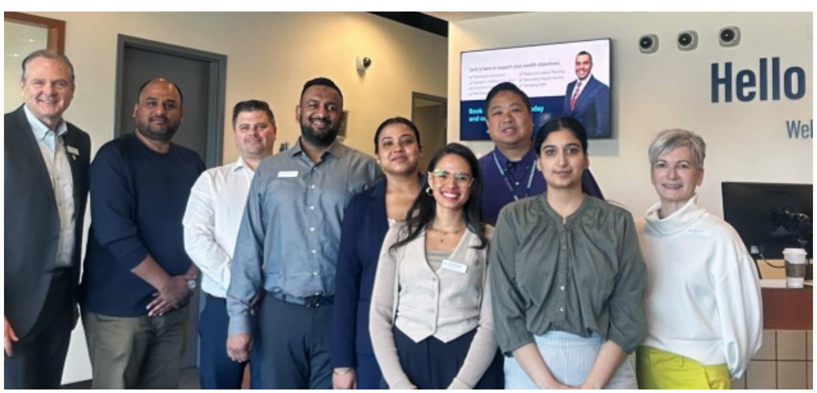

2024 Management Discussion and Analysis

PROSPERA
CREDIT UNION

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Local banking means more

We are pleased to provide an overview of Prospera Credit Union's 2024 financial and operational results. This Management Discussion and Analysis (MD&A) should be read in conjunction with our Audited Consolidated Financial Statements (December 31, 2024), which are prepared in accordance with International Financial Reporting Standards (IFRS). All amounts expressed are in Canadian dollars.

Built on more than 80 years of service in our local communities, Prospera Credit Union (Prospera) is a community-based, purpose-driven organization that offers a full range of financial products and services. As one of the largest credit unions in British Columbia, we hold $9.3 billion in assets under management and have more than 115,000 members. Our primary lines of business are Personal Banking, Business Banking, Wealth Planning and Leasing. Through our network of 24 branches, along with our Member Service Centre and digital channels, Prospera is proud to serve communities throughout the Lower Mainland, Fraser Valley and the Okanagan.

We are proud to be a certified Great Place to Work and our goal is to always be a great place for our members to obtain personalized financial advice. Our corporate office is located on the traditional territories of the Semiahmoo, Katzie, Kwikwetlem, Kwantlen, Qayqayt and Tsawwassen First Nations in Surrey, BC.

Financial performance highlights

Net income
$2.2 million

Comprehensive Income
$17.9 million

Loans & leases receivable
$6.3 billion

Net interest income
$111.5 million

Return on equity
0.5%

Liquidity Ratio
14.1%

Capital ratio
13.7%

Lines of business overview

At Prospera, we aim to build the financial prosperity of our members, enabling thriving local enterprises, financially empowered people and vibrant, healthy communities. In line with our purpose, we continued to work in 2024 to deepen our organization's relationship with our members through personalized and tailored advice. We know that our members have diverse life cycle needs, and we continuously look at ways to help them achieve their financial goals.

Personal Banking

Personal Banking encompasses 24 branch locations, our Member Service Centre and the Broker Centre, all dedicated to providing holistic financial advice through responsive and proactive engagement with our membership. These channels collectively support 107,000 members with their day-to-day banking, investment needs, borrowing solutions and new accounts.

2024 highlights included:

- Conducted more than 11,500 financial health checks, assisting members with their short-term and long-term goals. A financial health check is Prospera's guide to having meaningful conversations and understanding our members' diverse needs and goals.
- Redesigned branch roles, adding 27 investment-licensed advisors to enable more holistic, advice-driven conversations and tailored wealth solutions for new and young investors.
- Supported members' financing journeys by facilitating $175 million in new and refinanced mortgages. While overall balances in the personal portfolio declined in 2024, this volume reflects growing traction in our organic channel and new momentum in how we engage members through advice-led conversations and broker partnerships.
- Focused on helping our members be cyber-savvy through several initiatives, including campaigns to educate members on account alerts.

Member Service Centre

Our Member Service Centre offers a wide range of banking and lending solutions to members over the phone and online. Throughout the year, our team received and responded to more than 127,000 phone calls and 17,000 emails from our members.

