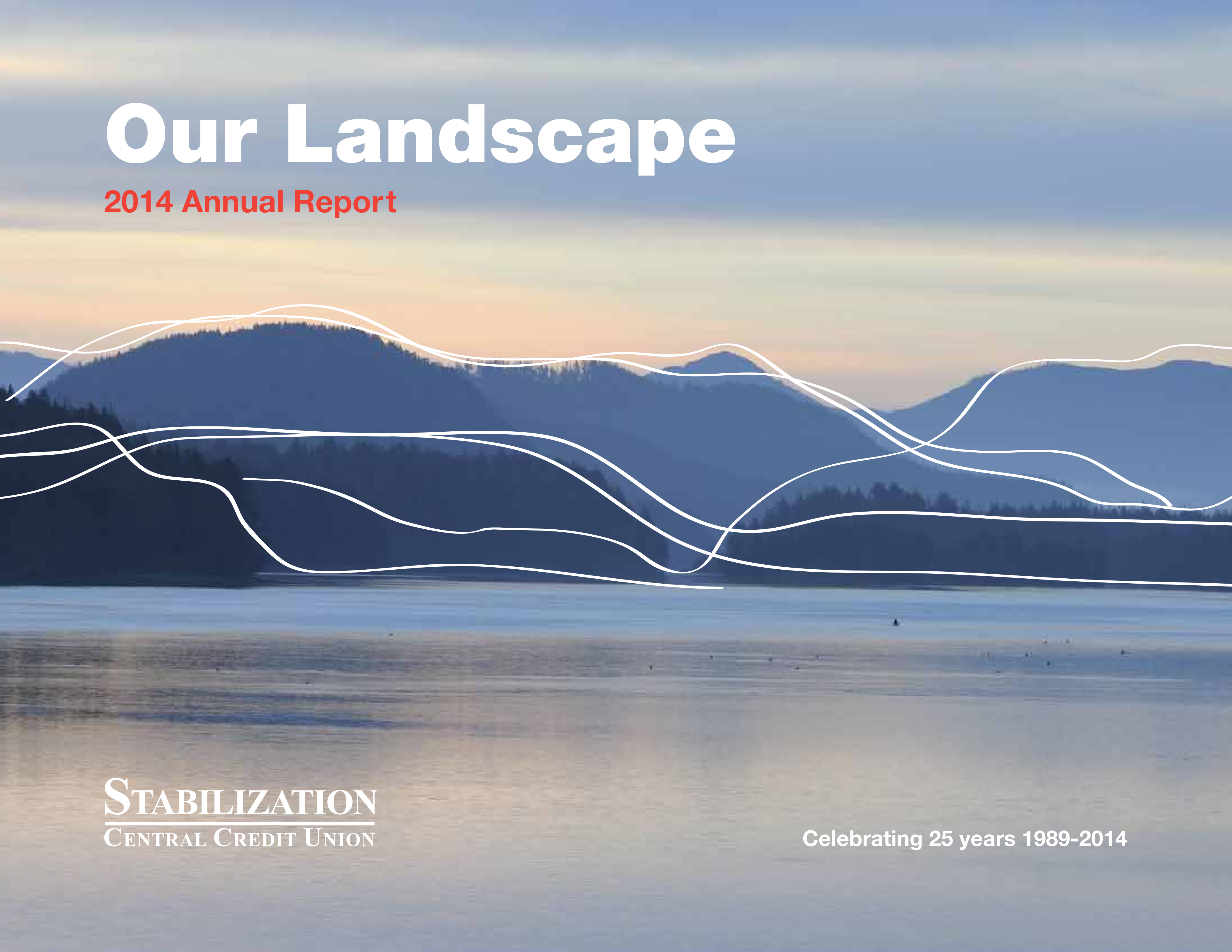


Our Landscape

2014 Annual Report

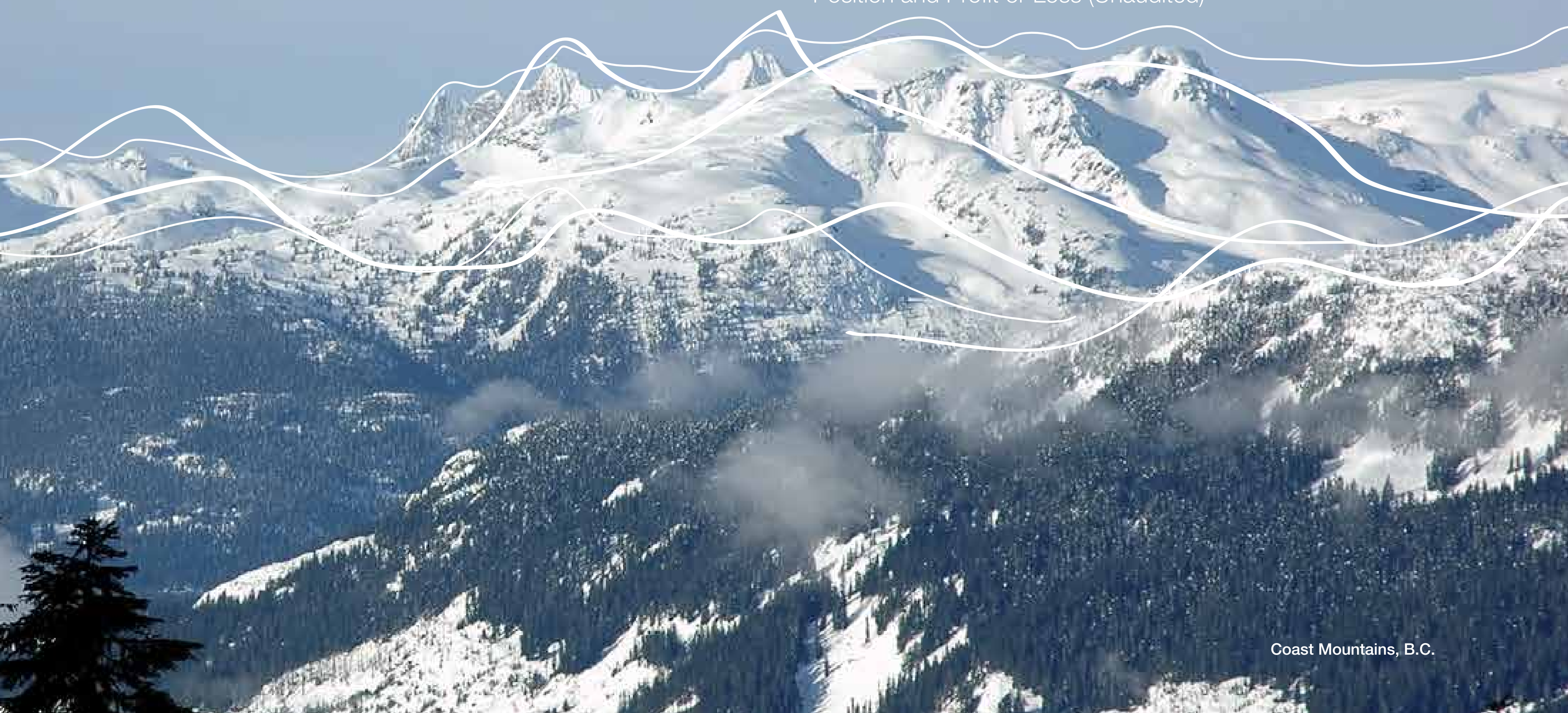
STABILIZATION
CENTRAL CREDIT UNION

Celebrating 25 years 1989-2014

To provide stability and strength to B.C. Credit Unions

Okanagan, B.C.

Contents



Coast Mountains, B.C.

Message from the Chairperson

During 2014 Stabilization Central Credit Union continued to focus on its primary mandate to provide stabilization services to B.C. Credit Unions. Given the continued volatility that B.C. Credit Unions face, the landscape presents a growing demand for board governance support, management assistance and related stabilization services.

While much of the work is done quietly in the background to preserve the confidentiality of those credit unions requiring assistance, Stabilization Central also worked on enhancing awareness of the services available to its member credit unions and played a key role in assisting credit unions through governance and enterprise risk management workshops.

The Board continued to strengthen its governance and oversight during 2014 by engaging in ongoing educational sessions with focus on enhancing understanding of the investment portfolio given the primary source of income to fund stabilization activities comes directly from investments. This oversight is critical to ensure that sufficient income is generated by the stabilization fund to continue providing services without member assessments. Oversight has been further strengthened with a defined risk appetite statement and a fully established internal enterprise risk management process.

To ensure directors also continue to develop individually peer evaluations were conducted during the fall of 2014 with individual and team plans developed.

The Board also reviewed the rules during the year and in recognition of the growing demand for strong governance with a diversity of skills, competencies and industry knowledge, the need to move towards an appointed seat on the Board became apparent. While the democratic process of electing directors by their Peer Groups continues to provide a good channel to elect directors, it is believed the ability to fill gaps through an appointee will ensure an effective, dynamic and diverse Board.

