

Sunshine Coast Credit Union

2004 ANNUAL REPORT



PHOTOS: Clockwise, from top left:

- Canada Day Parade, Sechelt
- Pender Harbour Jazz Festival (Photo, Keith Thirkell)
- Scholarship Presentation
- Sprockids - Coastriders
- Volunteers for Tsunami Relief
- Sechelt Branch Golf Tournament



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NOTICE OF ANNUAL GENERAL MEETING

The 64th Annual General Meeting of Sunshine Coast Credit Union will be held on **Tuesday, April 26th, 2005** at **7:30 p.m.** at the:

Seaside Centre

5790 Teredo Street, Sechelt, B.C.

AGENDA

1. Call to Order
2. Introduction of Officers
3. Adoption of Agenda
4. Appointment of Recording Secretary
5. Adoption of Minutes of the 63rd AGM, April 29, 2004
6. Business Arising Out of the Minutes
7. Directors' Report
8. Auditors' Report
9. Chief Executive Officer's Report
10. Adoption of Reports
11. Report on Attendance
12. Directors' Election Results
13. New Business
14. Appointment of Auditors
15. Motion to Authorize the Directors to Set the Audit Fee
16. Good and Welfare
17. Adjournment

2004 BOARD OF DIRECTORS

Tim Anderson*, Chairperson

Brian Beecham, 1st Vice Chairperson

Karen Archer, 2nd Vice Chairperson

Stan Anderson

Bernard Bennett

Harris Cole

Robert Miller (appointed Nov. 25, 2004)

Elfie Hofmann

Margaret Penney*

** Terms expire at 2005 Annual General Meeting*

Report from the Chief Executive Officer and Chairperson



Dale Eichar
C.E.O.

Financial Highlights

Sunshine Coast Credit Union's exceptional growth continued in 2004. Total assets increased by \$35 million from the previous year to \$238 million or 17.5% growth. The credit union's loan portfolio and deposit base grew 13.2% and 18.2% respectively in 2004. Loans totaled \$186.6 million and deposits amounted to \$220.6 million at year end.

The credit union reported an increase in profits this year. Pre-tax earnings were \$2,502,526 compared to \$2,054,904 in 2003. Our financial margin improved, as did non-financial income, which increased by \$648,796, reflecting higher account service and loan administration fees over the previous year. The increase in account service fees was due to higher volumes and the increase in loan service fees relates to loan prepayment penalty fees where members have opted to refinance their existing mortgages in order to take advantage of lower mortgage rates. Operating expenses increased \$579,883 or 9% over 2003 levels. This increase is mainly attributable to salaries and benefits, which increased by \$282,327 or 8.7%.

After assessing the year-end results, the Board of Directors approved a 3% patronage dividend and interest bonus to members in the amount of \$436,000. In addition, a 5% dividend was declared on Class D Voluntary Equity Shares and a 3% dividend was declared on Class C Transaction Shares, totaling \$170,000.

Retained earnings at the end of the year amounted to \$12.4 million compared to \$10.8 million in the previous year. The credit union's capital base was 17% of risk-weighted assets.

Human Resources

Sunshine Coast Credit Union continues to support personal and professional development initiatives of its staff. Currently, over 60% of employees are enrolled in educational programs.

The credit union conducted a detailed review of compensation in 2004 using the services of Credit Union Central of B.C.'s

Human Resource Department. External and internal equity and pay structures were examined. Consequently, salary bands were adjusted and some positions were realigned.

An Employee Opinion Survey was conducted in October by TCS Performance Strategies Inc. Overall, employee ratings improved over the 2003 survey and are above average industry ratings. Branch and corporate action plans have been developed to foster and maintain excellent employee relations.

2004 VISION STATEMENT

We are the most progressive and valued financial services provider and community partner on the Sunshine Coast.



Success by 6® Program - helping all children succeed for life.

The employee benefits program was examined during the year, resulting in changes to the plan design, benefits supplier, and introduction of cost sharing initiatives with all employees. The B.C. Credit Union Employees Benefits Trust was awarded the benefits contract.

Corporate Governance

Rick Gamache tendered his resignation in 2004 after many years of service on the Board of Directors. Rick was elected to the Board of Directors of Port Mellon Industries Credit Union in 1980 and stayed on as a director when PMICU

and Sunshine Coast Credit Union merged in 1982. In the mid-nineties he stepped down from the Board and was reappointed in 1997. We thank Rick for his contributions and many years of service to the credit union.

Bob Miller was appointed by the Board of Directors to fill the vacancy created by Rick Gamache's resignation. Bob and his wife, Dawn, are partners in the H&R Block tax franchise in Sechelt. Bob recently retired from the position of Dean of Business at the College of New Caledonia in Prince George and returned to the Sunshine Coast where he grew up.

Community Involvement

Sunshine Coast Credit Union places a high level of importance on corporate community involvement. We continued to provide support for numerous organizations and events on the Sunshine Coast throughout 2004. The second of four installments of \$25,000 was made to the Sunshine Coast Community Foundation in December. Donations totaling over \$65,000 were contributed to non-profit organizations, bursaries, and community events. The credit union was a proud sponsor of a number of events, including both the Pender Harbour and Gibsons Landing Jazz Festivals, the Fibre Arts Festival, the Sechelt Family Arts Festival, and the Spirit of 2010 Sunshine Coast Business Summit, to name only a few.

