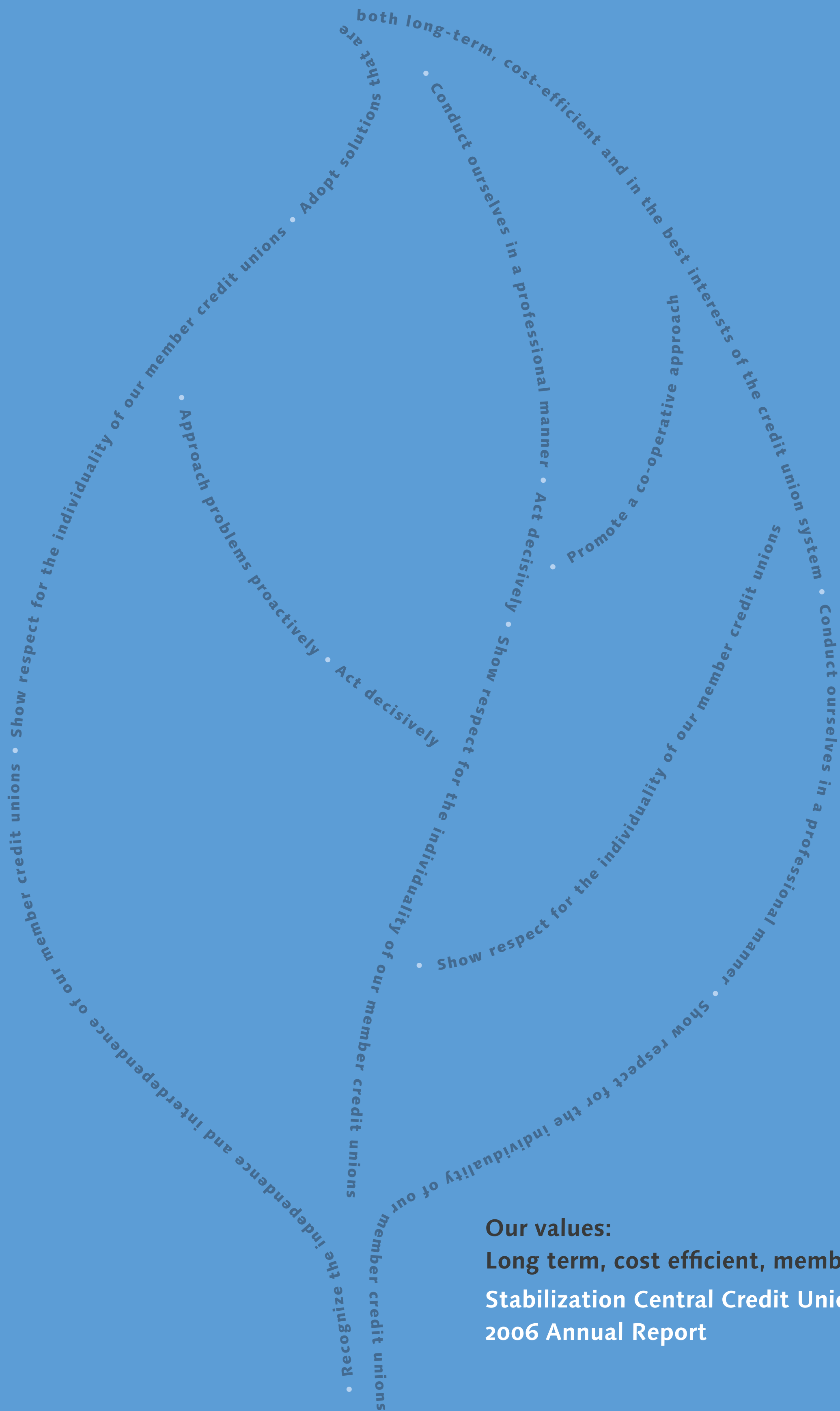


Our values:
Long term, cost efficient, member focused

Stabilization Central Credit Union of British Columbia
2006 Annual Report

OUR MISSION:

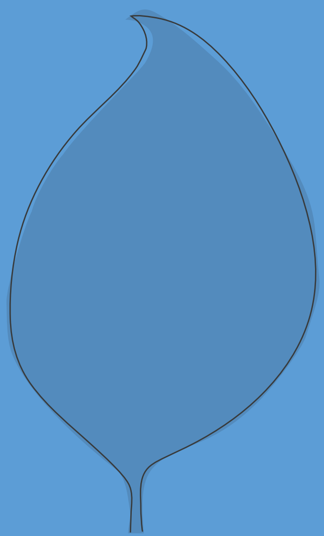
To strengthen British Columbia's credit unions.