The financial and economic environment continues to be challenging for all credit unions and the landscape presents volatility that is at times completely unpredictable. The presence of a stabilization central that has the flexibility to expand and contract based on demand for stabilization services is an integral component of the safety net that helps mitigate the risk of failure.

Our success continues to be measured by the trust and respect we build with our members and our successful rehabilitation of our member credit unions. With an expanded and experienced management team and a strong and committed board, we will continue to quietly provide stability to the financial co-operative landscape by adding strength and stability to the credit union system in B.C.

Message from the CEO

During this past year, Stabilization Central achieved a number of significant milestones that will position the organization to demonstrate an enhanced value proposition for stakeholders in the years ahead. The organization created a new role, Vice President, Credit Union Services, focused on providing risk management and regulatory compliance best practice consulting support sponsored by the Stabilization Fund. Twelve credit unions received customized assistance directed at creating processes appropriate to the size and complexity of their organization.

The Master Bond Program administration underwent significant review to ensure that the services provided value to credit unions were closely related to preventing claims against the Mater Bond Fund. Subsequent to this review, the loss prevention facility inspection requirement has been discontinued, with assistance available to credit unions upon request. Over the past two years, the Master Bond administration budget has been reduced by over fifty percent.

With reference to our organization's core mandate, Stabilization Central worked with six credit unions under Letters of Stabilization Services, a concept developed by SCCU several years ago as an alternative to the more intensive forms of regulatory intervention - supervision and administration. The Superintendent has encouraged credit unions to utilize Stabilization Central resources under this arrangement and in close collaboration with Financial Institution Commission ("FICOM") staff. All of the credit unions we are working with are making progress with respect to their issues. In early 2015, based upon the recommendation of Stabilization Central, two of these credit unions had their risk ratings reduced and their Letters of Stabilization Services terminated.

