Annual Report

2023

coastcapital

Contents

Coast Capital acknowledges that we live and work on the traditional and ancestral homelands of Indigenous People and Nations across Canada, each with their own unique traditions, history and culture. Our headquarters stand on the traditional territory of the Semiahmoo, Tsawwassen, Kwantlen, Katzie, the Kwikwetlem, and the Qayqayt First Nations. We are committed to strengthening relationships with Indigenous communities and the journey of reconciliation in alignment with the Truth and Reconciliation Commission's 94 Calls to Action.

CANADA'S BEST MANAGED COMPANIES Platinum member

UN environment programme | finance initiative

Certified B Corporation

Waterstone CANADA'S MOST ADMIRED CORPORATE CULTURES

About Us

At Coast Capital[(1)], we're not dreaming about a better future, we're building one. As a member-owned financial cooperative, we're helping our nearly 600,000 members with their real financial goals and challenges so they can live the life they want.

We offer personal and business banking and investment services across Canada digitally, by phone and through our 45 branches in the Metro Vancouver, Fraser Valley, Vancouver Island and Okanagan regions of British Columbia. We also offer lease and loan financing on various types of commercial equipment to commercial, owner-operators and business applicants across Canada.

We believe every Canadian deserves a financial partner who cares how things turn out. With our 80-year legacy of unlocking financial opportunities, we provide trusted and personalized advice along with a broad suite of banking products and financial services that enable our members to save, spend and invest with confidence at every stage in life.

We also recognize that not every person has the same opportunity to thrive. Driven by our social purpose, we're determined to be a catalyst for the kind of meaningful change that lifts our members, employees, and communities. Today, as many individuals, families and businesses face economic and social challenges and inequalities, we're playing an essential role in empowering them on their journey toward financial well-being while building better futures for people in Canada.

As a Certified B Corporation™, we're part of a global movement advocating for a more inclusive, equitable and regenerative economic system. By embracing a social purpose business model, we're the standard for making positive social contributions by integrating our purpose into our day-to-day operations and across every dimension of our business. Over the past two decades, our investments in our communities totalled over $100 million. We're deeply committed to making our financial cooperative a great place to work as demonstrated by some of our accolades. Coast Capital is a platinum member of Canada's Best Managed Companies and one of Canada's Most Admired Corporate Cultures.

(1) Our full legal name is Coast Capital Savings Federal Credit Union.

Board Chair's Message

Coast Capital's history of supporting members and communities remains steadfast and strong.

Sustaining strong governance and remaining focused

Over the past 12 months, economic circumstances have proven challenging for many across Canada. As a purpose-driven organization, Coast Capital was well-positioned and able to help individuals, families, businesses and communities manage their finances and debt while preparing for the future.

Our Board has worked hard to support Coast Capital's strategy to provide meaningful financial services to our members. This is balanced with helping our employees and the greater community weather the economic challenges that so many people and businesses are facing. By doing so, we can build better futures together.

Despite the challenges, remaining steadfast in delivering trusted financial advice, helpful products and services for members and businesses while staying true to our cooperative roots of supporting people and communities is what Coast Capital does best. We achieve this through strong governance and remaining focused on growing responsibly, delivering value to members and embedding purpose into our work.

We're mobilizing to bring our purpose to life

Coast Capital is a purpose-driven organization with a focus on unlocking financial opportunities for people and businesses in Canada. You can read more about "Social Purpose" in this report and in our 2023 Public Accountability Statement to learn how it drives everything we do.

In 2023, we took several steps to mobilize our purpose including:

- Reinvesting $6.2 million into organizations and programs via donations, partnerships, and other charitable giving. Since 2000, Coast Capital has reinvested more than $100 million in the communities we support.
- Addressing the chronic shortage of skilled trades across British Columbia by funding Coast Capital Road to Red Seal, an educational support program that removes barriers faced by many trade students. Our $1 million investment supports skilled trades apprentices on their pathway to Trade Qualifications and Red Seal Endorsement.
- Supporting employee volunteering. In 2023, 57 per cent of Coast Capital employees volunteered more than 15,000 hours in the community, demonstrating their strong personal commitment to the initiatives and causes they support.

Advancing a more inclusive future

As a federally regulated, member-owned financial institution and Certified B Corporation, Coast Capital is committed to high standards and best practices. This commitment has earned us a B Corp Best for the World recognition for upholding governance practices and democratic principles. While this is an important acknowledgement of our ongoing efforts, we continue to look for ways to do better.

We signed on to the 50-30 Challenge, an initiative by the Government of Canada to increase the representation of women and other equity-deserving groups on corporate boards and senior management. We also approved a Board Diversity Policy in 2023 that outlines our approach to diversity for our Board and builds on our commitment to building a better, more inclusive future. You can find the policy on our **website**.

Concluding a successful year

As I look back on the past 12 months, I'm grateful for the support and contributions of my Board colleagues. I'd like to welcome Lois Nahirney to our Board of Directors. Lois is an accomplished business leader with experience serving on numerous private, public, and non-profit boards. We look forward to working with Lois in the years ahead.

Thank you also to our President & CEO, Calvin MacInnis, and our management team for their dedication and leadership. Through challenging economic times, they've continued to execute brilliantly on Coast Capital's vision and our purpose of unlocking financial opportunities that positively impact people and communities. I'd also like to thank our Coast Capital employees for putting our members first every day.

And to our nearly 600,000 members, thank you for your continued trust in Coast Capital. It is this trust that is the cornerstone of our credit union's success.

As Board Chair, I look forward to the opportunities in 2024 to advance Coast Capital's goals and help build a more equitable, inclusive, accessible, and thriving financial future for people and businesses in Canada.

Bob Armstrong
Chair, Board of Directors

President & CEO's Message

Through challenging economic times, Coast Capital is delivering value to members, employees and communities.

Building a better future for people, businesses and communities across Canada

Throughout 2023, I was often reminded of why Coast Capital's purpose of *Building Better Futures Together* matters. In the last year, people and businesses in Canada have continued to struggle with inflation rates, record debt levels, and income instability. Many people find it hard to make ends meet, let alone get ahead.

Our focus is on making a positive impact on our members' lives. We envision a future where people and businesses have the financial opportunities to thrive and grow their incomes. We're aligning every facet of our business to drive toward this outcome.

This includes growing responsibly and continuing to invest in our credit union to help members in more ways. Our financial performance continues to show long-term resilience and consistency while operating within a testing economic climate. Despite the challenges, we have maintained the strength of our balance sheet and strong capital and liquidity positions. We also issued a new subordinated debt in the Canadian capital markets, marking a significant innovation in capital-raising for a federal credit union. This approach supports our current financial needs and positions us for future growth opportunities.

We continued to demonstrate our financial strength and resilience, which was corroborated when we maintained our long-term and short-term credit ratings of BBB (high) and R1 (low) from the global credit rating agency, DBRS Morningstar.

We were also recognized as one of Deloitte Canada's Best Managed Companies, marking the 21st year we've made this list and the 14th year as a member of the award program's Platinum Club.

Making membership meaningful

At Coast Capital, we put members at the centre of everything we do. We're determined to deliver an exceptional member experience and implemented improvements in 2023 to better serve our members:

New Members

- We supported new members and our communities through a limited-time offer of 20 per cent cashback on bills and a $150 donation to the Youth Futures Education Fund for every new member who joined Coast Capital. We also made several enhancements to our new member sign-up platform, to make becoming a member easier.

New Products

- Mastercard® issued by Collabria was introduced to provide members with enhanced benefits and an improved service experience like CardWise® Mobile app and CardWise® Online, allowing members to manage their credit card account online or through their smartphone.
- The launch of the First Home Savings Account (FHSA) supported members on their journey to purchase their first home.

Money Chat

- Our signature financial discovery tool continues to be our highest-rated Coast Capital experience with approximately 35,000 members receiving personalized advice from financial advisors and tangible steps to improve their financial health.

Digital Banking

- The addition of new digital services and features to our Coast Mobile® Banking app and Coast Online® Banking makes it simple for members to open new accounts, access financial products and book appointments online.

Wealth Management

- We enhanced the focus of our wealth management team to support our commercial members and those with more complex investment needs, resulting in more members receiving dedicated financial advisor help to achieve their financial goals.
- In response to our members' increasing interest in responsible investing, we hosted an educational farm-to-fork dinner series on sustainable investing.

Debt consolidation and borrowing support

- Coast Capital's first unsecured pre-approved loan campaign helped members reduce their monthly borrowing costs by consolidating external debt into fixed-term loans.
- We also proactively contacted members with variable-rate mortgages impacted by rising interest rates to offer advice and help them manage their monthly payments.

Enhancing the employee experience

Our goal to build better futures includes our employees. We're continually striving to deliver upon our promise of making sure employees feel connected and part of our purpose and culture. We empower them to work where they're most effective while meeting the priorities of members and our organization. Most importantly, we want them to feel cared for by offering a broad range of benefits and resources.

We provide our employees with living wage employment; an inclusive workplace with equity, diversity and inclusion practices and policies; a volunteer program that helps employees champion what's important to them; career and leadership development; recognition and awards programs; and a comprehensive well-being program to support physical and mental wellness. We also offer flexible work options to support our employees in balancing work and life.

To support our employees through challenging economic times, we provided an employee financial well-being bonus in 2023 to help relieve some financial pressures.

As a reflection of our commitment to employees, we are proud of our standing as a Hall of Fame winner of Canada's Most Admired Corporate Cultures.

We're excited for the purpose journey ahead

I'm grateful to our employees who bring incredible ideas, innovations, and energy to the work we do. I'm also grateful to our Board of Directors, our Executive Committee, and our Senior Leadership team who put members at the centre of their every discussion and decision. We've accomplished a lot together and we have many more exciting opportunities ahead in 2024.

Finally, I want to thank our members who choose to partner with us every day. On behalf of everyone at Coast Capital, we look forward to continuing to serve you as we find ways to unlock greater financial opportunities, grow incomes and build better futures together.

Calvin MacInnis
President & CEO

Social Purpose

At Coast Capital we're changing the way we drive positive impact for members, employees and communities. Our credit union roots, core values and designation as a Certified B Corp® uniquely position us to help.

Our journey to social purpose

In 2020, we began to research the complex and systemic issues facing people and businesses in Canada. We learned how people across Canada are facing record debt levels, income instability and struggling to access the job skills and education they need to get ahead. Indigenous, Black, and People of Colour (IBPOC), women, people in the LGBTQ2SIA+ community and people living with disabilities are disproportionately impacted by these economic and social barriers.

As a purpose-driven organization, Coast Capital is *Building Better Futures Together*, with a vision to unlock financial opportunities that positively impact people and communities. We are committed to playing a role in addressing systemic inequities so that people, businesses and communities have an opportunity to thrive.

The meaning of social purpose

Social purpose (also called a purpose) is a fundamental shift in the way an organization does business. A purpose-driven organization considers the health and well-being of society in the development and creation of value for shareholders or customers. Organizations that have defined and operationalized a social purpose not only make "better things" but are "making the world better."[1] We have embraced this vision, and it informs the decisions, strategies, product designs and interactions we make for the benefit of our members, employees and the communities we serve.

(1) Corporate Knights, The Social Purpose Transition Pathway, March 2022.

Driving change

Our purpose of *Building Better Futures Together* was designed through research and consultation. What we've learned has directly informed us about the change we want to see and the journey to achieve that change. We've worked hard to determine how we can best ensure our employees, members, and communities unlock financial opportunities and grow their incomes.

In 2022, we laid the foundation for our social purpose that identifies and invests in three strategic pillars aimed at unlocking financial opportunities and moves us closer to our purpose. We also identified an additional opportunity to help grow the purpose economy which includes encouraging more businesses in Canada to adopt social purpose. (See figure below.)

When it comes to our vision, we believe it's not enough to pursue change. We must build processes that keep us accountable. Bringing purpose to life takes time and dedication across the organization. It also requires a step-by-step approach that moves us from identifying a problem to solving it.

We were recognized with a **Platinum Rating** in Corporate Knights' first-ever rating of social purpose companies in 2022. The rating assessed the degree to which companies with a stated social purpose are governing, implementing, and disclosing progress on their purpose. This was the first Social Purpose Rating in the world focused on implementation.

Purpose harnesses our full enterprise capabilities
to achieve our 2040 goal of people and businesses in Canada having the **incomes and financial opportunities** to thrive.

1

Help people and businesses to have future-fit skills and knowledge through **access to education, upskilling and re-skilling.**

2

Help people and businesses have decent, equitable work and workplaces by championing **equitable, inclusive employment**.

3

Help people and businesses have access to financial services, manage obligations & have confidence in their financial future through **inclusive finance**.

