCU in this new capacity. Robert Dueck worked for SCU for over 26 years, transitioning through a variety of roles with increasing leadership responsibilities before pursuing opportunities in the broader Steinbach market. He re-joined SCU in 2011 as a Director on the SCU Board of

Directors to share his depth and breadth of experience with us. This year marks the end of Robert's term. The Board of Directors wishes to sincerely thank both Robert and Amanda for their continuous support of SCU.

In addition, Russ Fast retired after twenty three and a half successful years of service on the SCU Board of Directors. In addition to the SCU Board of Directors, he has served on numerous credit union boards including the Credit Union Central Board of Canada, the Credit Union Central of Manitoba Board, Credential Financial Inc. Board, and the CUMIS group board. Through his leadership and passionate advocacy for the credit union system, Russ has helped the system make great strides forward. On behalf of the SCU Board of Directors, we wish to thank Russ for his many contributions. He leaves a lasting legacy through his commitment to service of the credit union system and his strategic leadership. He has helped shape our direction, and as a result of our work together over the past two decades, we are poised to continue to serve our members with a strong strategic vision.

I am deeply grateful for being given the opportunity to serve as the Chair for the SCU Board of Directors. On behalf of the entire Board, I extend sincere thanks to SCU's CEO, Glenn Friesen, the entire Executive Leadership Team, and the employees of SCU for their hard work, dedication, and tireless enthusiasm for going above and beyond for our members.

Reg Penner, Chairman



Save smarter, not harder

Our members make smart decisions with their money, because they want their money to work for them. They understand the value of hard work and sacrifice in reaching a goal, and they know that working with SCU means they can maximize their savings.

Saving smarter means working with a financial institution that offers highly competitive rates, along with unique savings solutions and trusted advice from a team of specialists. This can be as simple as helping our members choose the best savings product to meet their goals, or working with them to develop a complex financial plan for their retirement.

We are the financial institution for people who want to grow their savings.

 This year, our deposit portfolio grew by **18.06%**

We paint with the numbers, not by the numbers

Each of our members is unique, with distinct and clear goals for their future. Our full suite of lending options helps them get the most from their money, with competitive rates and flexible repayment options that keep their borrowing needs affordable.

What truly sets us apart is the depth of knowledge of our lending team, along with their passion to guide our members in making wise borrowing choices. SCU's lending team provides members with lending solutions that meet their immediate needs, and set them up for future financial success.

Our lending specialists have the ability to paint *with* the numbers, not *by* the numbers, providing them with options and creating custom solutions that meet their unique needs.

So whether our members are buying a home, or have specialized plans such as building a dream cottage, renovating their space, or if they have an entrepreneurial spark to own rental properties - we have the expertise to create custom solutions that help them achieve their goals.



This year, our loan portfolio grew by **9.51%**



Build your best financial future

Everyone defines success differently. For some, it may be retiring to a warm climate for several months a year, for others it may be enjoying an early retirement to spend more time with family. No matter how our members define success for themselves, we offer a robust wealth offering to help them make wise investment choices that can help them build a plan to achieve their lifetime goals.

We believe everyone can benefit from working with a financial advisor. Regardless of how a member wants to invest, our experienced wealth team is ready to provide advice to every level of investor, and empower them to take the next step.

In addition to working with an advisor, some members may also choose to blaze their own trail. We continue to offer strong digital investing options for those members who want to take control of their investments.

Smarter business banking

Our business members make our communities great, offering important products and services that people need, along with meaningful employment opportunities that help families thrive. Building a successful business starts with a strong financial backbone that supports growth, weathers the storms, and provides business owners with the financial means to make dreams a reality. As a partner to business of all sizes, we offer expertise and guidance to help them take the next step.

Agricultural Business: We are proud to be the largest agricultural credit union in Manitoba. As a long-standing supporter of the agricultural community, our members rely on our consistent commitment to their needs. Members have rewarded us with their loyalty – this has been a year of prosperity and growth in our Agriculture portfolio, which grew in excess of 9.62% in 2019.

Small Business: The Manitoba small business community is vibrant and growing. Operating with a renewed commitment to small business has meant we've seen good small business membership growth in all three of our branches, reflected by the robust and diverse business segments we serve.

