2022 Annual Report

CREATING A STABLE PATH FORWARD

Stabilization Central
CREDIT UNION

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LEADERSHIP

We lead with courage and empathy to support ongoing change and development.

BOARD CHAIR MESSAGE

Our main goal during 2022 was to create a stable path forward for Stabilization Central so that it could become even more effective in serving and supporting the credit union system in the province. To that end, the Board of Directors, working with Stabilization Central's CEO and senior management, refreshed and refocused our strategic plan on several initiatives we believe can help strengthen the system.

A recent area of concentration within this plan is our new line of business: Elective Services. This line is aimed at responding to regulatory change and areas of need in the system by proactively delivering resources. We focused on developing robust toolkits for recovery planning, information security, and outsourcing. In addition, we have been leveraging significant organizational knowledge from our work with credit unions across the system, as well as the British Columbia Financial Services Authority (BCFSA), to provide advisory services to credit unions. This has included supporting credit unions in their chosen merger activities.

We put a great deal of emphasis on stabilization work, our bread and butter, with a record number of credit unions being de-staged in 2022. This reflects a significant effort from those affected credit unions, and we continue to be very pleased to support credit unions through those challenges and help them become stronger as a result.

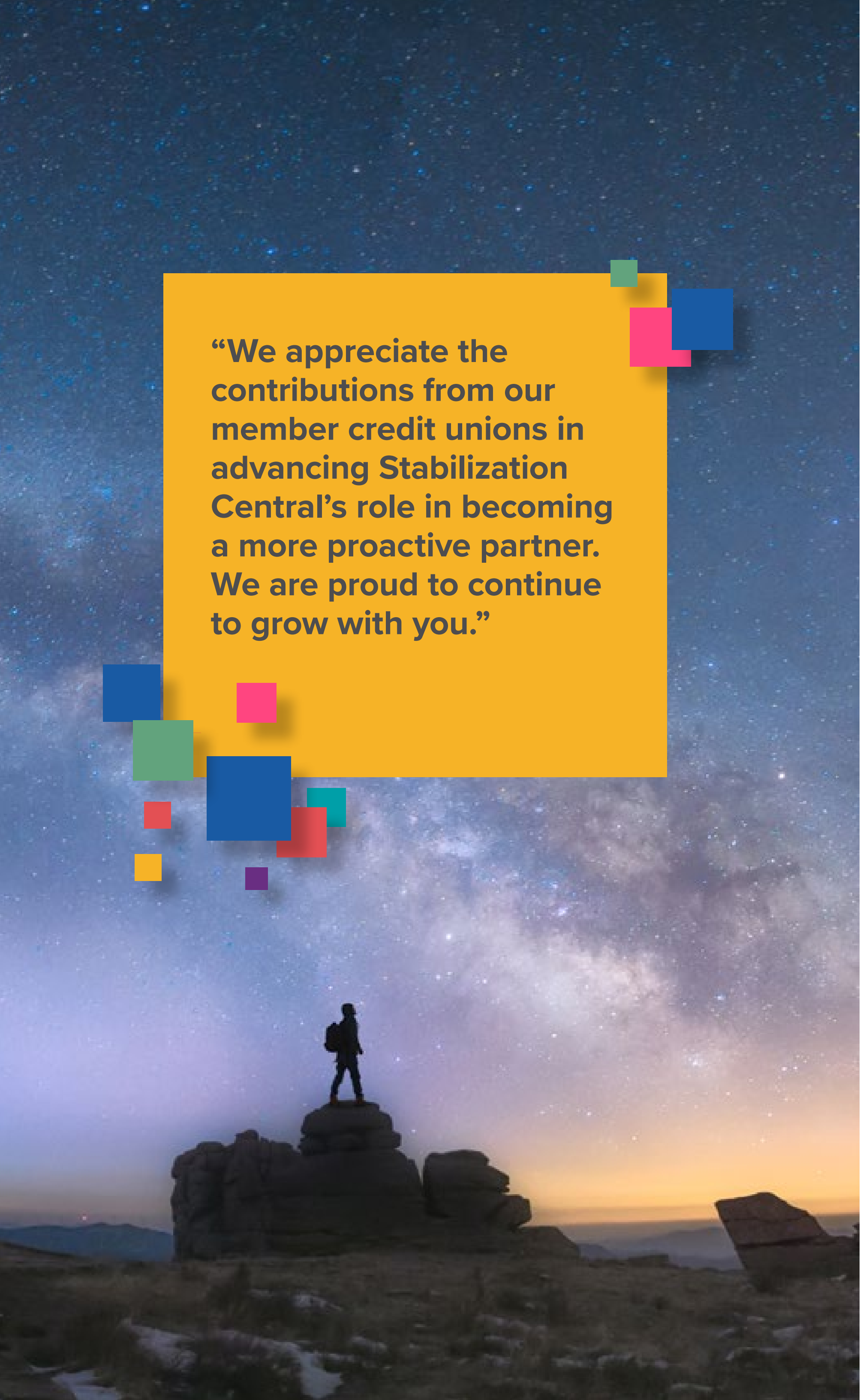
The Master Bond Program has been reviewed in our strategic plan, to explore the role it plays for our members as well as how it can most benefit the system and best manage risk for Stabilization Central. A new strategy for the Master Bond Program will be developed in 2023, and we will be engaging with our members in the process.

None of this would have been possible without our members and the broader credit union system. We have appreciated the various opportunities to be actively engaged and involved in the system at both provincial and national levels and have taken part in numerous events and speaking engagements.

Finally, as part of our accountability to our members, the BC credit unions, we have continued to evolve our own governance systems, including an enhanced diversity and skills matrix for our Board of Directors, a new director orientation program, and a third-party evaluation of our Board's governance protocols.

I want to extend my personal thanks to Bill Corbett, Stabilization Central's CEO, and his excellent staff, as well as to the entire Board of Directors, for their hard work, guidance, insight, and foresight as the credit union system heads into an increasingly challenging future.

Darlene Hyde
Chair, Stabilization Central Credit Union



"We appreciate the contributions from our member credit unions in advancing Stabilization Central's role in becoming a more proactive partner. We are proud to continue to grow with you."

CEO MESSAGE

In 2022, Stabilization Central focused on continuing its engagement and collaboration in the system to support credit unions who are navigating increasingly complex environments. We were privileged to be part of many system conversations and events, and through that, we continued to grow as a key member of the BC credit union system and to learn the best ways of improving how we help our members.

Following the refresh of our strategic plan in late 2021, the Stabilization Central team concentrated on leveraging our deep institutional knowledge of credit union operations, strategy, and governance to provide our members with proactive support. Our Elective Services include robust tools and resources to help credit unions build infrastructure support, particularly in response to growing regulatory expectations. Our flagship toolkits now include those for Information Security, Outsourced Risk, and Recovery Planning. We also provided advisory services to a number of credit unions to support strategic planning, mergers, governance, and a variety of other activities. This has been an exciting new endeavour for us; we've received positive feedback, and we will continue to expand these services in 2023.

We have continued our important support for credit unions that are under increased regulatory supervision (staged). In 2022, we supported the resolution of 183 requirements and recommendations for these credit unions, and many of them saw their stage rating improved. This work continues to be the foundation of Stabilization Central, and we appreciate the ongoing collaboration with BCFSA and the credit unions. We will continue to use the knowledge we gain through these stabilization activities to provide proactive support to credit unions across the system. One further way we have been doing so is through our new Lessons Learned series of papers, with three released in 2022.

The Master Bond Program has continued to support credit unions with fidelity coverages, as well as online and computer crime extensions, which are of increasing importance. Loss levels are growing, as are members' needs. To address both, a strategic review of the program has begun. We will focus on those coverages that we are uniquely positioned to provide to our members and determine how best to deliver these while managing the risk exposure to Stabilization Central. More will be shared on this work in 2023.

In addition, 2022 was an eventful year for Stabilization Central's financial portfolio and results. Late in 2021, we realigned our assets with the work of the organization, aiming to take more risk where earnings could be strengthened and less risk where access to capital and liquidity were the priorities. Our portfolio was split into three funds, the Stabilization Fund, the Master Bond Fund, and our Surplus Capital Fund (which supports Elective Services). Each is structured independently within the risk profile of each line of business, balancing liquidity and returns to meet the needs within the respective line.