And

Encourage more businesses in Canada to adopt a social purpose to grow the **Purpose Economy**, extending our impact.

Coast Capital's purpose of *Building Better Futures Together* creates opportunity for our business while addressing the real and ongoing challenges faced by people and businesses in Canada.

Our roadmap to purpose impact

We're determined to be a catalyst for the kind of meaningful change that lifts our members, our employees and our communities. Today, as many individuals, families and businesses face economic and social challenges and inequalities, we're playing an essential role in empowering them on their journey toward financial well-being while building better futures for all.

With our Social Purpose Office established and the foundation laid to authentically deliver purpose across the organization, we're taking a methodical approach to deliver on our purpose:

- Continually monitoring the challenges our members and communities face on the path to unlocking financial opportunities and growing incomes
- Regularly consulting with employees, members and ecosystem partners, and conducting additional research to identify the highest impact areas of focus to drive positive change aligned to our three social purpose pillars of accessible education, equitable employment and inclusive finance, as well as growing the purpose economy
- Tapping into our assets, resources, competencies, relationships, influence, reach and scale to deliver tangible purpose-driving solutions, to help:
    - People and businesses have future-fit skills and knowledge for meaningful work
    - People and businesses have decent and equitable work and workplaces
    - People and business have access to products and services that drive income growth, responsible financial and debt management, and sustainable wealth creation
    - People and business have purposeful work and workplaces
- Measuring and sharing our purpose-progress with our members, employees and communities
- Achieving our ultimate aspiration, that people and businesses in Canada have the incomes and financial opportunities to thrive together today and tomorrow

Measuring our impact

In 2023, we developed a Purpose Measurement Framework that includes a series of short- and long-term goals and metrics to outline our purpose ambition and track our progress. The framework includes an inspiring goal for 2040 that aligns with Coast Capital's 100th anniversary of helping people and businesses in Canada have the incomes and the financial opportunities needed to thrive today and tomorrow.

To help achieve this goal, we have also identified 2030 outcomes aligned to our three social purpose pillars of accessible education, equitable employment and inclusive finance. As a proud B Corp since 2018, we continue to use the B Impact Assessment to support our impact, especially those metrics aligned to our purpose. We are collecting baseline data for these metrics and intend to share more on this work in the coming year.

Growing the Purpose Economy: We are the founding sponsor of the **Canadian Purpose Economy Project** (CPEP) which has a mission to mainstream social purpose in businesses in Canada. Our President & CEO was among the first signatories of CPEP's **CEO Call to Purpose**, which was co-authored by CEOs of leading Canadian companies. It is a call to action to peers to join the social purpose business movement.

Mobilizing to drive impact

We've laid the foundation for our purpose. Now, after years of research, consultation, process, and systems building, we are mobilizing our communities and partners towards realizing it. Our plan is long-term and iterative, but we've already begun to put purpose into action in several ways including:

Building purpose-driving solutions for our members like our Money Chat with more to come in 2024.

Progressing on inclusive and equitable employment practices and programs. **coastcapitalsavings.com/edi**

Reorienting our community investment framework to drive purpose outcomes. **coastcapitalsavings.com/about-us/annual-reporting**

Raising awareness and understanding of our purpose with our employees—our best purpose champions.

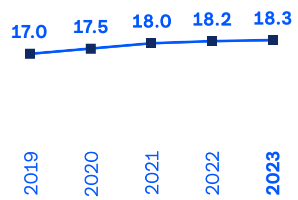
Developing decision lenses to align our activities to our purpose.

Collecting data and tracking metrics so we can share our progress with members, employees and our communities.

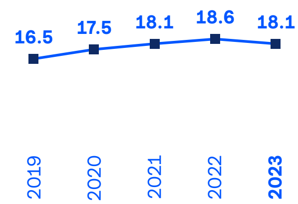
Our hope is our purpose-driven activities will contribute to unlocking financial opportunities and building better futures for people and businesses across Canada. We want our actions to inspire more Canadian businesses to adopt a purpose model and for people to increasingly do business with purpose organizations so we can create positive and impactful change together.

Financial Highlights at a Glance

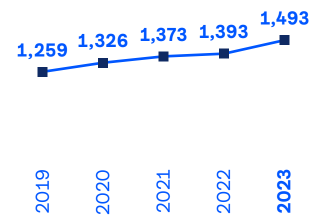
Loan Balance
Billions of dollars, net of allowance for credit losses



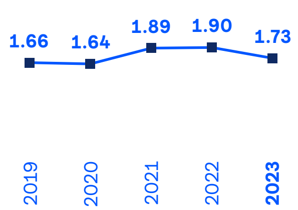
Deposit Balance
Billions of dollars



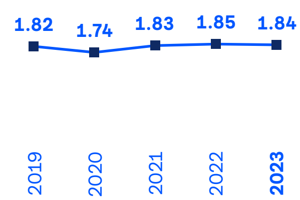
Members' Equity
Millions of dollars



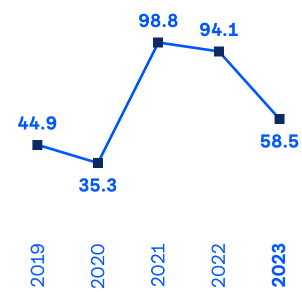
Net Interest Income
As a percentage of average assets



Non-Interest Expenses
As a percentage of average assets

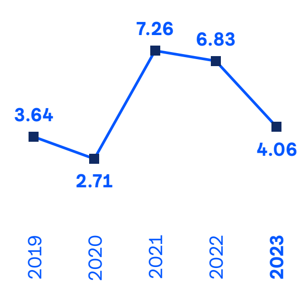


Net Income
Millions of dollars

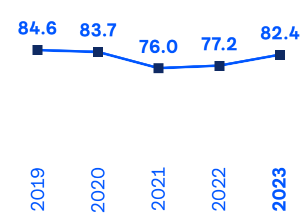


Net Income
As a percentage of average assets

Net Income
As a percentage of average equity



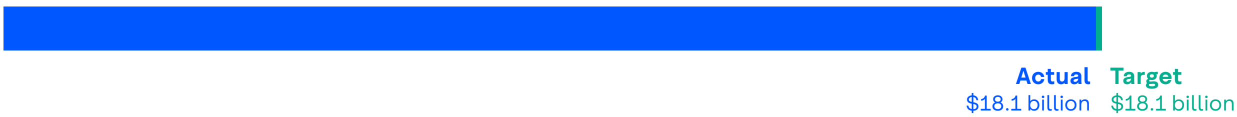
Operating Efficiency
In per cent



2023 Performance Against Targets

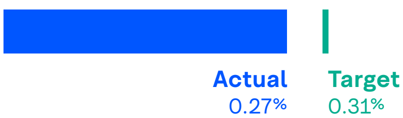
Loan Balance
Total loans, before allowance for credit losses

Deposit Balance
Total deposits



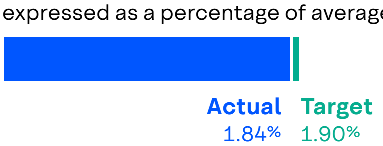
Net Income
All revenue less expenses and taxes

Return on Average Assets
Net income expressed as a percentage of average assets



Return on Average Equity
Net income expressed as a percentage of average equity

Non-Interest Expense
All costs that are not interest-related, with the exception of provisions for credit losses and income taxes expressed as a percentage of average assets



Operating Efficiency
Coast Capital's cost to earn $1, equal to all non-interest expenses divided by the sum of net interest income and other income

5-Year Financial Overview

As at or for the year ended December 31
(in thousands of dollars)

	2023	2022	2021	2020	2019
Balance Sheets					
Assets					
Cash and cash resources	209,015	164,897	414,551	188,546	180,109
Financial investments and interest-bearing deposits	2,797,554	3,408,507	2,886,840	2,802,508	2,733,678
Loans, net of allowance for credit losses	18,347,128	18,211,152	17,950,804	17,543,213	16,988,951
Premises and equipment	60,941	65,473	80,757	95,668	105,464
Other	289,973	280,485	254,828	242,949	220,760
	21,704,611	22,130,514	21,587,780	20,872,884	20,228,962
Liabilities					
Deposits					
Demand	7,572,631	8,462,878	9,292,270	8,314,399	6,366,572
Fixed term redeemable	1,968,418	2,800,328	2,310,611	2,035,745	1,848,790
Fixed term – non redeemable	8,521,154	7,306,933	6,515,384	7,103,147	8,266,971
	18,062,203	18,570,139	18,118,265	17,453,291	16,482,333
Borrowings	988,072	1,066,267	829,161	667,365	673,543
Secured borrowings	537,252	445,110	644,993	823,401	1,184,006
Subordinated debentures	197,301	297,928	302,242	307,731	301,887
Other	426,568	358,080	319,855	294,923	327,827
	20,211,396	20,737,524	20,214,516	19,546,711	18,969,596
Members' Equity					
Share capital	22,138	23,251	24,330	25,890	27,534
Retained earnings	1,504,234	1,444,752	1,350,787	1,253,361	1,219,355
Accumulated other comprehensive income (loss)	(33,157)	(75,013)	(1,853)	46,922	12,477
	1,493,215	1,392,990	1,373,264	1,326,173	1,259,366
	21,704,611	22,130,514	21,587,780	20,872,884	20,228,962
Income Statements					
Interest income	978,263	722,369	588,559	643,541	686,702
Interest expense	604,527	304,014	185,858	305,069	356,093
Net interest income	373,736	418,355	402,701	338,472	330,609
Non-interest income	110,000	108,233	109,334	91,137	95,111
Total revenue	483,736	526,588	512,035	429,609	425,720
Provision for credit losses	10,014	2,134	1,829	23,427	9,195
	473,722	524,454	510,206	406,182	416,525
Non-interest expense	398,480	406,397	389,254	359,658	360,063
Income before provision for income taxes	75,242	118,057	120,952	46,524	56,462
Provision for income taxes	16,769	23,985	22,173	11,175	11,586
Net income	58,473	94,072	98,779	35,349	44,876

5-Year Financial Overview

As at or for the year ended December 31 (in thousands of dollars, except as noted)	2023	2022	2021	2020	2019
Financial Statistics In Per Cent					
Asset growth	(1.9)	2.5	3.4	3.2	3.1
Loan growth	0.7	1.5	2.3	3.3	5.5
Deposit growth	(2.7)	2.5	3.8	5.9	1.4
Operating efficiency	82.4	77.2	76.0	83.7	84.6
Total capital ratio	15.0	13.7	14.0	14.2	14.6
Average assets	21,642,284	21,966,809	21,305,919	20,702,259	19,832,459
Percentage of Average Assets					
Net interest income	1.73	1.90	1.89	1.64	1.66
Non-interest income	0.51	0.49	0.51	0.44	0.48
Non-interest expense	1.84	1.85	1.83	1.74	1.82
Net income	0.27	0.43	0.46	0.17	0.23
Average equity	1,441,487	1,377,429	1,360,411	1,303,621	1,233,739
Net Income percentage of average equity	4.06	6.83	7.26	2.71	3.64
Investment fund assets under administration[1]	5,260,283	4,860,863	5,400,486	4,619,169	4,267,851
Total assets under administration[1]	26,964,894	26,991,377	26,880,072	25,436,635	24,460,246
Allowance for credit losses, beginning of year	57,436	57,865	59,371	42,381	37,721
Provisions for credit losses	10,014	2,134	1,829	23,427	9,195
Loans written off	(7,853)	(3,822)	(4,595)	(8,650)	(5,732)
Recoveries of loans written off	961	1,259	1,260	2,213	1,197
Allowance for credit losses, end of year	60,558	57,436	57,865	59,371	42,381
Impaired loans	38,377	12,028	6,708	16,334	12,799

(1) Certain comparative information has been amended to conform to current period presentation.

Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) section of the Annual Report provides an overview of Coast Capital Federal Credit Union’s (Coast Capital, we, our) operations and financial position. The MD&A also includes a discussion on risk management and an analysis of our capital structure. The information provided demonstrates our commitment to balancing strong financial performance, within our established risk appetite, with the delivery of exceptional value to our members. Our decision making model takes both into account so that we can continue to improve the financial well-being of our members while supporting the communities in which we work and live.

The MD&A is current as of February 22, 2024, and should be read in conjunction with Coast Capital’s Audited Consolidated Financial Statements as at and for the year ended December 31, 2023 (the Consolidated Financial Statements). All amounts are in thousands of Canadian dollars unless otherwise stated.

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About Forward-Looking Statements

This Annual Report contains forward-looking statements, which are usually identified by words such as “expect” and by the future or conditional tense, such as “will” or “would.” These statements are subject to risks and uncertainties that may affect results, including but not limited to risks related to changes in the legislative, regulatory or tax environment, accounting standards, capital markets, interest rates, competition and general economic conditions in the province of British Columbia (BC), Canada and globally. Readers should give careful consideration to these issues and not place undue reliance on our forward-looking statements. Coast Capital does not undertake to update any forward-looking statements in the Annual Report.