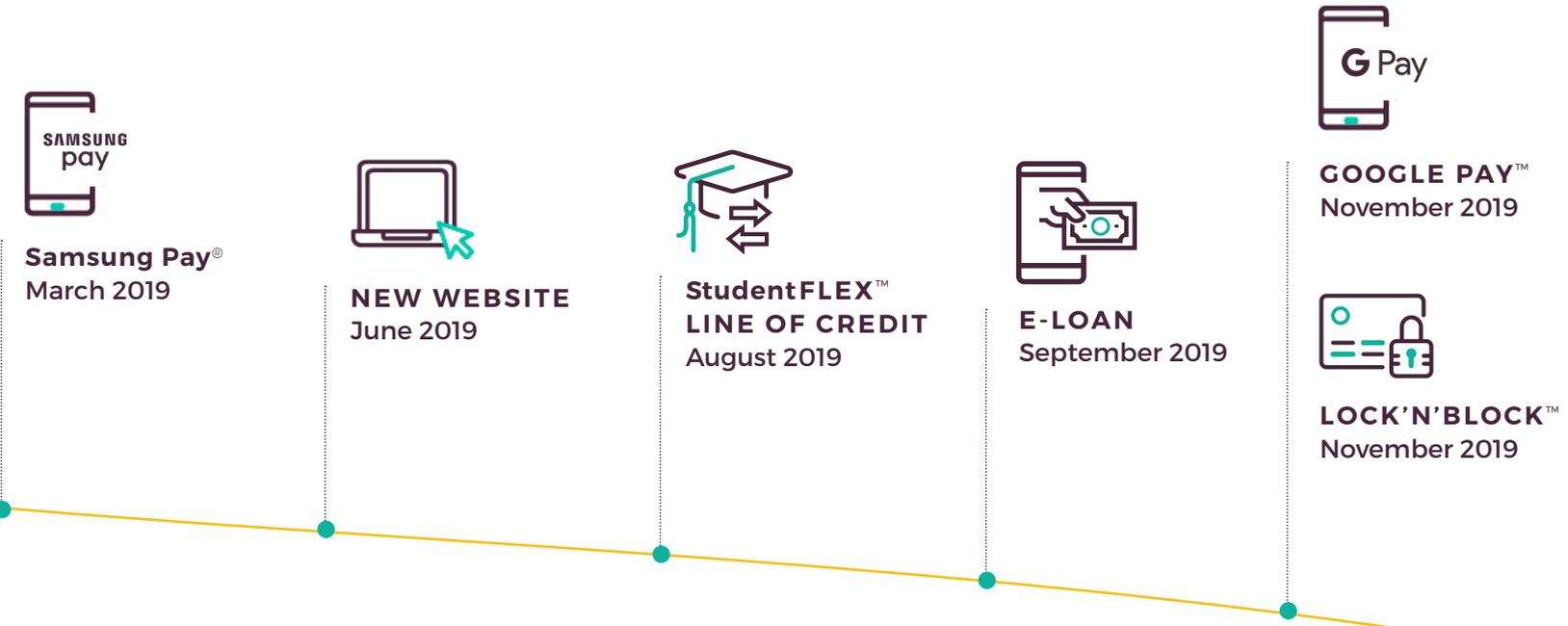


Completed projects

As an organization, we are committed to being responsive to our members' needs. Our investment in digital technology enhances our full suite of products and services, ensuring all members have easy access for their banking needs.

This year, we introduced a number of digital solutions to simplify how banking gets done: a start-to-finish online loan portal, new mobile wallet offerings, a brand new line of credit for students, and technology to help protect your *MEMBER CARD*® debit card.

In 2020 and beyond, we'll continue to bring new ideas to life, keeping pace with technology while ensuring we protect the safety and security of our organization and our members.



Going above & beyond for our community

Serving our community doesn't stop in our branches. Throughout the year, we proudly sponsor many special events and initiatives that help connect our communities. While too many to name, our involvement includes Summer in the City, Assiniboine Park Conservancy and Steinbach movies in the park, charity BBQs, and financial literacy presentations.



Let it Shine

Since 2016, SCU has run Let it Shine, an initiative that puts corporate giving into the hands of employees. With a modest amount of money in hand, employees are challenged to seek out random acts of kindness, finding that one moment where the act of giving can make a difference in someone's life. Since its launch, our employees have shared Let it Shine moments with 520 people in our community. To see our employee's stories, visit scu.mb.ca/Let-It-Shine

Share the Light

Donating to local charities over the Christmas season is a long-standing SCU tradition. For the third year in a row, we turned to our social media followers to help us identify deserving charities that really make an impact in our communities. From the list of the many deserving charities, we chose two to receive a cash donation: Steinbach Family Resource Centre and Rise Above Bursaries for Single Parents.

Charity Committee

Our employees go above and beyond for our members every day. They also generously donate time and energy to raise funds, host events, and volunteer for local charities, both personally and as part of our employee-run Charity Committee. This year, the Charity Committee raised more than \$28,000 for charity!

An award-winning year

Each year, the Steinbach Chamber of Commerce hosts an award gala, recognizing corporate and individual achievements in serving our Steinbach community. We attended the gala evening in September and were thrilled to be named Outstanding Large Business.

Thank you to the Steinbach Chamber of Commerce for this recognition. We are honoured to be named alongside all of the evening's nominees and winners, each of whom has had a tremendous impact in our Steinbach community.



**A heartfelt thank
you to the Steinbach
Chamber of Commerce
for this recognition.**



2019 Summary Consolidated Financial Statements

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Steinbach Credit Union Limited

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2019, and the summary consolidated statements of net income and comprehensive income and statement of members' equity for the year then ended, and related notes, are derived from the audited consolidated financial statements of Steinbach Credit Union Limited and its subsidiaries (the "Credit Union") for the year ended December 31, 2019.