Success by 6®

Sunshine Coast Credit Union is an enthusiastic participant in the *Success by 6* locally based initiative focused on engaging communities in early childhood development and funding programs that strengthen services for young children and families. In partnership with Credit Union Central of BC, the United Way and the Ministry of Children and Family Development, the credit union is actively involved in determining where and how funds collected on the Sunshine Coast can best be spent to assist children and families in our communities. Funds raised locally from community donations will stay on the Sunshine

Coast to support identified early childhood development priorities. In addition, locally raised funds will be matched from a \$10 million provincial grant from the Ministry of Children and Family Development.

Member Survey

A mail survey of a random sample of members was carried out in March 2004 by Points of View Research & Consulting Ltd. Previous surveys were conducted every second year going back to 1990. This year 78% of members rated the credit union as Excellent/Good in the category of Corporate Responsibility; 80% rated the credit union as Excellent/Good in the category of Support of Community Organizations and Events; and, 86% of members rated the credit union as Excellent/Good in the category of Overall Excellence of Service. These ratings are very similar to the high ratings of previous years.



Tim Anderson
Chairperson

Sunshine Coast Credit Union 2004 Mission Statement

- *To attract and retain members and employees by developing long-term relationships;*
- *To be our members' primary choice for financial solutions;*
- *To anticipate and respond to marketplace trends; and*
- *To be a responsible corporate citizen, actively contributing to the communities we serve.*

Services and Technology

The credit union is committed to meeting the changing financial needs of its membership, offering a complete range of comprehensive financial services and products to individuals, small businesses and organizations. We upgraded our MemberLink® telephone banking and MemberDirect® internet banking services in 2004. Improvements were made to functionality in both systems. Telephone banking scripting was replaced. HyperWALLET™ was added to MemberDirect® allowing members to email money. Security was improved in both systems. Internet banking usage by members has increased substantially in recent years with monthly logins increased from 16,000 to 23,000 in 2004. During the same period, telephone banking usage declined slightly from 5,500 monthly calls to 5,000.

People before profits®

We would like to thank all of the people who contribute to Sunshine Coast Credit Union's success: our staff and management; our directors and our members.

Although financial stability is of utmost importance to us as demonstrated by our financial performance, we also subscribe to the philosophy of *People before profits* as attested to in our 2004 Mission and Vision Statements.

Dale Eichar, *Chief Executive Officer*

Tim Anderson, *Chairperson*
Board of Directors

AUDITORS' REPORT ON SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Sunshine Coast Credit Union

The accompanying summarized consolidated balance sheet and consolidated statements of earnings and retained earnings and cash flows are derived from the complete consolidated financial statements of Sunshine Coast Credit Union as at December 31, 2004 and for the year then ended on which we expressed an opinion without reservation in our report dated January 26, 2005. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized consolidated financial statements.

In our opinion, the accompanying consolidated financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the credit union's financial position, results of operations and cash flows, reference should be made to the related complete consolidated financial statements.

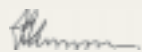
New Westminster, Canada
January 26, 2005

GRANT THORNTON LLP
Chartered Accountants

SUMMARIZED CONSOLIDATED BALANCE SHEET

December 31	2004	2003
Assets		
Cash resources	\$ 46,746,830	\$ 32,641,507
Loans	186,608,539	164,893,743
Investments and other	2,651,279	2,921,192
Premises and equipment	2,134,125	2,236,004
	\$238,140,773	\$ 202,692,446
Liabilities and equity		
Deposits	\$220,643,365	\$ 186,705,249
Payables and accruals	1,280,317	1,847,754
Equity shares	3,859,220	3,315,141
Retained earnings	12,357,871	10,824,302
	\$238,140,773	\$ 202,692,446

On behalf of the Board



Tim Anderson, Director



Brian Beecham, Director

SUMMARIZED CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended December 31	2004	2003
Financial income	\$ 11,885,590	\$ 11,457,404
Financial expense	5,315,330	5,265,853
Financial margin	6,570,260	6,191,551
Provision for credit losses	(180,000)	(180,000)
Other income	3,107,482	2,458,686
Operating margin	9,497,742	8,470,237
Operating expenses	6,995,216	6,415,333
Earnings before patronage dividend and income taxes	2,502,526	2,054,904
Patronage dividend	436,000	416,591
Earnings before income taxes	2,066,526	1,638,313
Income taxes	393,587	417,775
Net earnings	1,672,939	1,220,538
Dividends on equity shares (net)	(139,370)	(105,963)
Retained earnings, beginning of year	10,824,302	9,709,727
Retained earnings, end of year	\$ 12,357,871	\$ 10,824,302

SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31	2004	2003
Cash flows provided by (used in)		
Operating activities	\$ 2,019,180	\$ 1,672,736
Financing activities	34,191,675	15,029,607
Investing activities	(22,105,532)	(21,940,244)
Net increase (decrease) in cash resources	14,105,323	(5,237,901)
Cash resources, beginning of year	32,641,507	37,879,408
Cash resources, end of year	\$ 46,746,830	\$ 32,641,507

A complete set of financial statements is available from the credit union.