Management's Discussion and Analysis

Economic Environment and Outlook

This section contains forecasts and predictions based on information and assumptions from sources we consider reliable. Actual outcomes may be materially different from the outlook.

Global inflation remained stubbornly high at the start of 2023, despite aggressive interest rate increases and additional credit tightening activities implemented by central banks during the prior year. As such, efforts to combat inflation and restore price stability continued to be the main focus of central banks in developed economies during the current year. As the year progressed, economic indicators showed that the tighter monetary policies were having their intended impact, and inflation started to decelerate. Global supply chain disruptions, a lingering impact of the COVID-19 pandemic, also lessened during the year, helping to ease inflationary pressures. Forecasts indicate that inflation is expected to continue to decline globally in the coming year, and that economic growth will likely weaken to below normal levels in 2024 with the possibility of modest recessions in some developed economies. The global economic outlook remains subject to risks, including the possibility that interest rates may need to stay higher for longer in order to bring inflation down to long-term target levels, the potential for a more pronounced slowdown and contraction of global economic activity than anticipated, geopolitical uncertainties and the possibility of an escalation of geopolitical conflicts that could raise energy prices and dampen international trade.

Focussed on returning inflation to its target level of 2%, the Bank of Canada (BoC) increased its overnight policy interest rate three times during the year, for a combined increase of 0.75%. This followed seven consecutive increases, totalling 4%, announced during the prior year. As expected, the cumulative impact of the rate increases lowered the demand for goods and services and slowed economic growth. Other factors also dampened Canadian economic activity during the year, including extreme weather-related events, while strong population growth, through immigration, provided some offset to the otherwise unfavourable economic conditions.

Canada's real gross domestic product (GDP) growth slowed considerably in the second half of the year but is expected to be positive overall for 2023. The slowdown in economic growth in Canada during the year, and softer labour markets which helped to relieve upward pressure on wages and prices, had the expected impact on inflation, with reported inflation rates declining as the year progressed. Slowing economic growth and inflation allowed the BoC to hold its policy interest rate steady during the final three rate decisions of the year while continuing to position its policy rate to combat inflation. Forecasts indicate that GDP growth is expected to remain low to start 2024, and that recession risks during the year have elevated. Based on this outlook, additional interest rate hikes in 2024 have become increasingly unlikely, with expectations shifting towards a gradual reduction in interest rates beginning in the second half of 2024 as inflation risks are expected to continue to moderate.

Canadian household debt levels remain amongst the highest in the world when compared with those in other developed economies. As such, the rapid rise in interest rates over the last two years had an adverse impact on household finances, increasing debt service costs and reducing consumption spending in other areas. Canadian businesses have experienced similar impacts, with rising debt payments and the softening economic outlook slowing new investment spending. Housing market activity, which strengthened in the spring following a temporary pause in interest rate increases, cooled in the second half of the year. Housing demand is expected to increase in 2024; however, housing market activity will likely remain below long-term historic average levels due to ongoing affordability issues and generally soft economic conditions.

Although the forecasts indicate potential improvements related to inflation and interest rate trends, the financial outlook for households and businesses in the coming year remains challenging. This environment further highlights the value of our member-centric approach to personalized financial advice, providing new opportunities to deepen our member relationships and grow our business.

Management's Discussion and Analysis

Financial Performance Overview

While our annual performance is based on more than just our financial results, sound financial results are fundamental to our ability to continually improve the services we offer to our members and are critical to our long-term sustainability and growth. Maintaining a strong financial position also supports our ability to meet our employee commitments and contribute to the communities in which we operate. In 2023, we maintained our member-centric approach and continued to focus on the challenges faced by our members due to inflation and rising interest rates. In addition to helping our members, we also continued to invest in initiatives that will enhance the member experience and support new opportunities for business efficiency and growth in the future.

Financial Highlights of 2023

Year ended December 31			Change from 2022	
(in thousands of dollars)	2023	2022	$	%
Net interest income	373,736	418,355	(44,619)	(10.7)
Non-interest income	110,000	108,233	1,767	1.6
Total revenue	483,736	526,588	(42,852)	(8.1)
Provision for credit losses	10,014	2,134	7,880	369.3
Non-interest expenses	398,480	406,397	(7,917)	(1.9)
Income before provision for income taxes	75,242	118,057	(42,815)	(36.3)
Provision for income taxes	16,769	23,985	(7,216)	(30.1)
Net income	58,473	94,072	(35,599)	(37.8)
Assets				
Cash and financial investments	3,006,569	3,573,404	(566,835)	(15.9)
Loans (net of allowance for credit losses)	18,347,128	18,211,152	135,976	0.7
Premises and equipment, other	350,914	345,958	4,956	1.4
Total assets	21,704,611	22,130,514	(425,903)	(1.9)
Liabilities				
Deposits	18,062,203	18,570,139	(507,936)	(2.7)
Borrowings	1,722,625	1,809,305	(86,680)	(4.8)
Other liabilities	426,568	358,080	68,488	19.1
Total liabilities	20,211,396	20,737,524	(526,128)	(2.5)
Members' equity	1,493,215	1,392,990	100,225	7.2
Total liabilities and members' equity	21,704,611	22,130,514	(425,903)	(1.9)

(in per cent)	2023	2022	Change from 2022
Operating efficiency ratio[1]	82.4	77.2	5.2
Liquidity coverage ratio	208.4	213.5	(5.1)
Total capital ratio	15.0	13.7	1.3
Common equity tier (CET) 1 capital ratio	12.5	11.7	0.8
Tier 1 capital ratio	12.6	11.8	0.8
Leverage ratio	6.2	5.7	0.5

(1) For additional information refer to the Non-GAAP and Other Financial Measures section.

Our net income for the year was $58.5 million. Although this was a decrease of $35.6 million or 37.8% compared with the prior year, net income in 2022 represented one of our strongest annual results on record. The change in net income primarily reflects a decrease in net interest income. An increase in our provision for credit losses (PCL) also contributed.

Management's Discussion and Analysis

Total revenue, before PCL, was $483.7 million, a decrease of $42.9 million or 8.1% compared with the prior year, attributed to net interest income. Net interest income was $373.7 million, a decrease of $44.6 million or 10.7% compared with the prior year. Bank of Canada interest rate increases in the current and prior year increased both interest income and interest expense. The larger impact occurred in interest expense which was also impacted by a change in our deposit portfolio mix due to a shift away from lower-rate demand deposits and towards higher-rate fixed-term deposits. Revenue from non-interest sources was $110.0 million, an increase of $1.8 million or 1.6% compared with the prior year. Revenue attributed to core day-to-day banking services and wealth management experienced a modest increase. Foreign exchange revenue was also higher, as was revenue from securitization activities. Credit card commissions were lower, attributed to transitionary impacts related to our service partner conversion. Our PCL expense after loan loss recoveries was $10.0 million for the year, an increase of $7.9 million compared with the prior year expense of $2.1 million. The increase was mainly due to an increase in impaired loan provisions, with performing loan provisions also higher compared with the prior year.

Total non-interest expense was $398.5 million, a decrease of $7.9 million or 1.9% compared with the prior year. Expense results compared with the prior year were mixed across our major expense lines. The largest reductions were in employee salaries and benefits and consulting expenses, primarily reflecting elevated prior year expenses in these areas. Expenses related to premises and equipment also decreased compared with the prior year, reflecting reductions in our premises requirements through ongoing efficiency initiatives. Reductions in these and other areas were partially offset by a modest increase in technology expenses and higher fraud related expenses. Our operating efficiency ratio was 82.4%, an increase of 5.2% compared with 77.2% in the prior year. The efficiency ratio measures non-interest expenses as a percentage of total revenue before PCL. The increase in the ratio reflects the decrease in revenue, discussed above, which offset the favourable impact of expense efficiencies achieved during the year.

Total assets at year-end were $21.7 billion, a decrease of $426 million or 1.9% compared with the prior year-end. Loan assets (before allowance for credit losses) totaled $18.4 billion at year-end, and loan growth during the year was $139 million or 0.8%, which was lower compared with prior year growth of $260 million or 1.4%. Loan growth was driven by our commercial lending, primarily mortgages, and equipment financing portfolios, which increased by $352 million or 6.3%, combined. Our total retail lending portfolio, primarily mortgages, decreased by $213 million or 1.7%, reflecting a focus on our core members and a conservative approach to growth in a competitive mortgage market. The outstanding balance of our home equity line of credit portfolio also decreased during the year, consistent with the efforts of our members to manage exposure to variable rate debt in the rising interest rate environment.

Total deposits at year-end were $18.1 billion. During the year our deposit portfolio decreased by $508 million or 2.7%, compared with an increase of $452 million or 2.5% in the prior year. The managed decrease of our deposits was supported by a strong liquidity position and aligned with funding requirements. Total deposit funding as a percentage of gross loans remained healthy at over 98% at year-end, and core retail and commercial member deposits accounted for approximately 77% of our total deposit portfolio, similar to the prior year-end. With respect to the overall product mix of our deposit portfolio, during the year we experienced a shift away from short-term demand deposit balances and towards fixed term deposit balances. Demand deposits decreased by $890 million or 10.5%, while total fixed term deposits increased by $382 million or 3.8%. This shift reflects the impacts of rising living costs on the short-term savings balances of members, as well as impacts from the rising interest rate environment which enhanced the rate premiums available to members on longer-term deposit products.

Our regulatory capital position strengthened during the year, with a total capital ratio of 15.0% at year-end. Total capital growth was supported by the issuance of a $100 million non-viability contingent capital (NVCC) subordinated debenture, representing our first NVCC issuance as a federally regulated credit union. Our DBRS Morningstar credit ratings were reconfirmed in 2023 without change.

Management's Discussion and Analysis

Business Line Performance

Operational Overview

Coast Capital has a long history of putting our members at the centre of our efforts and activities. We maintain our member-centric approach by continuously adjusting and evolving our operational activities and capabilities to meet both the current and future needs of our members. In 2023, aware that the high inflation and rising interest rate environment was creating cost-of-living and affordability challenges, we were proactive in our efforts to engage with our members and offer solutions. Upgrading and enhancing our operational systems, processes and products is fundamental to our ability to continue to meet needs and expectations of our members, while also creating new opportunities to grow our business and increase our efficiency. As such, in addition to addressing the immediate and real concerns of our members during the year, we also progressed key initiatives designed to improve our operational capabilities and demonstrate our commitment to innovation.

Building on the successful implementation of our upgraded banking system in the prior year, in 2023 we implemented a number of new technology solutions that strengthened our infrastructure and expanded the service options available to members. Recognizing the growing preference for digital banking services, which offer members convenience and control with respect to their regular banking activities, we are continuously improving and expanding our digital offerings. Consistent with these efforts, industry surveys show that our digital banking platform is highly ranked for its functionality and informative account analysis features. In 2023 our enhancements included improvements to our new membership opening process, which made it easier to become a Coast Capital member through our digital channel.

Our branch network remains an integral part of our overall channel delivery strategy. In addition to meeting the needs of members who prefer face-to-face banking, branches provide an important resource for facilitating deeper, advice-based conversations with our members to help them unlock financial opportunities. The investments we make in our branch locations are focused on the member experience and incorporate technology to leverage member communication and engagement opportunities during branch visits. As we evolve our branch network, we also seek opportunities to improve efficiency and support environmental sustainability by optimizing our use of space and reducing the footprint of new and renovated locations. Similar efforts have been made with respect to the facilities we use for our administrative activities, helping to identify additional premises efficiencies.

Our customer relationship management (CRM) system is key to our member-centric approach, allowing us to coordinate service delivery across multiple channels and connect with members more effectively. The system also enables members to book appointments with our advisors directly online. Work to integrate and optimize the capabilities of the industry-leading CRM system we use is ongoing. Current year enhancements included the addition of member mortgage information to support mortgage renewals and other mortgage related interactions with members, as well as several new features designed to help guide new product and service offers best suited to the unique needs of each member. Expanding the use of CRM enabled processes and other automation solutions has transformed how we understand and respond to the needs of our members, creating more capacity for our front-line employees to engage in deeper advice-focused conversations with our members.

Maintaining strong partnerships with external service providers is an important part of our business model. Our external partners provide expertise in specialized areas, support efficiency, and allow us to expand our member product and service offerings. During the year we made a change to our credit card services partner. Understanding that credit cards play an important role in the day-to-day banking activities of our members, careful consideration was given to this change and to planning efforts before the transition. Our new Mastercard partnership with Collabria offers enhanced benefits to members and provides expanded service capabilities to improve the member experience.