CORPORATE VALUES

- Recognize the independence and interdependence of our member credit unions;
- Show respect for the individuality of our member credit unions;
- Adopt solutions that are both long-term, cost-efficient and in the best interests of the credit union system;
- Conduct ourselves in a professional manner;
- Approach problems proactively;
- Act decisively;
- Value our staff as a key corporate asset; and
- Promote a co-operative approach.

LONG TERM

Recognizing the challenges posed by a changing environment, Stabilization Central sought – and is acting on – expert recommendations for restructuring, refocusing and continued improvement in operating efficiency.



COST EFFICIENT

While retaining its independence, the new organization will benefit from cost savings and elimination of overlapping responsibilities through consolidation of back office functions with those of Credit Union Central of British Columbia.

Report of Chairperson & CEO

In last year's annual report we noted the constantly changing environment in which Stabilization Central and our member credit unions operate. Recognizing this challenge, Stabilization Central engaged Doug Enns as Interim CEO to complete an independent review of the organization and to make recommendations for the continued improvement in our operational efficiency. Our February 28, 2007 Bulletin captioned "Stabilization Central Update" provided an overview of the independent review and recommendations. We will comment on the review later in this report.

The year began with four credit unions under Supervision: Khalsa, Enderby & District, Terrace and VanTel/Safeway. During the year, Lake View Credit Union requested Voluntary Supervision and Terrace merged with Northern Savings. The result was four credit unions under Supervision at December 31, 2006. Subsequent to year-end, the members of Van Tel/Safeway Credit Union voted in favour of a merger with Vancity. This merger is to be effective April 1, 2007. During the year, we provided advice to many credit unions and management worked closely with two credit unions facing potential regulatory intervention.

Enterprise Risk Management (ERM) remains a major focus for Stabilization Central. We continue to take a leadership role in creating awareness of the ERM initiative and coordinating specific activities at the request of credit unions. During 2006 we completed the installation of the system to host the ERM software. Our staff made 12 presentations to various credit union groups and Boards of Directors. ERM has been adopted by 19 credit unions, which, combined, represent 87% of system assets. To date, 18 credit unions have purchased the ERM software under the favorable pricing arrangement negotiated by Stabilization Central.

ERM is a success story. One CEO commented that "the *Standards of Sound Business and Financial Practices – Enterprise Risk Management Version* are just a sound way to manage our business."

Since Stabilization Central was formed in 1989 there have been a number of changes in the industry and the regulatory environment, including the following:

- In 1989 system capital was less than 1% of assets. Since that time, B.C.'s credit unions have been building capital and strengthening their operations. Today, there are no credit unions in B.C. whose capital is less than 8% of risk-weighted assets.
- Through the 1980s and into the 1990s a large number of credit unions were under Supervision. Today there are four (soon to be three with the VanTel/Safeway – Vancity merger scheduled for April 1, 2007), which represent 7.84% of B.C.'s 51 credit unions and 1.72% of system assets at December 31, 2006.
- Since our formation, 26 credit unions have been placed under Supervision by FICOM and all have been assigned to Stabilization Central.
- Initially, Supervision assignments were the result of loan losses, operating losses and the resulting decline in capital ratios. Today, assignments focus on improving governance, operations and strategic decision making in all areas covered by the ERM Standards.
- In many respects, Stabilization Central's mandate has changed. Supervision assignments have changed and new services such as CAR reporting and ERM have been added over the years.

FICOM has rightly evaluated its responsibilities and accountabilities under the Financial Institutions Act. This has led to a restructuring of deposit insurance funds and will lead to changes in information reporting.

New delivery channels, internet banking, debit and credit cards have resulted in new forms of criminal activity. The Master Bond Program has been actively working with credit unions to initiate programs to reduce the losses from these activities. We can expect continued growth in this type of criminal activity.

As mentioned earlier, in dealing with the challenges of a changing environment, Stabilization Central retained Doug Enns as Interim CEO to complete an independent review of the organization and to make recommendations for the continued improvement in our operational efficiency.

Mr. Enns made the following observations and recommendations:

An informal survey of credit union executives indicated a variety of views. A few see no need for Stabilization Central to continue and a small number would rather there be no changes considered. The majority of credit unions felt that a stabilization function should exist but many were of the view that this need not be done by a separate organization. It was clear from the survey that Stabilization Central needed to change its organizational structure.

A number of options were considered:

- Develop new value-added services;
- Roll into FICOM; or
- Continue as a separate entity with an independent Board and CEO but consolidate back office administrative functions with CUCBC.

Investment in the development of new value-added services would require that Stabilization Central invest shareholder capital differently than in the past. This represents a material change in direction and would require significant support of shareholders. We do not believe that such support exists.

Rolling Stabilization into FICOM may provide economies of scale. Credit unions were concerned that FICOM's legislative mandate may not give sufficient flexibility to rehabilitate organizations in difficulty. Others believed that retaining a "system" controlled supervisor was preferred.

