

2022 ANNUAL REPORT

Explore the possibilities



EXPLORE THE POSSIBILITIES™

“Your goals are the road maps that guide you and show you what is possible for your life.”

LES BROWN

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Explore the possibilities

In 2022, SCU helped members explore the possibilities by providing the products, services, and trusted advice they need on their journey of saving and spending wisely. That journey became more manageable because they had a financial partner in their corner — one who is passionate about helping them achieve their goals and make the best decisions about their money.

SCU remained agile and responded to the shifting needs of our members. We supported the financial well-being of our members and, together, navigated an ever-changing economic landscape. We delivered custom solutions tailored to meet members' needs and showed them what's possible so they can reach their goals and live their best financial future.

Embrace the possibilities

We learn from our past, build on our present, and explore opportunities for the future.

Anything can happen when you embrace the possibilities. As gathering and travel restrictions faded this year, many members were ready to dream again. Whether it was travel, renovations, family gatherings, or that cottage by the lake, members wanted to get the most from their money and embrace all of life's opportunities.

Our decades of experience and knowledge helped us guide members through custom-tailored options that help build a bridge between pipedream and possible.



Success by the numbers.



106,173

TOTAL MEMBERS



7,708

NEW MEMBERS



9.35%

ASSET GROWTH



6.61%

DEPOSIT GROWTH



8.75%

LOAN GROWTH



2022 Board of Directors



MARIA REIMER
Board Chair



BRUCE PENNER
First Vice-Chair



CHRIS GOERTZEN
Second Vice-Chair



DORIS MARTENS
Director



HENRY VAN DE VELDE
Director



JEREMY HILDEBRAND
Director



JAYSON BARKMAN
Director



BONNIE GOERTZEN
Director



KRIS PLETT
Director

Message from the Chair

In 2022, our consumer and business members were impacted by inflation and increased interest rates on both deposits and loans. In an environment of frequent change, SCU responded by remaining focused on meeting the needs of our members. We met daily challenges with agility and resolve, continuing to provide products, services, and dependable advice to members during a time of need and uncertainty. The same determination, integrity, and purpose of serving members that drove the founding of SCU more than 80 years ago, continues to guide the organization today.

During my tenure on the Board of Directors and through my second year as Board Chair, I have witnessed significant growth and change within the organization. We have risen to the challenge of that growth and change by being nimble and adaptable but at the same time holding firm to our purpose of serving our community's needs first and foremost, one member at a time. As we move into 2023 and beyond, we will continue to adapt the way we conduct business to help members explore their possibilities through more avenues than ever before. We're committed to evolving our current product and service offerings and investing in technologies that enhance member experience in-person, online, and through our Member Contact Centre.

The competitive landscape has also changed due to mergers and acquisitions. Since 2020, the number of credit unions in Manitoba decreased from 24 to 19. As a result, SCU is now the second largest credit union in Manitoba by assets and remains in the top 10 in Canada. Within the

Manitoba market, SCU is in a unique position, never having merged during our history. Our focus on strong performance and organizational efficiency has allowed us to remain financially strong. In 2022, SCU welcomed 7,708 new members, increasing our net membership growth to over 106,000, while also increasing our assets to over \$9.1 Billion. SCU holds a long-standing record of delivering strong fiscal performance year-over-year. I am pleased to report that 2022 was no exception. This growth is a testament to our members continued confidence in us.

I want to thank our CEO Glenn Friesen for his continued commitment and dedication to SCU, the Executive Leadership team, and all the employees for their enthusiasm, expertise, and energy they bring to SCU every day. A special thank you goes to my fellow Board Members for their service. I am grateful for the opportunity to represent our members and serve as the Board Chair. I also offer my sincere appreciation to every SCU member. Thank you for your continued patronage and support.

Maria Reimer, Board Chair

Message from the CEO

Each year at this time, we take a moment to reflect on the year that was and explore the possibilities ahead. When I reflect on 2022, the word that comes to mind is change. No one could have predicted rates would have risen so quickly and frequently. We went into the year unsure of what to expect economically following two years of pandemic restrictions. After years of low rates, particularly during the height of Covid, 2022 began much the same way 2021 ended. The Canadian economy was flush following massive government relief expenditures, housing prices and consumer spending remained high and interest rates were at historic lows.

Logistical issues continued to impact the global supply chain, leading to shortages, rising prices for everyday consumer goods, and decreased buying power for consumers and businesses as inflation rose. The damage caused by the invasion of Ukraine continues to shock the world. The human tragedy and property destruction is devastating for Ukrainians. All these factors combine to affect international markets and a global economy in a post-pandemic recovery.

