

**INNOVATIVE  
LEADERSHIP  
INSIDE  
OUT**

**THE CANADIAN  
CREDIT UNION SYSTEM**



**Credit Union  
Central of Canada**

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## THE CREDIT UNION DIFFERENCE: INSIDE OUT

If you visit a credit union branch or use its online services, you might think a credit union is just like any other financial institution.

But there's a difference – the credit union difference. It starts from the inside out, with credit union members. A local credit union is a financial co-operative, owned by its members, who are also customers. It is owned and controlled by the people it serves. Today, millions of Canadians across the country enjoy the benefits of credit union membership.

Credit unions offer a full range of services and products that cover financial needs for savings and deposits, transactions, retirement, investments, trust/estates, and business/commercial services.

They are proud of their financial expertise and friendly service. To meet the needs of local owner-members, the credit union system has a long history of innovation, community economic development, volunteerism and charitable giving.

**Credit Union Central of Canada** (“Canadian Central”) is the national trade association that represents credit unions in all provinces except Quebec. These credit unions belong to nine provincial Centrals, which are the primary shareholder members of Canadian Central.



ASSETS\*

**\$87.1** billion

EMPLOYEES\*

**24,000**

COMMUNITY  
INVOLVEMENT\*\*

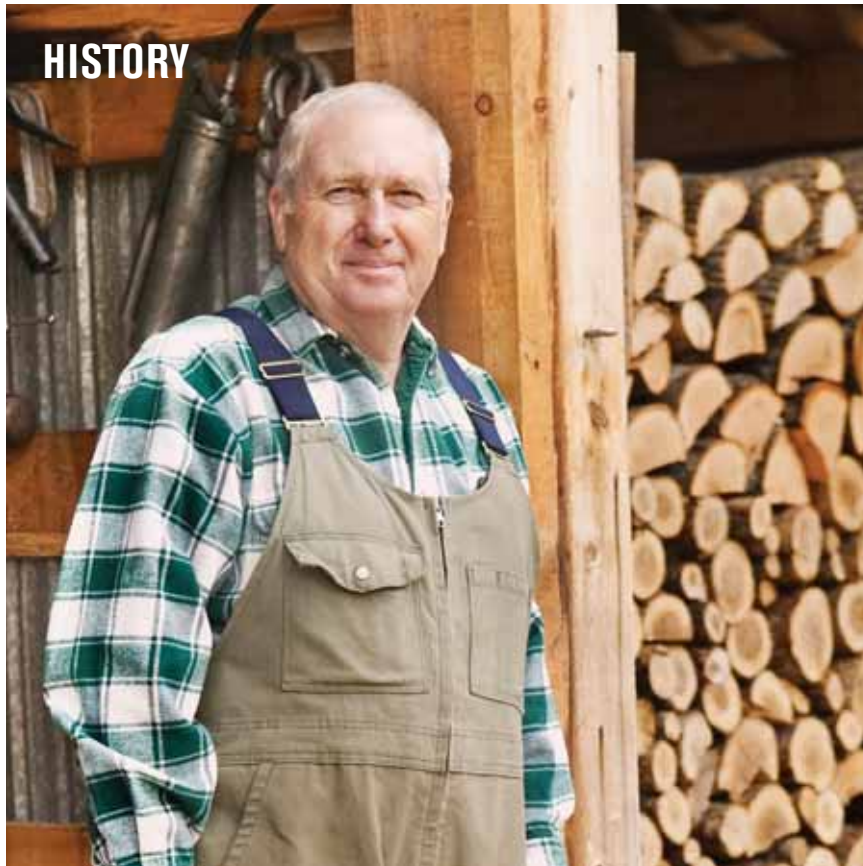
**\$24.6** million

COMMUNITIES  
SERVED\*

**1,017**

\* National credit union system statistics as of fourth quarter 2005 for credit unions affiliated with Canadian Central through their provincial Centrals

\*\* Total contributions, 2004 Credit Union Community Involvement Survey



Canadians have been credit union members for over 100 years. In the early 1900s, ordinary working people had little access to the banks. Organized locally, according to a co-operative model, credit unions provided urgently needed savings and lending services, at fair rates.

Canada's first credit union was established in December 1900 in Levis, Quebec when 80 people joined the first "caisse populaire" – or in English, "credit union."

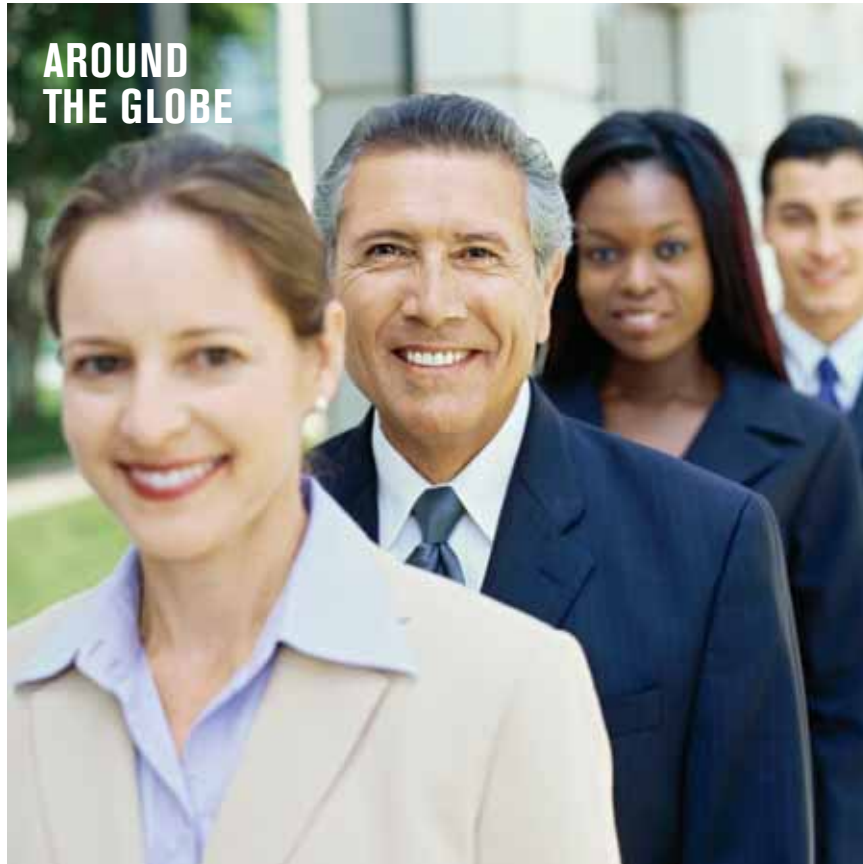
#### National Growth

Credit unions were starting up in Ontario and the western provinces by the 1920s. The credit union system established its first firm base in Nova Scotia, where the "Antigonish Movement" emphasized the need for a wide range of co-operatives to ensure the economic health of the area. As the Depression lifted in the late 1930s, credit unions took hold in the Prairies, where farmers needed financial services to restart profitable operations.

By the early 1940s, credit unions were established across all of Canada. Most provincial credit union Centrals were formed in the 1940s as well. On the national level, Credit Union Central of Canada, then called Canadian Co-operative Credit Society, was incorporated by a special act of Parliament in 1953. Over 50 years later, Credit Union Central of Canada remains the national trade association for credit unions in nine provinces.

#### Success and Innovation

Over the years, the member-driven, inside-out perspective of credit unions has resulted in several innovative services to meet local requirements, such as variable rate mortgages (1960s), Internet home banking (1990s) and cheque imaging (2000s). Yet despite tremendous growth, the basis for the success of credit unions remains the same as it was over a century ago – co-operative ownership to meet the needs of members and the community.



As financial co-operatives, credit unions subscribe to seven co-operative principles, which are shared by credit unions and co-operatives around the world. These seven principles were adopted in 1995 by the International Co-operative Alliance, an independent association that unites, represents and serves co-operatives worldwide. Credit Union Central of Canada is affiliated with the Alliance through its membership in the Canadian Co-operative Association, the national umbrella organization representing co-operatives.

**World Council of Credit Unions, Inc.**

Canada's credit unions are part of an international system encompassing 91 countries. Around the world, there are 43,000 credit unions, enabling 136 million members to grow and gain access to affordable financial services. Through Credit Union Central of Canada, local credit unions and provincial Centrals are affiliated with World Council of Credit Unions, Inc. – the worldwide representative organization for credit unions.



The **HANDS & GLOBE**® mark is the international symbol of the credit union system.

**Co-operative Principles**

- 1 Voluntary and Open Membership
- 2 Democratic Member Control
- 3 Member Economic Participation  
(through ownership of member shares)
- 4 Autonomy and Independence (self-help organizations controlled by members)
- 5 Education, Training and Information  
(for members, staff and directors)
- 6 Co-operation among Co-operatives  
(working together locally, regionally, nationally, internationally)
- 7 Concern for Community



Because credit unions are owned locally, their community involvement focuses on local concerns. The community involvement activities of Canada's credit unions include donations, sponsorships, economic development, scholarships and bursaries, fundraising, volunteering and contributions to special foundations set up by the credit union system.

#### **Credit Union Award for Community Economic Development**

Since 1988, Canada's credit unions have celebrated strong and creative initiatives in community economic development through a national recognition program – bringing attention to successful approaches to local development through financial services and community leadership. The *Credit Union Award for Community Economic Development* recognizes projects that start from the inside out, by emphasizing community self-help, delivering demonstrable social and economic benefits. Winning entries show how credit unions participate in these initiatives from conception to completion, through effective partnerships with community-based organizations.

Entries honoured over the years have included affordable housing and mortgage initiatives, small business microlending programs, financial assistance for less advantaged community members and supportive financing of nonprofit community organizations.

#### **Economic Multiplier Effect**

The 2005 award winner – Community Savings, Alberta – highlights the finest principles of community service that characterize the credit union system. Community Savings went the extra distance to meet an Alberta community's needs and to shape a promising future for Canadian Forces Base (CFB) Suffield. The credit union opened a unique branch at CFB Suffield in July 2000 and the location enabled Community Savings to provide financial services to an unserved market, while creating an economic multiplier effect that still contributes to the prosperity and social well being of the community.

**Credit Union Community Involvement Survey**

To document the strong commitment of credit unions to their communities, Canadian Central launched the Credit Union Community Involvement Survey, which collects important national data on community involvement in the credit union system. The poll invites voluntary responses from credit unions across the country. A respected third-party researcher collects and analyzes the data.

The first survey, administered in 2002, was a success. The 264 credit unions surveyed contributed \$16.7 million in 2001 to community involvement.

The second survey built on those results. The poll found that 323 credit union respondents from nine provinces contributed \$20.7 million in donations, sponsorships and economic development in 2002.

The third survey, released in 2004, moved the bar up. Community Involvement contributions rose to \$21.6 million. This figure includes \$14.8 million for donations and sponsorships.