Our review of the options determined consolidating back office administrative functions with Credit Union Central of British Columbia is the option that would be supported by the greatest number of credit unions.

The resulting organization will see Stabilization Central remain as a separate entity independent of Credit Union Central with an independent Board of Directors.

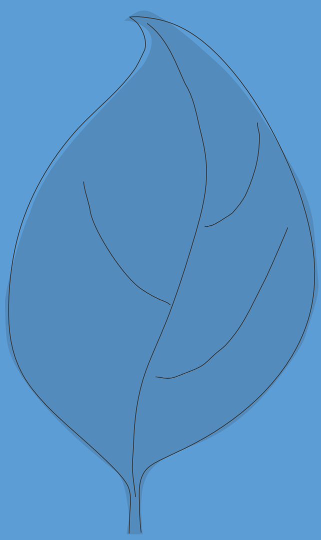
- The Stabilization Central Directors are responsible for the recruitment, selection and direction of the organization's CEO.
- The CEO reports to and is solely accountable to the Stabilization Central Board of Directors.
- As an independent central credit union, Stabilization Central will retain its status as the "Stabilization Authority."
- As the "Stabilization Authority" we will continue to work with FICOM and credit unions as provided in the legislation and our Protocol Agreement with FICOM.
- By consolidating back office administrative functions with Credit Union Central, a number of benefits arise: cost savings can be captured; overlapping responsibilities can be eliminated; a system controlled stabilization function will continue to exist; and the corporate structure will be retained.

It is the directors' view that entering into an agreement to obtain administrative services from CUCBC is the best decision for Stabilization Central and is the option supported by the majority of credit unions.

The directors expect the organization to continue to accept Supervision Assignments from FICOM and to work with credit unions to resolve the issues that led to regulatory action. We will continue to strive to add value to the system with the ongoing development of programs such as ERM and Information Technology Governance along with providing information repositories on significant systemic issues.

Alan Bajkov
Chief Executive Officer

Brian Nesbitt
Chairperson



MEMBER FOCUSED

Today, assignments focus on improving governance, operations and strategic decision-making in all areas covered by ERM Standards. We will continue to add value to the system with ongoing program development and problem-solving, and as the repository for critical information.

Master Bond Activities & Financial Highlights

Responsibility for the Master Bond Program was assigned to Stabilization Central by FICOM in 1991. Stabilization Central contracts Credit Union Central of British Columbia for the day-to-day operations of the program, but retains responsibility for strategic oversight and overall program delivery.

There are a number of fundamental principles applied in operating the program. These include:

- Primary responsibility for the management of the risks covered under the bond program rests with each credit union and the program should not create a moral hazard that would conflict with this responsibility. Credit union deductible levels and each credit union's claims experience influence assessments in consideration of this principle.
- The level of risk retained within the program should reflect the expected level of losses. Excess insurance should only be relied upon for infrequently occurring large losses. Consistent with this principle, the retained risk level is periodically reviewed.
- The program should be managed to achieve internal equity and, at the same time, be market competitive. In response to this, the assessments paid by credit unions, by asset size category, are compared to claims experience. Periodically, the assessments are compared to the market price of alternative coverage.
- By applying these principles, member credit unions continue to be well served by the Master Bond Program. Claim costs and the cost of the excess insurance protection continue to be managed and contained. As a result, the bond program assessment for the policy year commencing July 1, 2006 was reduced to $1.3 million. 2006 represents the fifth consecutive year the assessment has been held constant or reduced. The risk management practices of each credit union have contributed to this result.

Although the provision for outstanding Master Bond claims decreased year over year by $458,000 and assessments to member credit unions decreased from $1.38 to $1.3 million, this does not indicate the volume of claims activity experienced in 2006. During 2006, claims frequency increased by 11%, but severity increased by 226%. The claim areas with the largest values were Forgeries and Plastic Card losses.

In 2005 and again in 2006, management decided that any new claims arising in those assessment years would be funded from the existing Master Bond Fund to gradually bring the fund size down to its target level of $5 million. Because of this, management expected to see earnings deficits in the Master Bond Program's financial results in both of those years.

Going forward, Stabilization Central will continue to apply the fundamental principles set out above to ensure this important program provides good value for member credit unions.

Stabilization Activities – Financial Highlights

With the rebalancing of the Stabilization Fund completed in late 2005, Stabilization Central managed its first year of operations with a reduced investment portfolio and substantially lowered investment revenue.

For 2006, the return on the portfolio on a cost basis was 7.10% (2005: 6.75%). The market value return was 7.60% (2005: 5.24%). In 2006, the investment policy was modified to include pooled bond funds within the fixed income investment participation. The investment portfolio continues to be managed by Phillips, Hager & North.