In our opinion, the accompanying summary consolidated financial statements are a fair summary of the audited consolidated financial statements, on the basis described in Note 1 to the summary consolidated financial statements.

Other Matter

The comparative figures as at December 31, 2018 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion in their report dated February 25, 2019.

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 24, 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 to the summary consolidated financial statements.

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 Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Winnipeg, Manitoba
February 24, 2020

MNP LLP

Chartered Professional Accountants

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31

Assets

Funds on hand and on deposit
Investments
Loans to members
Other assets
Investments in associates
Property, equipment and intangible assets
Deferred income tax assets

Liabilities

Members' deposits
Accounts payable
Income tax payable
Secured borrowing
Deferred income tax liabilities

Equity

Members' shares
Retained surplus

	2019		2018
Funds on hand and on deposit	\$ 31,324,417	\$	25,775,484
Investments	1,057,909,626		542,290,182
Loans to members	5,742,268,131		5,243,677,449
Other assets	7,524,556		5,302,203
Investments in associates	16,709,611		17,515,887
Property, equipment and intangible assets	77,983,639		77,877,450
Deferred income tax assets	-		2,884,875
	<u>\$ 6,933,719,980</u>	\$	<u>5,915,323,530</u>
Members' deposits	\$ 6,314,452,456	\$	5,348,441,092
Accounts payable	34,477,728		20,175,470
Income tax payable	371,240		760,638
Secured borrowing	155,229,483		149,682,034
Deferred income tax liabilities	2,315,125		-
	<u>\$ 6,506,846,032</u>	\$	<u>5,519,059,234</u>
Members' shares	\$ 473,950	\$	457,620
Retained surplus	426,399,998		395,806,676
	<u>\$ 426,873,948</u>	\$	<u>396,264,296</u>
	<u>\$ 6,933,719,980</u>	\$	<u>5,915,323,530</u>

Approved by the Board of Directors


Director


Director

A full set of audited financial statements is available from the Credit Union

SUMMARY CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

For the year ended December 31

	2019		2018
Income			
Interest from loans to members	\$ 205,639,126	\$	177,876,520
Investment income	20,384,218		14,014,980
	\$ 226,023,344	\$	191,891,500
Cost of funds			
Interest paid to members	\$ 134,160,795	\$	104,683,847
Interest paid – other	3,130,301		2,048,976
	\$ 137,291,096	\$	106,732,823
Net interest income	\$ 88,732,248	\$	85,158,677
Credit impairment losses	(3,130,907)		(4,468,053)
Other income and fees	22,344,720		22,826,472
Net other operating income	\$ 107,946,061	\$	103,517,096
Operating expenses			
Administrative	\$ 16,223,204	\$	16,134,539
Member security	5,049,822		4,533,186
Occupancy	5,828,532		5,446,908
Organizational	2,215,127		2,243,976
Personnel	29,926,346		28,119,014
	\$ 59,243,031	\$	56,477,623
Net income before patronage refund and income taxes	\$ 48,703,030	\$	47,039,473
Patronage refund	8,009,708		7,516,082
Net income before income taxes	\$ 40,693,322	\$	39,523,391
Provision for income taxes	10,100,000		7,530,000
Net income and comprehensive income for the year	\$ 30,593,322	\$	31,993,391

A full set of audited financial statements is available from the Credit Union

SUMMARY CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

For the year ended December 31

	Members' shares	Retained surplus	Total members equity
Balance at January 1, 2018	\$ 441,790	\$ 363,813,285	\$ 364,255,075
Net income and comprehensive income for the year	-	31,993,391	31,993,391
Common shares issued – net of redemptions	\$ 15,830	\$ -	\$ 15,830
Balance at December 31, 2018	\$ 457,620	\$ 395,806,676	\$ 396,264,296
Balance at January 1, 2019	\$ 457,620	\$ 395,806,676	\$ 396,264,296
Net income and comprehensive income for the year	-	30,593,322	30,593,322
Common shares issued – net of redemptions	16,330	-	16,330
Balance at December 31, 2019	\$ 473,950	\$ 426,399,998	\$ 426,873,948

A full set of audited financial statements is available from the Credit Union

Notes to Summary Consolidated Financial Statements

December 31, 2019

1. Basis of the summary consolidated financial statements

Management has prepared the summary financial statements from the Credit Union's December 31, 2019 audited consolidated financial statements which can be obtained at the Credit Union 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.

2. Compliance with minimum capital and liquidity requirements

The Credit Union is in compliance with the capital and liquidity reserve requirements at December 31, 2019 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, 2019, which contain the information detailing the calculation.

BRANCH LOCATIONS

333 Main St
Steinbach, MB R5G 1B1
204.326.3495

2100 McGillivray Blvd
Winnipeg, MB R3Y 1X2
204.222.2100

1575 Lagimodiere Blvd
Winnipeg, MB R3W 0B9
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 St, Steinbach
1575 Lagimodiere Blvd, Winnipeg

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