While the changes to our portfolios were intended to bolster our financial performance, 2022 was a difficult financial year for Stabilization Central, not unlike the experience for many other similar organizations. All funds were subject to significant market value losses for bonds in 2022. In addition, to ensure that Stabilization Central remained compliant as a Deposit Insurance Corporation, some losses had to be realized in the year. Those assets were reinvested in the bond market, and values should be recovered as those markets improve.

I look forward to an exciting 2023 as we continue on these journeys, and I would like to express my tremendous gratitude to the many individuals and organizations that contributed to the growth at Stabilization Central in 2022. I am particularly proud of the Stabilization Central team's outstanding work on the successful launch of Elective Services, as well as its delivery of exceptional stabilization services. We have also been very well served by our many skilled and creative contractors who have helped the numerous credit unions we've supported. Thank you to the Stabilization Central Board for their guidance and oversight, as well as their support for our new journeys, and to our many partners across the system, including Central 1, CCUA, BCFSA, and others.

Finally, my appreciation goes to our credit union members for your contributions to our work and for sharing your feedback, perspectives, and advice as we've grown. We look forward to continuing working together to create a stable path forward in 2023.

Bill Corbett
Chief Executive Officer

DASHBOARD

Elective Services

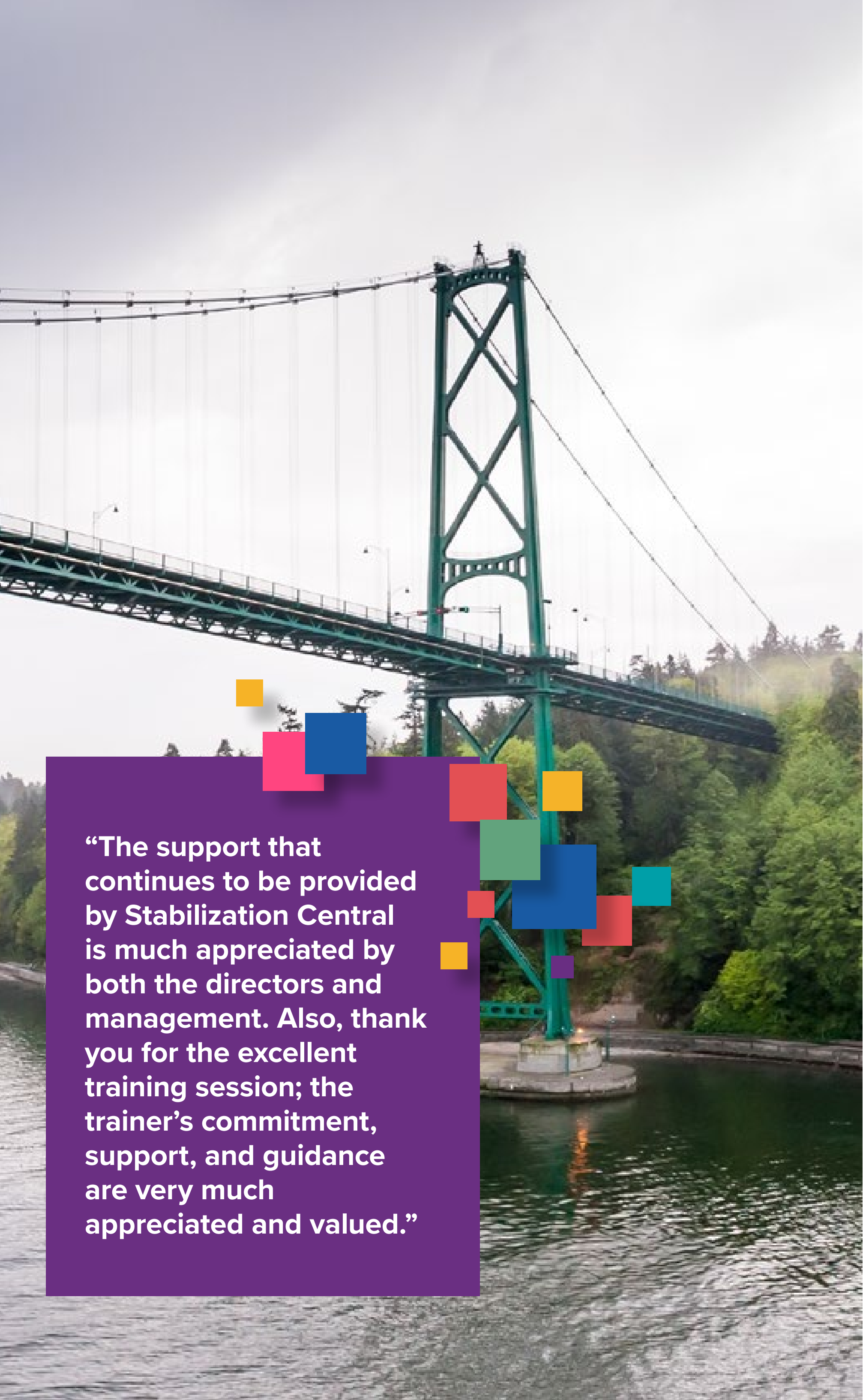
- Built three toolkits with extensive templates, tools, and resources to assist credit unions in developing what they need for complying with provincial regulatory guidelines: Information Security, Outsourcing, and Recovery Planning
- Provided merger support to four credit unions
- Conducted board governance evaluations and risk appetite workshops for two credit unions
- Delivered three Lessons Learned through leadership papers: Commercial Lending, Intervention Stage Rating and Remediation Process, and Risk Management and Three Lines Model
- Improved resource library (on the website) for credit unions, including the addition of new templates as well as enhancements to existing resources

Stabilization Activities

- Provided regulatory remediation support to credit unions with combined assets of $9.9B
- Facilitated the successful remediation of 183 supervisory requirements and recommendations issued by BCFSA, which resulted in a number of credit unions having their intervention stage rating reduced to zero (i.e., destaged)
- Enhanced methodologies to assist supervised credit unions, including standard processes for both on and off-boarding

Master Bond Program (MBP)

- Bonded over 1,700 credit union employees, officers, and directors
- Processed and paid 181 MBP claims
- Secured excess insurance coverage with no annual increase in premiums
- Undertook a MBP policy review with WTW to ensure we provide the best possible program for members



> **“The support that continues to be provided by Stabilization Central is much appreciated by both the directors and management. Also, thank you for the excellent training session; the trainer’s commitment, support, and guidance are very much appreciated and valued.”**

STABILIZATION ACTIVITIES

Stabilization Central possesses the expertise, tools, and experience for providing remediation support to BC credit unions. Stabilization Central’s established relationship with regulators, robust understanding of regulatory requirements, and knowledge of the credit union system positions the organization to provide customized guidance.

In 2022, Stabilization Central provided remediation support to several credit unions with an elevated intervention stage rating, resulting in 183 regulatory requirements being resolved throughout the year. This included working directly with the boards and executive teams of credit unions to review and provide feedback on submissions to the regulator, offer advice and direction on how to approach change management, clarify regulatory expectations, and strengthen the risk culture across the organizations. Stabilization Central works with a team of expert consultants who provide advice on how to enhance existing policies and procedures, conduct independent file reviews, and facilitate educational workshops and training for boards.

Stabilization Central continued to work closely with the Canadian Credit Union Association (CCUA) and other working groups on providing input to industry consultations. This included Stabilization Central’s participation in the Market Code of Conduct Working Group to support the development of BC’s first-ever credit union-developed market code.

Stabilization Central continued to work with the BC Financial Services Authority (BCFSA) and the Credit Union Deposit Insurance Corporation (CUDIC) on ways to improve communication.

ADAPTABILITY

In a rapid shifting world, we constantly adapt to meet members' needs.

ELECTIVE SERVICES

This year, Stabilization Central focused on product line expansion and infrastructure development to deliver more to credit unions under its Elective Services offering.