Our operating costs for our stabilization activities increased by $150,000 or 8.45% for the year. A large portion of this increase is attributed to costs associated with management restructuring and increased responsibilities for supervised credit unions. For the fourth consecutive year, Stabilization Central did not assess its member credit unions for stabilization purposes.

Stabilization Central continues to administer a number of financial support agreements arranged in prior years. In structuring these agreements, the objective is to provide protection to the acquiring credit union against losses up to a specified level. It is management's opinion there will be no further calls on these support agreements.

Financial Review

Management's Responsibility for Financial Reporting

These financial statements have been prepared by the management of Stabilization Central Credit Union of British Columbia, who is responsible for their reliability, completeness and integrity. They conform in all material respects with generally accepted accounting principles and have been prepared in accordance with the requirements of the Financial Institutions Act of British Columbia. The financial information presented elsewhere in this Annual Report is consistent with the information in the financial statements.

The credit union's systems of internal control and reporting procedures are designed to provide reasonable assurance that financial records are complete and accurate, and to safeguard the assets of the organization. These systems include establishment and communication of standards of business conduct throughout the organization to prevent conflicts of interest and the unauthorized disclosure of information, as well as to provide assurance that all transactions are authorized and that proper records are maintained.

The credit union's Audit Committee and Board of Directors oversee management's responsibilities for the financial reporting and internal control systems.

KPMG LLP, the external independent auditors appointed by the membership, have examined these financial statements in accordance with Canadian generally accepted auditing standards. They have full and complete access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom. Their report appears herein.

Alan Bajkov
Chief Executive Officer

Carrie Haynes, B.Comm, CGA
Manager, Financial Reporting

Auditors' Report

To The Members of Stabilization Central Credit Union of British Columbia

We have audited the balance sheet of Stabilization Central Credit Union of British Columbia as at December 31, 2006 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of 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 financial statements present fairly, in all material respects, the financial position of Stabilization Central as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The comparative figures for 2005 were reported on by another firm of chartered accountants.

KPMG LLP

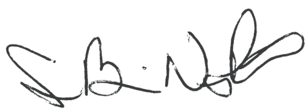
KPMG, LLP
Chartered Accountants
Vancouver, Canada
March 5, 2007

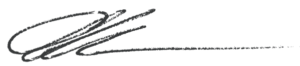
Balance Sheet

December 31	Notes	**2006**	2005
Assets			
Investments	*4*	**$ 39,779,820**	$ 40,563,076
Credit union deposits		**823,542**	804,016
Prepaid insurance		**439,051**	413,702
Future income taxes		**49,570**	—
Other assets		**346,066**	226,950
		$ 41,438,049	$ 42,007,744
Liabilities and Members' Equity			
Bank indebtedness		**$ 178,120**	$ 44,570
Accounts payable and accrued liabilities		**604,409**	490,181
Unearned assessments		**663,564**	704,543
Provision for master bond claims		**1,462,197**	1,919,897
		2,908,290	3,159,191
Members' equity			
Share capital	*6*	**42,573**	42,573
Contributed surplus		**1,383,659**	1,383,659
Retained earnings		**37,103,527**	37,422,321
		38,529,759	38,848,553
		$ 41,438,049	$ 42,007,744
Commitments	*9*		

See accompanying notes to financial statements.

Approved on behalf of the Board,





Brian Nesbitt
Chairperson, Board of Directors

Angela Kaiser
Chairperson, Audit Committee

Statement of Operations & Retained Earnings

December 31	Notes	**2006**	2005
Revenue			
Investments		**$ 2,852,524**	$ 7,139,921
Assessments		**1,368,842**	1,521,446
		4,221,366	8,661,367
Direct expenses			
Bond claims and insurance		**1,931,068**	1,270,942
Provision for credit union financial assistance	5	**(28,126)**	(380,000)
		1,902,942	890,942
Administrative expenses			
Salaries and benefits		**1,703,576**	1,401,238
Office		**243,000**	250,233
Professional services		**234,135**	314,452
Travel and meetings		**168,886**	137,803
Investment advisory fee		**134,942**	210,690
Directors remuneration		**64,000**	60,000
Data processing and systems development		**49,390**	59,231
Other		**137,636**	160,425
		2,735,565	2,594,072
Total expenses		**4,638,507**	3,485,014
Earnings (loss) before income taxes		**(417,141)**	5,176,353
Income taxes (recovery)	7		
Current		**(48,777)**	369,691
Future		**(49,570)**	—
		(98,347)	369,691
Net earnings (loss)		**(318,794)**	4,806,662
Retained earnings, beginning of year		**37,422,321**	115,746,805
Dividends	1	**—**	(83,131,146)
Retained earnings, end of year		**$ 37,103,527**	$ 37,422,321

See accompanying notes to financial statements.