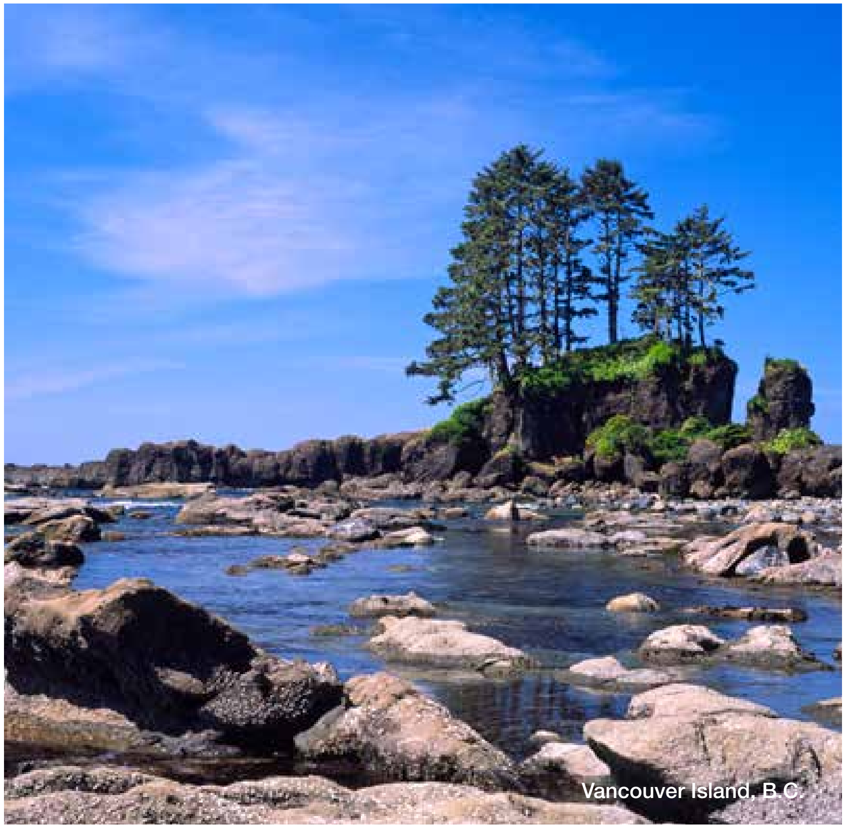
The most significant development in 2014 occurred in December, with Stabilization Central and FICOM entering into the Credit Union Financial Assistance Agreement ("CUFAA"). This agreement replaces the $20 million Letter of Credit provided to FICOM by Stabilization Central a decade earlier. With this Letter of Credit FICOM could request payment of $20 Million at any time. This would result in a significant reduction to the Stabilization Fund, and could undermine the organization's ability to fulfill its mandate. Under the CUFAA, Stabilization Central would provide the initial financial assistance to a credit union requiring support up to $30 million. In circumstances where over $30 million is required, the remaining amount would be paid by the Credit Union Deposit Insurance Fund.

In conclusion, I am very encouraged by the successes achieved this past year working in partnership with our various stakeholders, and look forward to furthering our unique stabilization mandate on behalf of British Columbia credit unions.

Corporate Governance

The Board of Directors of Stabilization Central Credit Union of British Columbia is comprised of 6 elected representatives from each peer group which comprise credit unions grouped on asset-size or regional bases and one appointed director from Central 1 Credit Union. At fiscal year-end 2014, three directors were credit union chief executive officers or general managers, one director was senior management and three were credit union directors. All have a professional or business background including financial, accounting, legal, engineering, governance and Enterprise Wide Risk Management that contributes significant expertise at the board table. In addition to their credit union involvement, directors sit on various other boards including the Credit Union Foundation of B.C., Vancity Community Foundation, Canadian Lutheran World Relief, B.C. Industrial Relations Association, Galiano Loan Fund Society, Joint Association of Technicians and Technologists of BC, Agape Street Ministry, and Sancta Maria House Association.

All of Stabilization Central's directors participate in the national system's Credit Union Director Achievement (CUDA) program. The organization has a very effective New Director Orientation Program in place. In addition, all directors are members of the Institute of Corporate Directors. Opportunities to attend conferences, workshops and take courses to enhance the knowledge and expertise in areas of governance are provided as per the Director Education Policy of the organization. Quarterly, speakers from varying areas of expertise are invited to provide education session for directors.


Vancouver Island, B.C.

Board of Directors and Terms of Office

Angela Kaiser
Chairperson, 2014 - 2017

Chairperson, Prospera Credit Union

Jim Miller
Director, 2013 – 2016

Chief Executive Officer, Creston & District Credit Union

Paul Johnson
Director, 2014 - 2017

AVP, Project Management Office & Corporate Secretary
Coastal Community Credit Union

Anita Braha
Director, 2014 - 2015

Vice Chair, Vancity Savings Credit Union
(Central 1 Credit Union Appointed)

Gene Blishen
Vice Chairperson, 2012 – 2015

General Manager
Mount Lehman Credit Union

Jeff Holm
Director, 2012 - 2015

Vice-Chair
Interior Savings Credit Union

Dave Stene
Director, 2013 - 2016

Chief Executive Officer
Bulkley Valley Credit Union

Committees

Committee	Members	Functions
Audit & Risk 2 meetings	Jeff Holm, Chairperson Paul Johnson Angela Kaiser	The Audit & Risk Committee's responsibilities include oversight of the activities of the external auditor, assessment of accounting policies and the adequacy of internal controls. In addition the oversight of ERM which includes ensuring the organization has effective risk management processes in place.
Conduct Review 1 meeting	Paul Johnson, Chairperson Jim Miller Anita Braha	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 & Loan 4 meetings	Dave Stene, Chairperson Gene Blishen Jeff Holm Chad Boyko (Management)*	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.
Governance & HR 7 meetings	Angela Kaiser, Chairperson Gene Blishen Jeff Holm	The Governance & HR Committee assists the Board in fulfilling its corporate governance responsibilities and oversees the Human Resources policies and practices of SCCU including the terms of employment of the CEO.
Nominating 1 meeting	Paul Johnson, Chairperson Jim Miller Angela Kaiser	The Nominating Committee oversees the director election process, including ensuring that qualified candidates are nominated for director positions.
Master Bond Program 4 meetings	Gene Blishen, Chairperson Jim Miller Dave Stene	The Master Bond Program Committee is responsible to ensure effective and consistent oversight of the Master Bond Program (MBP).
Rules Task Force 1 meeting	Jim Miller, Chairperson Dave Stene Paul Johnson	The Rules Task Force is mandated to review in detail the Rules of Stabilization Central and provide recommendations for rule changes if appropriate.

*The CEO is a Voting Officer Member of the Investment & Loan Committee.

Director Compensation Disclosure

Stabilization Central Credit Union provides directors with the following compensation:

- $400 per board or committee meeting attended to August 2014.
- $500 per board meeting attended from September 2014.
- $4,800 honorarium for Board Chair; $2,400 honorarium for Vice Chair.
- Reimbursement of expenses including travel, accommodations, parking, meals for meetings, training and for expenses related to approved representation of the credit union.
- Director Education Policy provides up to $10,000 over a term (three year period) for each director for training, to attend educational sessions and conferences.
- In 2014, there were a total of 6 Board meetings and 20 Committee meetings held.
- A two day strategic planning session was also held.

By ordinary resolution, the members in attendance at the Annual General Meeting held on April 27th, 2012, approved an aggregate amount of $100,000 to be available for compensation to directors (note this is for all directors in total, not individually).