Retail Division

Our retail division provides over 535,000 retail members with day-to-day banking services, savings and investment products, mortgages and other credit products, as well as access to wealth management and life insurance services. Through our personalized advice offer, we focus on helping members achieve their real goals and address their real financial challenges. Our multichannel service approach provides members with options in terms of how they choose to do business with us. These include 45 retail branch locations and a full-service contact and advice centre available by phone or email. Our self-service options include our award-winning online banking system and digital app, as well as access to thousands of surcharge-free ATMs across Canada. Our member service capabilities related to mortgages, wealth management and insurance are further enhanced by our mobile teams. Mobile advisors have the flexibility to accommodate personalized advice-based service needs at times and locations that work best for members.

Money Chat continues to be the cornerstone of our retail advice experience, allowing us to understand what a 'better future' looks like for each unique member and to provide tailored advice to improve their financial potential and unlock opportunities. The Money Chat process is available through all our channels: self-serve via online and mobile banking, in-person working with an advisor at a branch, or over the phone working with Advice Centre staff. Members can also view their Money Chat results and recommendations, along with additional resource information, directly on our digital banking platform at their convenience. The Money Chat is integrated with our CRM system, supporting continuity and consistency across channels and advice interactions. In 2023, approximately 35,000 members completed a Money Chat. A survey of these members showed that almost 90% felt that the Money Chat experience provided clear next steps to help them improve their financial wellbeing and achieve their goals.

During the year we introduced a number of improvements to our retail operations and enhancements to the retail member services. To help us better manage our large retail mortgage portfolio, we transformed our mortgage renewal process to provide a more seamless and efficient renewal experience, while also streamlining internal processes for greater operational efficiency. We launched the new First Home Savings Account (FHSA), under the program introduced by the federal government. The FHSA provides another tool to help members save for a down payment on their first home in a very challenging housing market. On the digital front we added new digital signing capabilities for auto financing contracts and expanded the types of accounts and products that can be opened and managed electronically, including US dollar chequing accounts and a broader array of term deposit investments. We also added external account transfer capabilities, which allow members to link an external financial institution and transfer funds to Coast Capital free of charge.

During the year we also expanded our service capacity within our wealth management operations by adding more licensed insurance advisors and increasing the number of investment advisors registered to advise on a broader range of investment options. Additionally, recognizing the growing need for financial planning services, we also implemented a new financial planning system. The upgraded system includes advanced features that enable members to collaborate more directly in the planning process, enhancing our ability to deliver meaningful financial advice.

Retail Business Results

In 2023 our retail team maintained its focus on deepening the relationships we have with our existing members. Economic conditions and uncertainty created adverse financial conditions and concerns for our members. The rising interest rate environment, which persisted during the year, contributed to the financial challenges, especially for those with variable rate mortgages or fixed rate mortgages renewing during the year. Similar to the prior year, our retail mortgage team responded by monitoring and forecasting the impacts of interest rate increases on members with variable rate mortgages. The monitoring and forecasting activity was used to proactively reach out to members to provide advice and options in advance of payment increases triggered by rate increases. The three Bank of Canada rate increases that occurred during the year triggered payment increases for 2,733 variable rate mortgages in our portfolio.

During the year our retail team also played a key role in assisting our credit card members through our credit card partner transition. In addition to assisting members during the card change, our retail employees completed additional training to enable them to play an expanded role in terms of direct service capabilities that will help to improve the member experience.

Our retail mortgage portfolio, including home equity lines of credit (HELOC), decreased by $241 million or 2.0%, to $12.0 billion at year-end, compared with an increase of $44 million or 0.4% in the prior year. Mortgage growth in the current year reflects a focus on our core members and a conservative approach to growth in a competitive mortgage market characterized by compressed margins. Our term mortgage portfolio, which excludes HELOC lending, decreased by $199 million. New term mortgage origination volume, based on total dollar value during the fiscal year, was 38% lower compared with the prior year. During the year we continued to shift new origination towards our mobile mortgage channel, which accounted for 57% total annual originations, and decreased originations sourced through our external mortgage broker channel, which accounted for 21% total annual originations. New originations through our branch and contact centre channels (combined) contributed 22% of the total volume. The impact on growth from the reduction in origination volume was partially offset by a decrease in unscheduled pay-down volume during the year, which was 26% lower compared with the prior year. During the year, we also experienced a decrease in our outstanding HELOC balance, which reduced our overall mortgage portfolio by $42 million. The HELOC balance decrease reflects a decrease in outstanding balances as a percentage of the total authorized for this portfolio, and is consistent with the trend in prior years. As part of our retail mortgage offer, we continued to offer Help Extras™, providing qualifying new mortgage members with cash rewards up to $1,000. In 2023, we funded $1.0 million in Help Extras for our mortgage members, bringing the total amount provided to members since it first launched in 2015 to over $33 million.

Our personal loan, auto financing and line of credit portfolios increased by $28 million or 6.7%, combined, compared with an increase of $6 million or 1.4% in the prior year. The increase in growth was attributed to our personal loan and auto financing portfolios, while growth of our outstanding line of credit portfolio was positive but lower compared with the prior year. The auto financing portfolio growth was $13 million or 4.7% during the year, compared with relatively flat growth in the prior year, reflecting steady new financing origination volume and a reduction in pay-down volume. The personal loan portfolio growth was positive at $12 million or 54%, after experiencing a decrease in the prior year. The growth was attributed to targeted marketing activity and advice efforts focused on helping members improve their financial position by consolidating higher-interest debt into lower-interest term loans. The personal line of credit portfolio, measured based on outstanding balances, increased by $3 million or 2.3% during the year, compared with prior year growth of $8 million or 6.5%.

Our large retail member deposit portfolio, an important source of funding for our lending activities, remained relatively stable during the year. The total balance at year-end was $9.7 billion, a decrease of $281 million or 2.8% compared with the prior year end. Retail deposits represented 53.8% of our total deposit funding, compared with 53.9% as at the prior year end. Similar to the prior year and consistent with overall industry trends, during the year we experienced a shift in our underlying deposit portfolio product mix. Demand account balances decreased by $623 million or 11.2% and represented 50.8% of total retail deposits at year-end, compared with 55.6% at the prior year-end. Fixed term deposit balances increased by $342 million or 7.7% and were 49.2% of total retail deposits at year-end, compared with 44.4% at the prior year-end. The shift in our retail deposit mix is consistent with the elevated interest rate environment, which enhanced the interest rates premiums available on term deposit products, increasing their attractiveness relative to demand accounts. Impacts related to inflation and rising living expenses, including higher debt servicing costs, also contributed to the draw-down of demand account balances.

Our wealth management services and activities are closely aligned with our retail division, but our wealth professionals also work with our commercial division to meet the investment and insurance needs of our business members. Through our team of advisors, financial planners, and insurance specialists, our wealth management group provides members with access to competitive investment and life insurance products coupled with personalized advice. Member investment assets under administration (AUA)(1) totalled $5.3 billion at year-end, an increase of $399 million or 8.2% compared with the prior year-end. Member investment AUA balances represent financial assets that are managed by third-party, partner organizations on behalf of members, and are not included in the assets reported on our Consolidated Balance Sheet. The increase in investment AUA during the year reflects increases in the capital market valuations of the underlying investment holdings that comprise the AUA. Net sales activities resulted in a modest decrease to total AUA during the year.

Looking ahead to 2024, the economic headwinds are expected to continue to create financial challenges for our retail members. These challenges emphasize the need for real financial advice and further highlight the value of our personalized service offer. This, combined with the investments we are making in our retail team, including advice skills training and new advisory tools, will reinforce our market positioning. Additionally, in the coming year we are planning to make enhancements to our day-to-day banking offer. The enhancements will provide members with more options and greater value, further supporting our strategic differentiation in the retail marketplace. As a result of these activities, we expect to both expand and deepen our member relationships in the coming year, creating new opportunities to grow our retail business.

Commercial Division

The commercial division is an important part of our member service offer, representing more than 51,000 business memberships. By providing trusted advice and solutions that help our business members succeed and thrive we are also supporting the health and vitality of the communities in which they operate. On a combined basis, as at year-end, the business members serviced by our commercial division accounted for approximately $6.0 billion or 32.3% of our total loan and lease assets, and $4.1 billion or 22.9% of our total deposit balances.

Our business members have a wide range of financial service needs. Developing and delivering products and services to meet these needs provides opportunities to expand our non-interest income growth. Additionally, our commercial loan and equipment financing operations, backed by sound underwriting policies and practices, give us access to higher-yielding assets that strengthen our financial performance. Commercial lending activities also provide an important lever for risk management through asset diversification. Moreover, the commercial division operates nationally through its equipment and syndicated financing activities, allowing us to hold assets in different regions of the country, improving the geographic diversification of our portfolios.

To meet the diverse needs of different business segments, our commercial banking division is organized into a number of groups: Small Business Banking, Business Banking, Commercial Real Estate, Mezzanine Financing, Equipment Financing, and Payments and Cash Management. Regular business banking activities are facilitated through the same branch network used by our retail members. Business banking activities are further supported by a number of business centres, which are locations dedicated to the delivery of commercial banking services and advice. In addition, our Business Advice Centre provides a centralized contact point for various business banking needs. The Business Advice Centre also facilitates proactive outreach activities to expand and deepen our business member relationships. During the year we introduced a number of improvements to our commercial operations and enhancements to the services we make available to our commercial members, including new digital capabilities for equipment financing applications.

(1) For additional information refer to the Non-GAAP and Other Financial Measures section.

Commercial Business Results

In 2023 our commercial team focused on developing relationships with our existing business members and providing advice and options aligned to their unique needs under challenging economic conditions. A key initiative during the year was to assist businesses with outstanding Canada Emergency Business Account (CEBA) loan balances. In 2020 and 2021, the CEBA program provided support for small businesses by helping them meet their operating expenses during a period of revenue disruption. To facilitate access to the program, our commercial team received and processed approximately 11,000 applications from business members, resulting in over 9,300 approvals with a funded value of approximately $313 million, which represented almost 5% of the total CEBA funding volume completed in the province of B.C. Our support related to this program continued in 2023 through the creation of an unsecured term loan program specifically designed to help business members with outstanding CEBA loans meet the federal government's repayment and partial loan forgiveness requirements. Loans under the CEBA refinancing program will fund in 2024. During the year our commercial team also assisted our business credit card members through our credit card partner transition, supported by additional training aligned with expanded service capabilities, similar to the retail team.

The combined growth of our commercial lending and equipment financing portfolio during the year was $352 million or 6.3%; an increase compared with growth of $210 million or 3.9% in the prior year. Our commercial mortgage portfolio, which totalled approximately $5.0 billion at year-end, represents the majority, or 98.5%, of our commercial lending portfolio (excluding equipment finance). The commercial division continues to manage new lending activities in recognition of risk appetite limits. Commercial mortgage growth during the year was $256 million or 5.4%, compared with prior year growth of $281 million or 6.3%. The majority of the growth occurred in our fixed-rate commercial mortgage portfolio, primarily comprised of owner- and non-owner-occupied commercial properties, which increased by $185 million or 7.3%. Growth of our variable-rate commercial mortgage portfolio, primarily associated with real estate development lending, was also positive, increasing by $71 million or 3.3%. As part of its lending activities our Commercial Real Estate group also participated in the Canadian Mortgage and Housing Corporation's (CMHC) project funding and securitization program. During the year $399 million in new project funding and $386 million in total securitizations were completed under this program. Total securitizations during the year increased by 97.9% compared with prior year securitizations of $195 million. Our non-real estate secured commercial loan and line of credit portfolios, measured based on outstanding balances, decreased by $13 million, combined.

Our equipment financing division operates across Canada, supported by a network of equipment dealers that we have partnered with to offer our financing program to their customers. The total asset value of our equipment financing portfolio increased by $109 million or 13.4% during the year, to $924 million at year-end. Stronger growth in the current year, compared with growth of $50 million or 6.5% in the prior year, reflected both an increase in new financing origination volume, including portfolio purchases from other equipment financing companies, and a reduction in pay-down volume.