Resources

In collaboration with risk management professionals from BC credit unions and other consultants, Stabilization Central facilitated and launched three comprehensive toolkits in support of the following BCFSA guidelines:

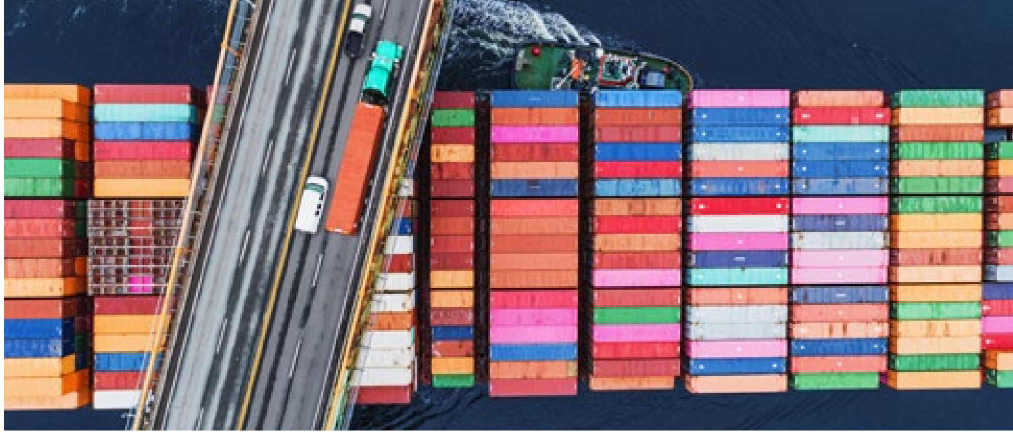
- Information Security
- Outsourcing
- Recovery Planning

In total, over 40 tools and webinars were created in support of the above three guidelines. Feedback from our year-end survey indicated that 82% of those who used the tools “strongly agreed” they were useful for supporting guideline implementation. When asked whether the toolkits were “intuitive” and “comprehensive,” 100% of respondents stated they strongly agreed or agreed.

In addition to toolkits, in 2022, Stabilization Central also launched three “Lessons Learned” papers, titled “Three Lines of Defense,” “Commercial Lending Activities,” and “Intervention Stage Rating and the Regulatory Remediation Process.”

Advisory Services

Alongside developing supporting tools and providing guidance, Stabilization Central was busy responding to increased demand for our



“At the fall Peer Group meeting, there was lots of positive feedback on the support Stabilization Central is providing through its elective services and in particular the toolkits. Stabilization Central is filling a gap that was missing in the system.”

advisory services. Given it’s unique relationship with regulators, coupled with its ties in the BC credit union system, many credit unions turn to Stabilization Central for specialized expertise. Advisory services provided in 2022 included board risk governance, merger preparedness, risk framework development, board planning, and post-remediation support.

Infrastructure Enhancements

With the increased demand for advisory services, Stabilization Central initiated work internally to better operationalize the onboarding and delivery of services, while ensuring these services are fit for purpose. Work commenced to improve internal processes, including CRM enhancements, better client engagement and onboarding, and stronger performance reporting.

Geographic Reach

In addition to these infrastructure enhancements, work accelerated to explore opportunities for Stabilization Central to provide services outside of BC. Conversations with senior officials across regulatory agencies, credit unions, and other central credit unions have generated interest in the services Stabilization Central provides, with respect to our many tools and to accessing our knowledge in the areas of risk and regulatory services.

MASTER BOND PROGRAM

Financial Summary

In 2022, the Master Bond Program (MBP) experienced a net loss of $1.36M. The revenues for the program totaled $1.28M, consisting primarily of assessment income of $1.67M. The total assessment was increased in 2022 to ensure that the program is funded appropriately, as determined by an actuarial analysis conducted in 2020. The program incurred changes in unrealized investment losses, which impacted its overall profitability in 2022. In addition, net claims expense was higher in 2022 at $1.37M (a 19% increase from 2021), coupled with an increase of $0.15M for administration expenses (a 137% increase from 2021).

Claims Summary

This year was dominated again by online and mobile banking claims. These losses accounted for 97% of the total number of MBP claims and 67% of the total dollar value of claims paid during 2022. Online and mobile banking claims remain a concern for the MBP, as losses continue to increase year over year. The implementation of Multi-Factor Authentication (MFA) has been a positive step in mitigating these losses, but the current trend suggests that changes to the coverage will be required to ensure the MBP's long-term sustainability.

During the year, several large claims were reported. Large claims are infrequent, and Stabilization Central expects the program to incur these high losses from time to time. Stabilization Central continues to monitor trends to ensure that the program is adequately positioned to respond to emerging and potentially large risks.

Stabilization Central released an annual 2022 claims report, which is available on its secure website. The report provides an in-depth look at the claims paid, financial ratios for the program, and insights into key trends and risks.

Risk Mitigation

Stabilization Central remains committed to improving risk mitigation for fidelity risks in the BC credit union system. In 2022, 1,774 bond applications were received. Of these, 1,522 were approved, 251 were conditionally bonded, and 1 was denied. Of the 251 conditional bonds, 5 were Ukrainian refugees. In 2023, Stabilization Central plans to continue supporting credit unions to promote a stronger risk culture in the BC credit union system.

Actuarial Analysis

An actuarial analysis for the Master Bond Program is conducted every three years to ensure the program is appropriately funding the self-retention level by projecting future expected claims. The previous actuarial analysis was conducted in 2020, and the next scheduled one will be in 2023. Stabilization Central has started this process and is working with commercial insurance broker WTW (formally Willis Towers Watson).

"Stabilization Central provided conditional bonding for 6 Ukraine Refugees in 2022."

Cyber Insurance

In 2022, Stabilization Central worked with WTW to help provide clarity on the difference between the computer crime coverage provided by the MBP and cyber insurance coverage. Recorded sessions and other resources are available on the Stabilization Central website. The organization continues to encourage credit unions to explore their options for cyber insurance including the work with WTW to help find cyber insurance for credit unions interested in pursuing coverage not available under the MBP. Please reach out at masterbondgeneral@stabilizationcentral.com for more information.

Excess Insurance

With the support of WTW, Stabilization Central secured excess insurance coverage for a similar coverage and price for 2023. WTW was successful in obtaining the 2023 renewal with no premium increase compared to 2022. One excess insurer (CV Star) decided not to renew their placement for 2023, but WTW was able to replace them with excess insurance provided by another two excess insurers, Mosaic Syndicate 1609 and Syndicate 1945, both under Lloyd's Underwriters. There are no other changes to the excess insurance structure for 2023. All excess insurers continue to maintain an AM Best Financial Strength Rating of "A Stable" or better.

Table 1. Excess Insurance

Carrier		Insured Limits ($)		2023-2024 Premium ($)	AM Best Financial Strength Rating
National Liability & Fire Insurance Company	$	10M	$	174,500	"A++" Stable
AIG Insurance Company of Canada	$	10M xs 10M	$	67,500	"A" Stable
Axis Reinsurance Company	$	10M xs 20M	$	58,000	"A" Stable
Lloyd's Underwriters (Mosaic Syndicate 1609 (66.67%) and Syndicate 1945 (33.33%))	$	10M xs 30M	$	47,250	"A" Stable
Zurich Insurance Company Ltd.	$	10M xs 40M	$	42,000	"A+" Stable
Liberty Mutual Insurance Company	$	10M xs 50M	$	32,200	"A" Stable
Total	**$**	**60M**	**$**	**421,450**	

2023 Outlook

The outlook for 2023 is cautious but positive. Stabilization Central is continuing to improve the Master Bond Program by working with key stakeholders, including member credit unions, on how to evolve the MBP. Stabilization Central will expect to consult with credit unions in 2023 to get feedback on proposed changes.

CORPORATE GOVERNANCE

The Board of Directors of Stabilization Central is comprised of six elected representatives from each region which include credit unions grouped on asset-size and regions, and up to three independent, appointed directors. At fiscal year-end 2022, five directors were credit union chief executive officers, two directors were credit union directors, and one director was independent of the credit union system. All have professional or business backgrounds including finance, accounting, legal, governance, and insurance that contribute significant expertise at the Board table. In addition to their credit union involvement, directors sit on various other Boards including the Galiano Loan Fund Society, Credit Union Executives Society (CUES), Canadian Credit Union Association (CCUA), World Council of Credit Unions (WOCCU), Kootenay Insurance Services Ltd., CUSO Wealth Strategies, BC Credit Union Insurance and Risk Management Committee (CUMIS), Vancity Community Investment Bank Global Alliance for Banking on Values (GABV) and tng Governance Group.

All of Stabilization Central's directors participate in the national system's Credit Union Director Achievement (CUDA) program and three directors have their Accredited Canadian Credit Union Director (ACCUD) designations. Some directors also have the ICD.D designation from the Institute of Corporate Directors as well as the CCD designation from the Credit Union Executive Society (CUES). In addition, all directors are members of the Institute of Corporate Directors and the Credit Union Executive Society (CUES). Stabilization Central has implemented an enhanced new director orientation program for onboarding new 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. These affiliations and programs ensure that all directors maintain a high level of expertise to perform their roles. In addition, at all quarterly Board meetings, education sessions are provided by external resources to directors on relevant industry topics. In 2022, stagflation and how to leverage data and analytics were among some of the topics presented.