For fiscal year 2014, the total remuneration for Stabilization Central directors was $52,700. The compensation received for each director is summarized alongside:

Name	Peer Group	Meeting Fees	Expense Reimbursement	Education and Conferences
Angela Kaiser Chairperson	5	$4,800 Chair Honorarium $9,000 (includes attendance at conferences as delegate) Total Comp: $13,800	$3,605	$746
Mount Lehman Credit Union (Gene Blishen, Vice Chair)	6	$2,400 Vice-Chair Honorarium $6,200 Total Comp: $8,600	0	$1,956
Jeff Holm	2	$7,100	$3,385	
Coastal Community Credit Union (Paul Johnson)	4	$6,650 (May to December)	$2,129	
Creston & District Credit Union (Jim Miller)	3	$5,800	$3,771	
Patrice Pratt	Central 1 Appointee	$1,600 (January to April)	$79	
Bulkley Valley Credit Union (Dave Stene)	1	$5,600	$3,172	
Anita Braha	Central 1 Appointee	$3,550 (May to December)	$351	

There was a total of $8,424 for non-allocated board meeting related expenses (meeting room, catering costs and board dinners)

*Note that there are increased travel expenses for directors required to travel from outside of the Lower Mainland to attend Meetings.

**Per diems of the current directors who are operators are paid directly to their respective credit unions.

CEO Compensation Disclosure

The CEO of Stabilization Central Credit Union receives a compensation package that includes the following:

Base Salary	$210,000
Bonus (STI) paid for FY14	$ 29,000
Total Compensation	$239,000

In addition to the above total cash compensation, the CEO received benefits equal to approximately 9% of base salary.

If the CEO's employment ends by action of Stabilization Central Credit Union, during or at the end of that contract, 12 months' severance will be payable. This amount is not payable if the CEO resigns or is dismissed for cause.

The CEO's base salary was determined by the Board based on a survey of relevant organizations of similar size, conducted by Hay Group, targeting the 75th percentile.

Financial Statements

The Rockies, B.C.

Independent Auditors' Report

To Members of Stabilization Central Credit Union of British Columbia

We have audited the accompanying financial statements of Stabilization Central Credit Union of British Columbia, which comprise the statement of financial position as at December 31, 2014, the statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Stabilization Central Credit Union of British Columbia as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

April 2, 2015
Vancouver, Canada

Statement of Financial Position

As at December 31, 2014 and 2013	Notes		2014		2013
Assets					
Cash	5	$	545,141	$	889,525
Investment securities	6		46,735,885		44,310,881
Property and equipment	7		54,461		69,900
Deferred tax assets	8		392,159		166,861
Prepaid expenses			6,828		311,587
Other			33,763		56,029
Total Assets		$	47,768,237	$	45,804,783
Liabilities					
Accounts payable and accrued liabilities	5	$	420,843	$	517,450
Deferred tax liabilities	8		392,159		166,861
Deferred assessments	9		-		749,300
Provision for master bond claims	10		107,535		725,056
Total Liabilities			920,537		2,158,667
Equity					
Share capital	11		42,573		42,573
Contributed surplus			1,383,659		1,383,659
Retained earnings			42,908,748		41,150,739
Accumulated other comprehensive income			2,512,720		1,069,145
Total Equity			46,847,700		43,646,116
Total Liabilities and Equity		$	47,768,237	$	45,804,783

Commitments (Note 12)

Approved by the Directors: ______________________ ______________________

Chairperson Director

See accompanying notes to the financial statements.

Statement of Profit or Loss

For the Years Ended December 31, 2014 and 2013	Notes	2014	2013
Assessments	9	$ 2,345,537	$ 2,104,886
Financial income			
Interest income		603,952	661,303
Pooled fund distributions		879,037	834,448
Gains (losses) on disposal of financial instruments		526,333	(113,211)
		2,009,322	1,382,540
Other income		751	86,787
		4,355,610	3,574,213
Direct costs			
Claims administration	5	833,562	942,562
Insurance and brokerage		596,299	663,278
Claims paid	10	408,997	822,278
Increase (decrease) in provision for master bond claims		(617,521)	178,056
		1,221,337	2,606,174
Operating expenses			
Salaries and benefits	5,13	535,287	421,624
Subcontract fees		79,775	193,398
Office and occupancy	5	150,201	161,979
Professional services	5	239,718	606,124
Travel and meetings		82,927	106,160
Investment advisory fee		141,896	140,472
Directors remuneration	5	52,700	53,675
Data processing and systems development	5	150,115	170,137
Corporate projects		25,437	9,748
Other	5	143,506	238,508
		1,601,562	2,101,825
		2,822,899	4,707,999
Profit (loss) before income taxes		1,532,711	(1,133,786)

See accompanying notes to the financial statements.

Statement of Profit or Loss (continued)

For the Years Ended December 31, 2014 and 2013	Notes	2014	2013
Income tax expense (recovery)	8		
Current		-	-
Deferred		(225,298)	70,324
		(225,298)	70,324
Profit (loss) for the year		$ 1,758,009	$ (1,204,110)

See accompanying notes to the financial statements.

Statement of Comprehensive Income (Loss)

For the Years Ended December 31, 2014 and 2013		2014		2013
Profit (loss) for the year	$	1,758,009	$	(1,204,110)
Other comprehensive income (loss), net of tax				
Fair value reserves (available-for-sale financial assets)				
Items that may be reclassified subsequently to profit or loss				
Net change in fair value of available-for-sale assets[1]		1,898,853		(548,518)
Reclassification of realized gains and losses on available-for-sale assets to profit or loss[2]		(455,278)		97,927
Other comprehensive income (loss), net of tax		1,443,575		(450,591)
Comprehensive income (loss), net of tax	$	3,201,584	$	(1,654,701)
Income taxes (recoveries) on the above items				
Income tax on items that may be reclassified subsequently to profit or loss				
[1] Net change in fair value of available-for-sale assets	$	296,353	$	(85,607)
[2] Reclassification of realized gains and losses on available-for-sale assets to profit or loss	$	(71,055)	$	15,283

See accompanying notes to the financial statements.