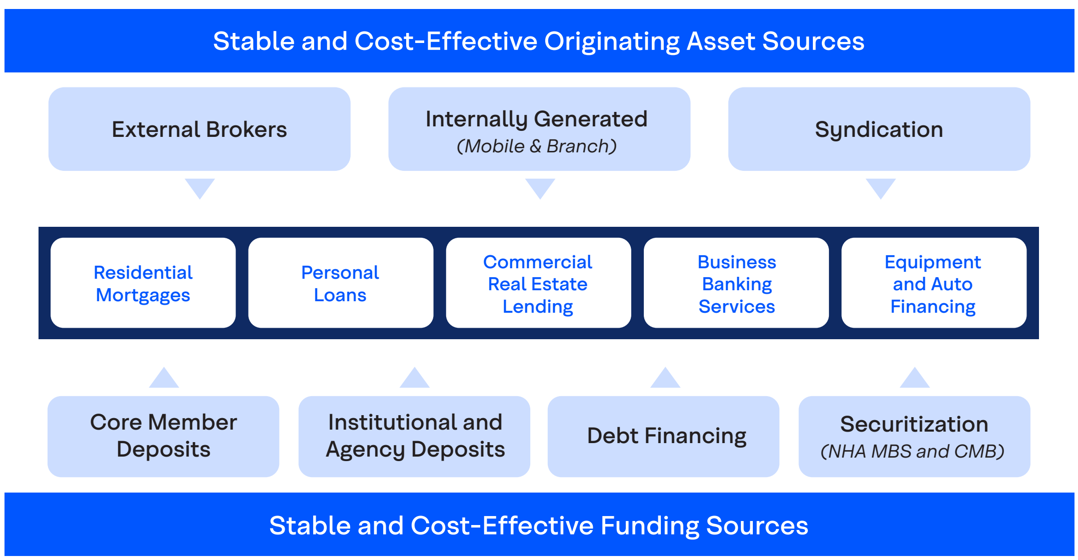
Our commercial deposit portfolio totalled approximately $4.1 billion at year-end, a decrease of $210 million or 4.8% during the year, compared with prior year growth of $166 million or 4.0%. Similar to the retail division, during the year the commercial division experienced a shift in the product mix within its deposit portfolio. Demand deposits decreased by $272 million or 9.4% and represented 63.3% of total commercial deposits at year-end, compared with 66.5% at the prior year-end. Fixed term deposits increased by $62 million or 4.3% and represented 36.7% of total commercial deposits at year-end, compared with 33.5% at the prior year-end.

Looking ahead to 2024, we plan to implement upgrades to our business member digital banking platform, and to develop new tools that will enable our commercial advisors to deliver enhanced advice and tailored solutions to our business members. We also plan to increase the touch points we have with our business members through proactive contact programs, focused on creating full-service business banking relationships. Based on our operational plans and forecasted economic conditions, we expect the positive growth trend for both our commercial lending and equipment financing portfolios to continue in the coming year, although at a moderated pace compared with 2023.

Net Interest Income

Net interest income is the difference between the interest income earned on our loans and other financial assets and the interest expenses paid on our deposits and other funding liabilities. Given the importance of loan and deposit services to our members, and the contribution that net interest income makes to our overall financial performance, significant attention is given to asset and liability management decisions throughout the year. In managing the interest rates we offer on loans and deposits, we are careful to ensure that our members have access to rates that are both fair and competitive.

We manage and grow our portfolio of financial assets and financial liabilities using a diversified, multichannel approach. In addition to originating lending and sourcing funding through our internal member channels, we maintain relationships with external partners and access other markets and options available to us in order to manage our balance sheet in a stable and sustainable manner.



Net interest income was $373.7 million, a decrease of $44.6 million or 10.7% compared with the prior year. Interest income increased by $255.9 million, offset by a larger increase in interest expense of $300.5 million. The income and expense increases are primarily attributed to interest rate increases implemented by the Bank of Canada (BoC). Changes in the volume of our assets and liabilities had a modest impact on our net interest income, with average interest earning assets decreasing by 1.5% and average interest-bearing liabilities decreasing by 2.9% compared with the prior year. Our net interest margin, calculated based on net interest income divided by average total assets, was 1.73%, a decrease of 17 basis points compared with 1.90% in the prior year.

BoC interest rate increases in the current year increased the interest earned and paid on our assets and liabilities, respectively, that were subject to variable rates. Similar impacts occurred with respect to fixed rate assets and liabilities that matured and repriced or were originated at the higher rates prevailing in the current year. A shift in our asset portfolio mix towards higher yielding assets, including commercial loans and equipment financing, supported the increase in the overall rate and interest income generated by our interest-earning assets. Mix changes occuring within our interest-bearing liabilities portfolio had a larger impact in terms of the overall rate and interest expense increases, notably related to our deposit portfolio. As a percentage of average total interest-bearing liabilities during the year, lower-rate demand deposits decreased to 39.0% compared with 43.8% in the prior year, and higher-rate fixed-term deposits increased to 51.9% compared with 46.6% in the prior year.

Net Interest Income

For the year ended December 31

(in thousands of dollars)	2023				2022			
	Average balance	Mix %	Interest	Interest rate %	Average balance	Mix %	Interest	Interest rate %
Cash resources	3,068,222	14.2	84,686	2.76	3,302,875	15.0	52,321	1.58
Loans								
Residential	12,050,426	55.7	531,943	4.41	12,260,511	55.8	382,991	3.12
Commercial	4,885,864	22.6	280,852	5.75	4,852,497	22.1	222,164	4.58
Equipment financing	850,281	3.9	50,674	5.96	784,104	3.6	39,941	5.09
Personal loans and auto financing	300,918	1.4	15,003	4.99	293,711	1.3	13,826	4.71
Lines of credit	138,137	0.6	15,105	10.93	132,339	0.6	10,979	8.30
Total loans	18,225,626	84.2	893,577	4.90	18,323,162	83.4	669,901	3.66
Derivatives	–	–	–	–	–	–	148	–
Total interest-earning assets	21,293,848	98.4	978,262	4.59	21,626,037	98.4	722,369	3.34
Other assets	348,436	1.6	–	0.00	340,772	1.6	–	–
Total assets	21,642,284	100.0	978,262	4.52	21,966,809	100.0	722,369	3.29
Deposits								
Demand	7,769,159	35.9	91,947	1.18	8,984,054	40.9	46,043	0.51
Fixed term non-redeemable	8,069,531	37.3	343,893	4.26	6,795,542	30.9	150,414	2.21
Fixed term redeemable	2,266,423	10.5	78,507	3.46	2,770,158	12.6	47,604	1.72
Total deposits	18,105,113	83.7	514,347	2.84	18,549,754	84.4	244,061	1.32
Derivatives	0	0.0	2,082	0.00				
Borrowings	1,518,956	7.0	70,297	4.63	1,597,936	7.3	41,756	2.61
Subordinated notes	234,577	1.1	15,069	6.42	299,077	1.4	15,531	5.19
Lease obligation	57,579	0.3	2,732	4.74	68,053	0.3	2,666	3.92
Total interest-bearing liabilities	19,916,225	92.0	604,527	3.04	20,514,820	93.4	304,014	1.48
Other liabilities	284,572	1.3	–	–	74,560	0.3	–	–
Total liabilities	20,200,797	93.3	604,527	2.99	20,589,380	93.7	304,014	1.48
Share capital	22,323	0.1	–	–	23,441	0.1	–	–
Accumulated other comprehensive income (AOCI)	(60,670)	(0.3)	–	–	(55,333)	(0.3)	–	–
Retained earnings	1,479,834	6.8	–	–	1,409,321	6.4	–	–
Total liabilities and members' equity	21,642,284	100.0	604,527	2.79	21,966,809	100.0	304,014	1.38
Net interest income			373,736	1.73			418,355	1.90

Net Interest Income Change

For the year ended December 31

(in thousands of dollars)			2023
Increase (Decrease) attributed to:	Average balance change	Interest rate change	Total change
Interest-earning assets	(11,096)	266,989	255,893
Interest-bearing liabilities	8,871	(309,384)	(300,513)
Net interest income change	(2,225)	(42,395)	(44,620)

Provision for Credit Losses

Our PCL expense after loan loss recoveries was $10.0 million for the year, an increase of $7.9 million compared with the prior year expense of $2.1 million. The increase was mainly due to an increase in impaired loan provisions, with performing loan provisions also higher compared with the prior year.

PCL expense on impaired loans was $10.1 million for the year, an increase of $6.2 million compared with the prior year. Impaired loan portfolio write-offs totalled $7.9 million in 2023, an increase of $4.0 million compared with the prior year. The impaired loan allowance for credit losses (ACL) increased by $2.2 million, compared with a less than $0.1 million increase in the prior year. PCL expense on performing loans was $0.9 million, compared with the prior year recovery of $0.4 million. Loan loss recoveries, reported as an offset to the PCL expense, totalled $1.0 million, a decrease of $0.3 million compared with prior year recoveries of $1.3 million.

We maintain our ACL at a level that we consider appropriate to absorb both identified and unidentified credit losses in our loan portfolio. The total ACL at year-end was $60.6 million, an increase of $3.1 million compared with the prior year-end. The year-end ACL for performing loans increased to $57.4 million from the prior year-end ACL of $56.5 million and the year-end ACL for impaired loans increased to $3.1 million from the prior year-end ACL of $0.9 million.

The models used to determine expected credit losses (ECL) on our performing loan portfolio considers changes in the size and credit quality of our loan portfolio, forward-looking economic forecasts, and other considerations. Our models are reviewed and upgraded periodically. The year-end ECL models, relative to the prior year-end, included a deterioration of forward-looking economic conditions. The probability weighting of economic scenarios were unchanged. Our total ACL as a percentage of total gross loans at year-end was 33 basis points, a 2 basis point increase compared with the prior year-end. Total ACL as a percentage of total gross loans remains elevated compared with the period before the COVID-19 pandemic, as represented by the year-end 2019 percentage at 25 basis points. Additional information on our ACL and ECL is provided in Note 7 to the Consolidated Financial Statements.

Credit Quality Ratios

As at or for the year ended December 31

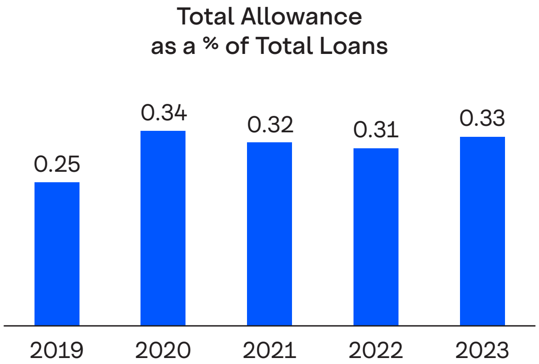
(in thousands of dollars)	2023	2022
Provision for credit losses	10,014	2,134
Loan write-offs	7,853	3,822
Total allowance for credit losses	60,558	57,436
Impaired loans	38,377	12,028

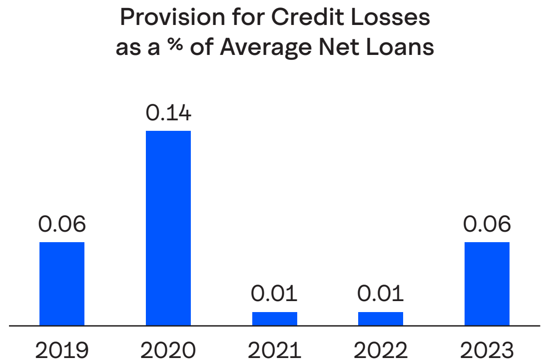
(in per cent)	2023	2022
Provision for credit losses as % of average net loans(1)	0.06	0.01
Loan write-offs as % of average total loans(1)	0.04	0.02
Total allowance for credit losses as % of total loans(1)	0.33	0.31
Gross impaired loans as % of total loans(1)	0.21	0.07
Net impaired loans as % of members' equity(1)	2.36	0.80

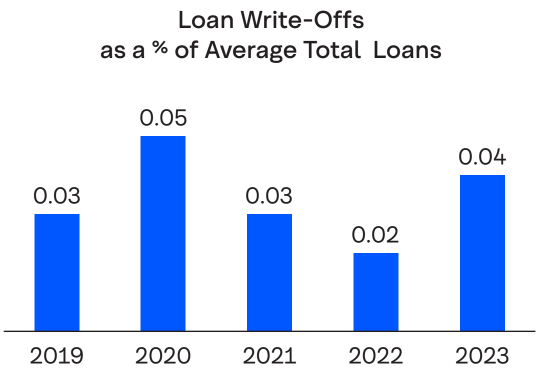
(1) For additional information refer to the Non-GAAP and Other Financial Measures section

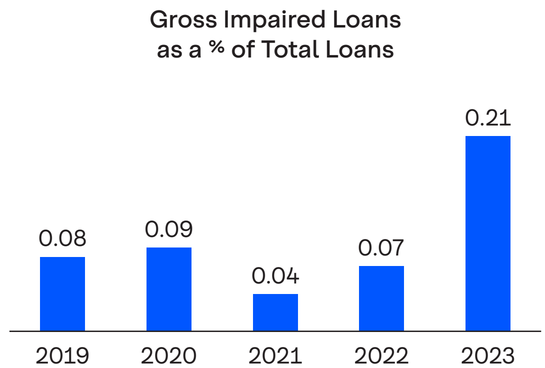
Management's Discussion and Analysis

Credit Quality Ratio Trends









Non-Interest Income

In addition to loan and deposit activities that generate interest income, we also provide our members with financial products and services that generate fee and commission revenue. These include day-to-day banking services, wealth management services, credit cards, foreign exchange, and insurance. Offering a variety of quality financial products and services allows us to meet the diverse financial needs of our members, while also providing a stable and diversified source of revenue to support our operations. The fees and commissions charged on these products and services are reviewed regularly to ensure we are providing our members with excellent value, while also considering our cost of delivery. Non-interest income is also generated through external referral activities, and activities associated with the management and deployment of our assets, such as property rent, and gains generated through financial asset sales and securitization activities.