The Board of Stabilization Central also recognizes that as governance evolves and the accountabilities of directors' increase, it is incumbent on them to ensure the governance of the organization keeps pace with leading practices, including following a regular cadence for assessments. Early in the year, the Board underwent a comprehensive governance assessment conducted by an independent third party. Additionally, an enhanced new director orientation framework and a diversity and skills matrix that reflect best practices were implemented and have served as valuable tools for the Board.

TRUST

By acting with integrity in everything we do, we earn and justify your trust.

Board of Directors and Terms of Office

"Improving accountability to our members was a notable achievement in 2023 as we enhanced governance systems at Stabilization Central."

Darlene Hyde
Chairperson 2021-2023
Chief Executive Officer (Retired)*
BC Real Estate Association
(Appointed Director)

Anita Braha
Director, 2021-2024
Chairperson
Vancity Savings Credit Union
(Appointed Director)

Colin MacKinnon
Director, 2021-2023
Director
Prospera Credit Union

Mike Schilling
Director, 2022-2024**
Chief Executive Officer
Community Savings Credit Union

Linda Bowyer
Vice Chairperson, 2020-2023
Chief Executive Officer
First Credit Union

Jody Burk
Director, 2022-2025
Chief Executive Officer
East Kootenay Community Credit Union**

Kelly Marshall
Director, 2021-2024
Chief Executive Officer
Summerland & District Credit Union

Jim Zimmerman
Director, 2022-2025
Chief Executive Officer
Williams Lake & District Credit Union

**Darlene Hyde retired as CEO of the BC Real Estate Association in April 2022.*

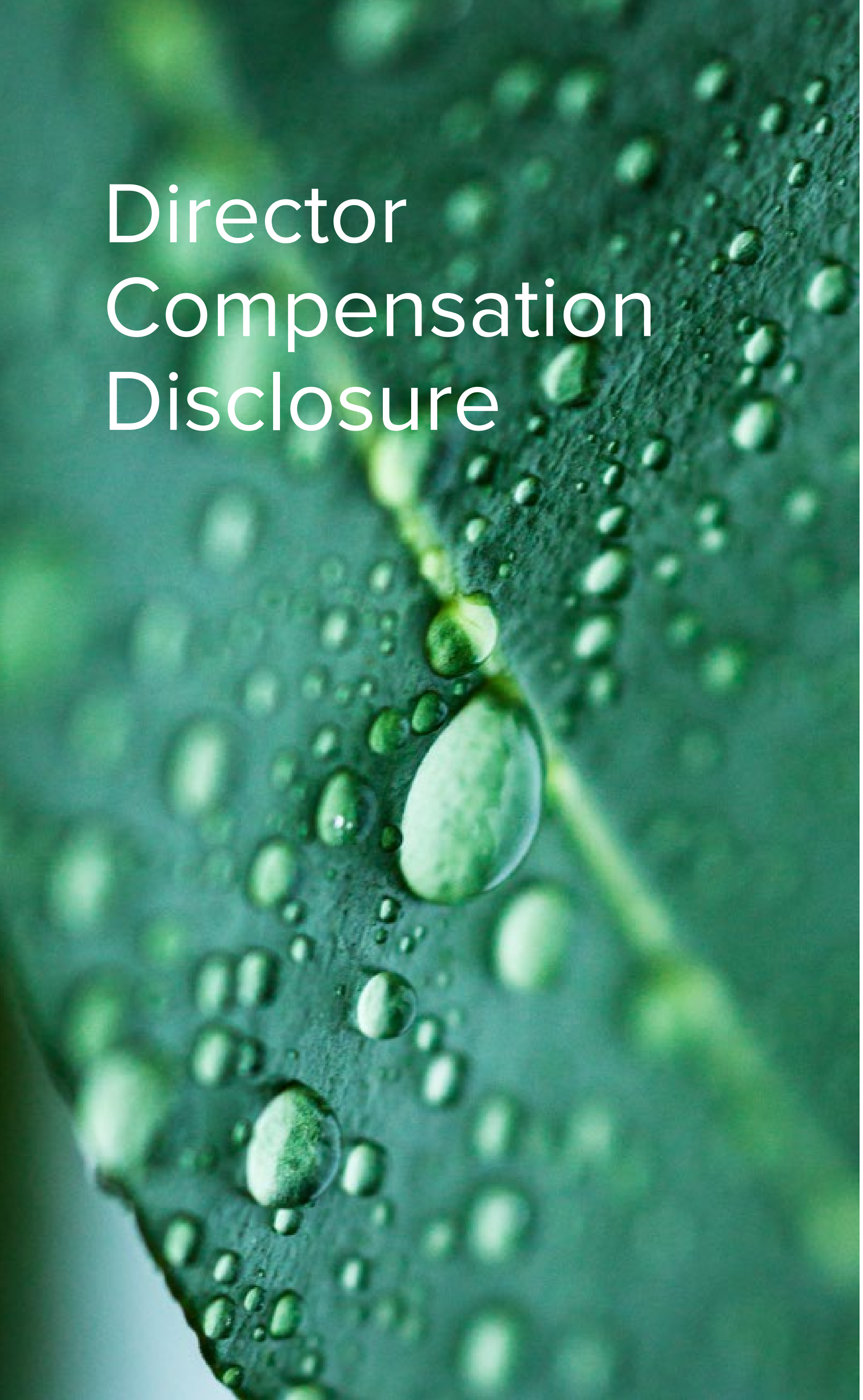
***East Kootenay Credit Union and Heritage Credit Union merged on January 1, 2023, and now operates as Steller Vista Credit Union*

****Mike Schilling was elected to serve for two years remaining on a three-year term.*

Committees

Committee	Members	Functions
Audit & Risk 4 meetings	Colin MacKinnon, Chairperson Linda Bowyer Anita Braha Jim Zimmerman	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.
Governance & Conduct Review 4 meetings	Anita Braha, Chairperson Jody Burk Darlene Hyde	The Governance & Conduct Review Committee assists the Board in fulfilling its corporate governance responsibilities and is responsible for establishing policies and procedures to address conflict of interest, standards of conduct, and to maintain sensitive information confidential.
Human Resources 5 meetings	Linda Bowyer, Chairperson Darlene Hyde Kelly Marshall	The Human Resources Commitee oversees the HR policies and practices of Stabilization Central, including the terms of employment of the CEO. In addition, the Committee oversees the culture of the organization ensuring employee wellness and positive work environment are prioritized.
Investment & Loan 4 meetings	Kelly Marshall, Chairperson Colin MacKinnon Mike Schilling Bill Corbett (Management)*	The Investment & Loan Committee is responsible for ensuring there is an appropriate and prudent policy to govern the employment of the funds entrusted to the organization.
Master Bond Program 4 meetings	Jim Zimmerman, Chairperson Jody Burk Colin MacKinnon	The Master Bond Program Committee is responsible to ensure effective and consistent oversight of the Master Bond Program.
Nominations & Elections 4 meetings	Mike Schilling, Chairperson Kelly Marshall Jim Zimmerman	The Nominations & Elections Committee oversees the director election process, including ensuring that qualified candidates are nominated for Director positions.
Stabilization Advisory Committee 4 meetings	Jody Burk, Chairperson Linda Bowyer Anita Braha Darlene Hyde Colin MacKinnon Kelly Marshall Mike Schilling Jim Zimmerman	The purpose of the Stabilization Advisory Committee (SAC) is to oversee the organization's credit union stabilization activities as well as the elective services business line.

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



Director Compensation Disclosure

Stabilization Central provides directors with the following compensation:

- $500 per Board meeting attended
- $250 per committee meeting attended
- $5,500 annual retainer for every director for non-meeting preparation time.
- $9,200 honorarium for Board Chair; $5,520 honorarium for Vice Chair
- $1,725 honorarium for chairing each of the committees.
- Reimbursement of expenses including travel, accommodations, parking, meals for meetings, training, and for expenses related to approved representation of the credit union.
- The 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. *Perdiems* for education are not included in this amount.
- In 2022, there were a total of 7 Board meetings and 29 Committee meetings held.
- A one and a half day strategic planning session was held in the fall with a half-day follow-up session held in Q4.
- One half-day ERM workshop was attended by all directors.
- New directors attended additional orientation sessions.