Statement of Changes in Equity

For the Years Ended December 31, 2014 and 2013	Share Capital	Contributed Surplus	Retained Earnings	Accummulated Other Comprehensive Income	Total Equity
Balance at January 1, 2014	$ 42,573	$ 1,383,659	$ 41,150,739	$ 1,069,145	$ 43,646,116
Total comprehensive income for the year					
Profit for the year	-	-	1,758,009	-	1,758,009
Other comprehensive income, net of tax					
Fair value reserve (available-for-sale financial assets, net of tax)	-	-	-	1,443,575	1,443,575
Total comprehensive income	-	-	1,758,009	1,443,575	3,201,584
Balance at December 31, 2014	$ 42,573	$ 1,383,659	$ 42,908,748	$ 2,512,720	$ 46,847,700
Balance at January 1, 2013	$ 42,573	$ 1,383,659	$ 42,354,849	$ 1,519,736	$ 45,300,817
Total comprehensive loss for the year					
Loss for the year	-	-	(1,204,110)	-	(1,204,110)
Other comprehensive loss, net of tax					
Fair value reserve (available-for-sale financial assets, net of tax)	-	-	-	(450,591)	(450,591)
Total comprehensive loss	-	-	(1,204,110)	(450,591)	(1,654,701)
Balance at December 31, 2013	$ 42,573	$ 1,383,659	$ 41,150,739	$ 1,069,145	$ 43,646,116

See accompanying notes to the financial statements.

Statement of Cash Flows

For the Years Ended December 31, 2014 and 2013		2014		2013
Cash flows from operating activities				
Profit (loss) for the year	$	1,758,009	$	(1,204,110)
Adjustments for:				
Net change in bond amortization		54,561		35,338
Net change in gains and losses on disposal of financial instruments		(526,333)		113,211
Increase (decrease) in provision for master bond claims		(617,521)		178,056
Depreciation		16,494		17,937
Interest income		(603,952)		(661,303)
Change in prepaid expenses		304,759		50,501
Change in accounts payable and accrued liabilities		(96,607)		(49,149)
Change in deferred assessments		(749,300)		(431,628)
Change in other assets		22,266		65,159
Interest received		627,683		690,080
Net cash from operating activities		190,059		(1,195,908)
Cash flows from investing activities				
Net change in investment securities		(533,388)		954,018
Acquisition of property and equipment		(1,055)		(7,554)
Net cash from investing activities		(534,443)		946,464
Decrease in cash		(344,384)		(249,444)
Cash - beginning of year		889,525		1,138,969
Cash - end of year	$	545,141	$	889,525

See accompanying notes to the financial statements.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

1. Governing Legislation and Operations

Stabilization Central Credit Union of British Columbia ("Stabilization Central") is domiciled in Canada with a registered office located at 1441 Creekside Drive, Vancouver, British Columbia, V6J 4S7, Canada. Stabilization Central is incorporated under the Credit Union Incorporation Act (British Columbia) and designated as a stabilization authority under the Financial Institutions Act (British Columbia).

The purpose of Stabilization Central is to strengthen British Columbia's credit unions, which are also required to be members. Stabilization Central accomplishes this through the following two programs:

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 earnings on Stabilization Fund equity and member assessments, if required.

An unrestricted letter of credit of $20 million, obtained from Central 1 Credit Union ("Central 1") , was provided to the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC") in 2005 on behalf of Stabilization Central. CUDIC, may, at its sole discretion, call on this facility to support its deposit insurance obligations. Effective January 1st, 2015, Stabilization Central participated in a new Credit Union Financial Assistance Agreement ("CUFAA") which replaces the $20 million letter of credit obtained from Central 1. The terms of the CUFAA require that Stabilization Central maintain funds of at least $30 million for British Columbia credit union stabilization and deposit insurance purposes.

b. Master Bond Fund

The Master Bond Fund provides bonding protection for all British Columbia credit unions and their subsidiaries. The Fund self-insures against smaller risks and obtains insurance against larger risks. Stabilization Central assumes 100% of the risk for the first $1 million of individual credit union losses, less any applicable credit union deductible, to a maximum annual aggregate assumed loss of $5 million. Stabilization Central maintains the Master Bond Fund to settle claims within the retained limits. A contract with an insurance company insures against individual losses in excess of $1 million up to a single loss limit of $45 million and an aggregate annual loss limit of $90 million. Operations are financed by risk based member assessments and by earnings on Master Bond Fund equity.

Stabilization Central has entered into a service agreement with Central 1 to provide finance, accounting, and claims administration processes to assist in carrying out its mandate.

2. Basis of Presentation

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The annual financial statements were authorized for issue by the Board of Directors on April 2nd, 2015.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial assets classified as available-for-sale which are measured at fair value.

c. Functional and presentation currency

These financial statements are presented in Canadian dollars, which is Stabilization Central's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses based on information as of the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarized below:

a. Financial instruments

i. Recognition
Stabilization Central initially recognizes financial assets on the date on which they are acquired and recognizes financial liabilities on the date on which they are issued. Regular way purchases and sales of financial assets are recognized on the settlement date. A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

Stabilization Central derecognizes a financial asset when the contractual rights to the cash flows for the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which Stabilization Central neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying value of the asset and the sum of the consideration received and any cumulative gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

Stabilization Central derecognizes a financial liability when its contractual obligations are discharged or expire.

ii. Classification
Classification of investment securities is described in Note 3(b).

Cash comprises the unrestricted balance held with a financial institution. Stabilization Central classifies its cash balance as loans and receivables carried at amortized cost in the statement of financial position.

Accounts payable and accrued liabilities are classified as other financial liabilities. They are recognized initially at fair value along with any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

iii. Identification and measurement of impairment
At each reporting date, Stabilization Central assesses whether objective evidence of impairment exists for the financial assets either individually or collectively. Stabilization Central considers various factors in the impairment evaluation process, including, but not limited to, significant financial difficulty of the borrower or issuer, default or delinquency in payments of interest or principal, and the disappearance of an active market for the security. It may also include other observable data related to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions affecting industry or region and decline in the fair value not related to interest rates.