2024 highlights included:

- Focused on contact efficiency, reducing average wait times by 14% compared to 2023 and improving our email response time by 50% from two business days to one.
- Improved our virtual member experience as reflected in 2024 member surveys. Member Experience Index and Net Promoter Score surveys to 8.45 out of 10 and 48.82% respectively (increase from 2023 – 8.17 out of 10 and 34.18%).
- Supported members' borrowing needs in the virtual channel with $17 million in funded mortgages and loans (and accompanying creditor insurance coverage), ensuring our borrowing members are well-protected.
- Conducted 775 virtual financial health checks to uncover members' needs and financial goals.

11,500+

financial health checks

Digital channels

In addition to our branches and Member Service Centres, members can complete their banking through our digital channels, including mobile and online banking. Our focus is on continuous enhancement and personalization of these channels.

2024 highlights included:

- Launched a customer relationship management system for our Wealth Planning team.
- Relaunched telephone banking for our members.
- Replaced half of our ATM fleet with new Diebold ATMs, making this a more reliable channel for our members.
- Replaced our aging data warehouse with Microsoft Fabric, a cloud-native platform, significantly improving this foundational digital capability.

Business Banking

Prospera's Business Banking team supports more than 8,000 local business owners and includes three divisions: Local Business, Core Commercial and Real Estate Development.

In 2024, the Business Banking divisions had net loan growth of about 9.2%. This was achieved by a determined focus on people, programs and relationships, and through our ongoing support of enterprising local businesses. In particular, our strength and partnerships in real estate development financing contributed significantly to Business Banking's success in loan growth for the year.

2024 highlights included:

- Grew the loan portfolio prudently, remaining aligned with capital requirements and within updated regulatory limits on commercial lending.
- Supported our business members through an uncertain business environment marked by fluctuating interest rates and a housing market with mixed performance.

Supported 5,800 customers in leasing new and used vehicles

Auto Leasing

Prospera Auto Leasing provides new and used vehicle leasing for individuals, businesses, dealers and brokers. Our business provides services throughout Canada, with our primary markets being BC, Alberta and Ontario.

2024 highlights included:

- Supported 5,800 customers in leasing new and used vehicles, delivering tailored solutions to meet their needs.
- Our dealer network expanded to more than 600 partnerships by leveraging our dedicated team and strengthening core, national relationships.
- Funded 1,414 vehicle leases to help customers stay mobile.
- Advanced automated adjudication efforts, aiming for a formal launch in Q3 2025.
- Improved productivity with an increase of 7.7% in our approved-to-funded ratio.

Wealth Planning

Prospera's dedicated team of accredited wealth management professionals provide expert advice to help clients plan for their future. Our core services include retirement planning, financial planning, estate planning, tax planning, income protection and investment management. A key focus for our team is to provide a solid roadmap to members' financial goals through all economic and life cycles. We are proud of our team's ability to create achievable financial plans by listening to our members, providing advice based on sound investing principles and ensuring that risks to reaching those goals are mitigated.

2024 highlights included:

- Served more than 14,000 members with a team of 34 financial professionals.
- Managed just under $2 billion of assets on behalf of members to help them achieve their financial planning goals.
- Assets under management grew by 20.5%.
- The majority of our advisory team members hold a Responsible Investing Specialist (RIS) certification, equipping them with the expertise to support our members with sustainable investments and discuss environmental, social and governance considerations.

Corporate

More than 300 employees work in our corporate departments to support our members, employees and operations. This includes Business Technology Solutions, Centralized Services, Communications, Credit, Facilities, Finance, Business Intelligence, Governance, Internal Audit, Legal Affairs, Marketing and Member Engagement, People Experience, Procurement, Risk and Treasury. These teams contribute to delivering products and services to our members and worked exceptionally hard this past year on core programs to create amazing member value, maintain highly engaged employees and build strong, resilient organizational health.

Prospera had a total of 715 employees at the end of 2024.



Macroenvironment and 2025 outlook

Inflation eased in 2024, with the Consumer Price Index (CPI) averaging around 3% in the first half of the year and trending toward 2.5% in the second half. As the Canadian economy adjusts to excess supply and slowing demand, inflationary pressures are expected to continue declining, with CPI projected to return to the Bank of Canada's 2% target in 2025.

While markets are anticipating additional rate cuts in 2025, there remains considerable uncertainty. Inflation remains above target, and underlying price pressures, particularly in shelter costs, are proving to be persistent. Mortgage interest costs and rising rents, driven by limited housing supply and population growth, continue to keep shelter inflation elevated. As a result, this component is expected to take longer to normalize, and the Bank of Canada remains cautious about potential risks that could delay the full return to target inflation levels.