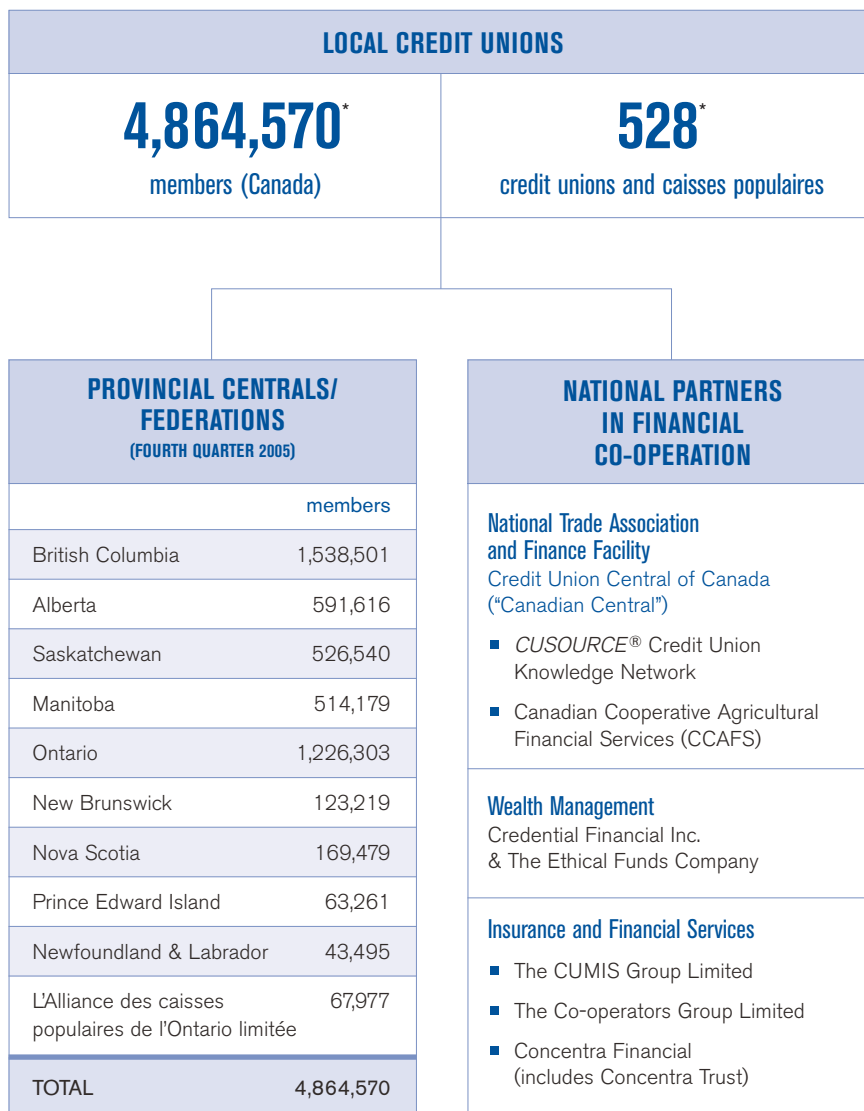
The numbers climbed again for the fourth and most recent study. Over 350 responding credit unions reported Community Involvement contributions of \$24.6 million, including \$18.1 million for donations and sponsorships.

And here's an example of the credit union difference, inside out – starting with member and community needs. In the most recent survey, 98 per cent of responding credit unions said they made donations and sponsorships to organizations located within their trade areas.



## MEETING MEMBER NEEDS: LOCAL, PROVINCIAL, NATIONAL

The credit union system is organized in three tiers – local, provincial and national. At the local level, credit unions operate independently, providing their customer/members with savings and deposit products, loans and other financial services. These local credit unions are members of their provincial Central, which offers financial services, provincial government relations and support services. In turn, those provincial organizations are members of Credit Union Central of Canada, the national trade association that represents credit unions nationally. In addition, several National Partner co-operatives help local credit unions meet members' needs by providing a range of products and services in wealth management, trusteeship and insurance.



\* Excludes Quebec and non-affiliates of Canadian Central.

## CREDIT UNION CENTRAL OF CANADA

The national trade association for the credit union system in Canada, Credit Union Central of Canada (Canadian Central) provides its owners (the provincial Centrals and other partners) and Canada's credit unions with opportunities to work together at a national level.

Canadian Central's vision is to be "a valued catalyst for a strong, competitive credit union system providing superior financial services to all Canadians." Nine provincial Centrals are the primary shareholder/members of Canadian Central. Together, these shareholders appoint all 10 of the directors who sit on Canadian Central's board.

A robust committee structure enhances Canadian Central's role as a member-driven trade association. Five Board policy committees address the areas of Finance, Legislative Affairs, Risk Management, Payments and Lending. Policy committee members are drawn from provincial Centrals and credit unions and work with Canadian Central staff to provide more direct input to initiatives and enhance information sharing across the credit union system.

About 50 employees, located in offices in Toronto and Ottawa, work for Canadian Central, providing trade association services, payments-related services, financial management and government relations. The Toronto office is also the home of *CUSOURCE*<sup>®</sup> Credit Union Knowledge Network, the national learning, knowledge sharing and career management hub of the credit union system. Canadian Cooperative Agricultural Financial Services, based in Winnipeg, is a consolidated affiliate of Canadian Central and specializes in agriculture-specific financial solutions.

## VISION

Canadian Central is a valued catalyst for a strong, competitive credit union system providing superior financial services to all Canadians.

## MISSION

Credit Unions are stronger together than apart.

In today's financial services marketplace – increasingly national and international in scope – credit unions have better reasons than ever to work together across local and provincial boundaries to achieve efficiencies and economies of scale and to make possible service offerings to members.

Canadian Central provides its owners, (the provincial Centrals and other partners) and Canada's credit unions with a forum in which to work together on these challenges at the national level and an instrument to help build and implement national capabilities and services, where these are agreed. For these purposes, Canadian Central will exercise leadership in the Canadian credit union system in the following areas:

- through **strong representation** of its owner organizations and the Canadian credit union system in national organizations such as the Canadian Payments Association and Interac Association;
- through **advocacy**, in consultation with its owner organizations, to promote the interests of the Canadian credit union system in the face of an increasingly competitive environment in the Canadian financial services sector;
- through the **building of constructive relationships** with the federal government and with federal officials to ensure that the interests of the credit union system are considered in government policy-making and to assist its owner organizations and regulators in cross-border regulatory issues that may arise from time to time;
- through the offering of **national services** and facilities that bring efficiencies and cost savings to the credit union system;

and in so doing, Canadian Central will at all times strive to meet the highest standards of performance and ethical conduct in its operations and will effectively manage the risks associated with these activities and meet applicable compliance and other regulatory responsibilities as required by governments or national organizations in a full and timely manner.

## **BUSINESS OVERVIEW**

Canadian Central's wide range of initiatives reflects the diverse needs and interests of the credit union system. In 2005, in collaboration with provincial Centrals and credit unions, Canadian Central carried out its mandate by focusing on three key areas.

### **NATIONAL FORUM**

To help credit unions to work together across local and provincial boundaries, Canadian Central facilitates consultation and consensus-building, research and conferences, task forces and committees.

### **NATIONAL VOICE**

Canadian Central advocates and promotes credit union interests to the federal government, to other national regulatory bodies and the media.

### **NATIONAL SERVICES**

To bring efficiencies and economies of scale to the credit union system, Canadian Central offers national services to Centrals and credit unions in selected areas.

# NATIONAL FORUM

A group of four business professionals are shown in a meeting. In the foreground, a man with glasses and a blue shirt is looking down, smiling. Behind him, a woman with blonde hair is smiling broadly. To her right, a man in a yellow shirt is also smiling. In the background, another man in a dark suit is partially visible, also smiling. The setting appears to be a bright, modern office or conference room.

Canadian Central facilitates consultation and consensus-building, research and conferences, task forces and committees, creating a forum for credit unions to work together across local and provincial boundaries.

## Financial Results

Consolidated net earnings were strong in 2005 as Canadian Central and its affiliate Canadian Cooperative Agricultural Financial Services (CCAFS) achieved net income of \$3.7 million (2004 – \$2.5 million). The results include a \$3.5 million (\$2.2 million after tax) insurance settlement. Services provided by Canadian Central to its members are funded by assessments. Assessments for 2005, net of rebates, were \$9.1 million (2004 – \$9.2 million) and were \$1.1 million below budget. In addition, \$160,000 costs (2004 – \$353,000) for the Special Strategy Committee were incurred by Canadian Central and reimbursed through separate assessments to provincial Centrals. A 6% dividend of \$1.7 million (2004 – \$nil) was paid to Canadian Central's members on February 17, 2006.

## Conferences

Credit union and co-operative leaders from across Canada experienced the hospitality of Saskatchewan and celebrated that province's centennial at CONNECTIONS 2005, a joint conference held May 14 – 19 by Canadian Central and Canadian Co-operative Association. Held in Saskatoon, the conference was attended by over 700 people and included keynote speakers, educational workshops, a gala banquet and awards ceremony, annual meetings and the Members Forum.

In October 2005, Canadian Central hosted INSIGHTS 2005, its Marketing Spectrum conference. Sessions covered a range of topics of interest to credit union marketing professionals, including online advertising, e-learning, targeting underserved member groups for growth, corporate social responsibility and brand building.

## Awards

Canadian Central recognizes individuals and credit unions from across Canada that make a difference to their community, bringing attention to the credit union system's innovations, young leaders, exemplary co-operative service and community involvement.

The *National Credit Union Innovation Award* emphasizes the development of ideas and innovations in technology, process, cost savings, and member services. In 2005 this prestigious honour went to Alterna Savings, Ontario (formerly Metro Credit Union) for its *COMMUNITY BUILDER MORTGAGE*® Program.

The *National Credit Union Young Leaders Award* recognizes tomorrow's leaders in Canada's credit union system, aged 35 or younger. The 2005 award winner was Sandra Phillips, Powell River Credit Union Financial Group, BC. Sandra was awarded a \$10,000 scholarship to cover tuition and travel costs to attend a leadership development program at a recognized university in Canada. Four other outstanding finalists were also commended: Darcy Mykytyshyn, Community Savings, AB; Jacqueline Jardine, NBTA Credit Union, NB;

Lisa Haché, Your Credit Union, ON; and Lisa Patterson, North Peace Savings and Credit Union, BC.

Inducted into the *Credit Union Hall of Fame* in 2005 were Jonathan Guss (nominated by Credit Union Central of Ontario), Elwood Harvey (nominated by Credit Union Central of Saskatchewan and Saskatoon Credit Union) and Reverend Dr. J.D. Nelson MacDonald (posthumously, nominated by Credit Union Central of Nova Scotia). Each inductee was recognized for their outstanding lifetime service and commitment to the credit union system in Canada and/or internationally.

The *Credit Union Award for Community Economic Development* rewards qualities such as community involvement and social responsibility. For more information, see page 6.

## Debit Card Fraud Task Force

The credit union system's Debit Card Fraud Task Force was created to identify best practices for the prevention and detection of debit card fraud. The group completed its work in 2005 and its final report, entitled *Combating Debit Card Fraud... Small Steps Can Add Up to Big Protection*, offers tips and ideas to help credit unions and their members.

Reporting of suspected or fraudulent transactions is endorsed by the report, highlighting the advantages of participating credit union service providers' Common Point of Purchase service (CPP) or Fraud Alert Service (FAS). These systems notify credit unions of suspected or confirmed skimming incidents reported by Interac Association members.


## International

The Canadian credit union system is the second largest dues supporter of the World Council of Credit Unions (WOCCU). WOCCU represents 43,000 credit unions in 91 countries and 136 million members worldwide. It is involved with 14 development projects in nine countries. In 2005 Canadian Central hosted international delegations from Hong Kong, Romania, New Zealand and Poland.