A financial asset or group of financial assets is deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due. The market value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset. However, market price must be taken into consideration when evaluating impairment.

For the financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is an objective evidence of impairment resulting in the recognition of an impairment loss.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

b. Investment securities

Investment securities are recognized on a settlement date basis, with transaction costs added to the cost base. Fair value changes between the trade date and settlement date are accounted for in the same manner as recognized assets in the same classification/designation category.

Investment securities classified as available-for-sale are measured at fair value with changes in fair value recorded in other comprehensive income (“OCI”), net of tax.

Interest income on available-for-sale assets included in the statement of profit or loss is determined using the effective interest rate method. Realized gains and losses on disposal are credited or charged to the statement of profit or loss under gains (losses) on disposal of financial instruments. Income on pooled fund investments is recorded at the date of settlement of the distribution.

c. Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Furniture, fixtures and equipment	3 to 10 years
Leaseholds	Lesser of the useful life of the leaseholds or the term of the lease

Depreciation methods, useful lives and residual values are reassessed each reporting period and adjusted if appropriate.

Impairment reviews are performed when there are indications that the carrying value may not be recoverable. Impairment losses are recognized in the statement of profit or loss as an expense.

d. Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when one party (the insurer) agrees to compensate another party (the policyholder) if a specified uncertain future event (the insured event), other than a change in a financial variable, adversely affects the policyholder. Insurance risk is significant, if and only if, an insured event could cause Stabilization Central to pay significant additional benefits.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts are those contracts that transfer significant financial risk which is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price, credit rating or index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Service contracts are those contracts that relate to the provisions of securities in the normal course of Stabilization Central’s delivery of services.

Stabilization Central, through its participation in the Master Bond program, self-insures against certain risks which meet the definition of insurance risk. As such, the underlying contractual agreements are accounted for as insurance contracts.

The provision for master bond claims includes an estimate of the costs of investigating and settling claims discovered prior to the reporting date. Estimates are based on a detailed review of claim files and on claims settlement experience. Due to the short-tail nature of claims settlement, Stabilization Central is not exposed to significant insurance risk.

e. Income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

i. Current tax
Current tax is the enacted tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxable payable in respect of previous years.

ii. Deferred tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable benefit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f. Revenue recognition

i. Assessments
Assessments are received from member credit unions and are generally recognized as revenue on a straight-line basis over the term of the assessment period. The deferred assessments on the statement of financial position represent assessments received related to insurance risk expiring subsequent to the year end.

ii. Financial income
Interest income and pooled fund distributions are recognized when earned, collectible and the amount can be reasonably estimated. Interest income presented in the statement of profit or loss includes interest on available-for-sale assets measured at fair value.

Gains (losses) on disposal of financial instruments recorded in the statement of profit or loss include gains (losses) from disposal of available-for-sale securities. They are calculated as the difference between the net sales proceeds and the original or amortized costs and are recorded on occurrence of the sale transaction. To the extent these have previously been recognized in other comprehensive income, they are transferred from there to profit and loss.

g. Employee benefits

Stabilization Central is a participating member of the B.C. Credit Union Employees' Pension Plan (the "Plan"), a defined-benefit, multi-employer pension plan in which plan assets are not tracked by contributor and plan liabilities are not tracked by participants. Stabilization Central is exposed to the actuarial risks of the other employers with the result that, in management's opinion, there is no reasonable way to allocate any defined benefit obligations. This plan is therefore accounted for on a defined contribution basis.

4. New Standards and Interpretations Not Yet Adopted

At December 31, 2014, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Those which are relevant to Stabilization Central's financial statements are discussed below.

a. IFRS 4 – Insurance Contracts

In June 2013, the IASB proposed a new accounting and reporting model for insurance contracts in a re-exposure draft. The new proposals introduce a number of significant changes since the initial proposals in 2010, including:

- The use of OCI to present changes in the measurement of insurance liabilities arising from changes in discount rates;
- A new presentation approach for both the statement of profit or loss and OCI and the statement of financial position, which would change the way insurers report performance;
- An unlocked contractual service margin, which would change the timing of profit recognition;
- A mirroring approach, which would reduce accounting mismatches by better aligning the measurement of contracts whose cash flows vary with underlying terms;
- A retrospective approach for the transition to the new standard, with practical expedients.

Stabilization Central will continue to use the statement of comprehensive income (loss) to present changes in the measurement of insurance liabilities arising from changes in discount rates and to measure insurance contract revenue for long-duration contracts based on the initial expected pattern of claims and benefits until such time when a new IFRS for insurance contract measurement is effective. The earliest possible effective date of the new proposals has been estimated as January 1, 2018. The impact of these changes is not readily determinable at this time.

b. IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 which replaces *IAS 39 Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments.

The main changes associated with the replacement of IAS 39 with IFRS 9 are summarized below.

IAS 39 was rule-based and contained many different classification categories and associated impairment models. This has made it complex and difficult to apply. IFRS 9 is principle-based and built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics.

Under IFRS 9, all financial assets that are currently in the scope of IAS 39 will be classified as one of the following:

- Amortized cost;
- Fair value through profit or loss; or
- Fair value through other comprehensive income.

The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist. Financial assets are to be measured at amortized cost if the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding and the entity demonstrates the intention of holding the financial assets for the collection of the contractual cash flows. Financial assets classified and measured at fair value through other comprehensive income are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss. As such, fair value through profit or loss represents a 'residual' category and financial assets that are held for trading and those managed on a fair value basis are also included in this category.

For financial liability there were no changes to classification and measurement except for the recognition of changes in the fair value of an entity's own credit risk to be recognized in other comprehensive income rather than in profit loss.

IFRS 9 has a mandatory effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. It is required to be applied retrospectively when initially applied. Stabilization Central is not able to determine the impact of IFRS 9 on its financial statements at this time.

c. IFRS 15 – Revenue form Contracts with Customers

IASB published a new standard IFRS 15 Revenue from Contracts with Customers on May 28, 2014 to replace existing IFRS guidance. The standard introduces a new revenue recognition model for contracts with customers. It contains a single model that applies to contracts with customers and two approaches to recognizing revenue. Revenue may either be recognized over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the good or services is transferred to the customer. Significant estimates and judgment thresholds have been introduced which may affect the amount and/or timing of revenue recognized. They include:

- Estimating and recognizing variable consideration;
- Identifying separate goods and services in a contract; and
- Estimating stand-alone selling prices.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss. Stabilization Central is not able to determine the impact that IFRS 15 will have on its financial statements at this time.