2024 performance highlights

In 2024, Canada's financial environment remained defined by an inverted yield curve, where short-term interest rates exceeded long-term rates. This uncommon situation compressed margins across the financial services industry, placing downward pressure on net interest income. For Prospera, the narrowing spread between income earned on loans and leases and interest paid on deposits required proactive management to protect profitability and long-term financial strength.

Our loan and lease portfolio declined by $184.8 million, or 2.9% from 2023. Despite this contraction, we demonstrated resilience during a year of economic uncertainty, generating net income of $2.2 million. These earnings, coupled with a smaller loan portfolio, supported a stronger capital position, critical to sustaining future growth and delivering long-term value to members.

Total comprehensive income increased to $17.9 million in 2024, up $2 million or 12.6% from the prior year. This growth reflects disciplined financial management and strong performance in other comprehensive income, largely driven by unrealized gains in our investment portfolio classified as Fair Value Through Other Comprehensive Income (FVOCI). The majority of our investments fall under this designation, which helps reduce volatility in reported net income while preserving long-term portfolio value.

In addition to our financial results, we remained deeply committed to our communities. We invested more than $571,000 in local communities through corporate donations, sponsorships and programs. Combined with contributions from the Prospera Foundation, total community investment surpassed $1 million, supporting charities, education and small businesses. Employees also dedicated more than 2,300 volunteer hours across 85 events, highlighting our ongoing commitment to building strong, resilient communities.

The following chart provides a summary of our financial results:

Financial metrics		2024		2023	Change (%)	
Net income	$	2.2 M	$	9.0 M	(75.6%)	▼
Comprehensive income	$	17.9 M	$	15.9 M	12.6%	▲
Total assets	$	7.3 B	$	7.5 B	(2.7%)	▼
Total loans	$	5.9 B	$	6.1 B	(3.3%)	▼
Total leases	$	379.7 M	$	410.0 M	(7.4%)	▼
Total deposits	$	6.3 B	$	6.6 B	(4.5%)	▼

Key ratios	2024	2023	Change (%)	
Capital ratio	13.7%	13.4%	2.2%	▲
Return on average assets	0.04%	0.09%	(55.6%)	▼
Return on equity	0.5%	2.1%	(76.2%)	▼
Operating efficiency*	97.7%	91.0%	(7.4%)	▼
Liquidity	14.1%	14.3%	(1.4%)	▼

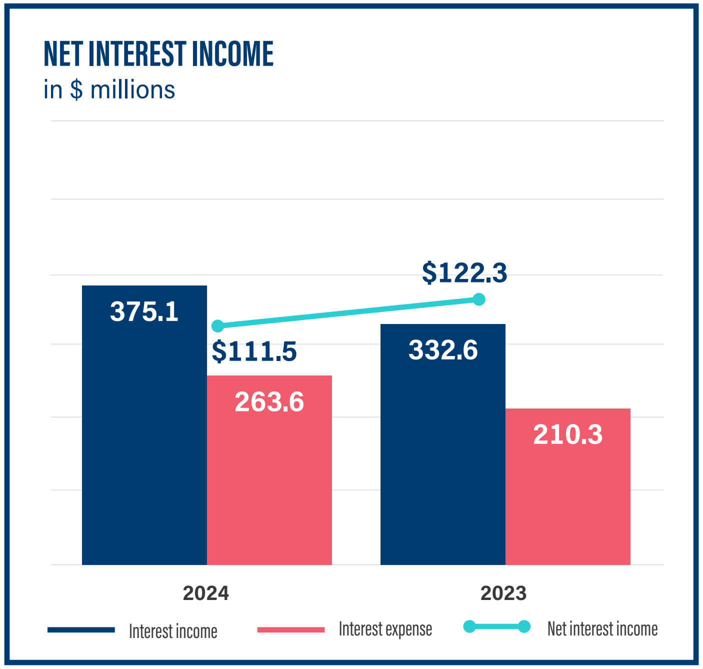
*Lower ratio reflects more efficient operations.

Net interest income

Net interest income, defined as interest income earned on assets less interest expense on deposits, borrowings, and securitizations, declined by $10.8 million, or 8.8%, from $122.3 million in 2023 to $111.5 million in 2024.