In 2007, WOCCU's World Credit Union Conference will be held in Calgary. Planning has already begun for this international event, which is to be co-presented by WOCCU and Canadian Central.

During 2005, Canadian Central supported the credit union system's fundraising and volunteer efforts to support victims of the tsunami in East Asia. In addition to devastating lives and property, the December 26, 2004 disaster destroyed 800 thrift and credit co-operatives. Across Canada, credit unions are contributing to the Co-operative Development Foundation's bid to raise \$1 million for relief and reconstruction work in Sri Lanka and Indonesia. Credit unions are also supporting rebuilding efforts by WOCCU.

# NATIONAL VOICE

A woman in a light blue button-down shirt stands and smiles while talking to two seated colleagues in a meeting. The seated colleagues are a man and a woman, both looking towards the standing woman. They are in a bright, modern office setting with large windows in the background. The table in front of them has papers, a pen, and a glass of water.

Canadian Central advocates and promotes credit union interests to the federal government, to other national regulatory bodies and the media.

## TECP

In its role as a Canadian Payments Association (CPA) Group Clearer, Canadian Central is a full participant in planning for Truncation and Electronic Cheque Presentment (TECP) – an industry-wide project that will replace the physical exchange of cheques with the exchange of electronic images.

The new cheque specifications are necessary to ensure that high-quality cheque images can be captured, both for clearing purposes and for delivery to clients, and to enhance processing efficiency. Business cheques will be the first to convert to the new standard, with a requirement to be fully compliant by December 31, 2006.

Credit unions are part of this process, as are banks, trust companies and all financial institutions. Throughout 2005, Canadian Central co-ordinated the TECP project with provincial Centrals to prepare credit unions for this important transition.

## Chip Strategy

Interac Association's Board of Directors recently took important steps toward solidifying the association's commitment to migrate the delivery of *INTERAC*<sup>+</sup> Shared Services to chip technology. In October, 2005 the association established final deadlines for chip conversion in the *INTERAC*<sup>+</sup> Direct Payment (IDP) and Shared Cash Dispensing (SCD) Services, and other interim measures to promote an effective migration. Interac Association's mandate is to ensure that the common infrastructure is in place to facilitate chip transactions by the end of 2006.

In light of this decision, Canadian Central and other Interac Association members are beginning to plan card, device and host system conversions to meet the specified targets. Canadian Central's CEO Committee endorsed the creation of the credit union system's Chip Strategy Task Force. The purpose of this limited life task force is to evaluate and provide input into a comprehensive business strategy for deployment of chip card technology for the Canadian credit union system. It will consider deployment strategies developed by Interac Association, MasterCard Canada and Visa Canada. The Task Force will also recommend to the CEO Committee the most appropriate implementation plan and funding model for the credit union system.

## 2006 Legislative Review

In 2005 the federal government started the process of its five-year review of federal financial institutions legislation, including the *Cooperative Credit Associations Act* (CCA Act), scheduled for completion by 2006.

As part of this process, Canadian Central consulted with credit unions and its Legislative Affairs Committee to draft suggested changes to the CCA Act. A meeting to discuss Canadian Central's submission was held with officials of the Department of Finance and the Office of the Superintendent of Financial Institutions during the summer of 2005. Subsequent to the meeting, Canadian Central participated in several discussions on an informal basis with federal officials. In addition, the Legislative Affairs Committee met with the Assistant Deputy Minister.


The federal government's anticipated White Paper containing policy proposals for the 2006 legislative review was not released before the election was called. With a new federal government now in place, Canadian Central is making strong efforts to determine how the review will proceed.

## Fraud Prevention and Awareness Month

Canadian Central and the credit union system supported National Fraud Prevention and Awareness Month—February 2005—to help Canadians protect themselves from fraud. The Competition Bureau chairs the Fraud Prevention Forum, a group that consists of over 35 public and private sector organizations, including Canadian Central, Canadian Bankers Association, Visa Canada and the Royal Canadian Mounted Police.

The slogan for the campaign was "Fraud: Recognize it. Report it. Stop it." The aim of the Fraud Awareness campaign was to decrease the number of Canadian fraud victims who are targeted by schemes such as identity theft, deceptive telemarketing and lottery scams. The campaign also sent a clear signal to criminals that Canada takes enforcement of domestic and international crime seriously.

# NATIONAL SERVICES

A middle-aged man with glasses, wearing a light blue dress shirt and a patterned tie, is smiling broadly. He is holding a large document or folder with both hands, looking towards someone off-camera to the right. The background is a bright, out-of-focus office or meeting room with other people visible in the distance.

To bring efficiencies and economies of scale to the credit union system, Canadian Central offers national services to Centrals and credit unions in selected areas.

### Group Purchasing

Managing nine programs, the group purchasing function at Canadian Central offers money-saving buying opportunities to all credit unions and strategic partners across the country. Services available include office and computer supplies, long distance and toll-free telephone, cellular phone, video conferencing equipment, desktop software and courier services. Total savings to the credit union system for 2005 were approximately \$2 million.

Also available to credit unions through this group is the Buyers Protection/Extended Warranty program, which offers additional insurance protection and doubles the warranty on purchases made with the *MEMBER CARD*<sup>®</sup> Debit Card. Over 140 credit unions offer this program to their members.

### Marketing Materials

Canadian Central oversees the development, production and distribution of retail marketing and communications materials that are available for sale to credit unions. In 2005, almost 300 credit unions ordered marketing programs and packages produced by Canadian Central. Popular programs include the Credit Union Calendar, Financial Fitness brochures, the Member Protection Package and materials for *MEMBER CARD* Debit Card campaigns.

In 2006, credit unions will have a choice of three different creative options when ordering Member Marketing Materials. More opportunities for customization will be available and a new online ordering process has been developed.

### ACCOUNTPLUS<sup>™</sup> Service

The Connectivity Project was rebranded as the *ACCOUNTPLUS* service in 2005, which offers a consolidated view of a member's co-operative business accessible through their Internet banking or in-branch at their credit union. Information resident within the Co-operative Account Directory (CAD) is used to link the account relationships between credit union member accounts that reside on the various credit union banking systems and their accounts that reside on supplier/partners' financial systems. A rollout of the *ACCOUNTPLUS* service is planned in Saskatchewan for 2006, with Credential Financial Inc. and CU Electronic Transaction Services Inc. (*CUETS*<sup>®</sup>) as supplier/partners.

### COVARITY<sup>™</sup> Lender Dashboard (Automated Loan Monitoring)

The National Lenders Policy Committee is encouraging credit unions to consider the *COVARITY* Lender Dashboard product, an automated loan monitoring service for commercial loans. In 2005, over 20 credit unions across the country began implementing the *COVARITY* Dashboard.

With the Dashboard, borrowers can upload their financial information through a secure Web interface, where risk calculations and loan ratio analysis are performed automatically. Credit union lenders have a real-time view of their loan portfolio in a simple Dashboard format, which immediately identifies risks, opportunities and problem accounts. As a result, lenders are able to make more informed lending decisions and manage their portfolios more effectively.

### Canadian Cooperative Agricultural Financial Services

Operating through its *AGRIFINANCE*<sup>®</sup> and *AGRICARD*<sup>®</sup> divisions, Canadian Cooperative Agricultural Financial Services (CCAFS) specializes in agriculture-specific financial solutions for equipment purchases/leases and accounts payable. CCAFS is an affiliate based in Winnipeg and is included in Canadian Central's consolidated financial statements. Included in the CCAFS year-end income is a \$3.5 million insurance settlement (\$2.2 million after tax) to recover a portion of losses incurred in 2003 relating to defaulted loans.

CCAFS has a credit services agreement with Federated Co-operatives Limited that enables CCAFS to offer its services to 300 retail co-operatives in western Canada. By year-end, 105 co-operatives representing 164 locations were set up to accept *AGRICARD* services. For 2005, *AGRICARD* purchases were up 20 per cent and card receivables grew by 25 per cent.

### CUSOURCE<sup>®</sup> Credit Union Knowledge Network

Marking its second full year of operation in 2005, *CUSOURCE*<sup>®</sup> Credit Union Knowledge Network (*CUSOURCE* Knowledge Network), an unconsolidated subsidiary of Canadian Central, is the home of learning, knowledge sharing, career management and strategic people development for the credit union system. It is the hub for Credit Union Institute of Canada (*CUIC*<sup>®</sup>), which offers professional accreditation and designation programs.

By the end of 2005, close to 9,000 system employees and directors had subscribed to the *CUSOURCE* Knowledge Network via [www.cusource.ca](http://www.cusource.ca) – an increase of 18 per cent over 2004. New and renewing Corporate Subscribers totaled 42 per cent of affiliated credit unions, including 77 per cent of the largest 100 credit unions.

Additions to *CUSOURCE* Knowledge Network in 2005 included tools for strategic people development, accreditation programs for lenders, workshops in Enterprise Risk Management and popular webinars (Web-seminars). Also during the year, *CUSOURCE* Knowledge Network introduced several new courses and programs.

## SPECIAL STRATEGY COMMITTEE

Canadian Central's Board formed the Special Strategy Committee (SSC) to plan the credit union system's response to opportunities offered if the federal government supports bank mergers. The strategic intent is to position credit unions as community-focused, premier providers of financial services across the country.

An extensive lobbying campaign on Parliament Hill has ensured that parliamentarians from all parties are aware of the interests of the credit union system. During 2005, the Special Strategy Committee and its four teams worked together to produce valuable results.

### SME Team

The SSC's SME Team is working to position credit unions as premier providers of financial services to small and medium-sized enterprises (SMEs). During 2005, this Team shared a business plan at the Members Forum held during the national CONNECTIONS conference. Proceeding with the Team's work plan, 226 credit unions completed self-assessments that included details of their current situation and their internal SME objectives. In addition, 142 credit unions (with assets representing 74 per cent of the national system) endorsed a memorandum of understanding confirming their support for a Commitment to Member Service. In 2006, research will be completed and credit unions will be asked to consider financial support for the national SME strategy, including implementation of a national awareness campaign.

### Negotiating Committee

The Acquisition Working Group, which supports the SSC's Negotiating Committee, has been preparing a detailed plan to co-ordinate a due diligence process for branch acquisitions, should bank mergers occur. Considerations include valuation, lending, technology, human resources and legal issues.

### ATM Team

The ATM Team of the SSC is pursuing activities related to expanding the size of the credit union's national ATM (Automated Teller Machine) network. It is also investigating other opportunities for surcharge-free ATM network growth and augmentation of ATM services.

### Community Leadership Initiatives Committee

In describing the benefits they bring to the Canadian economy, credit unions have stressed their role in community development. The Community Leadership Initiatives Committee has been established to respond to the federal government's interest in community economic development and other socially responsible initiatives by working with credit unions across the country. Opportunities include micro-lending to underserved communities, expanding the availability of affordable housing and increasing access to financial services for vulnerable Canadians.