5. Related Party Transactions

a. Transactions with key management personnel

The amount of total compensation paid to the key management personnel during 2014 was $427,238 (2013 - $277,748).

The fees paid to the Board of Directors was $52,700 (2013 - $53,675).

b. Other related party transactions

Central 1 provides services to Stabilization Central, including premises rental, the administration of claims for the Master Bond Fund, accounting services, human resources services and information system management services under various contractual agreements. The total amounts paid to Central 1 under these agreements during the year was $1,294,156 (2013 - $1,498,315).

Included in accounts payable and accrued liabilities at December 31, 2014 is $220,986 (2013 - $331,440), payable to Central 1.

Cash balances are held with Central 1.

6. Investment Securities

a. Amortized costs of investment securities classified as available-for-sale are as follows:

	Effective Interest Rate	Maturity < 1 year	Maturity 1 to 5 years	Maturity > 5 years	2014	2013
Bonds:						
Government of Canada	1.70%	$ 7,092,702	$ 3,027,046	$ 3,715,520	$ 13,835,268	$ 13,999,076
Provincial and municipal	3.88%	-	-	10,594,370	10,594,370	9,670,409
Total					24,429,638	23,669,485
Pooled bond funds					14,956,281	15,087,584
Pooled equity funds					4,445,084	4,317,802
Amortized cost					$ 43,831,003	$ 43,074,871

b. Fair value of investment securities classified as available-for-sale is as follows:

	2014	2013
Bonds	$ 25,166,192	$ 23,096,953
Pooled bond funds	15,061,304	14,929,406
Pooled equity funds	6,508,389	6,284,522
Fair Value	$ 46,735,885	$ 44,310,881

7. Property and Equipment

	Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Net book value at January 1, 2013	$ 24,513	$ 2,011	$ 53,759	$ 80,283
Additions	2,370	1,884	3,300	7,554
Depreciation	(3,801)	(2,639)	(11,497)	(17,937)
Net book value at December 31, 2013	23,082	1,256	45,562	69,900
Additions	-	1,055	-	1,055
Depreciation	(3,950)	(950)	(11,594)	(16,494)
Net book value at December 31, 2014	$ 19,132	$ 1,361	$ 33,968	$ 54,461

8. Income Tax

a. Income tax expense

Stabilization Central is a deposit insurance corporation for income tax purposes, and pays income taxes on its taxable income at the applicable tax 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.

The current income tax expense was $nil for the year ended December 31, 2014 (2013 – $nil).

	2014	2013
Deferred income tax expense (recovery) reported in Profit or Loss for the year	$ (225,298)	$ 70,324
Deferred income tax expense (recovery) reported in Other comprehensive income	225,298	(70,324)
Deferred income tax expense in comprehensive income	$ -	$ -

b. Deferred tax assets and liabilities

Deferred tax assets and liabilities consist of the following temporary differences:

		2014		2013
Deferred tax assets - losses carried forward	$	392,159	$	166,861
Deferred tax liabilities - financial instruments	$	(392,159)	$	(166,861)

Deferred tax assets related to losses carried forward of $634,499 (2013 - $645,325) were not recognized as it is not probable that these losses will be utilized by Stabilization Central in the foreseeable future. The $634,499 tax credits will expire as follows:

Year		Amount
2031	$	51,535
2032		46,789
2033		335,965
2034		200,210
	$	634,499

c. Effective income tax

		2014		2013
Income taxes otherwise payable (recoverable) based on reported profit or (loss) using the statutory rate of 13.5% (2013 - 13.5%)	$	206,916	$	(153,061)
Adjustments for effect of:				
Assessments to members excluded from income for tax purposes		(322,474)		(283,427)
Assistance to members expense (recovery)		(28,151)		135,045
Non-taxable dividend income		(60,248)		(26,178)
Change in allowance against unused tax losses		(22,861)		396,676
Other		1,520		1,269
Total income tax expense (recovery)	$	(225,298)	$	70,324

9. Deferred Assessments

		2014		2013
Balance, beginning of year	$	749,300	$	1,103,708
Add: amount received during the year		1,596,237		1,750,478
Less: amount earned during the year		(2,345,537)		(2,104,886)
Balance, end of year	$	-	$	749,300

10. Provision for Master Bond Claims

Reconciliation of changes in provision for master bond claims is as follows:

		2014		2013
Provision balance, beginning of year	$	725,056	$	547,000
Add: claims reported (recovered) during the year		(208,524)		1,000,334
Less: claims paid during the year		(408,997)		(822,278)
Provision balance, end of year	$	107,535	$	725,056

11. Share Capital

Authorized:
Stabilization Central may issue an unlimited number of Class A voting shares at par value of $1. Class A shares are held by member credit unions only, with each member's shareholding based on its consolidated 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 at par value of $1.

		2014		2013
Issued for cash:				
32,301 Class A shares (2013 - 32,301)	$	32,301	$	32,301
10,272 Class B shares (2013 - 10,272)		10,272		10,272
	$	42,573	$	42,573

12. Commitments

a. Lease commitments

Stabilization Central leases premises, owned by Central 1, with the lease extending until 2015.

Future minimum operating lease commitments are as follows:

		2014		2013
Not later than one year	$	57,739	$	57,739
More than one year and less than five years		-		57,739
	$	57,739	$	115,478

Total lease payments, including operating costs, charged to profit for the year were $57,739 in 2014 (2013 - $58,701).

b. Collateral for credit facilities

All investments have been pledged to Central 1 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.