Total revenue from non-interest sources was $110.0 million, an increase of $1.8 million or 1.6% compared with the prior year. Revenue attributed to core day-to-day banking services and wealth management experienced a modest increase. Foreign exchange revenue was also higher, as was revenue from securitization activities. Credit card commissions were lower, attributed to transitionary impacts related to our service partner conversion.

Non-Interest Income

Year ended December 31 (in thousands of dollars)	2023	2022	Change from 2022 $	%
Wealth management investment commissions	45,949	45,304	645	1.4
Other fees and commissions	29,556	28,957	599	2.1
Credit card commissions	7,226	9,923	(2,697)	(27.2)
Insurance commissions	7,056	7,523	(467)	(6.2)
Foreign exchange	6,886	5,076	1,810	35.7
Gain from securitization activities	4,900	1,806	3,094	171.3
Gain from sale of financial investments	13	604	(591)	(97.8)
Other income	8,414	9,040	(626)	(6.9)
Total	110,000	108,233	1,767	1.6

Wealth management services represent a key element of our ability to help our members achieve their real goals. Our services in this area include advice and sales related to a variety of investment and life insurance products provided through a team of financial planners, retail investment advisors, and insurance specialists. The majority of our revenue from wealth management services is generated from the investment assets we administer on behalf of members in partnership with our external dealer services provider. The investment assets under administration (AUA) owned by our members are not included in the assets reported on our Consolidated Balance Sheet. At year-end, our investment AUA totalled $5.3 billion, representing an increase of $399 million or 8.2% compared with the prior year-end. The increase in investment AUA during the year reflects increases in the capital market valuations of the underlying investment holdings that comprise the AUA, while net sales activities resulted in a modest decrease to total AUA during the year. Commission and fee revenue generated from investment related services was $45.9 million, an increase of $0.6 million or 1.4% compared with the prior year. The revenue increase reflects a modest increase compared with the prior year in both average AUA and reported yield.

Other fees and commissions revenue is primarily attributed to the day-to-day banking services we provide to our retail and commercial members. These include savings and chequing accounts, transaction services, official cheques, safety deposit boxes and various other banking and credit administration services. The amount of revenue generated annually from these services depends on the volume and type of transactions completed by our members, and on our fee schedule, which is amended from time to time to ensure our pricing is fair and market competitive. We made changes to a limited number of items in our fee schedule during the year and our overall transaction volume was relatively stable. Total other fees and commissions revenue for the year was $29.6 million, an increase of $0.6 million or 2.1% compared with the prior year.

Revenue from credit card commissions, through our co-branded credit card offer, was $7.2 million, representing a decrease of $2.7 million or 27.2% compared with the prior year. The year-over-year decrease reflects transition impacts related to our change in partnership arrangements for credit card services from a Desjardins Visa to Collabria Mastercard.

Revenue from insurance commissions was $7.1 million, a decrease of $0.5 million or 6.2% compared with the prior year. Insurance commissions include revenue from creditor insurance, generated as part of our mortgage and loan activity, and from wealth management-related insurance services, through which we provide our members with an array of insurance solutions to meet their broader financial planning needs. The year-over-year decrease in total insurance commissions was attributed to our creditor insurance activities, while revenue from wealth management-related insurance services increased compared with the prior year.

Foreign exchange revenue was $6.9 million, an increase of $1.8 million or 35.7% compared with the prior year. Foreign exchange revenue represents the foreign exchange spread fees earned on foreign currency transactions as well as revenue attributed to gains and losses reported on monetary assets and liabilities denominated in foreign currencies, recognized per our foreign currency translation accounting policies. Year-over-year fluctuations in foreign exchange revenue reflects variability in exchange rates and other factors related to transaction volumes and our foreign currency asset and liability positions.

Gains from securitization activities represents revenue generated from our participation in the Canadian Mortgage and Housing Corporation's project funding and securitization program. Securitization revenue was $4.9 million, an increase of $3.1 million or 171.3% compared with the prior year. The revenue increase primarily reflects an increase in securitization volume. Gains from the sale of investment securities held within our treasury portfolio were $13 thousand compared with $0.6 million in the prior year. Gains or losses on securities transactions within our treasury portfolio reflect the impact of decisions made by our treasury department during the year in the ongoing management and rebalancing of our investment portfolio, including the nature of the securities involved and the market conditions at the time of the transactions.

Revenue attributed to other income sources was $8.4 million, an increase of $0.6 million or 6.9% compared with the prior year. Other income revenue includes unrealized gains or losses on financial instruments and derivatives classified at fair value through profit or loss, rent and related revenue earned on facilities, gains or losses on certain asset sales, and other miscellaneous income.

Non-Interest Expense

Non-interest expense includes all non-interest-related expenses except provision for credit losses and provision for income taxes. We strive to manage our expenses in a diligent and efficient manner to support sustainable long-term capital growth while also recognizing the impact of spending decisions on the member experience. Total non-interest expense was $398.5 million, a decrease of $7.9 million or 1.9% compared with the prior year. Expense results compared with the prior year were mixed across our major expense lines. The largest reductions were in employee salaries and benefits and consulting expenses, primarily reflecting elevated prior year expenses in these areas. Reductions in these and other areas were partially offset by a modest increase in technology expenses and higher fraud related expenses reported in the banking services expense line.

Management's Discussion and Analysis

Non-Interest Expense

Year ended December 31 (in thousands of dollars)	2023	2022	Change from 2022 $	 %
Salaries and Benefits				
Salaries including variable pay and incentives	184,206	185,811	(1,605)	(0.9)
Employee benefits, other	38,845	44,452	(5,607)	(12.6)
	223,051	230,263	(7,212)	(3.1)
Technology				
Hardware, software, data, supplies	40,604	40,778	(174)	(0.4)
Depreciation and amortization	20,319	19,500	819	4.2
	60,923	60,278	645	1.1
Premises and Equipment				
Maintenance, utilities, taxes	11,730	11,820	(90)	(0.8)
Depreciation	16,134	17,425	(1,291)	(7.4)
	27,864	29,245	(1,381)	(4.7)
Member Services Administration				
Banking services	24,084	19,990	4,094	20.5
Loan processing	3,681	3,245	436	13.4
Investments and life insurance	4,612	4,530	82	1.8
	32,377	27,765	4,612	16.6
Consultants	15,123	19,710	(4,587)	(23.3)
Marketing	10,084	9,974	110	1.1
Community Contributions	6,244	4,658	1,586	34.0
Legal and Audit	1,491	1,806	(315)	(17.4)
Stationery, Telephone, and Postage	1,988	2,401	(413)	(17.2)
Travel, Meals, and Entertainment	2,845	2,854	(9)	(0.3)
Bonding and Other Insurance	2,285	2,737	(452)	(16.5)
Training and Recruitment	851	1,195	(344)	(28.8)
Other	13,354	13,511	(157)	(1.2)
Total	398,480	406,397	(7,917)	(1.9)

Salaries and benefits for our employees represents our largest expense. Salaries and benefits totalled $223.1 million, a decrease of $7.2 million or 3.1% compared with the prior year. The majority of the decrease was attributed to elevated expenses in the prior year related to one-time strategic restructuring costs (reported on the Employee benefits, other line). A modest reduction of our employee base (measured on an average month-end full-time equivalency basis) in the current year compared with the prior year also assisted in offsetting expense pressures due to the competitive market for talent and inflationary impacts.

Technology platforms that support service delivery and enhance the member experience are a critical part of our value proposition. Our members increasingly seek the convenience of digitized services, covering an expanding range of banking activities, delivered with a quality experience in a secure environment. Additionally, the ability to maintain and improve the efficiency of our business processes and expand our market reach depends on the expanded use of technology-enabled solutions. Our total technology expense for the year of $60.9 million was relatively flat compared with the prior year, increasing by $0.6 million or 1.1%, attributed to a $0.8 million increase in depreciation. Our upgraded banking system, a large capital investment implemented in the second quarter of the prior year, attracted a full year of depreciation expense in the current year.

Premises and equipment expense was $27.9 million, a decrease of $1.4 million or 4.7% compared with the prior year, reflecting reductions in our premises requirements through ongoing efficiency initiatives. A large portion of the expense decrease was attributed to the annual depreciation expense recognized on the right-of-use assets associated with our premises lease agreements. Renewals and extensions of ongoing lease agreements at costs that differ from the maturing agreements also impact our depreciation expense for leased premises. Overall, our depreciation expense related to premises and equipment decreased by $1.3 million or 7.4%. Other expenses for premises and equipment (reported as maintenance, utilities, and taxes) decreased by $0.1 million or 0.8%, a modest decrease also attributed to premises use efficiencies.

Member services administration expense was $32.4 million, an increase of $4.6 million or 16.6%. The largest increase was related to banking services administration. Expense impacts across the various activities that make up this category were mixed, reflecting efficiencies in some areas and increases in others. Expenses related to fraud, including prevention, investigation, and losses, experienced the largest increase within the banking services administration line. Fraud recoveries, reported as an expense offset, also increased compared with the prior year. Increases in loan processing administration expense were mainly driven by an increase in our commercial lending securitization volume, and the increase in investments and life insurance administration expense was aligned with the increase in revenue generated through these activities.

Expenses across most other major expense categories were generally lower compared with the prior year. Expenses related to consultants, which include contract labour, experienced the largest decrease, reducing by $4.6 million or 23.3% compared with the prior year. Consultant and contract labour expenses fluctuate from year-to-year depending on the level of activity related to major strategic and operational initiatives. The decrease in the current year mainly reflects elevated expenses in the prior year.

In 2023 we also maintained our long history of community support through community investments and contributions aligned with our social purpose focus and goals. We base the amount of our annual community investments and contributions on budgeted earnings rather than on actual earnings to allow us to manage our commitments against a predetermined budget amount. This approach also helps improve the consistency of the funding we provide throughout the year to the community partners and organizations we support. As our budgeted earnings grow, so does the support we provide to the community. Community contributions for the year totalled $6.2 million, an increase of $1.6 million or 34.0% compared with the prior year.

Other Comprehensive Income

Other comprehensive income (OCI), net of taxes, was $41.7 million compared with a loss of $72.7 million in the prior year. The largest impacts on OCI were related to unrealized gains and losses based on fluctuations in the market value of fixed income securities held in our investment portfolio due to interest rate changes as well as changes in the size and profile of the investment portfolio.

Capital Expenditures

Investments in capital assets during the year totalled $41.2 million, an increase of $17.2 million or 72.0% compared with the prior year. The majority of our capital expenditures continue to be related to technology projects. Combined capital expenditure on software and computer equipment accounted for 65.0% of the total fiscal year capital expenditure. Ongoing investment in technology is necessary to update and support the continuous improvement of platforms and systems that are critical to delivering a quality banking experience to our members in a secure digital environment. Expanding our use of automated solutions is also important to improve the efficiency of our business operations. Investments made in software and computer equipment in 2023 include projects that were operationalized during the year, and projects that extend beyond the fiscal year as work in progress initiatives to be operationalized in future periods.

Management’s Discussion and Analysis

Right-of-use asset additions are included at $10.1 million of our 2023 total capital expenditure. This amount reflects the valuation applied to one new and eight renewed or extended property lease agreements entered into during the year. We also made capital investments related to leasehold improvements and furniture and equipment of $4.3 million, combined, to maintain and improve the branch and administrative premises used by employees and members.

Our capital investment plans for the coming year continue to focus on technology platforms and digital capabilities intended to enhance our member experience, expand our service capabilities, and improve our operational efficiency.