By ordinary resolution, the members in attendance at the Annual General Meeting held on April 29, 2021, approved an aggregate amount of $200,000 to be available for compensation to directors (note this is for all directors in total, not individually).

For fiscal year 2022, the total remuneration for Stabilization Central directors was $132,545.

The compensation received for each director is summarized below:

Name	Region	Attendance Board & Committees	Meeting Fees	Expense Reimbursement	Education & Conferences
Darlene Hyde **Chairperson**	Appointee	22/22	$5,985 Board Chair Honorarium (May to Dec) $603 Governance Chair Honorarium (Jan to May 6) $5,500 Annual Retainer $6,500 Per Diems* **Total Comp: $18,588**	$485	$3,841
Linda Bowyer **Vice Chairperson**	Island	21/22	$3,591 Vice Chair Honorarium (May to Dec) $1,122 Human Resources Committee Chair Honorarium (May to Dec) $603 Nominations & Elections Chair Honorarium (Jan to May) $5,500 Annual Retainer $6,500 Per Diems **Total Comp: $17,316**	$2,438	$0
Anita Braha	Appointee	18/20	$1,929 Vice Chair Honorarium (Jan to May) $603 Human Resources Committee Chair Honorarium (Jan to May) $1,122 Governance Committee Chair Honorarium (May to Dec) $5,500 Annual Retainer $6,250 Per Diems **Total Comp: $15,404**	$228	$0
Jody Burk	Kootenay	14/14	$1,122 Stabilization Advisory Committee Chair Honorarium (May to Dec) $3,578 Annual Retainer $6,500 Per Diems **Total Comp: $11,200**	$839	$3,428
Colin MacKinnon	Large Lower Mainland	23/23	$1,725 Audit & Risk Committee Chair Honorarium $5,500 Annual Retainer $7,250 Per Diems **Total Comp: $14,475**	$77	$0

Kelly Marshall	Northline Okanagan	23/23	$3,215 Board Chair Honorarium (Jan to May) $1,122 Investment & Loan Committee Chair Honorarium (May to Dec) $5,500 Annual Retainer $7,750 Per Diems **Total Comp: $17,587**	$1,888	$4,283
Mike Schilling	Lower Mainland	12/13	$1,122 Nominations & Elections Chair Honorarium (May to Dec) $3,578 Annual Retainer $5,250 Per Diems **Total Comp: $9,950**	$0	$0
Jim Zimmerman	Northline	20/20	$603 Stabilization Advisory Committee Chair Honorarium (Jan to May) $1,122 Master Bond Program Committee Chair Honorarium (May to Dec) $5,500 Annual Retainer $7,000 Per Diems **Total Comp: $14,225**	$662	$0
Gus Hartl	Lower Mainland	7/7	$603 Investment & Loan Committee Honorarium (Jan to May 6) $1,922 Annual Retainer $1,500 Per Diems **Total Comp: $4,025**	$0	$0
Bill Wilby	Kootenay	7/7	$603 Master Bond Program Committee Chair Honorarium (Jan to May 6) $1,922 Annual Retainer $4,000 Diems **Total Comp: $6,525**	$2,409	$1,295

**Note non-meeting per diems are paid to directors for time invested on professional development*

CARING

We make caring for our members, ourselves, and the planet our top priorities.

Senior Management Compensation Disclosure

The compensation philosophy for Stabilization Central Credit Union is to provide a competitive total program consistent with market-based practices for all personnel. Market data is gathered and a benchmark for employee compensation is established at a P50 level for the sector. In 2020, a compensation review was conducted for the CEO role as well as the leadership positions by the Human Resources Committee of the Board through an independent third party.

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of Stabilization Central. The amount of compensation paid to the key management personnel during 2022 was $887,440. (December 31, 2021 - $619,168).

INDEPENDENT AUDITOR'S REPORT

To the members of Stabilization Central Credit Union of British Columbia

Opinion

We have audited the financial statements of Stabilization Central Credit Union of British Columbia ("Stabilization Central"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of profit or loss and other comprehensive income (loss) for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stabilization Central as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of Stabilization Central in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the annual report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing Stabilization Central's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Stabilization Central or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Stabilization Central's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Stabilization Central's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Stabilization Central's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Stabilization Central to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
March 31, 2023

Statement of Financial Position

Year Ended December 31, 2022, with comparative information from 2021	Notes		2022		2021
Assets					
Cash		**$**	**540,778**	$	197,848
Investment securities	5		**41,559,681**		46,799,806
Accounts receivable	6		**23,246**		1,262,572
Deferred tax assets	7		**-**		153,190
Property and equipment	8		**619,606**		702,940
Prepaid expenses			**62,590**		45,479
Other assets			**126**		33,789
		$	**42,806,027**	$	49,195,624
Liabilities					
Accounts payable and accrued liabilities		**$**	**659,952**	$	364,413
Deferred tax liabilities	7		**-**		153,190
Unearned assessment			**26,311**		53,517
Provision for master bond claims	9		**1,171,489**		724,537
Lease obligation	10		**528,053**		606,868
			2,385,805		1,902,525
Equity					
Share capital	11		**33,566**		35,138
Contributed surplus			**1,383,659**		1,383,659
Retained earnings			**39,002,997**		45,874,302
			40,420,222		47,293,099
		$	**42,806,027**	$	49,195,624
Commitments	12				

Approved by the Directors:

Darlene Hyde
Chairperson

Colin MacKinnon
Chairperson — Audit & Risk Committee

See accompanying notes to the financial statements.

Statement of Loss and Comprehensive Loss

Year ended December 31, 2022, with comparative information for 2021	Notes		2022		2021
Members' assessments for Master Bond Program		$	**1,669,510**	$	1,413,627
Financial income					
Interest income			**2,165**		-
Pooled fund distributions			**2,280,082**		2,187,222
Gains (Losses) on disposal of financial instruments			**(2,981,934)**		200,195
Change in fair value of financial instruments			**(2,639,771)**		(58,733)
Total financial income (loss)			**(3,339,458)**		2,328,684
Financial expenses					
Interest paid on lease obligation	10		**21,556**		23,789
Net financial income (loss)			**(3,361,014)**		2,304,895
Other income	10		**91,080**		27,503
Total financial and other income (loss)			**(1,600,424)**		3,746,025
Direct costs					
Claims paid	9		**1,367,385**		1,144,625
Insurance and brokerage			**471,450**		471,450
Increase in provision for master bond claims	9		**446,952**		629,059
Master bond claims administration			**249,364**		105,200
			2,535,151		2,350,334
Operating expenses					
Salaries and benefits	13, 14		**1,225,755**		888,527
Subcontract fees			**482,415**		273,823
Professional services			**227,754**		290,990
Office and occupancy			**211,292**		206,555
Directors remuneration	14		**132,545**		113,374
Travel and meetings			**114,024**		73,829
Investment advisory fee			**97,443**		81,033
Other			**96,900**		65,581
Corporate projects			**83,567**		71,194
Data processing and systems development			**64,035**		72,959
			2,735,730		2,137,865
			5,270,881		4,488,199
Comprehensive loss		$	**(6,871,305)**	$	(742,174)

See accompanying notes to the financial statements.

Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021		Share Capital		Contributed Surplus		Retained Earnings		Total Equity
Balance at January 1, 2022	$	35,138	$	1,383,659	**$**	45,874,302	$	47,293,099
Comprehensive Loss		–		–		(6,871,305)		(6,871,305)
Transactions with owners, recorded directly in equity								
Redemption of shares		(1,572)						(1,572)
Balance at December 31, 2022	**$**	**33,566**	**$**	**1,383,659**	**$**	**39,002,997**	**$**	**40,420,222**
Balance at January 1, 2021	$	35,138	$	1,383,659	$	46,616,476	$	48,035,273
Comprehensive Loss		–		–		(742,174)		(742,174)
Balance at December 31, 2021	**$**	**35,138**	**$**	**1,383,659**	**$**	**45,874,302**	**$**	**47,293,099**