Statement of Cash Flows

December 31		**2006**		2005
Cash provided by (used in):				
Operations				
Net earnings (loss)	**$**	**(318,794)**	$	4,806,662
Items not involving cash:				
Net change in bond amortization		**189,978**		708,460
Net change in accrued interest		**(138,942)**		(533,494)
Gain on sale of investments		**(758,410)**		(1,273,783)
		(1,026,168)		3,707,845
Changes in other non-cash working capital items				
Prepaid insurance		**(25,349)**		(20,726)
Payable and accruals		**114,228**		217,458
Provision for credit union assistance		**—**		(104,741)
Provision for master bond claims		**(457,700)**		101,354
Unearned assessments		**(40,979)**		(103,445)
Other assets		**(168,686)**		(24,117)
		(1,604,654)		3,773,628
Financing				
Dividends paid		**—**		(83,131,146)
Net increase in share capital issued		**—**		10,817
		—		(83,120,329)
Investments				
Net change in investments		**1,490,630**		79,246,958
Increase in credit union deposits		**(19,526)**		(17,415)
		1,471,104		79,229,543
Decrease in cash and cash equivalents		**(133,550)**		(117,158)
Cash and cash equivalents, beginning of year		**(44,570)**		72,588
Cash and cash equivalents, end of year	**$**	**(178,120)**	$	(44,570)
Supplemental cash flow information:				
Income taxes paid	**$**	**158,694**	$	253,929

Cash and cash equivalents is defined as bank indebtedness.
See accompanying notes to financial statements.

Notes to the Financial Statements

1 Governing legislation and operations

The purpose of Stabilization Central Credit Union of British Columbia (Stabilization Central) is to strengthen British Columbia's credit unions, which are also required to be members. Stabilization Central is incorporated under the Credit Union Incorporation Act designated as the stabilization authority under the Financial Institutions Act.

(a) Stabilization Fund

Stabilization Central develops programs to promote credit union self discipline, monitors credit unions for emerging risk, and works in co-operation with credit unions to ensure appropriate corrective action is taken if weaknesses are identified. Stabilization Central may assume, by delegation from the Financial Institutions Commission, responsibility for the supervision of credit unions and may also provide management resources to act as the administrator of a credit union. Stabilization Central maintains the Stabilization Fund and may provide or arrange stabilization and other assistance for member credit unions that encounter problems, including financial assistance for deposit protection purposes. Operations are financed by member assessments and earnings on Stabilization Fund equity.

In 2005, funds held by Stabilization Central and the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) were rebalanced by way of dividend payments totaling $83,131,146 on Class A shares held by member credit unions. Additionally, an unrestricted letter of credit in the amount of $20 million, obtained from Credit Union Central of British Columbia (CUCBC), was provided to CUDIC, which CUDIC may, at their sole discretion, call on to support their deposit insurance obligations.

(b) Master Bond Fund

The Master Bond Fund provides bonding protection for all British Columbia credit unions. The Fund self-insures against limited risks and obtains insurance against major risks. Stabilization Central assumes 100% of the risk for the first $1,025,000 of individual losses, less any applicable credit union deductible, to a maximum annual aggregate assumed loss of $5.0 million. Stabilization Central maintains the Master Bond Fund to settle claims within the retained self-insurance limits. A contract with an insurance company insures against individual losses in excess of $1,025,000 up to a single loss limit of $30 million and aggregate losses to an annual maximum loss limit of $90 million. Operations are financed by risk based member assessments and by earnings on Master Bond Fund equity.

2 Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with accounting practices generally accepted in Canada. In preparing these financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

These financial statements include the combined assets of the Stabilization Fund and the Master Bond Fund. Accompanying schedules provide details as to the financial position and the operations for each fund.

(b) Investments

Securities are carried at amortized cost less provision for other-than-temporary impairment. Realized gains and losses on disposal are credited or charged to investment revenue. Interest is recorded on an accrual basis with premiums/discounts on fixed income debt investments recorded in investment revenue over the term of the investment. Income on pooled fund investments is recorded at the date of declaration of the distribution.

(c) Provision for credit union financial assistance

Stabilization Central may provide financial assistance either directly to a credit union or to support an acquisition by, or merger with, another credit union. Financial assistance may be in the form of a grant, loan, deposit, guarantee of asset values, or the purchase of substandard loans.

A provision for financial assistance is established when it is determined that financial assistance is likely required and the amount can be reasonably estimated. The provision includes the estimated cost of future payments under financial assistance agreements.

The provision is reviewed each year and, if there is a change in the estimate, adjusted through the statement of operations.