13. Employee Benefits

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding level as well as determine the present value of accrued pension benefits and recommended plan contributions, based on projections of the employees' average compensation levels at retirement. The most recent actuarial valuation for the multi-employer plan, which was conducted as at December 31, 2012, indicated a going concern unfunded liability of $32.3 million and a solvency deficiency of $93.7 million. The deficit is targeted to be financed over time through increased contributions. The recommended minimum required contributions to the multi-employer plan increased from 9.5% of accrued payroll as of September 30, 2013 to 14.8% starting from October 1, 2013 to the end of 2015 year.

During the year ended December 31, 2014, Stabilization Central made contributions to the Plan in respect of its employees totaling $45,974 (2013 - $12,207), which represent less than 0.1% (2013 – 0.1%) of total annual contributions to the Plan. Such contributions are included in salaries and benefits expense in the statement of profit or loss.

14. Capital Management

Stabilization Central's management seeks to maintain capital adequate to support its stabilization activities through return on its investment portfolio, rather than by member assessments.

In order to support the activities of the Master Bond Fund ("the Fund"), management seeks to maintain capital in the form of share capital, contributed surplus, retained earnings, and accumulated other comprehensive income at an appropriate level. Stabilization Central relies on a combination of member assessments and investment returns on assets attributable to the Fund to offset the Funds' insurance and operating expenses, and over the medium term to provide for the growth of members' equity at a rate commensurate with the long term requirements of the Fund.

15. Financial Instruments – Fair Value

Certain financial instruments are recognized in the statement of financial position at fair value, including investment securities classified as available-for-sale. The fair value of a financial instrument the price that would be received to sell as asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date. Valuation techniques which use quoted market data are used to derive the fair value of financial assets and financial liabilities.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received to obtain the instrument. Where financial instruments are measured at fair value subsequent to initial recognition, fair value is determined as described above. The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows, discount rates and use of appropriate benchmarks and spreads.

Investment securities are reflected at fair value on the statement of financial position. For all other financial assets and financial liabilities, the carrying amounts approximate fair value due to the immediate or short-term nature of these balances.

All financial instruments measured at fair value can be categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure that fair value of the assets or liabilities.

Level 1 – Quoted market price (unadjusted) in active markets for an identical instrument;
Level 2 – Valuation technique based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

Transfers into and out of Level 1, 2, and 3 occur when there are changes to the relevant inputs which are consistent with the characteristics of the asset or liability. For the year ended December 31, 2014, Stabilization Central has no transfers into and out of Level 1, 2, and 3.

The fair value of all financial instruments recognized at fair value on the statement of financial position or otherwise disclosed is determined by the use of Level 2 inputs in the fair value hierarchy (2013 – Level 2).

The fair value of other assets and liabilities, which are carried at amortized cost in the financial statements, are also based on Level 2 inputs as while prices are available, the instruments are not traded in an active market.

As at December 31, 2014, Stabilization Central has no assets or liabilities that are measured at fair value on a non-recurring basis in the statement of financial position.

16. Risk Management

The nature of Stabilization Central's holdings of financial instruments exposes Stabilization Central to credit, liquidity, and market risk.

Credit risk
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial commitments. Stabilization Central's maximum exposure to credit risk is the fair value of the instruments as discussed in Note 6. Stabilization Central has engaged professional investment managers to manage its investment portfolio in accordance with Stabilization Central's Investment Policy, which is subject to annual review by the Board of Directors.

Stabilization Central's Investment Policy specifies the amount that may be invested in approved asset classes, and provides restrictions on the credit quality of each issuer of securities that may be acquired.

Liquidity risk
Liquidity risk is the risk of being unable to obtain funds at a reasonable price or within a reasonable time period to meet obligations as they come due. As the provider of bonding protection for credit unions

under the Master Bond Fund, Stabilization Central is required to ensure that it has adequate funds available to settle claims as they come due. Stabilization Central monitors its financial obligations closely and maintains a significant proportion of its investment portfolio in highly liquid, government-issued securities, which may be liquidated to meet these obligations if required. Stabilization Central's accounts payable and accrued liabilities are due in the next twelve months.

Market risk

Market risk refers to the risk of loss resulting from changes in interest rates, foreign currency rates and market prices (other price risk). The level of market risk to which Stabilization Central is exposed varies with market conditions, future price and market movements, and the composition of Stabilization Central's investment portfolio. Stabilization Central reviews the impact of an increase or decrease in interest rates of 100 basis points on its total equity on an annual basis. As at December 31, 2014, an immediate and sustained 100 basis points shift in interest rates would result in a change in the total equity of less than 2% (2013 - 2%) of the current amount. As at December 31, 2014 and 2013, Stabilization Central is not exposed to significant foreign currency risk or other price risk.

Summarized Statements of Financial Position and Profit or Loss (Unaudited)

	Year 2014			Year 2013
As at December 31, 2014 and 2013	Stabilization Fund	Master Bond Fund	Total	Total
Assets				
Investment securities	$ 42,943,580	$ 3,792,305	$ 46,735,885	$ 44,310,881
Other	(527,292)	1,559,644	1,032,352	1,493,902
	$ 42,416,288	5,351,949	47,768,237	45,804,783
Liabilities and equity				
Liabilities	$ 542,007	$ 378,530	$ 920,537	$ 2,158,667
Equity	41,874,281	4,973,419	46,847,700	43,646,116
	$ 42,416,288	$ 5,351,949	$ 47,768,237	$ 45,804,783
Financial and other income	$ 1,886,098	$ 2,469,512	$ 4,355,610	$ 3,574,213
Direct Costs	-	1,221,337	1,221,337	2,606,174
Operating expenses				
Salaries and benefits	535,287	-	535,287	421,624
Subcontract fees	79,774	-	79,774	193,398
Office and occupancy	108,022	42,179	150,201	161,979
Professional services	188,557	51,161	239,718	606,124
Travel and meetings	52,604	30,323	82,927	106,160
Investment advisory fee	131,370	10,526	141,896	140,472
Directors remuneration	47,094	5,606	52,700	53,675
Data processing and systems development	48,224	101,891	150,115	170,137
Corporate projects	20,976	4,460	25,436	9,748
Other	41,984	101,524	143,508	238,508
	1,253,892	347,670	1,601,562	2,101,825
Profit (Loss) before income taxes	$ 632,206	$ 900,505	$ 1,532,711	$ (1,133,786)