Capital Expenditures

Year ended December 31 (in thousands of dollars)	2023	2022	Change from 2022 $	 %
Software	25,177	14,218	10,959	77.1
Right-of-use assets	10,126	6,675	3,451	51.7
Computer equipment	1,595	2,240	(645)	(28.8)
Leasehold improvements	1,236	537	699	130.2
Furniture and equipment	3,023	252	2,771	1,099.6
Total	41,157	23,922	17,235	72.0

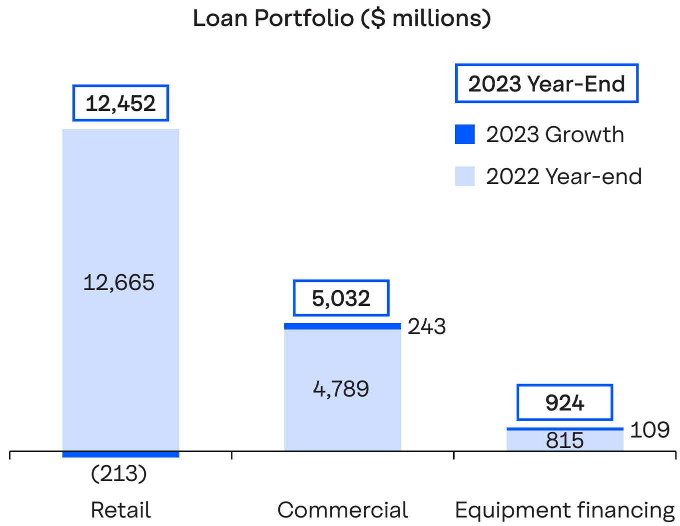
Loan Portfolio

Loan assets, including leases, totaled $18.4 billion at year-end, an increase of $139 million or 0.8%, compared with prior year growth of $260 million or 1.4%. Loan growth during the year was driven by our commercial portfolios. The total commercial lending portfolio, including the equipment financing portfolio, increased by $352 million or 6.3%, compared with an increase of $210 million or 3.9% in the prior year. The total retail lending portfolio decreased by $213 million or 1.7% compared with an increase of $50 million or 0.4% in the prior year.

Loan Portfolio

As at December 31 (in millions of dollars, except as noted)	2023(1)	Mix %	2022(1)	Mix %	Change from 2022 $	 %
Retail						
Residential mortgages:						
Conventional	7,381	40.1	7,365	40.3	16	0.2
Revenue	2,298	12.5	2,412	13.2	(114)	(4.7)
Insured	1,537	8.3	1,639	9.0	(102)	(6.2)
High-ratio	2	0.0	1	0.0	1	100.0
Home equity lines of credit	786	4.3	828	4.5	(42)	(5.1)
Total residential mortgages	12,004	65.2	12,245	67.0	(241)	(2.0)
Other:						
Unsecured lines of credit	135	0.7	132	0.6	3	2.3
Personal loans and auto financing	313	1.7	288	1.6	25	8.7
Total loans, auto financing & lines of credit	448	2.4	420	2.2	28	6.7
Total retail	12,452	67.6	12,665	69.2	(213)	(1.7)
Commercial						
Mortgages, loans and lines of credit	5,032	27.4	4,789	26.2	243	5.1
Equipment financing	924	5.0	815	4.6	109	13.4
Total commercial	5,956	32.4	5,604	30.8	352	6.3
Total retail and commercial	18,408	100.0	18,269	100.0	139	0.8

(1) Before allowance for credit losses



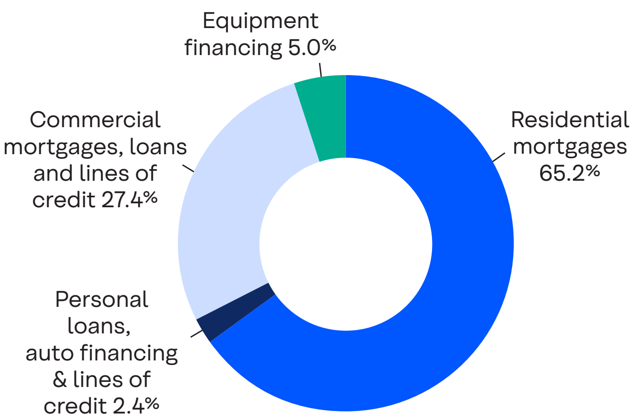
Retail residential mortgages, the largest asset group within our loan portfolio representing 65.3% of the total, decreased by $241 million or 2.0%, compared with an increase of $44 million or 0.4% during the prior year. Our term mortgages portfolio, which excludes home equity lines of credit (HELOC), decreased by $199 million or 1.7%. New term mortgage origination volumes decreased by approximately 44% compared with the prior year, impacted by the elevated interest rate environment including the additional BoC rate increases in the current year, which dampened residential real estate market activity. It also reflects a conservative approach to growth of this portfolio in a competitive market characterized by compressed margins. The net impact of the decrease in origination volume was partially offset by a 29% decreased pay-down activity, which was similarly impacted by the interest rate environment the slowdown in real estate market activity. The trend in recent years towards lower HELOC balances continued in the current year, with outstanding balances decreasing by $42 million or 5.1%. The decrease in HELOC balances is consistent with the efforts of our members to manage exposure to variable rate debt in the rising interest rate environment.

Non-mortgage secured personal loans, auto financing and lines of credit growth was $28 million or 6.7%, combined, compared with growth of $6 million or 1.4% in the prior year. All three portfolios experienced positive growth during the year, with growth of the personal loan and auto financing portfolios exceeding prior year results. Auto financing growth was supported by auto inventory improvements, as supply chain disruptions eased, and steady new financing origination volume against a reduction in pay-down volume. Increased growth of our personal loan portfolio was supported by targeted marketing activity and advisory efforts to help members consolidate existing higher-interest debt into lower-interest rate term loans.

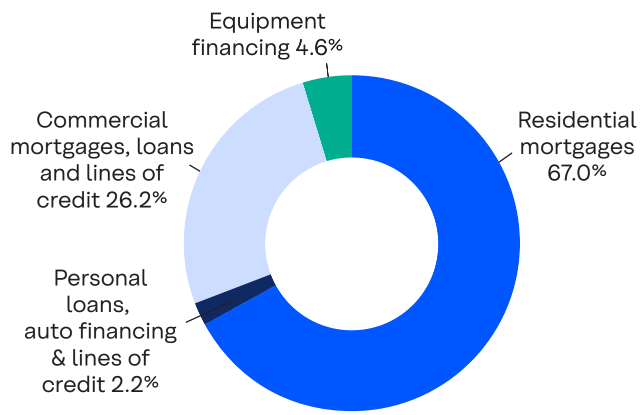
Our commercial mortgage, loan and lines of credit portfolio grew by $243 million or 5.1%, combined, compared with growth of $160 million or 3.5% in the prior year. Commercial mortgages represent 98.5% of the commercial loan portfolio (excluding equipment finance). Commercial mortgage growth during the year was $256 million or 5.4%, compared with prior year growth of $281 million or 6.3%. The majority of the growth occurred in our fixed-rate commercial mortgage portfolio, primarily comprised of owner- and non-owner-occupied commercial properties, which increased by $185 million or 7.3%. Growth of our variable-rate commercial mortgage portfolio, primarily associated with real estate development lending, was also positive, increasing by $71 million or 3.3%. As part of its lending activities our commercial team also participated in the Canadian Mortgage and Housing Corporation's (CMHC) project funding and securitization program. Loan assets under the CMHC program are held for short periods of time before they are securitized and move off of our Consolidated Balance Sheet. CMHC program activities contributed $13 million to the commercial mortgage growth total during the year.

Our equipment financing portfolio increased by $109 million or 13.4%, compared with an increase of $50 million or 6.5% in the prior year. Stronger growth in the current year reflected both an increase in new financing origination volume, including portfolio purchases from other equipment financing companies, and a reduction in pay-down volume. The strongest growth was experienced in our Ontario and Alberta portfolios. Equipment financing assets as a percentage of our total loan portfolio increased to 5.0% at year-end 2023, compared with 4.5% at year-end 2022.

2023 Loan Portfolio
(as at December 31)



2022 Loan Portfolio
(as at December 31)



Loan Portfolio with Geographical Distribution

As at December 31
($ millions, except as noted)

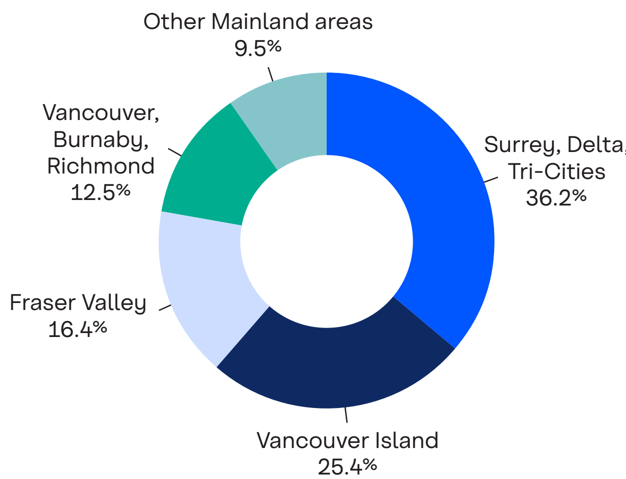
							2023[1]		2022[1]		Change	
	Retail	Mix %	Commercial	Mix %	Equipment leasing	Mix %	Total loans	Mix %	Total loans	Mix %	Total loans	Mix %
Not Secured	170	1.4	79	1.6	–	–	249	1.4	245	1.3	4	0.0
Secured												
AB	25	0.2	260	5.2	157	17.0	442	2.4	460	2.5	(18)	(0.1)
BC	12,192	97.9	4,011	79.7	234	25.4	16,437	89.3	16,399	89.8	38	(0.5)
MB	1	0.0	43	0.9	53	5.7	97	0.5	99	0.5	(2)	0.0
NB	–	–	–	–	8	0.9	8	0.0	13	0.1	(5)	0.0
NL	–	–	7	0.1	–	–	7	0.0	8	0.0	(1)	0.0
NS	–	–	9	0.2	5	0.5	14	0.1	14	0.1	–	0.0
ON	64	0.5	567	11.3	392	42.5	1,023	5.6	900	4.9	123	0.6
PE	–	–	–	–	1	0.1	1	0.0	1	0.0	–	0.0
QC	–	–	37	0.7	49	5.3	86	0.5	84	0.5	2	0.0
SK	–	–	20	0.4	24	2.6	44	0.2	46	0.3	(2)	0.0
Total	12,452	100.0	5,033	100.0	923	100.0	18,408	100.0	18,269	100.0	139	

(1) Before allowance for credit losses

Retail secured lending was approximately $12.3 billion at year-end, representing the largest single concentration within our loan portfolio at 66.7% of the total. The retail secured portfolio is primarily made up of real estate secured mortgages on properties located in B.C.

The geographic breakdown of our retail real estate secured portfolio, based on authorized amounts, is provided below.

B.C. Real Estate Secured Portfolio
(as at December 31, 2023, authorized)



The amortization breakdown of our retail real estate secured portfolio is provided below.

As at December 31, 2023 (in per cent)	Less than or equal to 25 years	Greater than 25 years and less than or equal to 30 years	Greater than 30 years
Based on outstanding balances (excludes home equity lines of credit)	57.3	42.6	0.0

The residential mortgage portfolio is 87.1% uninsured. The average loan-to-value (LTV) ratio of the uninsured portfolio is 47.3%. The weighted average LTV ratio for total newly originated uninsured residential mortgages and home equity lines of credit during the year was 59.3% and 24.9%, respectively.

Deposits and Borrowing

Deposits

Deposit growth is managed in alignment with our asset growth and liquidity funding requirements, while also considering changing market conditions and opportunities across our channels and product offers. Our total deposit portfolio decreased by $508 million or 2.7%, compared with an increase of $452 million or 2.5% in the prior year. The decrease was supported by a strong liquidity position and moderate asset growth funding requirements. Total deposit funding as a percentage of gross loans remained healthy at over 98% at year-end, and we continued to maintain strong relationships with deposit members across our deposit channels.

Management's Discussion and Analysis

During the year, our core retail and commercial member deposit balances decreased by $491 million or 3.4% (combined). Rising inflation and interest rates increased living and borrowing costs for our members, contributing to the drawdown in core member savings. At year-end, core retail and commercial member deposits continued to account for approximately 77% of our total deposit portfolio. Our healthy liquidity and funding position also allowed us to reduce our funding through the institutional deposit channel, which decreased by $337 million or 19.9%, while maintaining strong relationships with key institutional depositors. Growth of our agency channel portfolio, representing deposits distributed through our network of external deposit agents, increased by $320 million or 12.6%. Growth of agency deposits reflected new opportunities available to us through this channel.