Statement of Cash Flows

Year ended December 31, 2022, with comparative information from 2021		2022		2021
Cash flows from operating activities				
Comprehensive loss	$	**(6,871,305)**	$	(742,174)
Adjustments for:				
Depreciation		**108,906**		103,469
(Gain) loss on disposal of financial instruments		**2,981,934**		(200,195)
Change in fair value of financial instruments		**2,639,771**		58,733
Increase in provision for master bond claims		**446,952**		629,059
Interest income		**(2,165)**		-
		(695,907)		(151,108)
Net change in accounts receivable		**1,239,326**		(704,651)
Net change in prepaid expenses		**(17,111)**		425,403
Change in other assets		**33,663**		-
Net change in unearned revenue		**(27,206)**		(68,472)
Net change in accounts payable and accrued liabilities		**295,539**		16,958
Interest received		**(86,408)**		-
Net cash used in operating activities		**741,896**		(481,870)
Cash flows from investing activities				
Net change in deposits with regulated financial institutions		**(28,351,600)**		-
Net change in securities		**28,058,593**		391,946
Net change in property and equipment		**(25,572)**		(12,604)
Net cash from investing activities		**(318,579)**		379,342
Cash flows from financing activities				
Net change in lease obligation		**(78,815)**		(72,578)
Redemption of share capital		**(1,572)**		-
Net cash from investing activities		**(80,387)**		(72,578)
Increase (decrease) in cash		**342,930**		(175,106)
Cash - beginning of year		**197,848**		372,954
Cash - end of year	$	**540,778**	$	197,848

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2022

1. General Information

Stabilization Central Credit Union of British Columbia (Stabilization Central) is located in Canada with a registered office located at Suite 100, 1095 West Pender Street, Vancouver, British Columbia, V6E 2M6, Canada. Stabilization Central was 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 provide stability and strength to B.C. credit unions which are also required to be members of Stabilization Central. Stabilization Central accomplishes this by mitigating risk in the system through proactive support as well as through its delegated authority from the B.C. Financial Services Authority (BCFSA) to supervise credit unions.

Stabilization Central administers two funds:

(a) Stabilization Fund

Stabilization Central maintains the Stabilization Fund to provide or arrange stabilization support and other assistance for member credit unions that encounter challenges, including financial assistance for deposit protection purposes. Operations are financed by earnings on Stabilization Fund's equity and member assessments, if required. The last assessment on the Stabilization Fund was in 2002.

Stabilization Central has entered into a Credit Union Financial Assistance Agreement (CUFAA) with the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) and BCFSA. The terms of this agreement require that Stabilization Central shall maintain a fund of at least $30.0 million for British Columbia credit unions' stabilization and deposit insurance purposes (Committed Fund).

(b) Master Bond Fund

The Master Bond Fund provides fidelity bonding protection for all credit unions in British Columbia and their subsidiaries. Stabilization Central self-insures 100% of the risk for the first $1.0 million of individual credit union losses to a maximum annual aggregate loss of $5.0 million. Stabilization Central maintains the Master Bond Fund to settle claims within the retained Excess insurance is secured with commercial carriers to insure single losses to $60 million and aggregate losses to $120 million. All carriers are "A" rated or better through AM Best. Operations are financed by member assessments and by earnings on the Master Bond Fund's equity.

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 policies set out below have been consistently applied to all the periods presented in Stabilization Central's annual financial statements.

The annual financial statements were authorized for issue by the Board of Directors on March 31, 2023.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the Financial instruments at Fair Value Through Profit or Loss (FVTPL) 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

In preparing the financial statements in accordance with IFRS, management must exercise judgments and make estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, net income and related disclosures. Actual results may differ materially from those estimates. Areas for which management must make subjective or complex estimates and judgments include the provision for master bond claims, discount rate used for calculating the net present value of lease obligations and calculation of expected credit loss (ECL).

While management makes its best estimates and assumptions, actual results may differ materially from those estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant Accounting Policies

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

(a) Financial assets and financial liabilities

Recognition and initial measurement

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 at which Stabilization Central commits to purchase or sell the assets. A financial asset or liability is measured initially at fair value, plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance. For a financial asset or liability measured at FVTPL, transaction costs are recognized immediately in profit or loss.

Classification and subsequent measurement

i) Business model assessment

The objective of the business model in which an asset is held is assessed at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice e.g. whether management's strategy focuses on earning contractual interest revenue, or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to Stabilization Central's management;
- The risks that affect the performance of the business model (and the

financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Stabilization Central's stated objectives for managing the financial assets are achieved and how cash flows are realized.

ii) Contractual cash flows characteristics assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as for profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), Stabilization Central considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

If the contractual terms of a financial asset give rise to contractual cash flows that are not SPPI, it is classified as at FVTPL.

iii) Financial assets

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

A financial asset is measured as at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified, dates to cash flows that are SPPI on the principal amount outstanding.

All other financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI, are measured at FVTPL with all changes in fair value recognized in profit or loss.

iv) Financial liabilities

Stabilization Central classifies its financial liabilities as measured at amortized cost and subsequently measured at amortized cost using the effective interest method.

(b) Derecognition

Stabilization Central derecognizes a financial asset when the contractual rights to the cash flows for the financial asset expire, or when it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. When Stabilization Central neither transfers nor retains substantially all the risks and rewards of ownership related to a financial asset, it derecognizes the financial asset that it no longer controls.

In transactions which Stabilization Central neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset but it retains control over the asset, Stabilization Central continues to recognize the asset to the extent of its continuing involvement in that asset, determined by the extent to which it is exposed to changes in the value of the transferred 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 as profit or loss.

Where Stabilization Central enters into a transaction whereby it transfers assets but retains all or substantially all the risks and rewards of ownership, the transferred assets are not derecognized. Transfers of assets where Stabilization Central retains all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

On derecognition of a financial liability, the difference between the carrying value extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Stabilization Central derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(c) Cash

Cash is carried at amortized cost in the statement of financial position.

(d) Investment securities

Investment securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These securities comprise of segregated government bonds and mutual fund units which do not give rise to contractual cash flows that are SPPI on the principal amount outstanding. As such, they are initially classified and subsequently measured as FVTPL. Subsequent to the initial recognition, unrealized gains and losses on investment securities are recognized in the statement of profit or loss.

(e) Other assets

Stabilization Central also holds Class B shares and Class C shares of Central 1 and class A shares of Blueshore Financial. These investments are included under other assets. Stabilization Central holds these investments for the purpose of accessing for services. These investments do not give rise to contractual cash flows that are SPPI on the principal amount outstanding. As such, they are classified and measured at FVTPL with changes in fair value recognized in the statement of profit or loss.

(f) Accounts payable and accrued liabilities

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.

(g) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is recognized in the statement of 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 gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognized net within other income in the statement of profit or loss.

The estimated useful lives for the current and comparative years of significant items of property and equipment 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
Right-of-use assets	Term of the lease

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

(h) 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 agrees to compensate another party (the policyholder) if a specified uncertain future 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. Any contracts not meeting the definition of an insurance contract are classified as an investment contract or a 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. Stabilization Central has not classified any contracts as investment contracts or service contracts. When significant insurance risk exists, the contract is accounted for as an insurance contract.

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

(i) Provision for Master Bond claims

The provision for Master Bond claims includes an estimate of the costs of investigating and settling claims discovered prior to the reporting date, based on a detailed review of claim files and on claims settlement experience.

(j) Leases

As a lessee

A lessee recognizes a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, and lessors continue to classify leases as finance or operating leases.

The lease liabilities are initially measured at the present value of the lease payments that are not paid on the commencement date, discounted using Stabilization Central's weighted average incremental borrowing rate (IBR) on that date. The IBR is the rate of interest that Stabilization Central would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The ROU assets are initially measured at cost on the lease commencement date which comprise the initial lease liability, lease payments made at or before the commencement date, initial direct costs, and estimated costs to dismantle and remove the underlying assets or to restore the underlying assets to the conditions required by the contracts.

The ROU assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the ROU assets or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. Subsequent to the initial measurement, Stabilization Central will measure the ROU assets at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

On transition and subsequently, Stabilization Central has elected to apply recognition exemptions to short-term leases and leases of low-value items. Short-term leases are leases for which the lease term as determined under IFRS 16 is 12 months or less. These recognition exemptions allow Stabilization Central to continue recognize these leases as operating leases and the related lease payments as an expense on a straight-line basis over the lease term.

As a lessor

For all transactions where Stabilization Central is a lessor, it determines at the inception of the lease whether the lease is an operating or finance lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case the lease is considered as finance lease; if not, then it is an operating lease.

Acting as a lessor, Stabilization Central only has operating lease arrangements in place. The lease payments received under these lease agreements are recognized as income on straight-line basis over the lease term as part of Other Income.

(k) Revenue recognition
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.

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 income on deposits, classified as amortized cost, calculated on an effective interest basis.

Pooled fund distributions include investment income from investment securities classified as FVTPL.