## CREDIT UNION STATISTICS

Fourth Quarter 2005 Credit Union/Caisse Populaire System Results (\$ in millions)

### AFFILIATED CREDIT UNIONS & CAISSES POPULAIRES

PROVINCE	TOTAL SAVINGS /DEPOSITS	TOTAL LOANS	TOTAL ASSETS	TOTAL CREDIT UNIONS	TOTAL LOCATIONS	TOTAL MEMBERS
<b>CREDIT UNION CENTRALS</b>						
BRITISH COLUMBIA	\$ 32,121	\$ 29,737	\$ 36,026	52	352	1,538,501
ALBERTA	9,873	9,075	10,918	53	208	591,616
SASKATCHEWAN	8,363	7,240	9,403	100	330	526,540
MANITOBA	9,268	8,519	10,170	57	177	514,179
ONTARIO*	14,519	13,619	16,335	172	524	1,226,303
NEW BRUNSWICK	831	653	890	23	44	123,219
NOVA SCOTIA	1,276	1,019	1,389	34	83	169,479
PRINCE EDWARD ISLAND	564	458	613	10	15	63,261
NEWFOUNDLAND & LABRADOR	505	434	538	14	43	43,495
L'ALLIANCE – ONTARIO*	720	638	806	13	26	67,977
<b>TOTAL</b>	<b>\$ 78,040</b>	<b>\$ 71,392</b>	<b>\$ 87,088</b>	<b>528</b>	<b>1,802</b>	<b>4,864,570</b>

\*Ontario figures are provisional.

Above figures do not include affiliated companies of the credit union system, such as Concentra Financial Services Association, The CUMIS Group Limited, The Co-operators Group Limited, Credential Financial Inc. and The Ethical Funds Company.

## BOARD OF DIRECTORS

December 31, 2005

### CHAIRPERSON

**Michael Tarr** <sup>1 3 4</sup>  
Pacific Region

### 1ST VICE-CHAIRPERSON

**L.R. (Bobby) McVeigh** <sup>1 3 4</sup>  
Eastern Region (Nova Scotia)

### 2ND VICE-CHAIRPERSON

**Henry Jansen** <sup>1 2 3 4</sup>  
Pacific Region

**Howard Bogach** <sup>4</sup>  
Central Region

**Richard Gill** <sup>2 4</sup>  
Eastern Region (Prince Edward Island)

**Gordon Lightfoot** <sup>1 4</sup>  
Prairie Region (Saskatchewan)

**Garth Manness** <sup>4</sup>  
Prairie Region (Manitoba)

**Wayne Nygren** <sup>4</sup>  
Pacific Region

**Penny Reeves** <sup>2 4</sup>  
Prairie Region (Alberta)

**Jack Smit** <sup>1 4</sup>  
Central Region

<sup>1</sup> Governance and Human Resources Committee Member

<sup>2</sup> Audit and Conduct Review Committee Member

<sup>3</sup> Canadian Cooperative Agricultural Financial Services Board Member

<sup>4</sup> CUSOURCE® Credit Union Knowledge Network (CUIC Inc.) Board Member

## CHIEF EXECUTIVE OFFICERS COMMITTEE

As of January 2006

**David Phillips**  
*Acting Chairperson*  
Credit Union Central  
of Canada

**Gerard Adams**  
Credit Union Central  
of New Brunswick

**Katherine Bardswick**  
The Co-operators  
Group Limited

**Myrna Bentley**  
Concentra Financial  
Services Association

**Sid Bildfell**  
Credit Union Central  
of Saskatchewan

**Howard Bogach**  
Credit Union Central  
of Ontario

**Cheryl Byrne**  
CUSOURCE® Credit  
Union Knowledge  
Network (CUIC Inc.)

**Brian Leier**  
Canadian Cooperative  
Agricultural Financial  
Services

**Garth Manness**  
Credit Union Central  
of Manitoba

**Lucie Moncion**  
L'Alliance des caisses  
populaires de l'Ontario  
limitée

**Wayne Nygren**  
Credit Union Central  
of British Columbia

**Bernie O'Neil**  
Credit Union Central  
of Nova Scotia

**Michael Porter**  
The CUMIS Group Limited

**Don Rolfe**  
Credential Financial Inc.

**Jim Scopick**  
Credit Union Central  
Alberta Limited

**Nick Wight**  
Credit Union Central  
of Prince Edward Island

## CANADIAN CENTRAL MANAGEMENT STAFF

as of January 2006

Interim President  
& Chief Executive Officer  
Vice President, General Counsel  
& Corporate Secretary

**David Phillips**

Vice President, Knowledge  
Services & Executive Director  
CUSOURCE® Credit Union  
Knowledge Network (CUIC Inc.)

**Cheryl Byrne**

Vice President  
& Chief Financial Officer

**Gary Lowes**

Vice President  
Financial Policy

**Gary Rogers**

Vice President  
System Payments & Liquidity

**Rowland Kelly\***

Canadian Cooperative  
Agricultural Financial Services  
Chief Executive Officer

**Brian Leier**

Director  
Legal Services

**Susan Cantlie**

Director  
Trade Association Services

**Veronica Feldcamp**

Controller  
**Fiona Fillmore**

Director  
Payments Services

**Peter Graham**

Director  
Government Relations

**Hugh Scott**

\* Employee and Officer of Credit Union  
Central of British Columbia

## POLICY COMMITTEES

### Finance Policy Committee

**Sid Bildfell**, *Chair*  
Credit Union Central  
of Saskatchewan

**Gerard Adams**  
Credit Union Central  
of New Brunswick

**Ken Anderson**  
Credit Union Central  
of Saskatchewan

**Sharon Arnold**  
Credit Union Central  
of Nova Scotia

**Julie Horner**  
L'Alliance des caisses  
populaires de l'Ontario  
limitée

**Barry Johnson**  
Credit Union Central  
Alberta Limited

**Rowland Kelly**  
Credit Union Central  
of British Columbia

**Jim MacDonald**  
Credit Union Central  
of Ontario

**Mike Safiniuk**  
Credit Union Central  
of Manitoba

### Payments Policy Committee

**Garth Manness**, *Chair*  
Credit Union Central  
of Manitoba

**Sharon Butterfield**  
Credit Union Central  
of Nova Scotia

**Denis Casavant**  
Credit Union Central  
of British Columbia

**Don Gregorski**  
Credit Union  
Payment Services/  
Credit Union Central

Alberta Limited  
**Wilson Griffiths**  
Credit Union Central

of Manitoba  
**Wendy Kawecki**  
Credit Union Central

of Saskatchewan  
**Susan McNulty**  
Credit Union Central

of Ontario

### Legislative Affairs Committee

**Wayne Nygren**, *Chair*  
Credit Union Central  
of British Columbia

**Daniel Atlin**  
Credit Union Central  
of Ontario

**Allison Bodnar**  
Credit Union Central  
of Nova Scotia

**Wayne King**  
Concentra Financial  
Services Association

**Craig Marshall**  
The CUMIS Group Limited

**Luc Racette**  
L'Alliance des caisses  
populaires de l'Ontario  
limitée

**Pam Skotnitsky**  
Credit Union Central  
of Saskatchewan

**Richard Thomas**  
Credit Union Central  
of British Columbia

## POLICY COMMITTEES

(continued)

### Barry Veno

Credit Union Central of New Brunswick

### Bob Walker/Yasmin Lalani

Credential Financial Inc.

### Dale Ward

Credit Union Central of Manitoba

### Graham Wetter

Credit Union Central Alberta Limited

### National Lenders

#### Policy Committee

### Myrna Bentley, *Chair*

Concentra Financial Services Association

### Donna Baranowski

Credit Union Central of New Brunswick

### John Blue

Credit Union Central of Nova Scotia (Credit Union Atlantic)

### Bernard Carling

Credit Union Central of Manitoba

### Mark Carter

Credit Union Central of British Columbia (Westminster C.U.)

### Stephen Ellis

Credit Union Central of Ontario

### Lyle Frick

Credit Union Central of Saskatchewan

### James Gosselin

Credit Union Central of Manitoba (Steinbach C.U.)

### Dirk Haack

Credit Union Central of British Columbia

### Frank Kennes

Credit Union Central of Ontario (St. Willibrord C.U.)

### Norm Klatt

Concentra Financial Services Association

### Brian Leier

Canadian Cooperative Agricultural Financial Services

### Michael Leonard

League Savings & Mortgage Co.

### Daniel Michel

L'Alliance des caisses populaires de l'Ontario limitée

### Dick Williams

Credit Union Central Alberta Limited

### Risk Management Policy Committee

### Bernie O'Neil, *Chair*

Credit Union Central of Nova Scotia

### Gerard Adams

Credit Union Central of New Brunswick

### Dave Barker

Credit Union Central of British Columbia

### Helen Blackburn

Credential Financial Inc.

### Allison Bodnar

Credit Union Central of Nova Scotia

### Russell Boyle

Credit Union Central of Prince Edward Island

### Chantal Desag

L'Alliance des caisses populaires de l'Ontario limitée

### Lothar Fabian

Credential Financial Inc.

### Bob Lafond

Credit Union Central of Manitoba

### Karen McBride

Concentra Financial Services Association

### Paul Rossmann

Credit Union Central Alberta Limited

### Kim Walker

Credit Union Central of New Brunswick

### Dorothy Watson

Credit Union Central of Ontario

## OTHER COMMITTEES

### CUSOURCE® Credit

#### Union Knowledge

#### Network Advisory

#### Committee (CUIC Inc.)

### Cheryl Byrne, *Chair*

Credit Union Central of Canada

### Linda Archer

Credit Union Central of British Columbia

### Donna Baranowski

Credit Union Central of New Brunswick

### Anne Bedard

Credit Union Central of Nova Scotia

### Debbie Lane

Credit Union Central of Saskatchewan

### Brian Peto

Credit Union Central of Manitoba

### Jeanette Wakelin

Credit Union Central of Prince Edward Island

### Dorothy Watson

Credit Union Central of Ontario

### Dick Williams

Credit Union Central Alberta Limited

## **ADMINISTRATIVE OFFICES**

### **TORONTO OFFICE**

300 The East Mall, Suite 500  
Toronto, Ontario, M9B 6B7  
Telephone: (416) 232-1262  
Fax: (416) 232-9196  
Toll Free: 1-800-649-0222  
Web site: [www.cucentral.ca](http://www.cucentral.ca)  
E-mail: [cucc@cucentral.com](mailto:cucc@cucentral.com)  
Web site Information: 1-800-613-9093

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275 Bank Street, Suite 400  
Ottawa, Ontario, K2P 2L6  
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Fax: (613) 238-7283

## INNOVATIONS: CREDIT UNION FIRSTS

Credit unions are modern financial institutions that play a strong and vibrant role in the Canadian economy. The Canadian credit union system enjoys an enviable reputation as an innovator in the financial services industry. Shown below are just some of the “firsts” that have illuminated our history and enhanced our services to Canadians. All are “First in Canada”, unless otherwise qualified.