In an effort to cool the Canadian economy and slow the rate of inflation, the Bank of Canada initiated seven policy interest rate hikes over the year, pushing interest up on both saving and borrowing for consumer and business members. SCU responded quickly by adjusting our rates to remain competitive in the market. We continued the pursuit of financial balance and stability in a year of great challenges. The impact on lending, deposits, and investments was felt by both consumer and business members. From years of low lending rates to some of the highest we've seen in recent decades, borrowers sought advice and support to prepare and adjust to repeated increases by the Bank of Canada. The increased borrowing costs impacted purchasing higher value items, particularly housing. For savers who withstood years of low-interest rates, the change in direction was a welcome relief and an opportunity to get more from their savings.

Despite all the challenges and changes we've faced over the last number of years, what has never changed is our commitment to helping members meet their financial goals and navigate the road ahead together — whatever it may be. We continued to support business members who benefited from the Government of Canada CEBA loan program introduced in 2020. As the program has ended, our focus shifted to helping members repay the loan before the end of 2023 to ensure they receive the maximum benefit possible from the program.

Our stability as an organization is essential to our 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 on their journey of saving and spending wisely.

Delivering products and services that meet the needs of our members today while also preparing them for what's possible tomorrow, has always been our priority. If one thing is clear, it's that people expect more from businesses today than ever before. Over the last couple of years, digital transformation and the demand for digital solutions have accelerated. In this period of rapid change, SCU remains committed to adapting and evolving to meet the needs of our members while maintaining our breadth of services and ensuring we serve every member in the way they prefer.

Each year, SCU invests in projects and initiatives to support the banking needs of our members. It's been a busy year at SCU. We've completed numerous projects that improve our products, services, and internal processes. We improved our telecommunications services for those who call our Member Contact Centre and expanded the use of DocuSign to allow members to conduct business from the comfort of their home.

We initiated the first phase of our Customer Relationship Management (CRM) implementation. When complete, the CRM will assist in delivering an enhanced experience for members. Our commitment to digital banking continued this year through improvements made to user experience and the stability of the platform. And finally, we launched a new website that makes it easier for people to connect with our products and services and for potential members to see the value of choosing SCU.

Our success is in no small part due to you, our loyal members. Because of your commitment, trust, and continued support, we delivered a steady fiscal performance in our loan and deposit portfolios. In 2022, our loan portfolio grew by 8.75%, and our deposit portfolio grew by 6.61%. Our assets increased 9.35% in 2022 to a new high of over \$9.1 billion. SCU is dedicated to being highly responsive to our members, providing more choice and convenience in selecting the products, services, and guidance they want to successfully navigate their financial journey.

I want to thank the SCU Board of Directors for their ongoing support. I also wish to acknowledge our Executive Leadership team for their tireless efforts in supporting our employees' and members' needs. And a sincere thank you to our employees for their unwavering dedication to serving members during another extraordinary year.

And to our members, thank you for your continued support, trust, and loyal dedication to SCU. It's our members who make us great.



Glenn Friesen, Chief Executive Officer

2022 Executive Leadership Team



GLENN FRIESEN
Chief Executive Officer



AMANDA PETERS
Chief Financial Officer



CELINA PHILPOT*
Chief Retail and
Brand Officer



JAMES GOSSELIN
Chief Corporate
Sales Officer



TIM FRIESEN
Chief Risk Officer



ANDY ALGUIRE
Chief Information and
Technology Officer



STACEY MCLEISH
Chief Human
Resources Officer

**Departed in October 2022*



Save for the possibilities

Our members make wise decisions with their money because they want their money to work for them. They understand the value of hard work and perseverance, and depend on SCU to provide the right advice at the right time. This year, saving meant weathering lower interest rates as the year began and riding a wave of increased rates as the year came to a close.

Despite an unpredictable interest rate environment, we remained competitive across all savings products. We continued to provide members with guidance and advice on saving wisely, along with the comfort of knowing that SCU will always be there to help them do more with their money.



SCU's deposits grew by
6.61%

Customize the possibilities

We built our custom-designed mortgages around the needs and priorities of our members, recognizing that everyone is unique and a mortgage that's a perfect fit for one isn't always the right fit for the next. Our full suite of lending options helped members get the most from their money, with competitive rates and flexible repayment options that kept their borrowing needs affordable.

Our continuing commitment to guide members in making wise borrowing decisions regardless of the rate environment helped them navigate rising interest rates in 2022. After benefiting from years of low lending rates that were further reduced during the pandemic, SCU supported borrowers and helped them adjust today while also preparing for the future.