(d) Provision for master bond claims

The provision for master bond claims includes an estimate of the costs of investigating and settling claims incurred and reported prior to the balance sheet date. Estimates are based on detailed review of claim files and on claims settlement experience.

(e) Unearned assessments

Assessments are recognized on a straight line basis over the term of the assessment period.

(f) Future income taxes

Stabilization Central follows the asset and liability method of accounting for income taxes, whereby future income tax assets and liabilities are recognized for the expected future income tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured during enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(g) Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

3 Future accounting and reporting changes

The Canadian Institute of Chartered Accountants (CICA) has introduced two new accounting standards related to the recognition and measurement of financial instruments. These standards are contained in Section 1530, Comprehensive Income, and Section 3855, Financial Instruments – Recognition and Measurement, which are effective January 1, 2007 for Stabilization Central.

Comprehensive Income

Comprehensive income measures changes in Members' Equity during a period arising from transactions and other events from non-owner sources. Comprehensive income is comprised of Net Earnings and Other Comprehensive income (OCI). OCI includes unrealized gains and losses on financial assets designated as available-for-sale.

In 2007, Stabilization Central's Financial Statements will include a Statement of Comprehensive Income. The cumulative amount recorded in OCI will be recorded in the Balance Sheet in a new category of Member's equity entitled Accumulated Comprehensive Income (AOCI).

Financial Instruments – Recognition and Measurement

Section 3855 establishes a framework for recognizing and measuring financial instruments, which includes financial assets and financial liabilities. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities designated as held-for-trading will be measured at fair value with gains and losses recognized in Net Earnings. Financial assets held-to-maturity will be measured at amortized cost using the effective interest method of amortization. Financial assets designated as available-for-sale will be measured at fair value with changes in fair value recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost.

Where an instrument would not otherwise satisfy the requirements for the use of the held-for-trading designation prescribed in Section 3855, Stabilization Central may elect to designate that instrument as held-for-trading, provided that reliable fair values are available.

The adoption of Section 3855 will also require Stabilization Central to use the effective interest rate method of amortization of any transaction fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Impact of adopting Sections 1530 and 3855

In adopting these standards, Stabilization Central will recognize certain adjustments to its balance sheet on January 1, 2007. The opening balance of retained earnings will be adjusted for any financial instruments which will be classified as held-for-trading that were not previously recorded at fair value.

The tax authorities are currently reviewing the standards to determine the implication of these changes and as such, the tax impact on Stabilization Central of adopting these standards is unknown.

4 Investments

	Effective interest rate	MATURITY Less than 1 year	1 to 5 years	Over 5 years	**2006 Total**	2005 Total
Bonds						
Government of Canada	3.85%	$ 746,543	$ 5,078,036	$ 11,192,735	**$ 17,017,314**	$ 17,987,980
Provincial and municipal	4.20	—	—	8,478,388	**8,478,388**	14,761,387
Corporate	3.82	—	65,222	413,107	**478,328**	—
		746,543	5,143,258	20,084,230	**25,974,030**	32,749,367
Pooled bond funds	—				**6,952,906**	
Pooled equity funds	—				**6,826,234**	7,685,145
Other investments	—				**26,650**	128,564
					$ 39,779,820	$ 40,563,076

(a) Interest rate risk

Interest rate risk refers to the potential adverse consequences of interest rate changes on Stabilization Central's cash flows, fixed income investments, financial position and earnings. The market value of Stabilization Central's investments is affected by changes in interest rates.

(b) Fair value of investments

At December 31, 2006, the fair value of investments exceeded their amortized cost by approximately $5,282,000 (2005 - $4,664,000).

5 Provision for credit union assistance

(a) Chemainus Credit Union

During 2004, Coastal Community Credit Union purchased all of the assets and assumed all the liabilities of Chemainus Credit Union. Chemainus Credit Union was under the delegated supervision of Stabilization Central at the time. In relation to this transaction, Stabilization Central has agreed to indemnify Coastal Community in the event they experience losses for credit and contingent risks assumed in excess of a specific amount. No provision has been made at this time, as it is considered by management to be unlikely that there will be any payments made under this agreement.

(b) Other Financial Assistance Agreements

In 1999, financial assistance was provided to arrange the acquisition of Sointula Credit Union and the acquisition of Alert Bay and District Credit Union by Evergreen Savings Credit Union. In 2001, financial assistance was provided to arrange the acquisition of K.C.P. Credit Union by Valley First Credit Union.

The estimated cost of these financial assistance agreements was recognized in the accounts of Stabilization Central in 1999 and 2001. These agreements included the purchase of a portfolio of loans, the guarantee of loans and protection for contingent risks. Based on a current estimate of Stabilization Central's remaining obligations under these agreements, and the residual value of purchased loans, management determined that no provision is required.