Gains on disposal of financial instruments recorded in the statement of profit or loss include gains from disposal of securities.

Change in fair value of financial instruments include the fair value changes for securities at FVTPL.

(l) Post-employment benefits

Stabilization Central is a participating member of the B.C. Credit Union Employees' Pension Plan (the Plan), a multi-employer defined benefit plan in which plan assets and liabilities are pooled and the actuary does not determine an individual employer's own unfunded liability. Each member credit union 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. The Plan is therefore accounted for on a defined contribution basis.

(m) 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.

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 taxes payable in respect of previous years.

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 is 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 enacted 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;
- they relate to income taxes levied by the same tax authority on the same taxable entity; or
- they relate to income taxes levied by the same tax authority 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.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

4. New Standards and Interpretations not yet Adopted

IFRS 17 – Insurance Contracts

On May 18, 2017, the IASB issued IFRS 17, Insurance Contracts, a new standard that replaces IFRS 4, Insurance Contracts. IFRS 17 introduces consistent accounting for all insurance contracts. It sets out the requirements to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 replaces existing accounting under IFRS 4.

IFRS 17 has a mandatory effective date for annual periods beginning on or after January 1, 2023 with a transition date of January 1, 2022 and will be applied retrospectively.

Level of aggregation: IFRS 17 requires groups of contracts to be aggregated and measured based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. Stabilization Central determines contracts subject to similar risks and managed together based on product lines. The Stabilization Central will cohort its new business using annual cohorts. When an insurance contract is written, it will be assigned a profitability group based on the expected profitability on the date of initial recognition. The level of aggregation requirements do not permit the offsetting of gains and losses between groups of insurance contracts.

Measurement models: IFRS 17 introduces new measurement models for groups of insurance contracts. Insurance contract liabilities for each group of insurance contracts represent the sum of the liability for incurred claims and liability for remaining coverage. Each measurement model provides requirements around how to measure the liability for remaining coverage while the liability for incurred claims is generally measured consistently across the models.

Based on current information, management is expecting to adopt the Premium Allocation Approach (PAA) as the coverage period of all the insurance contracts is only 12 months or less and the liability for remaining coverage based on the PAA model is not expected to materially differ from that of the General Measurement Model (GMM) approach.

Onerous contracts: IFRS 17 requires the identification of groups of onerous contracts. When onerous contracts are identified, Stabilization Central is required to recognize a loss immediately in the statement of profit or loss along with an increase in the insurance contract liability known as a “loss component” to appropriately reflect the timing of losses.

Reinsurance contracts held: Stabilization Central expects to apply the PAA to its reinsurance contracts held to reflect the characteristics of a reinsurance contracts held, including any risk of non-performance of the reinsurer.

Presentation and disclosure: IFRS 17 introduces changes to the way in which the company will present and disclose financial results.

5. Investment Securities

Investment securities classified as FVTPL included in the statement of financial position are as follows:

		Dec 31, 2022		Dec 31, 2021
Fair value				
Pooled bond funds	**$**	**4,193,867**	$	33,112,774
Pooled equity funds		**4,319,376**		13,687,032
Pooled balanced funds		**9,462,442**		-
Government bonds		**23,583,996**		-
Total	**$**	**41,559,681**	$	46,799,806
Average cost				
Pooled bond funds	**$**	**4,271,950**	$	33,555,403
Pooled equity funds		**5,163,084**		11,851,771
Pooled balanced funds		**9,563,440**		-
Government bonds		**23,808,346**		-
Total	**$**	**42,806,820**	$	45,407,174

6. Accounts Receivable

The accounts receivable balance mainly consists of the distribution from the TD pooled funds that were received subsequent to the December 31, 2022 year end and totaled $18,246 (December 31, 2021: $1,262,572).

7. Provision for 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.

(b) Deferred tax assets and liabilities

Deferred tax assets related to non-capital losses carried forward of $1,659,097 (2021 - $1,366,505) were not recognized as it is not probable that these losses will be utilized by Stabilization Central in the foreseeable future. At the end of the year $ - (2021 - $153,190) of deferred tax assets were recognized representing the benefit of non-capital losses recognized to the extent of deferred tax liabilities recognized. The $1,659,097 of losses will expire as follows:

Year		Amount
2027	$	37,666
2028		6,542
2029		76,151
2030		87,876
2031		102,759
2032		38,124
2033		273,749
2034		157,517
2035		50,101
2037		118,730
2038		92,854
2039		184,283
2040		37,142
2041		292,592
2042		
	$	**1,659,097**

(c) Effective tax rate

Stabilization Central's effective tax rate differs from the amount that would be computed by applying the federal and provincial statutory rates of 11.00% (2021 – 11.00%).

		Dec 31, 2022		Dec 31, 2021
Income taxes otherwise (refundable)/ payable based on reported profit or loss using the statutory rate of 11.00% (2021 - 11.00%)	**$**	**(755,844)**	$	(81,639)
Adjustments for effect of:				
Assessments to members excluded from income for tax purposes		**(183,646)**		(155,499)
Assistance to members expense		**199,577**		195,105
Non-taxable trading gain and dividend income		**328,013**		(15,560)
Change in allowance against unused tax losses		**126,368**		68,695
Deferred income tax for fixed assets		**12,965**		(5,091)
Allowance against unused tax losses		**283,410**		-
Other		**(10,843)**		(6,011)
Income tax expense	**$**	**–**	$	–

8. Property and Equipment

		Furniture & Fixtures		Equipment		Leasehold Improvements		Right-of-use Asset		Total
Cost										
Balance at Jan 1 2022	**$**	**76,980**	**$**	**76,826**	**$**	**171,397**	**$**	**809,771**	**$**	**1,134,974**
Acquisition		**12,058**		**13,514**		**-**		**-**		**25,572**
Balance at Dec 31 2022	**$**	**89,038**	**$**	**90,340**	**$**	**171,397**	**$**	**809,771**	**$**	**1,160,546**
Balance at Jan 1 2021	$	73,077	$	68,125	$	171,397	$	809,771	$	1,122,370
Acquisition		3,903		8,701		-		-		12,604
Balance as at Dec 31 2021	$	76,980	$	76,826	$	171,397	$	809,771	$	1,134,974
Depreciation										
Balance at Jan 1 2022	**$**	**46,846**	**$**	**66,471**	**$**	**136,519**	**$**	**182,198**	**$**	**432,034**
Depreciation		**5,879**		**9,113**		**12,936**		**80,978**		**108,906**
Balance as at Dec 31 2022	**$**	**52,725**	**$**	**75,584**	**$**	**149,455**	**$**	**263,176**	**$**	**540,940**
Balance at Jan 1 2021	$	42,154	$	61,606	$	123,584	$	101,221	$	328,565
Depreciation		4,692		4,865		12,935		80,977		103,469
Balance as at Dec 31 2021	$	46,846	$	66,471	$	136,519	$	182,198	$	432,034
Carrying Value										
Balance as at Dec 31 2022	**$**	**36,313**	**$**	**14,756**	**$**	**21,942**	**$**	**546,595**	**$**	**619,606**
Balance as at Dec 31 2021	$	30,134	$	10,355	$	34,878	$	627,573	$	702,940

9. Provision for Master Bond Claims

Changes in provision for Master Bond claims are as follows:

		Dec 31, 2022		Dec 31, 2021
Provision balance, beginning of year	**$**	**724,537**	$	95,478
Add: claims reported during the year		**1,814,337**		1,773,684
Less: claims paid during the year		**(1,367,385)**		(1,144,625)
Provision balance, end of year	**$**	**1,171,489**	$	724,537

10. Leases

Stabilization Central leases its head office premises for a term of ten years with an option to renew the lease after that date. Lease payments are to be negotiated after five years to reflect market rentals.

The right-of-use asset related to the leased premises does not meet the definition of investment property and is classified as property and equipment (see note 8).

The following amounts have been recognized in profit or loss:

		Dec 31, 2022		Dec 31, 2021
Interest on lease liability	**$**	**21,556**	$	23,789
Income from sub-leasing ROU Asset present in Other income	**$**	**-**	$	27,500

The following table presents the analysis of undiscounted lease payments and lease obligation included in the statement of financial position.