### 1900s

**FIRST** (and only) Ownership and Membership to All Customers

**FIRST** Personal Loans Based on Borrower's Character

### 1930s

**FIRST** Life Insurance on Loans and Share Savings for All Members

**FIRST** Payroll Deduction Service for Deposits and Loan Payments

### 1950s

**FIRST** Open Mortgages

### 1960s

**FIRST** Financial Institution to Lend to Women in Their Own Names

**FIRST** Variable Rate Mortgage

**FIRST** Short-Term (under 5 years) Renewable Mortgage

**FIRST** to offer Daily Interest Savings

### 1970s

**FIRST** Personal Line of Credit

**FIRST** Full-Service Automated Teller Machine Network

**FIRST** Weekly/Bi-weekly Payment Mortgage

**FIRST** Online, Real-Time Universal Inter-Branch Computer System

### 1980s

**FIRST** Home Equity Line of Credit

**FIRST** “Plain English” Loan Agreement

**FIRST** Debit Card Service

**FIRST** Point-Of-Sale Debit Payment Service

**FIRST** Socially Responsible Mutual Fund (*ETHICAL GROWTH FUND*®)

**FIRST** Telephone Banking Service

**FIRST** Registered Educational Savings Plan

### 1990s

**FIRST** Line of Credit Reverse Mortgage

**FIRST** Equity-Linked G.I.C.

**FIRST** International Debit Transaction in the World

**FIRST** PC-Based Home Banking

**FIRST** Fully-Functional Internet Home Banking

**FIRST** Full ISO Certification of any North American Financial Institution

**FIRST** Branchless Bank (Citizens Bank)

### 2000s

**FIRST** Disabled Person Financial Service Package

**FIRST** Cheque Imaging Service

**FIRST** Securitized Agricultural Mortgage





**Credit Union  
Central of Canada**

300 The East Mall, Suite 500 Toronto, ON M9B 6B7

Tel: (416) 232-1262 Fax: (416) 232-9196

[www.cucentral.ca](http://www.cucentral.ca)

<sup>™</sup>ACCOUNTPLUS is a trade-mark owned by Credit Union Central of Canada. <sup>®</sup>AGRICARD and AGRIFINANCE are registered trade-marks owned by Canadian Co-operative Agricultural Financial Services, authorized user of the mark. <sup>®</sup>COMMUNITY BUILDER MORTGAGE is a registered trade-mark owned by Alterna Savings and Credit Union Limited. <sup>™</sup>COVARITY is a trade-mark owned by Covarity Inc. <sup>®</sup>CUETS is a registered trade-mark owned by Credit Union Central of Canada. <sup>®</sup>CUIC is a registered trade-mark owned by Credit Union Central of Canada. <sup>®</sup>CUSOURCE & Design are registered trade-marks owned by Credit Union Central of Canada. <sup>®</sup>ETHICAL GROWTH FUND is a registered trade-mark owned by Ethical Funds Inc. <sup>®</sup>THE ETHICAL FUNDS COMPANY is a registered trade-mark owned by Ethical Funds Inc. <sup>®</sup>HANDS & GLOBE Design is a registered certification mark owned by the World Council of Credit Unions, used under license. <sup>†</sup>INTERAC is a trade-mark of Interac Inc., used under license. <sup>®</sup>MEMBER CARD is a registered certification mark owned by Credit Union Central of Canada.

**CREDIT UNION  
CENTRAL OF CANADA**  
**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

December 31, 2005

## FINANCIAL STATEMENTS

### Management's Responsibility for Financial Information

The management of Credit Union Central of Canada ("Canadian Central") is responsible for the integrity, objectivity and consistency of the financial information presented in this annual report. This responsibility includes selecting appropriate accounting policies which are in accordance with Canadian generally accepted accounting principles and ensuring that the financial information is based on informed judgements and estimates. The Board of Directors has approved the consolidated financial statements for issuance to the members.

Management maintains the necessary system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records maintained.

The Board of Directors oversees management's responsibilities for financial statements through the Audit and Conduct Review Committees, which are composed solely of directors who are not officers or employees of Canadian Central.

The Audit Committee conducts a detailed review of the consolidated financial statements with management and the independent auditors before recommending their approval to the Board of Directors.

Annually, the Superintendent of Financial Institutions Canada reviews the activities of Canadian Central, to the extent deemed necessary, to satisfy itself that provisions of the Cooperative Credit Associations Act (Canada), having reference to the safety of the interests of depositors and members of Canadian Central, are being duly observed and that Canadian Central is in sound financial condition.

Deloitte & Touche LLP, the independent auditors appointed by the members, have examined our consolidated financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.



**David Philips**

Interim President & Chief Executive Officer



**Gary Lowes**

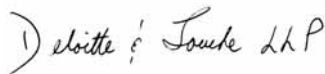
Vice President & Chief Financial Officer

### Auditors' Report to the Members of Credit Union Central of Canada

We have audited the consolidated balance sheet of Credit Union Central of Canada ("Canadian Central") as at December 31, 2005 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Canadian Central's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Canadian Central as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



#### Chartered Accountants

Toronto, Canada  
January 30, 2006

## CONSOLIDATED BALANCE SHEET

As at December 31, 2005 (In thousands of dollars)

	2005	2004
<b>ASSETS</b>		
Cash	\$ 3,768	\$ 834
Short-term investments	257,959	17,120
Deposits with Bank of Canada	10,643	76,193
Cash in transit from financial institutions (Note 2)	98,565	141,077
Securities (Note 3)	8,973	11,967
Loans to members (Note 4)	69,399	20,938
Other loans and leases (Note 5)	91,965	80,260
Unrealized gain on derivative contracts (Note 14)	21	-
Income taxes recoverable	-	943
Future income taxes (Note 10)	1,641	1,148
Property and equipment (Note 6)	1,089	971
Accrued interest and other assets	1,443	1,065
	<b>\$ 545,466</b>	<b>\$ 352,516</b>
<b>LIABILITIES</b>		
Cash in transit to financial institutions (Note 2)	\$ 336,121	\$ 190,102
Deposits by members	96,781	56,529
Notes payable to members (Note 7)	71,615	71,615
Income taxes payable	2,163	183
Future income taxes (Note 10)	40	40
Unrealized losses on derivative contracts (Note 14)	-	246
Dividends payable (Note 8)	1,664	-
Accrued interest and other liabilities	5,118	4,443
	<b>513,502</b>	<b>323,158</b>
<b>MEMBERS' EQUITY</b>		
Share capital (Note 8)	27,725	27,733
Retained earnings	4,239	1,625
	31,964	29,358
	<b>\$ 545,466</b>	<b>\$ 352,516</b>

Approved by the Board:



**Michael Tarr**  
Director



**Henry Jansen**  
Director

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended December 31, 2005 (In thousands of dollars)

	2005	2004
<b>REVENUE</b>		
Income from securities and short-term investments	\$ 824	\$ 847
Income from loans to members	1,322	904
Income from other loans and leases	9,880	8,902
Other revenue	583	404
	<b>12,609</b>	<b>11,057</b>
<b>EXPENSES</b>		
Interest	4,199	3,539
(Gains) losses on derivative financial instruments (Note 14)	(24)	414
Provision for impaired loans	1,136	262
Salaries, benefits and variable compensation	7,772	7,006
Technology, administration and other	6,002	6,345
Amortization of property and equipment	363	361
Cost-sharing recoveries (Note 16)	(9,714)	(9,760)
	<b>9,734</b>	<b>8,167</b>
<b>EARNINGS BEFORE SPECIAL STRATEGY COMMITTEE REBATE TO MEMBERS and INSURANCE RECOVERY</b>	<b>2,875</b>	<b>2,890</b>
<b>SPECIAL STRATEGY COMMITTEE</b>		
Special Strategy Committee costs (Note 9)	160	353
Recoveries of Special Strategy Committee costs	(160)	(353)
<b>EARNINGS BEFORE REBATE TO MEMBERS AND INSURANCE RECOVERY</b>	<b>2,875</b>	<b>2,890</b>
<b>REBATE TO MEMBERS</b>		
Cost sharing assessments (Note 16)	583	549
<b>INSURANCE RECOVERY</b> (Note 18)	<b>(3,526)</b>	<b>–</b>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>5,818</b>	<b>2,341</b>
<b>INCOME TAXES</b> (Note 10)		
Current	2,633	493
Future (recovery)	(492)	(674)
	<b>2,141</b>	<b>(181)</b>
<b>NET EARNINGS</b>	<b>3,677</b>	<b>2,522</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>	<b>1,625</b>	<b>(897)</b>
<b>DIVIDENDS</b> , net of related income tax savings of \$601 (2004 – \$nil)	<b>(1,063)</b>	<b>–</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 4,239</b>	<b>\$ 1,625</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2005 (In thousands of dollars)

	2005	2004
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Net earnings	\$ 3,677	\$ 2,522
Items not affecting cash		
Amortization of property and equipment	363	361
Write-off of leasehold improvements	17	13
Future income taxes	(492)	(674)
Provision for impaired loans	1,136	262
Net change in fair value of swaps	(267)	(63)
Amortization of deferred asset	107	188
Gain on sale of corporate debentures	(60)	(55)
	<b>4,481</b>	<b>2,554</b>
Changes in non-cash operating components		
Accrued interest and other assets	(485)	67
Income taxes recoverable/payable	2,923	(155)
Accrued interest and other liabilities	675	(18)
	<b>7,594</b>	<b>2,448</b>
<b>FINANCING</b>		
Redemption of share capital	(8)	–
Income tax savings resulting from dividends declared	601	–
	<b>593</b>	<b>–</b>
<b>INVESTING</b>		
Securities	(2,465)	(379)
Amortization of premiums on corporate debentures	(71)	207
Proceeds on sale of corporate debentures	5,589	6,601
Loans to members	(100)	99
Other loans and leases	(12,841)	(5,220)
Purchase of property and equipment	(498)	(722)
	<b>(10,386)</b>	<b>586</b>
<b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS</b>	<b>(2,199)</b>	<b>3,034</b>
<b>NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>9,440</b>	<b>6,406</b>
<b>NET CASH AND CASH EQUIVALENTS, END OF YEAR (Note 17)</b>	<b>\$ 7,241</b>	<b>\$ 9,440</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	\$ 5,474	\$ 4,611
Income taxes paid	\$ 90	\$ 640

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

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## 1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Subsection 292(4) of the Cooperative Credit Associations Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada, the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent, are summarized below.

### Basis of presentation

The consolidated financial statements include the accounts of Credit Union Central of Canada ("Canadian Central") and those of its investees which it controls and for which it has the right and ability to obtain future economic benefits and for which it is exposed to the related risks of ownership.

Canadian Cooperative Agricultural Financial Services and Canadian Cooperative Leasing Services, both members of Canadian Central, are deemed to be subsidiaries, notwithstanding the nominal shareholdings which Canadian Central has in these members, by virtue of the fact that Canadian Central controls them and has the right and ability to obtain future economic benefits and is exposed to the related risks of both organizations. The nominal shareholdings which these two members have in Canadian Central have been eliminated from reported share capital, and other intercompany transactions have been eliminated, as well.

CUIC Inc., operating as *CUSOURCE*<sup>®</sup> Credit Union Knowledge Network, is wholly owned by Canadian Central, but is carried at cost in these financial statements due to the Governance Agreement, which provides that it be operated as a not-for-profit organization and that Canadian Central have no control or risks or rewards of ownership.

Canadian Central also holds 100% of the shares of Cancred Lands Limited, an inactive company.

### Accounting for securities

Corporate debentures are carried at amortized cost whereby purchase discounts and premiums are amortized to operations over the term to maturity. Co-operative investments are carried at cost. An allowance for losses is provided when there is considered to be a decline in market value, which is other than temporary.

Gains and losses on disposals of securities are included in income from securities and short-term investments.