SCU's lending grew by
8.75%





Empower the possibilities

Members looked to SCU for the expertise and knowledge to guide them toward their best financial future. Big or small, young or old, experienced or new to investing, SCU acted as a trusted advisor to members and empowered them with the knowledge to make their best financial decisions.

Everyone can benefit from working with a wealth advisor. Regardless of how a member wants to invest, our experienced wealth team is ready to advise at every investor level to help them take the next step. Whether it was growing or diversifying their portfolio, creating a wealth plan, or advising on practicing patience during times of change in the market, members relied on SCU to be there for them every step of the way.

We continued to partner with Aviso Wealth, presenting monthly webinars that delivered advice and education on various topics. From farm succession, tax tips, and online investing to business insurance, RESPs, and disability income, there was expert advice for members at every age, income, or life stage.

Grow the possibilities

Our business members make our communities great, offering essential products and services that people need and meaningful employment opportunities that help families thrive. Building a successful business starts with a solid 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 businesses of all sizes, we offered expertise and guidance to help them take the next step.

SCU supports the expansion and development of businesses as they continue to adapt to changing market conditions and consumer needs. Our agricultural, small business, and commercial members are the heart of the communities in which we work, live, and play. We invest in people and companies, freeing them to pursue their passions, and grow the possibilities of their business dreams.

We helped business members holding CEBA and HASCAP loans navigate the requirements for repayment. And we supported business members with sound financial advice and the right products and services as interest rates rose and their needs changed. Competitive business and agricultural savings products with tiered rates helped businesses boost their reserves and do more with their money.



Imagine the possibilities

We can imagine the possibilities when we explore the future and invest in technology that improves processes, creates efficiencies, and elevates member service and experience. Our member-focused investments enabled SCU to provide enhanced products, services, and options so members could explore their possibilities in more ways than ever before.

DIGITAL BANKING

In 2021, SCU introduced a new digital banking platform and created a foundation on which to deliver an enhanced member experience. This year, we worked to regularly update and incorporate features that further improved the online and mobile banking experience, and security for our members.

DOCUSIGN

DocuSign helps organizations connect and automate preparing, signing, acting on, and managing agreements. Initially launched in 2021, DocuSign enabled SCU to respond to our members' growing need for comfortable and safe digital options. For members, this technology provided security, simplicity, and convenience. In 2022, we expanded the use of DocuSign across the organization to support businesses, front-line services, and wherever members need to sign documents virtually.

CONTACTING SCU

In November 2022, SCU integrated a new phone system into our branches and Member Contact Centre. The phone system is equipped with features that provide self-serve options, additional messaging, and menu choices that assist members, and improve the member experience.

WEBSITE ENHANCEMENTS

SCU launched a refreshed website to enhance the overall member experience. One of the new features is an easy-to-locate, and use, service status page that provides real-time updates, using familiar green, yellow and red icons to represent the status of each of SCU's member services. The site also features a reorganized and updated navigation categorized by member needs. Each offers a 'How Can We Help?' list of member resources, related information, products, services, and handy advice. There's more to explore at scu.mb.ca.

CRM

In 2022, SCU embarked on a multi-year project to integrate a new customer relationship management (CRM) tool. This investment will provide SCU with the tools to improve member service and create additional efficiencies to support our members on their journey of saving and spending wisely.

Experience the possibilities

This year, we were happy to be able to re-engage with our members face-to-face in support of the communities in which we live, work, and play. We hosted a pancake breakfast to celebrate the return of Summer in the City, fired up the grill for six Taste of Summer Charity BBQs, where we raised over \$18,000 for a variety of causes, and took an active role in the Steinbach Pioneer Days Parade.

We continued to sponsor family-friendly events at Assiniboine Park Zoo including Dinosaurs Uncovered during the summer and the Zoo Lights Festival throughout the holiday season in December. We invited members to win tickets to both of these interactive experiences as our guests.

At our annual Shred Day, we invited members and others in the community to drop off their paper documents in secure bins at SCU branches or bring them directly to the shredding trucks. This year we collected 45,555 pounds of paper.

The Let it Shine corporate giving program, where SCU employees can offer a cash gift when they witness a person in need, was reinstated following the pandemic. For the sixth year, our Share the Light program invited members and Facebook followers to nominate worthy charities to receive one of two donations. This year's worthy recipients were The Convalescent Home of Winnipeg and Steinbach Community Outreach.



2022 Summary Consolidated Financial Statements

Summary Consolidated Financial Statements

DECEMBER 31, 2022

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, 2022, and the summary consolidated statements of net income and comprehensive income and 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, 2022.

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.

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 22, 2023.