6 Share capital

Authorized

Stabilization Central may issue an unlimited number of Class A voting shares of $1 each par value. Class A shares are held by member credit unions only, with each member's shareholding based on its total assets. Class A voting rights are based on the number of members of that credit union and not the number of Stabilization Central shares held.

Stabilization Central may issue an unlimited number of Class B non-voting shares of $1 each par value. Each member's Class B shareholding requirement is based on its proportionate participation in the Master Bond Fund.

	2006	2005
Issued:		
Class A shares	**$ 32,301**	$ 32,301
Class B shares	**10,272**	10,272
	$ 42,573	$ 42,573

7 Income taxes

Stabilization Central is a deposit insurance corporation for income tax purposes, and pays income taxes on its taxable income at the applicable reduced rate. Income for tax purposes excludes Stabilization Fund and Master Bond Fund assessments made against its member credit unions, as well as related financial assistance given to or paid on behalf of member credit unions.

Effective February 21, 2007, for taxation years beginning on or after May 2, 2006, the applicable income tax rate for deposit insurance corporations increased from 9.98% in 2006 to 16.98% in 2007.

		2006			2005	
Income taxes otherwise payable based on reported net earnings	**$**	**(41,631)**	**(9.98)%**	$	517,635	10.00%
Adjustments for effect of:						
Assessments to members excluded from income for tax purposes		**(120,456)**	**(28.88)**		(137,120)	(2.65)
Assistance to members not deductible from income for tax purposes		**109,060**	**26.14**		16,731	0.32
Non-taxable dividend income		**(25,835)**	**(6.19)**		(28,444)	(0.55)
Effect of change in tax rates		**(22,896)**	**(5.49)**		—	—
Other differences		**3,411**	**0.82**		889	0.02
Income taxes per financial statements	**$**	**(98,347)**	**(23.58)%**	$	369,691	7.14%

8 Pension plan

Stabilization Central is a participating member of the British Columbia Credit Union Employees' Pension Plan, a contributory defined-benefit multi-employer pension plan.

9 Commitments

(a) Lease commitments

Stabilization Central occupies premises with the lease extending until 2008. Annual payments under the lease, including operating costs, approximate $95,000 per year.

(b) Collateral for credit facilities

Marketable securities have been pledged to CUCBC as security for credit facilities, which includes the special line of credit of $20 million (note 1(a)) and an operating line of credit of $2 million.

The aggregate of the principal balances outstanding on these lines of credit and the undrawn amount under all outstanding letters of credit shall not exceed 95% of the market value of the collateral.

Schedule of Fund Assets, Liabilities & Members' Equity

Schedule 1

	STABILIZATION FUND		MASTER BOND FUND		TOTAL	
December 31	**2006**	2005	**2006**	2005	**2006**	2005
Assets						
Investments	**$ 32,909,360**	$ 32,210,957	**$ 6,870,460**	$ 8,352,119	**$ 39,779,820**	$ 40,563,076
Credit union deposits	**823,542**	804,016	**—**	—	**823,542**	804,016
Future income taxes	**49,570**	—	**—**	—	**49,570**	—
Other	**89,421**	170,598	**695,696**	470,054	**785,117**	640,652
	$ 33,871,893	$ 33,185,571	**$ 7,566,156**	$ 8,822,173	**$ 41,438,049**	$ 42,007,744
Liabilities and Members' Equity						
Bank indebtedness	**$ 178,540**	$ 57,672	**$ (420)**	$ (13,102)	**$ 178,120**	$ 44,570
Accounts payables and accrued liabilities	**384,992**	255,914	**219,417**	234,267	**604,409**	490,181
Unearned assessments	**—**	—	**663,564**	704,543	**663,564**	704,543
Provision for master bond claims	**—**	—	**1,462,197**	1,919,897	**1,462,197**	1,919,897
	563,532	313,586	**2,344,758**	2,845,605	**2,908,290**	3,159,191
Members' equity						
Share capital	**32,301**	32,301	**10,272**	10,272	**42,573**	42,573
Contributed surplus	**—**	—	**1,383,659**	1,383,659	**1,383,659**	1,383,659
Retained earnings	**33,276,060**	32,839,684	**3,827,467**	4,582,637	**37,103,527**	37,422,321
	33,308,361	32,871,985	**5,221,398**	5,976,568	**38,529,759**	38,848,553
	$ 33,871,893	$ 33,185,571	**$ 7,566,156**	$ 8,822,173	**$ 41,438,049**	$ 42,007,744