### Loans receivable

The carrying value of loans receivable includes principal and related finance costs. The terms of the loans extend up to five years. Finance charges are taken into income on a constant yield basis over the terms of the loans. The investment in leases for purposes of income recognition is composed of net minimum lease payments less unearned finance income. Finance income related to the investment in leases is recognized over the term of the lease according to a formula providing a constant rate of return on investment. The carrying value of credit card loans includes principal and related finance costs. Finance charges are calculated on outstanding balances and taken into income on a monthly basis.

### Direct financing leases

A subsidiary of Canadian Central has legal title to certain assets which are leased under terms which transfer substantially all of the benefits and risks of ownership to the lessees. The carrying value of direct financing leases represents the aggregate cost of the related assets to Canadian Central, less principal payments received. If a decline in value is considered to be other than temporary, a provision for loss is recorded. Income earned on such leases is calculated by reference to the principal balance outstanding and the applicable interest rates specified in the lease agreements.

### Derivative financial instruments

A subsidiary of Canadian Central periodically enters into interest rate swap and interest rate cap agreements to reduce the exposure to movements in interest rates. The subsidiary does not enter into derivative financial instruments for trading or speculative purposes.

The subsidiary enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its notes payable to members. Interest rate swaps are accounted for using the accrual basis. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based.

Effective January 1, 2004, the subsidiary adopted AcG 13 – Hedging Relationships, and, as a result, the interest rate swaps no longer qualified for hedge accounting at that point in time. Subsequent to January 1, 2004, realized and unrealized gains or losses on derivative financial instruments are recorded in income in the period that a change in the underlying fair value of the instruments occurs.

### Property and equipment

Property and equipment is recorded at cost. Assets costing less than \$2,000 each are expensed in the period acquired. Amortization is calculated using the straight-line method at the following rates:

Computer equipment	3 years
Leasehold improvements	9 years (lease term)
Furniture and equipment	5 years

### Income taxes

The asset and liability method of income tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to be reversed.

### Use of estimates

The preparation of Canadian Central's financial statements, in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

### Significant Accounting changes – Consolidation of Variable Interest Entities

On January 1, 2005 Canadian Central adopted CICA Accounting Guideline 15, Consolidation of Variable Interest Entities. Management has applied the requirements of this standard prospectively and determined that there is no material impact in the application of it.

## 2. CASH IN TRANSIT

Canadian Central acts as the Group Clearer for cash in transit that arises from the clearing settlement system for a group of its member provincial credit union centrals (see Note 13).

The balance sheet of Canadian Central has separately disclosed Cash in transit from financial institutions as an asset and Cash in transit to other financial institutions as a liability.

Canadian Central has a line of credit facility with the Bank of Canada in respect of its function as direct clearer on behalf of five Provincial Centrals in the Canadian Payments Association. This line of credit is limited by, and secured with government-guaranteed securities lodged by the Provincial Centrals.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SECURITIES

(In thousands of dollars)

	2005		2004	
	Stated Value	Market Value	Stated Value	Market Value
Corporate debentures and notes	\$ 4,622	\$ 4,660	\$ 7,616	\$ 7,893
Co-operative investments	\$ 4,351	\$ 4,351	\$ 4,351	\$ 4,351
	\$ 8,973	\$ 9,011	\$ 11,967	\$ 12,244

Co-operative investments have indefinite terms, and corporate debentures mature within five years.

### 4. LOANS TO MEMBERS

(In thousands of dollars)

	2005	2004
Provincial Centrals	\$ 69,193	\$ 20,832
CUIC Inc.	196	96
Other members	10	10
	\$ 69,399	\$ 20,938

All loans to Provincial Centrals are due within one month. At December 31, 2005, Canadian Central has granted lines of credit to Provincial Centrals for operating purposes in the aggregate amount of \$403,500,000 (2004 – \$403,500,000), including amounts loaned. Canadian Central has also granted a line of credit to CUIC Inc. for \$250,000 (2004 – \$250,000).

Pursuant to the terms of the National Liquidity Fund Agreement, Canadian Central has immediate access to the liquidity pool assets, segregated and held by Provincial Centrals, to enable it to fulfill its current responsibilities as a direct clearer of the Bank of Canada and a member of the Canadian Payments Association.

### 5. OTHER LOANS AND LEASES

#### a) Composition

(In thousands of dollars)

	2005	2004
Loans Receivable		
Wholesale and retail customer loans	\$ 64,713	\$ 57,132
Industrial loans	2,960	4,133
Credit card loans	26,006	20,118
Leases	213	137
	93,892	81,520
Allowance for impaired loans	1,927	1,260
	\$ 91,965	\$ 80,260

Retail customer, wholesale and industrial loans are secured by specific equipment.

The investment in direct financing leases is composed of net minimum lease payments less unearned finance income which is recognized over the term of the lease according to a formula providing a constant rate of return on investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b) Allowance for impaired loans and leases

The allowance for impaired loans and leases is comprised of the following:

(In thousands of dollars)

	TOTAL IMPAIRED AMOUNT	SPECIFIC ALLOWANCES	NON-SPECIFIC ALLOWANCES	TOTAL ALLOWANCES
Wholesale and retail customer	\$ 2,584	\$ 673	\$ 513	\$ 1,186
Industrial	248	75	23	98
Credit card	39	39	604	643
	<b>\$ 2,871</b>	<b>\$ 787</b>	<b>\$ 1,140</b>	<b>\$ 1,927</b>

The change in the allowance for impaired loans and leases is as follows:

(In thousands of dollars)

	WHOLESALE, RETAIL & INDUSTRIAL LOANS & LEASES	CREDIT CARD	TOTAL
Allowance, beginning of year	\$ 757	\$ 503	\$ 1,260
Provision	563	573	1,136
Write-offs during the year	(140)	(620)	(760)
Recoveries	104	187	291
Allowance, end of year	<b>\$ 1,284</b>	<b>\$ 643</b>	<b>\$ 1,927</b>

### c) Terms of loans and leases receivable

Retail, wholesale and industrial loans and leases are at fixed rates and have an average yield as follows:

(In thousands of dollars)

	WHOLESALE & RETAIL CUSTOMER	INDUSTRIAL	TOTAL
Less than 7.50%	\$ 30,429	\$ 233	\$ 30,662
7.51% to 10.00%	32,869	750	33,619
10.01% to 12.5%	1,218	1,622	2,840
More than 12.5%	197	355	552
	<b>\$ 64,713</b>	<b>\$ 2,960</b>	<b>\$ 67,673</b>

These loans and leases have maturities as follows:

(In thousands of dollars)

	AVERAGE INTEREST RATE	WHOLESALE & RETAIL CUSTOMER	INDUSTRIAL	TOTAL
1 to 12 months	9.24%	\$ 4,188	\$ 674	\$ 4,862
13 to 24 months	8.52%	9,127	793	9,920
25 to 36 months	8.29%	13,614	1,055	14,669
37 to 48 months	7.53%	19,331	210	19,541
49 to 60 months	7.67%	14,754	228	14,982
61 to 72 months	6.75%	399	–	399
73 to 84 months	6.80%	3,300	–	3,300
		<b>\$ 64,713</b>	<b>\$ 2,960</b>	<b>\$ 67,673</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit card loans are interest free for an average period of 35 days from the date of purchase. Thereafter, credit card loans are subject to minimum monthly payment and bear interest at either 11.9% or 19.5%. The rate assigned to an account is dependent upon its assessed strength and risk potential scoring.

### d) Concentration

Virtually all of the loans and leases receivable are extended to agricultural producers. Approximately 83% (2004 – 82%) of these loans and leases are to borrowers in the three prairie provinces of Canada.

## 6. PROPERTY AND EQUIPMENT

(In thousands of dollars)

	2005			2004
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment	\$ 1,174	\$ 888	\$ 286	\$ 291
Furniture and equipment	996	693	303	374
Leasehold improvements	645	145	500	306
	<b>\$ 2,815</b>	<b>\$ 1,726</b>	<b>\$ 1,089</b>	<b>\$ 971</b>

## 7. NOTES PAYABLE TO MEMBERS

Certain Provincial Centrals provide a substantial portion of the financing for Canadian Cooperative Agricultural Financial Services, a member, under a Participation Agreement co-ordinated by Canadian Central. The notes payable, which are issued pursuant to the terms of this Agreement, amounted to \$71,615,000 at December 31, 2005 (2004 – \$71,615,000) and they are secured by the assets of Canadian Cooperative Agricultural Financial Services. All amounts are due within one year.

(In thousands of dollars)

	AMOUNT	INTEREST RATE
Series I debentures	\$ 68,600	3.66% – 3.86%
Series II debentures	3,015	15%
	<b>\$ 71,615</b>	

## 8. SHARE CAPITAL

(In thousands of dollars except share amounts)

	2005		2004	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares without par value				
Authorized	2,500,000	N/A	2,500,000	N/A
Issued	277,256	\$ 27,725	277,336	\$ 27,733

On approval of the Board of Directors, shares are redeemable at the lower of fair market value and the amount paid thereon pursuant to provisions in Canadian Central's by-laws. As required by the Cooperative Credit Associations Act, such redemptions are limited in any fiscal year to 1% of the issued shares outstanding at the beginning of the fiscal year. Any redemption in share capital exceeding this amount requires regulatory approval.

Dividends are payable at the discretion of the Board of Directors. The Board of Directors approved a dividend payment of 6% to shareholders of record on November 24, 2005 in the amount of \$1,663,602 payable on February 17, 2006 (2004 – \$nil).

During 2005, 80 shares was redeemed for cash of \$8,000 (2004 – nil shares). In addition, no shares were issued in 2005 (2004 – nil shares).

Dividends payable in respect of share capital are deductible in the determination of taxable income and the resulting tax savings of \$600,893 (2004 – \$nil) are netted from the dividends in the consolidated statement of earnings and retained earnings.

## 9. SPECIAL STRATEGY COMMITTEE

The Special Strategy Committee was formed by the Board of Directors for the purpose of planning the credit union system's response to both the opportunities and challenges that are presented by potential bank mergers. Costs incurred in 2005 for this project amounted to \$160,097 (2004 – \$352,674) and were assessed to the Provincial Centrals under a cost sharing formula.

## 10. INCOME TAXES

The total income tax provision in the consolidated statement of earnings and retained earnings is at a rate less than the combined federal and provincial statutory income tax rates as follows:

(In thousands of dollars)

	2005		2004	
	\$	%	\$	%
Income taxes at combined statutory rate	\$ 2,075	35.7	\$ 859	36.7
Permanent differences	28	0.5	(60)	(2.5)
Recognition of losses carried forward not previously recognized	–	–	(767)	(32.8)
Deductible temporary differences for which no benefit has been recognized	38	0.6	(250)	(10.7)
Other	–	–	37	1.6
	<b>\$ 2,141</b>	<b>36.8</b>	<b>\$ (181)</b>	<b>(7.7)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The effects of temporary differences, which give rise to the future income tax asset and future income tax liability, are as follows:

	2005	2004
Future income tax asset		
Tax loss carryforward	\$ –	\$ 98
Leasing activity – income recognition	1,641	1,050
	<b>\$ 1,641</b>	<b>\$ 1,148</b>
Future income tax liability		
Capital gain – share exchange	\$ 40	40

### 11. INTEREST RATE SENSITIVITY

Canadian Central has established policies and related reporting processes to manage its exposure to fluctuating interest rates (interest rate risk) and exposure to financial loss resulting from the failure of a party to honour its financial or contractual obligations (credit risk). A source of Canadian Central's income for 2005 was financial margin, which is the difference between interest earned on investments and loans and interest paid on deposits, borrowings and capital.