Throughout 2024, short-term interest rates remained above long-term rates, continuing the inverted yield curve trend that began in 2023. This environment limited the margin financial institutions can earn between lending and deposit activities. Although there were early signs of normalization, the yield curve remained inverted for the full year, maintaining pressure on our net interest income.

As inflation eased and the Canadian economy showed signs of slowing, the Bank of Canada began reducing its policy interest rate from a peak of 5% to 3.25% by year-end. Despite the challenging rate environment, Prospera took timely action to manage interest rate risk and protect financial stability. This strategic response allowed us to maintain operational strength and continue supporting our members and communities.



Net fee and commission income

Net fee and commission income comprises revenue generated from various sources, including card fees, member service fees, wealth planning fees, and fees associated with loans and leases.

In 2024, net fee and commission income rose to $23.3 million, a $2.7 million (13.3%) increase over the 2023 total of $20.6 million. This growth was driven by a $1.5 million increase in fee and commission income, primarily from higher insurance and Visa commissions as well as loan and lease receivable fees. Additionally, fee and commission expenses declined by $1.2 million, further contributing to the overall net increase.

Net fee and commission income (in millions of dollars)	2024	2023	Change ($)	Change (%)
Fee and commission income	$ 28.5	$ 27.0	$ 1.5	5.6%
Fee and commission expense	$ (5.2)	$ (6.4)	$ 1.2	(18.8%)
Net fee and commission income	**$ 23.3**	**$ 20.6**	**$ 2.7**	**13.3%**

Realized and unrealized gains (losses)

In 2024, we recognized realized gains of $4.9 million from the sale of foreign and equity investments and unrealized gains of $2.8 million on our financial instrument portfolio. Unrealized fair value gains (losses) reflect mark-to-market changes in the value of financial instruments designated as fair value through profit and loss (FVTPL) and are impacted by volatility in the interest rate environment.

Realized and unrealized gains (losses) (in thousands of dollars)	2024	2023	Change ($)	Change (%)
Realized gains (losses) on financial instruments	$ 4,920	$ (703)	5,623	799.9%
Unrealized gains (losses) on financial instruments	$ 2,760	$ (1,489)	4,249	285.4%
Total realized and unrealized gains (losses)	**$ 7,680**	**$ (2,192)**	**9,872**	**450.4 %**

Impairment (losses) recoveries on financial assets and other assets

The base for the calculation of expected credit losses (ECL) are the loan and lease portfolios, both of which declined when compared to 2023. On our consolidated statement of financial position, our ECL provision was $12.4 million as at December 31, 2024, a reduction of $1.7 million from 2023 ($14.1 million). Our macroeconomic outlook, which is based on expectations that existed at

December 2024, had also improved since the previous year largely due to rate cuts enacted by the Bank of Canada throughout the year. As a result, our provision for ECL decreased in 2024. The reduction in ECL off-sets the increase in direct write-offs during the year.

The normalizing of the used car market has resulted in write downs on other assets (repossessed equipment and vehicles), and in anticipated losses from unguaranteed residuals.

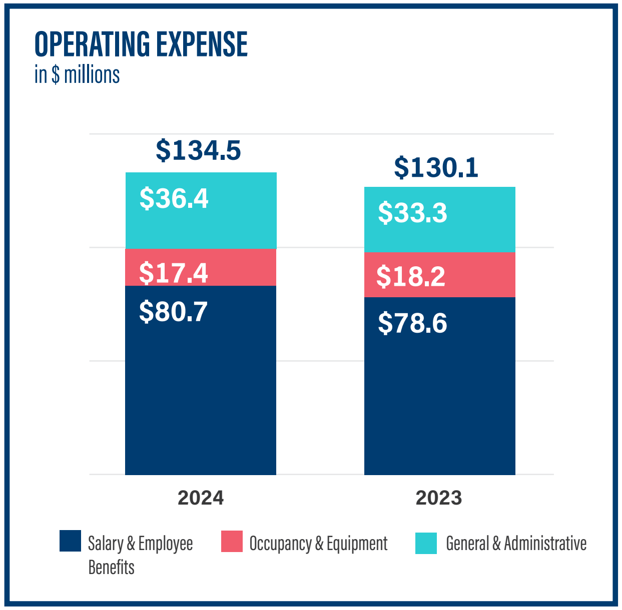
The total impact on our consolidated statement of income of the change in provisions and direct write-offs was an expense of $5.5 million, compared to $3.6 million in the prior year.