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 22, 2023

MNP LLP

Chartered Professional Accountants

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2022	2021
Assets		
Funds on hand and on deposit	\$ 72,936,313	\$ 90,679,378
Investments	873,468,635	742,917,122
Loans to members	8,003,767,248	7,360,015,705
Other assets	48,693,429	15,426,687
Inventory	24,423,041	31,485,849
Investments in associates	19,873,618	21,120,992
Property, equipment and intangible assets	75,709,441	78,375,031
Deferred income tax assets	4,968,875	3,958,875
	<u>\$ 9,123,840,600</u>	<u>\$ 8,343,979,639</u>
Liabilities		
Members' deposits	\$ 8,091,419,982	\$ 7,589,848,937
Accounts payable	40,256,621	44,454,940
Income tax payable	9,415,549	532,878
Due to non-controlling interest	10,452,133	10,533,033
Secured borrowing	394,067,978	184,634,781
	<u>\$ 8,545,612,263</u>	<u>\$ 7,830,004,569</u>
Equity		
Members' shares	\$ 530,865	\$ 515,145
Retained surplus	578,286,025	513,802,245
Non-controlling interest	(588,553)	(342,320)
	<u>\$ 578,228,337</u>	<u>\$ 513,975,070</u>
	<u>\$ 9,123,840,600</u>	<u>\$ 8,343,979,639</u>

Approved by the Board of Directors


Director


Doris Martens
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

	2022	2021
Income		
Interest from loans to members	\$ 269,427,425	\$ 199,891,302
Investment income	22,301,483	12,766,522
	<u>\$ 291,728,908</u>	<u>\$ 212,657,824</u>
Cost of funds		
Interest paid to members	\$ 153,713,981	\$ 94,851,951
Interest paid - other	4,883,601	3,442,634
	<u>\$ 158,597,582</u>	<u>\$ 98,294,585</u>
Net interest income	\$ 133,131,326	\$ 114,363,239
Credit impairment recovery (loss)	(5,254,481)	7,976,144
Other income and fees	29,803,071	30,158,967
Net other operating income	<u>\$ 157,679,916</u>	<u>\$ 152,498,350</u>
Operating expenses		
Administrative	\$ 23,508,375	\$ 22,759,068
Member security	6,717,882	6,377,069
Occupancy	7,442,582	6,006,910
Organizational	2,723,992	2,393,350
Personnel	39,020,930	35,785,939
	<u>\$ 79,413,761</u>	<u>\$ 73,322,336</u>
Net income before patronage refund, donations, unrealized gains on derivatives, and income taxes	\$ 78,266,155	\$ 79,176,014
Patronage refund	(10,017,615)	(9,995,422)
Donation to SCU Community Fund	-	(3,000,000)
Unrealized gains on derivatives	16,838,601	4,722,762
Net income before income taxes	\$ 85,087,141	\$ 70,903,354
Provision for income taxes	20,849,594	15,636,000
Net income and comprehensive income for the year	<u>\$ 64,237,547</u>	<u>\$ 55,267,354</u>
Net income (loss) and comprehensive income attributable to:		
Steinbach Credit Union	\$ 64,483,780	55,609,701
Non-controlling interest	(246,233)	(342,347)
	<u>\$ 64,237,547</u>	<u>\$ 55,267,354</u>

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	Non-controlling interest	Total members' equity
Balance at January 1, 2021	\$ 491,325	\$ 458,192,544	\$ -	\$ 458,683,869
Non-controlling interest on formation of subsidiary	-	-	27	27
Net income and comprehensive income for the year	-	55,609,701	(342,347)	55,267,354
Common shares issued - net of redemptions	23,820	-	-	23,820
Balance at December 31, 2021	<u>\$ 515,145</u>	<u>\$ 513,802,245</u>	<u>\$ (342,320)</u>	<u>\$ 513,975,070</u>
Balance at January 1, 2022	\$ 515,145	\$ 513,802,245	\$ (342,320)	\$ 513,975,070
Net income and comprehensive income for the year	-	64,483,780	(246,233)	64,237,547
Common shares issued - net of redemptions	15,720	-	-	15,720
Balance at December 31, 2022	<u>\$ 530,865</u>	<u>\$ 578,286,025</u>	<u>\$ (588,553)</u>	<u>\$ 578,228,337</u>

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

Notes to Summary Consolidated Financial Statements

December 31, 2022

1. Basis of the summary consolidated financial statements

Management has prepared the summary consolidated financial statements from the Credit Union's December 31, 2022 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, 2022 established by the Deposit Guarantee Corporation of Manitoba in its Standards of Sound Business Practice.

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, 2022, which contain the information detailing the calculation.

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

scu.mb.ca