### 12. COMMITMENTS AND GUARANTEES

Canadian Central is a Group Clearer under the rules of the Canadian Payments Association (the "CPA"). In addition to Canadian Central, the members of the Canadian Central Group are Credit Union Central of British Columbia, Credit Union Central of Alberta, Credit Union Central of Saskatchewan, Credit Union Central of Manitoba, and Credit Union Central of Ontario (the "Centrals"). Under the rules of the CPA, Canadian Central:

- (a) guarantees payment of payment items drawn on or payable by the Centrals and their member credit unions; and
- (b) must give the CPA at least thirty (30) days prior notice before it can make a change in the composition of the Canadian Central Group and cease acting as group clearer for a Central.

Canadian Central is committed to this contingent guarantee under the Canadian Central Group Clearing Agreement (the "Group Clearing Agreement"). Pursuant to the Group Clearing Agreement, the Centrals, severally, indemnify Canadian Central for all payment items drawn on or payable by the Central or its member credit unions and, in the event of the failure of a Central to honour its guarantee, the remaining Centrals, jointly and severally, indemnify Canadian Central for all payment items drawn on or payable by any Central or its member credit unions.

Canadian Central and a subsidiary are committed to annual rental payments for leased premises as noted below.

2006	\$644,794
2007	656,439
2008	668,208
2009	680,105
2010	692,131
2011 and thereafter	1,345,378
	<b>\$4,687,055</b>

**13. CLEARING SYSTEM ACTIVITY**

Canadian Central performs several important roles within the credit union clearing system. These include activities relating to Group Clearing Agreements with Members. The following summarized balance sheet isolates the financial impact of these activities. All balances represent items with a settlement term of less than 90 days.

(In thousands of dollars)

	<b>2005 BALANCE SHEET</b>	<b>CLEARING SYSTEM BALANCES</b>	<b>2005 NON- CLEARING BALANCE SHEET</b>
<b>ASSETS</b>			
Cash	\$ 3,768	\$ 3,549	\$ 219
Short-term investments	257,959	244,000	13,959
Deposits with Bank of Canada	10,643	10,643	–
Cash in transit from financial institutions	98,565	98,565	–
Securities	8,973	–	8,973
Loans	161,364	69,192	92,172
Other	4,194	–	4,194
<b>Total assets</b>	<b>\$ 545,466</b>	<b>\$ 425,949</b>	<b>\$ 119,517</b>
<b>LIABILITES &amp; MEMBERS' EQUITY</b>			
Cash in transit to financial institutions	\$ 336,121	\$ 336,121	\$ –
Deposits by members	96,781	89,766	7,015
Other	80,600	62	80,538
<b>Total liabilities</b>	<b>513,502</b>	<b>425,949</b>	<b>87,553</b>
Members' equity	31,964	–	31,964
<b>Total liabilities and members' equity</b>	<b>\$ 545,466</b>	<b>\$ 425,949</b>	<b>\$ 119,517</b>

(In thousands of dollars)

	<b>2004 BALANCE SHEET</b>	<b>CLEARING SYSTEM BALANCES</b>	<b>2004 NON-CLEARING BALANCE SHEET</b>
<b>ASSETS</b>			
Cash	\$ 834	\$ –	\$ 834
Short-term investments	17,120	8,714	8,406
Deposits with Bank of Canada	76,193	76,193	–
Cash in transit from financial institutions	141,077	141,077	–
Securities	11,967	–	11,967
Loans	101,198	20,831	80,367
Other	4,127	–	4,127
<b>Total assets</b>	<b>\$ 352,516</b>	<b>\$ 246,815</b>	<b>\$ 105,701</b>
<b>LIABILITES &amp; MEMBERS' EQUITY</b>			
Cash in transit to financial institutions	\$ 190,102	\$ 190,102	\$ –
Deposits by members	56,529	56,514	15
Other	76,527	199	76,328
<b>Total liabilities</b>	<b>323,158</b>	<b>246,815</b>	<b>76,343</b>
Members' equity	29,358	–	29,358
<b>Total liabilities and members' equity</b>	<b>\$ 352,516</b>	<b>\$ 246,815</b>	<b>\$ 105,701</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. FINANCIAL INSTRUMENTS

#### Fair value of financial instruments

The fair value of short-term investments, deposits with Bank of Canada, loans to members, accrued interest and other assets, deposits by members, notes payable by members, and accrued interest and other liabilities are assumed to approximate the carrying values because of their short terms to maturity. Market values of securities are disclosed in Note 3.

Management has estimated the fair value of loans receivable referred to in Note 5 by discounting the expected future cash flows at estimated current market rates for instruments with similar risks. Management estimates that the fair value of these loans receivable at the balance sheet date was \$93 million (2004 – \$80 million). The comparable carrying value of these assets, calculated by deducting unearned finance income from the loans receivable balance is \$92 million (2004 – \$80 million).

The difference between the estimated fair value and carrying value of financial instruments arises due to the fluctuations in interest rates between the date the instrument was originally recognized in the financial statements and the year end date. As Canadian Central and its subsidiaries normally hold all loans receivable to maturity, carrying values have not been adjusted to reflect the differences.

#### Interest rate swaps

A subsidiary of Canadian Central utilizes interest rate swaps to effectively change floating rate payments into fixed rate payments on notes payable to members. Under the terms of the swaps, the subsidiary has contracted with a counterparty to pay interest at a fixed rate on the notional amounts and to receive interest at floating rates on the notional amounts. As at December 31, 2005, the subsidiary had the following interest rate swaps outstanding:

NOTIONAL AMOUNT	SUBSIDIARY PAYS	SUBSIDIARY RECEIVES	EXPIRING
\$ 6,000,000	Fixed rate of 3.650%	Floating rate	October 24, 2006
3,000,000	Fixed rate of 3.710%	Floating rate	December 4, 2006
<b>\$ 9,000,000</b>			

The contractual floating rate for each of the contracts is the 90 day Bankers' Acceptance rate and they reprice quarterly. The counterparty to the above swaps is a Provincial Central with a senior debt rating of A. There were three swaps terminated during the year.

Effective January 1, 2004, Canadian Central implemented AcG 13 – Hedging Relationships. As a result, the interest rate swaps held no longer qualified for hedge accounting resulting in the recording of an unrealized loss and corresponding deferred asset of \$309,247 on January 1, 2004, which was the fair value of the swaps at that time. This deferred asset is being amortized into income on a straight-line basis over the remaining terms to maturity of the underlying interest rate swaps. For the year ended December 31, 2005, \$107,324 was amortized into income (2004 – \$187,543), included in interest expense.

The (gains) losses on derivative financial instruments recorded in income are broken down as follows:

	2005	2004
Fair value of swaps, beginning of year	\$ (246,359)	\$ (309,247)
Fair value of swaps, end of year	21,357	(246,359)
Net change in fair value of swaps	(267,716)	(62,888)
Interest paid to counterparty during the year	244,130	477,007
Unrealized (gains) losses on derivative financial instruments	<b>\$ (23,586)</b>	<b>\$ 414,119</b>

### 15. BORROWING LIMIT AND LINES OF CREDIT

Aggregate borrowings, deposits accepted and debt guarantees granted may not exceed 20 times total consolidated members' equity. At December 31, 2005 such obligations outstanding were approximately 15.8 (2004 – 10.8) times total consolidated members' equity.

Canadian Central has available lines of credit for borrowing in the amount of \$1,000,000.

### 16. RELATED PARTY TRANSACTIONS

Canadian Central, as a financial co-operative, conducts essentially all of its transactions, except security transactions and external borrowings, with its members and, under agreement, provides administrative and financial services and support to Canadian Cooperative Agricultural Financial Services and Canadian Cooperative Leasing Services, both members and subsidiaries of Canadian Central. Canadian Central also provided services to and received services from CUIC Inc., a wholly owned subsidiary. In addition, Canadian Central undertakes various cost-sharing programs, which are member-funded based on accepted formulas, for the benefit of its members.

The Board of Directors approved a rebate of cost sharing assessments of \$583,449 (2004 – \$548,831) which will be paid to participants based on the assessment support formula for specific products and services. The payment of the rebate is a result of income and cost sharing recoveries exceeding the costs of services provided to members.

### 17. NET CASH AND CASH EQUIVALENTS

Transactions in the following accounts with an initial term to maturity of 90 days or less are deemed to be cash equivalents.

(In thousands of dollars)

	<b>2005</b>	<b>2004</b>
Cash	\$ 3,768	\$ 834
Short-term investments	257,959	17,120
Deposits with Bank of Canada	10,643	76,193
Cash in transit from financial institutions	98,565	141,077
Loans to members	69,193	20,832
Cash in transit to financial institutions	(336,121)	(190,102)
Deposits by members	(96,766)	(56,514)
	<b>\$ 7,241</b>	<b>\$ 9,440</b>

### 18. INSURANCE RECOVERY

During 2005, Canadian Cooperative Agricultural Financial Services received \$3,525,790 related to an insurance claim to recover a portion of losses incurred in 2003 relating to defaulted loans.

### 19. COMPARATIVE BALANCES

Certain of the prior year's balances have been reclassified to conform with the current year's presentation.

### 20. PENSION PLAN

Canadian Central and its employees contribute to a defined contribution pension plan. The pension expense for the year ended December 31, 2005 was \$255,364 (2004 – \$236,779).

## SHAREHOLDER MEMBERS

(As at December 31, 2005)

### Class A

Credit Union Central Alberta Limited  
Credit Union Central of British Columbia  
Credit Union Central of Manitoba  
Credit Union Central of New Brunswick  
Credit Union Central of Newfoundland  
& Labrador  
Credit Union Central of Nova Scotia  
Credit Union Central of Ontario  
Credit Union Central of  
Prince Edward Island  
Credit Union Central of Saskatchewan  
L'Alliance des caisses populaires  
de l'Ontario limitée

### Class C

Canadian Alternative Investment Co-op  
Canadian Co-operative Association  
Canadian Cooperative Agricultural  
Financial Services  
Canadian Cooperative Leasing Services  
COLAC (Confederación Latinoamericana  
de Cooperativas de Ahorro Y Crédito)

Concentra Financial Services Association  
Co-op Atlantic  
Cooperative EFT Development  
Association (CEDA)  
Co-operative Housing Federation  
of Canada  
Co-operators General  
Insurance Company  
Co-operators Life Insurance Company  
CUMIS General Insurance Company  
CUMIS Life Insurance Company  
CUNA Mutual Insurance Society  
Farmers Co-operative Dairy Limited  
Fogo Island Co-operative Society  
Gay Lea Foods Co-operative Limited  
National Association of Canadian  
Credit Unions (NACCU)  
North Carolina Credit Union League  
Scotian Gold Co-operative Limited  
United Farmers of Alberta  
Co-operative Limited  
U.S. Central Credit Union  
Western Co-operative Fertilizers Limited