The allowance for credit losses is appropriate based on our analysis of the loan and lease portfolio as at December 31, 2024. Note 12 of the consolidated financial statements provides a complete analysis of our allowance for credit losses.

Impairment and ECL (in thousands of dollars)		**2024**		**2023**		**Change ($)**	**Change (%)**
Consolidated statement of financial position							
ECL provision	$	12,445	$	14,110	$	(1,665)	(11.8%)
Consolidated statement of income							
(Increase) decrease in allowance for credit losses	$	1,665	$	(1,422)	$	3,087	(217.1%)
Impairment losses on other assets	$	(2,772)	$	(993)	$	(1,779)	179.2%
Direct write-offs	$	(3,179)	$	(827)	$	(2,352)	284.4%
Increase in loss allowance for unguaranteed lease residual values	$	(1.182)	$	(408)	$	(774)	189.7%
Total impairment (losses) recoveries	**$**	**(5,468)**	**$**	**(3,650)**	**$**	**(1,818)**	**49.8%**

Operating expenses

Operating expenses increased by 3.4% in 2024, rising to $134.5 million from $130.1 million in 2023. This modest increase reflects a disciplined approach to expense management amid significant macroeconomic headwinds, balancing unavoidable cost pressures with targeted investments aligned with our growth and transformation strategy.



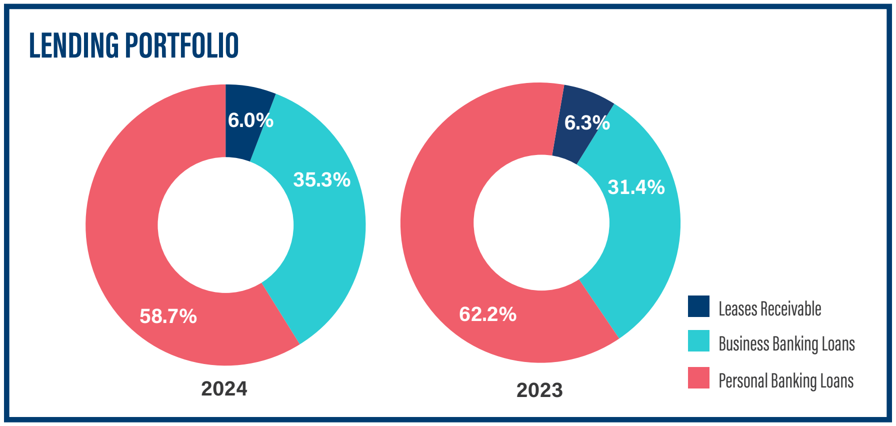
The increase was primarily driven by higher general and administrative expenses, which normalized following a one-time GST recovery in 2023. This was coupled with elevated professional fees as we continued to invest in strategic initiatives.

Compensation-related costs (salaries, wages, and benefits) increased as part of our ongoing focus on talent acquisition and retention.

These increases were partially offset by lower occupancy and equipment expenses. Cost savings from the consolidation of three branch locations completed in 2024.

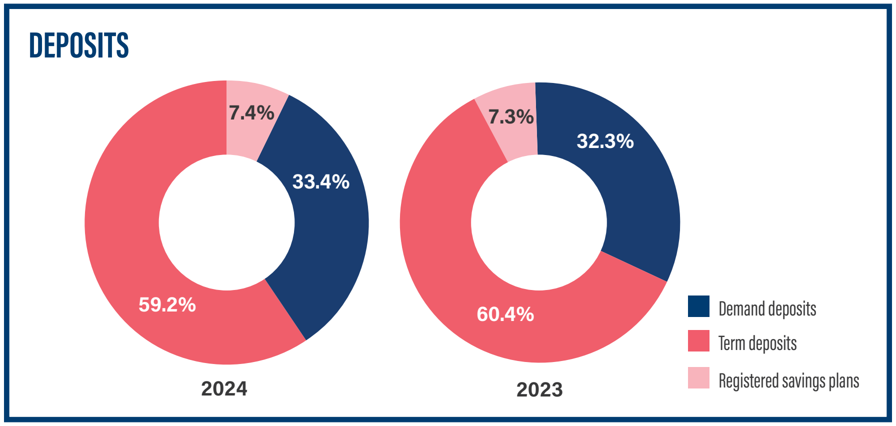
Lending portfolio

Total loans and lease receivables amounted to $6.3 billion in 2024, a decrease of 2.8% from $6.5 billion in 2023. The decline was primarily driven by lower balances in our leasing and personal banking portfolios. However, business banking activity remained strong, achieving 9.2% growth and partially offsetting the overall decline.