Schedule of Fund Operations & Retained Earnings

Schedule 2

	Stabilization Fund		Master Bond Fund		Total	
December 31	**2006**	2005	**2006**	2005	**2006**	2005
Operations						
Revenue						
Investments	**$ 2,332,317**	$ 6,607,769	**$ 520,207**	$ 532,152	**$ 2,852,524**	$ 7,139,921
Assessments	**—**	—	**1,368,842**	1,521,446	**1,368,842**	1,521,446
	2,332,317	6,607,769	**1,889,049**	2,053,598	**4,221,366**	8,661,367
Direct expenses						
Insurance and brokerage	**—**	—	**810,160**	723,628	**810,160**	723,628
Claims	**—**	—	**1,120,908**	547,314	**1,120,908**	547,314
	—	—	**1,931,068**	1,270,942	**1,931,068**	1,270,942
Credit union financial assistance (recovery)	**(28,126)**	(380,000)	**—**	—	**(28,126)**	(380,000)
	(28,126)	(380,000)	**1,931,068**	1,270,942	**1,902,942**	890,942
Administrative expenses						
Salaries and directors remuneration	**1,235,773**	889,167	**531,803**	572,071	**1,767,576**	1,461,238
Office	**170,171**	181,180	**72,829**	69,052	**243,000**	250,233
Other	**517,752**	703,404	**207,237**	179,198	**724,989**	882,601
	1,923,696	1,773,751	**811,869**	820,321	**2,735,565**	2,594,072
Earnings (loss) before income taxes	**436,747**	5,214,018	**(853,888)**	(37,665)	**(417,141)**	5,176,353
Income taxes (recovery)	**370**	457,819	**(98,717)**	(88,128)	**(98,347)**	369,691
Net earnings	**436,377**	4,756,199	**(755,171)**	50,463	**(318,794)**	4,806,662
Retained earnings, beginning of year	**32,839,684**	111,214,631	**4,582,637**	4,532,174	**37,422,321**	115,746,805
Dividends	**—**	(83,131,146)	**—**	—	**—**	(83,131,146)
Retained earnings, end of year	**$ 33,276,061**	$ 32,839,684	**$ 3,827,466**	$ 4,582,637	**$ 37,103,527**	$ 37,422,321

Board of Directors, Staff & Committees

BOARD OF DIRECTORS & TERMS OF OFFICE

Brian Bentley, Director
2006–2007
Chief Executive Officer, Integris Credit Union

Tony Clare, Director
2005–2007
Director, Summerland & District Credit Union

Chris Dobrzanski, Director
2004–2007
Senior VP, Risk Management and Operations, Vancouver City Savings Credit Union

John Goldsmith, Vice-Chairperson
2005–2007
Director, Westminster Savings Credit Union

Angela Kaiser, Director
2006–2007
Director, Prospera Credit Union

Lorne Myhra, Director
Appointed
General Manager, Heritage Credit Union (Credit Union Central of British Columbia appointee)

Brian Nesbitt, Chairperson
2004–2007
Chairperson, Northern Savings Credit Union

COMMITTEE	MEMBERS	FUNCTIONS
Audit	Full Board Angela Kaiser, Chairperson	The Audit Committee's responsibilities include oversight of the activities of the external auditor, assessment of accounting policies and the adequacy of the internal controls.
Conduct Review	Brian Bentley, Chairperson John Goldsmith Brian Nesbitt	The Conduct Review Committee is responsible for establishing policies and procedures to address conflict of interest, standards of conduct and to maintain sensitive information confidential.
Investment and Loan	Full Board, plus CEO Chris Dobrzanski, Chairperson	The Investment and Loan Committee is responsible for ensuring there is an appropriate, prudent policy to govern the employment of the funds entrusted to the organization and to oversee the employment of those funds.
Executive	Brian Nesbitt Chairperson John Goldsmith, Vice-Chairperson Brian Bentley	The Executive Committee discharges responsibilities of the Board of Directors as delegated, and oversees the terms of employment of the CEO.
Nominating	Lorne Myhra, Chairperson Chris Dobrzanski Brian Nesbitt	The Nominating Committee oversees the director election process, including ensuring that qualified candidates are nominated for director positions.
Risk Assessment Advisory	Full Board and CEO and Senior Management John Goldsmith, Chairperson	The Risk Assessment Advisory Committee oversees the risk assessment activities of the organization, this includes receiving reports on credit union system risk matters and providing direction.

MANAGEMENT & STAFF

Alan Bajkov
Chief Executive Officer

Carrie Haynes
Manager, Financial Reporting

Paola Wilford
Administrative Assistant/Board Secretary

Kristen Beattie
Administrative Assistant

Christy Saunby
Accounting Assistant

STABILIZATION
CENTRAL CREDIT UNION

Stabilization Central Credit Union of British Columbia
750 West Pender St • Suite 1700 • Vancouver BC • V6C 2T8 Tel 604 331 4910 Fax 604 609 0906 www.stabil.com