**Credit Union  
Central of Canada**

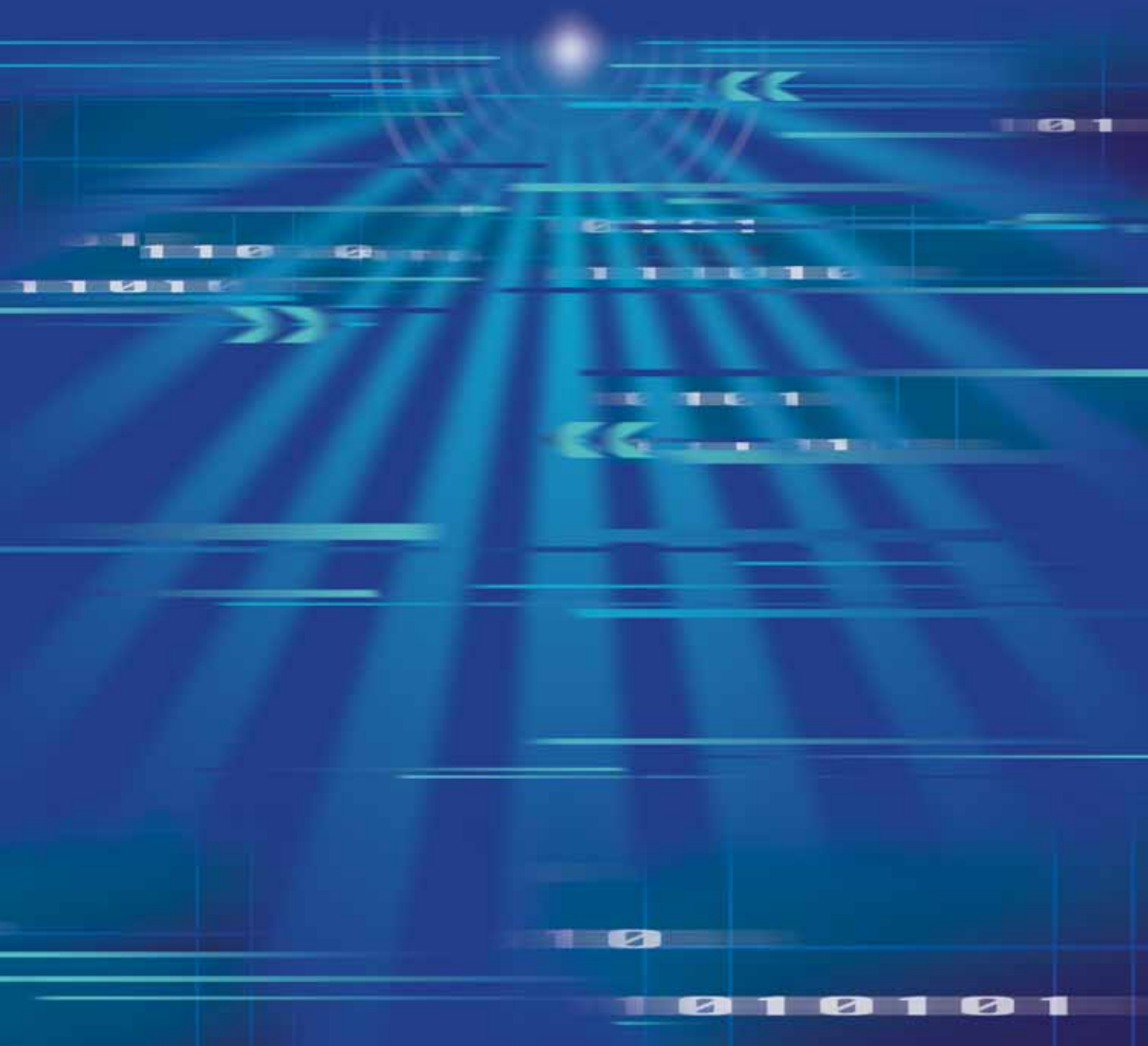
300 The East Mall, Suite 500 Toronto, ON M9B 6B7

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[www.cucentral.ca](http://www.cucentral.ca)

# 2005 Report to Stakeholders

## Learning and Knowledge Sharing



Marking its second full year of operation in 2005, *CUSOURCE*® Credit Union Knowledge Network (*CUSOURCE* Knowledge Network), a subsidiary of Credit Union Central of Canada (Canadian Central), is the home of learning, knowledge sharing, career management and strategic people development for the credit union system. It is the hub for Credit Union Institute of Canada (*CUIC*®), which offers professional accreditation and designation programs. To deliver excellence to the credit union system, *CUSOURCE* Knowledge Network also builds relationships with respected developers of high quality learning materials.

## More Subscribers

By the end of the year, close to 9,000 system employees and directors had subscribed to the *CUSOURCE* Knowledge Network via [www.cusource.ca](http://www.cusource.ca) – an increase of 18 per cent over 2004. New and renewing Corporate Subscribers totaled 42 per cent of affiliated credit unions, including 77 per cent of the largest 100 credit unions.

## Strategic People Development

Behavioural competencies—by-position behavioural sets associated with top performing employees—were added in the fall of 2005 to the technical knowledge and skill standards on the *CUSOURCE* Knowledge Network Learning Management System (LMS). With this new functionality, corporate subscribers have access to a toolkit for implementing and supporting a strategic, competency-based approach to people development. Managers at subscribing credit unions can work with employees to identify behavioural and technical gaps, then develop unique learning plans that address personal and organizational learning needs.

## Programs for Lenders

Working with Canadian Central's National Lenders Policy Committee, *CUSOURCE* Knowledge Network responded to the system's need for commercial lending training by launching two comprehensive accreditation programs in 2004: *Commercial Lending Administrator* and *Commercial Lender*. Both support credit unions committed to offering services to small and medium-sized enterprises. The applied, case-intensive courses attached to these programs proved popular in 2005 as they rolled out across the country. To further support commercial lending activity, *CUSOURCE* Knowledge Network renewed its subscription to Risk Management Associates' *eMENTOR*™ product, an online learning and resource

tool for commercial lenders that is included in the individual subscription.

To support credit union retail lending, *CUSOURCE* Knowledge Network launched the Dalhousie University accredited *Consumer & Residential Mortgage Lending Program* in 2005. Credit union employees may either enroll directly in this program or in the lead-in certificate programs: *Consumer Lender Certificate* and/or *Residential Mortgage Lender Certificate*. These offerings respond to the varying ways in which credit unions structure consumer lending services.

## Enterprise Risk Management

In December 2004, *CUSOURCE* Knowledge Network launched Enterprise Risk Management (ERM) workshops. The case-based format examines effective management of various categories of risk: regulatory, operating, reputation, marketing and credit. Workshops were well received, with close to 600 senior managers and directors attending in 2005.

## Customer Support

Also in 2005, the *CUSOURCE* Knowledge Network Helpdesk expanded its role to become a more responsive Customer Support Centre, with an enhanced customer-call tracking system and a self-serve Web site (<http://support.cusource.ca>) for frequently asked questions, free downloads, step-by-step “how-tos” and the latest system enhancements. This Centre launched an information technology newsletter to ensure that credit union IT professionals have the information they need to maximize use of the *CUSOURCE* Knowledge Network LMS.

## CUDA® Program

A national task force of credit union executives and directors was formed during the year to evaluate the Credit Union Director Achievement (*CUDA*®) Program, which is designed to help directors build strong governance cultures in their credit unions. The results of the task force's work will be seen in 2006 in a program that puts even more emphasis on the accountability, stewardship and leadership required from today's boards.

## Webinars

In 2005, *CUSOURCE* Knowledge Network extended the depth and breadth of its webinars (Web-seminars). By year end, it was experiencing “sold out” status on a number of topics, indicating that credit unions have embraced

both the content and the Internet meeting tools used by *CUSOURCE*® Credit Union Knowledge Network. Over 400 system employees took advantage of these online sessions and many sent follow up e-mails, acknowledging the value of this learning resource.

### Satisfaction Survey

Benchmark information gathered from the first *CUSOURCE* Knowledge Network Customer Satisfaction Survey conducted in November 2005 validated the year's efforts. The survey attracted a 27 per cent response rate, for a total of 2,279 responses. Eighty-six per cent of respondents indicated that *CUSOURCE* Knowledge Network provides "valuable resources," 61 per cent positioned *CUSOURCE* Knowledge Network as their "preferred supplier" and 81 per cent said it was a strategic partner.

### Advisory Council

Throughout the year, *CUSOURCE* Knowledge Network's Advisory Council continued to offer its counsel, insights and support, all of which contributed to achieving these outstanding results.

### Growth in Subscribers

	2005	2004	Increase
Total Corporate Subscribers (credit union system affiliates)	<b>225</b>	169	33%
Corporate Subscribers among the largest 100 credit unions	<b>69</b>	57	21%
Individual Subscribers (includes those employed with Corporate Subscribers)	<b>8,922</b>	7,585	18%

### Credit Union Institute of Canada (CUIC®)

	2005	2004
Total <i>CUIC</i> exams written	<b>1,675</b>	1,646
<b>CUIC Professional Accreditations/ Designations Earned</b>		
Accredited Sales and Service Representatives	<b>41</b>	57
Fellow (FCUIC) and Associates (ACUIC) of Credit Union Institute of Canada	<b>67</b>	52

### Growth in Use of e-Courses (non-*CUSOURCE* Knowledge Network)

	2005	2004
<i>NETg</i> ® e-courses sold	<b>2,478</b>	705
<i>Harvard</i> e-courses sold	<b>180</b>	38

## Introduced Nationally in 2005

### Competencies

Behavioural Competencies (including Glossary and Development Resource Guide)  
 Redesigned Technical Competencies (including Glossary and Resource Guide)

### Courses

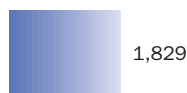
Commercial Lending Administrator Proficiency  
 Commercial Lending Proficiency  
 Advanced Commercial Lending Proficiency  
 Consumer Lending Proficiency  
 Residential Mortgage Lending Proficiency  
 Consumer & Residential Mortgage Lending Cohort (online learning group)  
 Supervisor Orientation to the Sales & Service Accreditation Program

### Programs

Consumer and Residential Mortgage Lending Accreditation  
 Consumer Lending Certificate  
 Residential Mortgage Lending Certificate

### Total *CUSOURCE* Knowledge Network Individual Subscribers

March 2004



August 2004



December 2004



December 2005



## CUSOURCE® Credit Union Knowledge Network

### National Office

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Toronto, ON M9B 6B7  
(416) 232-1262

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6074 Lady Hammond Road  
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1-866-449-9991

### Ontario Office

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Toronto, ON M9B 6B7  
1-800-267-2842

### Manitoba Office

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Toronto, ON M9B 6B7  
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### Prairies Office

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P.O. Box 3030, Station Main  
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1-866-367-8404

### British Columbia Office

1441 Creekside Drive  
Vancouver, BC V6J 4S7  
1-877-780-4646

## CUSOURCE® Knowledge Network Advisory Council

January 1, 2006

### Cheryl Byrne

*Chair*  
Credit Union Central  
of Canada

### Linda Archer

Credit Union Central  
of British Columbia

### Donna Baranowski

Credit Union Central  
of New Brunswick

### Anne Bedard

Credit Union Central  
of Nova Scotia

### Debbie Lane

Credit Union Central  
of Saskatchewan

### Brian Peto

Credit Union Central  
of Manitoba

### Jeanette Wakelin

Credit Union Central  
of Prince Edward Island

### Dorothy Watson

Credit Union Central  
of Ontario

### Dick Williams

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