Deposits

Member deposits totaled $6.3 billion at year-end, representing a 4.6% decline from 2023. The decrease was primarily due to a reduction in term deposits, which had spiked in 2023 in response to elevated deposit rates and a more pronounced yield curve inversion.



Capital

As a BC credit union, we must meet the capital requirements outlined in the Financial Institutions Act (FIA) of British Columbia and the related capital requirements regulation. This regulation specifies the minimum capital a credit union must maintain and how this capital is defined and measured. The calculation of the statutory capital requirement is based on British Columbia Financial Services Authority (BCFSA) guideline related to the relative risk of the assets held by a credit union, thus establishing that more capital is to be held for riskier assets.

BCFSA uses three capital indicators in the assessment of credit union capital adequacy: The FIA regulations require a credit union to have a capital ratio of at least 8% to operate without any statutory restrictions. A credit union operating below this level may be determined non-viable by BCFSA.

BCFSA's supervisory target of 10% sits above the regulatory threshold and provides BCFSA with sufficient time to address any threats to solvency of the credit union before it falls below the regulatory requirement.

Credit unions are expected to establish their own internal capital target, which should be set above the supervisory target. This internal target is used for correcting internal action before capital erodes below the supervisory target.

Our main source of capital is retained earnings. Our capital base also includes member shares and our proportionate share of system capital. System capital refers to the retained earnings of centralized credit union organizations (Credit Union Deposit Insurance Corporation, Central 1 Credit Union and Stabilization Central Credit Union), which are owned by BC credit unions.

As at December 31, 2024, our total capital base was $529.1 million, compared with $518.1 million in 2023. Our capital adequacy ratio was 13.7% as at December 31, 2024, 0.3% higher than the ratio at the end of 2023. This continued to exceed both regulatory and internal policy requirements.

Liquidity

We carefully managed liquidity throughout the year to ensure we could consistently meet our members' needs. By ensuring that sufficient, readily accessible liquid assets are available, Prospera is able to meet member demand for withdrawals and deposit redemptions, finance loans and leases, sustain business operations and protect the credit union against sudden, unforeseen cash needs.

As a BC credit union, we must meet the liquidity requirements outlined in the FIA and the related liquidity requirement regulation. This regulation specifies the minimum liquid assets a credit union must maintain, and how liquidity is determined. The legislation requires that liquid assets representing at least 8% of deposit and debt obligations be held by a credit union. This liquidity ratio is intended to ensure that the liquidity maintained is adequate in relation to the business being conducted.

Our liquidity ratio was 14.1% as of December 31, 2024, compared with 14.3% at the end of 2023. Liquidity levels exceeded both the regulatory and internal policy requirements.

Risk management

Prospera is committed to managing risks effectively and proactively. Our Risk Appetite Framework enables our Board of Directors to determine the level and types of risks we are willing to take to achieve our strategic objectives. This risk-based decision-making process considers the interests of all stakeholders, including our members, employees, regulators, and the broader community.

In 2024, we also closely monitored a number of emerging risk areas, including increasing cyber threats, a dynamic economic outlook, evolving regulatory expectations, and climate-related financial risks. As part of our ongoing risk oversight, we enhanced scenario analysis and stress testing practices to ensure preparedness across a range of macroeconomic and operational conditions. These efforts support more informed decision-making and help safeguard Prospera's financial and reputational resilience in a period of heightened uncertainty.

We adhere to established risk management principles and continuously monitor and report on risks, staying attuned to market changes and industry best practices. Our approach follows the three lines of defense model: operational employees form the first line, independent oversight employees constitute the second line, and internal audit and external assurance providers serve as the third line.

To ensure compliance with risk management policies and tolerances, we have an Enterprise Risk Management Committee led by the Chief Risk Officer, consisting of senior executives. Additionally, the Management Credit Committee, overseen by the Chief Risk Officer, provides oversight of the lending portfolio. The Asset and Liability Committee, under the leadership of the Chief Financial Officer, manages and reports on asset and liability management.

Our Risk, Investment and Loan Committee of the Board of Directors oversee adherence to the Risk Appetite Framework and are accountable to the Board.