		Dec 31, 2022		Dec 31, 2021
Less than one year	**$**	**97,782**	$	96,077
One to five years		**401,361**		396,813
More than five years		**179,078**		281,408
		678,221		774,298
Less: Interest expense to be recognized over the lease term		**(71,353)**		(92,910)
Lease liabilities included on the statement of financial position		**606,868**		681,388
Less: Current portion included in accounts payable and accrued liabilities		**(78,815)**		(74,520)
	$	**528,053**	$	606,868

11. Share Capital

(a) Authorized:

Stabilization Central may issue an unlimited number of Class A voting shares at par value of $1 per share. 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 individual credit unions 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 per share.

(b) Issued:

		Dec 31, 2022		Dec 31, 2021
25,100 Class A shares (2021 - 25,100)	**$**	**25,100**	$	25,100
8,466 Class B shares (2021 - 10,038)		**8,466**		10,038
	$	**33,566**	$	35,138

On March 4, 2022, Stabilization Central has redeemed the 1,572 Class B Shares, which were held by Coast Capital Credit Union, at the redemption price of $1 per share for a total of $1,572 in cash.

12. Commitments

CUFAA agreement

During the term of CUFAA agreement (Note 1(a)) Stabilization Central shall replenish the Committed Fund to $30.0 million within 90 days. Stabilization Central's liability under this agreement shall be limited in the aggregate to $30.0 million.

Stabilization Central is required to report the status of the Committed Fund at least annually and otherwise as requested by BCFSA from time to time.

13. Post-employment Benefits

Every three years, an actuarial valuation is performed to assess the financial position of the multi-employer plan, the adequacy of the funding level, and to 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, 2021, indicated a going concern unfunded liability in the 1.75% Division of $112.5 million (December 31, 2018 - $31.5 million) and a solvency deficiency of $10.4 million (December 31, 2018 - $99.5 million).

As this is a multi-employer plan, the assets and liabilities are pooled, and the actuary does not determine an individual employer's own unfunded liability. It is not possible to determine the portion of the deficit related to Stabilization Central.

During the year ended December 31, 2022, Stabilization Central made contributions to the Plan in respect of its employees totaling $112,516 (December 31, 2021 - $89,860). Such contributions are included in salaries and benefits expense in the statement of profit or loss.

14. Related Party Transactions

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Stabilization Central. The amount of total compensation paid to the key management personnel during 2022 was $887,400 (December 31, 2021 - $619,168).

The fees paid to the Board of Directors was $132,545 for the year ended December 31, 2022 (December 31, 2021 - $113,374).

15. Capital Management

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

In order to support the activities of the Master Bond Fund, management seeks to maintain capital in the form of share capital, contributed surplus, retained earnings, and accumulated OCI at an appropriate level. Stabilization Central relies on a combination of member assessments and investment returns on assets attributable to Master Bond Fund to offset the 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 Master Bond Fund.

16. Financial Instruments – Fair Value

Certain financial instruments are recognized in the statement of financial position at fair value, including investment securities classified at FVTPL. The fair value is the price that would be received to sell an 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 under current market conditions. The fair value of financial instruments is best evidenced by unadjusted quoted prices in active markets. When there is no quoted price in an active market, valuation techniques which maximize the use of relevant observable inputs and minimize the use of unobservable inputs are used to derive the fair value.

Financial instruments are recorded at fair value upon initial recognition, which is normally equal to the fair value of the consideration given or received. 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.

For all financial assets and liabilities, other than deposits with regulated financial institutions, the carrying amounts approximate fair value due to the immediate or short-term nature of these balances.

Investment securities are reflected at fair value on a recurring basis in the statement of financial position. The fair value of Stabilization Central's deposits with regulated financial institutions is disclosed in Note 5.

Stabilization Central measures fair value using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:
Inputs that are quoted market price (unadjusted) in an active market for an identical instrument.

Level 2:
Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. 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:
Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a 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 years ended December 31, 2022 and December 31, 2021, Stabilization Central had no transfers into and out of Level 1, 2 and 3.

The fair value measurements of Government bonds have been categorized as Level 2 fair values based on observable market sales data. The fair value of all other financial instruments recognized at fair value on the statement of financial position or otherwise disclosed is determined by the use of Level 1 inputs in the fair value hierarchy.

The carrying value of cash, deposits with regulated financial institutions, accounts receivable, and accounts payable and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments

17. Risk Management

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

(a) Insurance risk

The principal risk Stabilization Central faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. Therefore, the objective of Stabilization Central is to ensure sufficient capital is available to meet its obligations arising from future claim payments.

Stabilization Central manages its insurance risk exposure through imposing underwriting limits and deductibles as described in Note 1, by placing stop loss coverage, and regular review of actual claim experience and assessment analysis.

Due to the short-tail nature of claims settlement, Stabilization Central is not exposed to significant insurance risk.

(b) Credit risk

Credit risk is the risk of loss or opportunity cost resulting from the default or failure of a borrower, endorser, guarantor, or issuer to fulfil their financial obligations as they come due.

Stabilization Central's key exposure to credit risk is in connection with its government bonds and its accounts receivable. The maximum exposure to credit risk is the carrying value of these instruments in the financial statements. The fair value of the instruments as discussed in Note 5. As at December 31, 2022, Stabilization central was invested in debt securities with the following credit quality:

		Dec 31, 2022
Ratings		
AA (high)	$	2,379,917
AA (low)		18,829,516
A (high)		2,374,563
Total	**$**	**25,583,996**

Stabilization Central has engaged professional investment managers to manage its investment portfolio in accordance with Stabilization Central's Investment & Lending Policy, which is subject to annual review by the Board of Directors. Stabilization Central's Investment & Lending 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.

(c) Liquidity risk

Liquidity risk is the risk of financial loss that Stabilization Central is unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet its 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 pooled funds, which may be liquidated to meet these obligations if required.

Stabilization Central's financial liabilities are normally settled within three months of the year-end.

(d) Market risk

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The table below summarizes Stabilization Central's exposure to interest rate risk by remaining term to maturity as at December 31, 2022:

	Dec 31, 2022
Term to maturity	% of total debt securities
Less than 1 year	10.68%
1 to 5 years	39.48%
5 to 10 years	49.84%
Total	**100.00%**

Stabilization Central has determined that a fluctuation in interest rates of 1% is reasonably possible, considering the economic environment in which the Stabilization Central operates. As at December 31, 2022 and 2021, had interest rates increased or decreased by 1%, with all other factors remaining constant, net assets attributable to redeemable units would have increased or decreased by approximately $1,354,686 and $777,114, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2022 and 2021, Stabilization Central primarily invests in pooled funds denominated in Canadian dollars. Accordingly, Stabilization Central is not exposed to significant currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Price risk is moderated by Stabilization Central through careful selection of pooled funds and diversification of pooled fund investments. As at December 31, 2022, had the fair value of the Stabilization Central's investment securities increased or decreased by 10%, with all other factors remaining constant, Stabilization Central's total equity would have increased or decreased by approximately $4,155,968 (December 31, 2021 - 4,679,981). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Summarized Statements of Financial Position and Loss (Unaudited)

(Expressed in thousands of dollars)

	2022			2021
As at December 31, 2022 and 2021	Stabilization Fund	Master Bond Fund	Total	Total
Assets				
Investment securities	$ 37,418	$ 4,141	$ 41,559	$ 46,800
Others	1,126	121	1,247	$2,396
	$ 38,544	**$ 4,262**	**$ 42,806**	$ **49,196**
Liabilities and Equity				
Liabilities	$ 1,147	$ 1,239	$ 2,386	$ 1,902
Equity	37,397	3,023	40,420	47,294
	$ 38,544	**$ 4,262**	**$ 42,806**	$ **49,196**
Financial and other income	**$ (2,882)**	**$ 1,282**	**$ (1,600)**	$ **3,746**
Direct cost				
Claims paid	-	1,367	1,367	1,145
Increase (decrease) in provision of Master Bond claims	-	447	447	629
Insurance and brokerage	-	472	472	471
Master Bond claims administration	-	249	249	105
	$ -	**$ 2,535**	**$ 2,535**	$ **2,350**
Operating expenses				
Salaries and benefits	1,226	-	1,226	889
Subcontract fees	482	-	482	274
Professional services	201	26	227	291
Office and occupancy	195	18	213	207
Director remuneration	117	15	132	113
Travel and meetings	107	7	114	74
Investment advisory fee	86	11	97	81
Other	68	29	97	65
Corporate projects	83	1	84	71
Data processing and systems development	64	-	64	73
	$ 2,629	**$ 107**	**$ 2,736**	$ **2,138**
Comprehensive loss	**$ (5,511)**	**$ (1,360)**	**$ (6,871)**	$ **(742)**