Deposits by Source

As at December 31					Change from 2022	
(in millions of dollars, except as noted)	2023	Mix %	2022	Mix %	$	%
Core retail and commercial members	13,842	76.6	14,333	77.2	(491)	(3.4)
External deposit agents	2,865	15.9	2,545	13.7	320	12.6
Institutional depositors	1,355	7.5	1,692	9.1	(337)	(19.9)
Total	18,062	100.0	18,570	100.0	(508)	(2.7)

With respect to the overall product mix of our deposit portfolio, during the year we experienced a shift in deposits away from short-term demand balances and towards fixed term balances. Demand account balances decreased by $890 million or 10.5%, while total fixed term deposit balances increased by $382 million or 3.8%. This shift reflects the impacts of rising living costs on the short-term savings balances of members, as well as impacts from the rising interest rate environment. Similar to the prior year, rising interest rates enhanced rate premiums available to members on longer-term deposit products, increasing their attractiveness as a savings and investment option. During the year demand product balances, as a percentage of our total year-end deposit portfolio balance, decreased to 41.9% from 45.6%, and fixed term product balances increased to 58.1% from 54.4%. The shift in our product mix contributed to funding cost increases during the year, but also benefited the overall stability of our deposit funding. Deposit funding stability was further enhanced by a shift within our term portfolio from redeemable product balances to non-redeemable product balances during the year. Non-redeemable product balances increased to 81.2% of total fixed term deposits compared with 72.3% at the prior year-end.

Deposits by Type

As at December 31					Change from 2022	
(in millions of dollars, except as noted)	2023	Mix %	2022	Mix %	$	%
Demand	7,573	41.9	8,463	45.6	(890)	(10.5)
Fixed term redeemable	1,968	10.9	2,800	15.1	(832)	(29.7)
Fixed term non-redeemable	8,521	47.2	7,307	39.3	1,214	16.6
Total	18,062	100.0	18,570	100.0	(508)	(2.7)

Borrowing

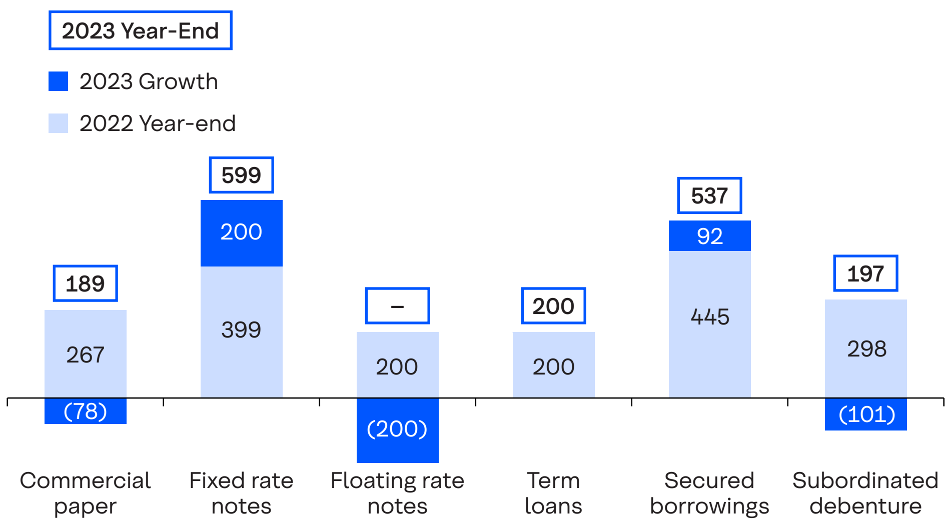
We maintain borrowing facilities through a number of channels and sources to assist in the management of short-term liquidity needs and to support longer-term growth opportunities. Total borrowing, including subordinated debt, decreased by $87.0 million or 4.8% during the year. Decisions on the use and management of the various borrowing options available to us are based on our funding requirements, an ongoing assessment of the funding opportunities available in the market, and other considerations.

During the year we replaced an outstanding maturing floating rate note with the issuance of a fixed rate note, both having a principal value of $200 million. We also redeemed an outstanding subordinated debenture with a par value of $200 million and issued a new non-viability contingent capital (NVCC) subordinated debenture with a par value of $100 million. In addition to supporting our overall funding, our subordinated debenture financing activities also contribute to our regulatory capital base.

Borrowing by Source

As at December 31 (in millions of dollars)	2023	Mix %	2022	Mix %	Change from 2022 $	Change from 2022 %
Commercial paper	189	11.0	267	14.8	(78)	(29.2)
Fixed rate notes	599	34.8	399	22.1	200	50.1
Floating rate notes	–	–	200	10.9	(200)	(100.0)
Term loans	200	11.6	200	11.1	–	–
Secured borrowings	537	31.2	445	24.6	92	20.7
Subordinated debentures	197	11.4	298	16.5	(101)	(33.9)
Total	1,722	100.0	1,809	100.0	(87)	(4.8)

Borrowing by Source ($ millions)



Risk Management

To achieve our objectives and goals, we understand that we must selectively and prudently take and manage risks within our established risk appetite and tolerances, and that a strong risk culture and approach to managing risk is fundamental to our success. Our risk management framework enables us to understand the risks that we are taking and ensure that the amount of such risk is acceptable. We do this by ensuring that adequate governance is in place and by developing the necessary policies, processes, controls and reporting required to monitor and manage these risks.

The Enterprise Risk Management (ERM) group, a department within Group Risk Management (GRM), develops and maintains the Enterprise Risk Management Framework (ERMF). This framework reinforces risk culture by providing a common understanding among stakeholders on how Coast Capital manages risks. The ERMF encompasses risk principles, risk culture, risk governance structure and management, risk appetite and risk taxonomy.

Risk Principles

At Coast Capital, we believe in and support the need for a strong risk culture rooted in the following principles:

1. **We all understand that we take risks every day.** As part of our strategy to grow our business, we recognize the need to take acceptable risks and manage the level of exposure it brings us, while also protecting our members' financial well-being.
2. **We are all responsible for managing the risks that we take on in a prudent and balanced way.** Employees have a clear understanding of their roles and responsibilities, have capacity and autonomy to fulfill them, take ownership of their decisions and actions, and are accountable for their actions.
3. **We integrate managing risk into everything we do.** At Coast Capital, we integrate risk management disciplines and activities into our daily routines; employees are vigilant towards known and unknown threats, notice and effectively respond to problems and opportunities, and continuously learn, improve, and adapt to changing conditions. We also understand that responsibility for managing risk spans all areas of Coast Capital, including relationships with third parties.
4. **We have a culture that supports transparent and effective communication.** We recognize that mistakes happen, and we need to recover quickly and gracefully when they occur. We support a culture that enables employees to feel safe to speak up, openly communicate and work together to ensure that we communicate and escalate matters relating to risk in a timely, accurate, and forthright manner. It is important to understand how mistakes happen so that we can work together to quickly fix them and mitigate the risk going forward.
5. **We support the independent oversight provided by Group Risk Management and Compliance.** While acknowledging that the business "owns the risk," we also understand the need for independent and objective review of risk policies, monitoring and reporting.

Risk Culture

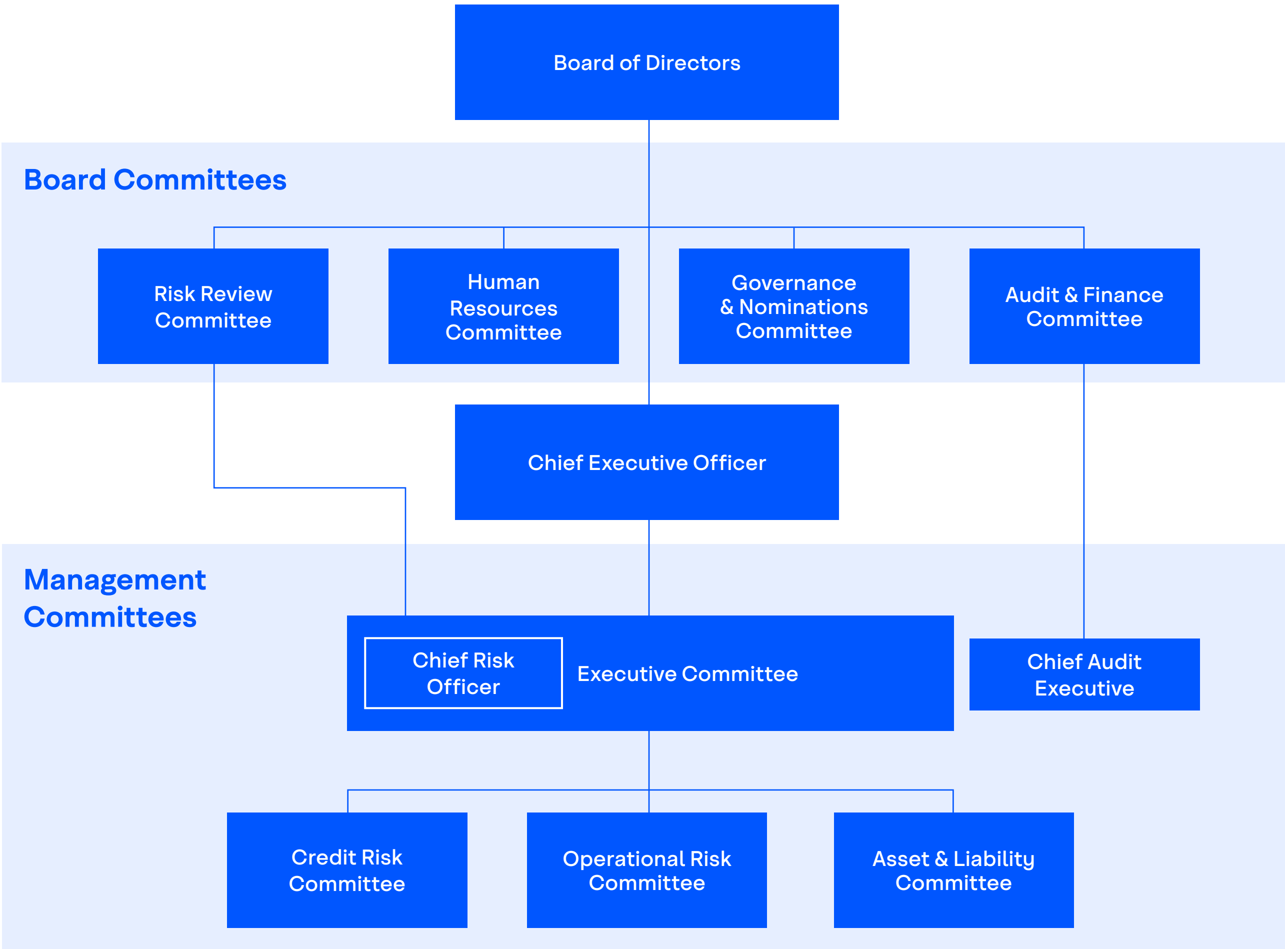
At Coast Capital, we strive to create a risk culture that promotes accountability, fosters learning through experiences and encourages open communication and transparency on all aspects of risk-taking. Our risk culture embodies the 'tone at the top,' which is set by the Board of Directors (Board) and the Executive Committee (EXCO). It informs, and is informed by, our mission, corporate values, professional standards and conduct. The governing objectives developed by the Board and EXCO describe the attitudes and behaviours that we seek to foster among our employees in building a culture where all employees understand the importance of managing risk and the role they play.

Risk Governance and Management

We employ a risk management structure that emphasizes and balances strong central oversight and control of risk with clear accountability for—and ownership of—risk within each business line and corporate function.

Our Risk Principles emphasize that managing risks is a shared responsibility and that everyone plays a role in effective management of risks within the desired risk appetite, as outlined by our governance structure.

Risk Management Governance Structure



First Line of Defence

Risk Owners

- All employees across our lines of businesses and control groups
- Accountable for:
  - Identification
  - Assessment
  - Measurement
  - Mitigation
  - Monitoring and reporting of risk against approved policies and appetite

Second Line of Defence

Risk Oversight

- The Chief Risk Officer (CRO), the Chief Compliance Officer (CCO) and the Chief Anti-Money Laundering Officer (CAMLO) have direct access to the Risk Committee
- Establishes risk management practices and provides risk guidance
- Provides oversight of the effectiveness of First Line risk management practices
- Monitors and independently reports on the level of risk against established risk appetite

Third Line of Defence

Independent Assurance

- Internal Audit
- Independent assurance to management and the Board on the effectiveness of risk management practices

Management's Discussion and Analysis

Roles and Responsibilities of Board of Directors and Board Committees

The Board oversees and approves the strategic plans and priorities of Coast Capital related to the management of capital and liquidity, including the annual operating plan, capital expenditure budgets and any material transactions, taking into account the risk impact of strategic decisions and the purpose, mission, vision and values of Coast Capital. The Board approves the Risk Appetite Framework and the Internal Control Framework, and provides risk oversight, including monitoring and evaluation of key risks by ensuring that appropriate risk frameworks and policies are in place. The Board fulfills its oversight responsibilities through its established committees.

- The *Risk Review Committee* (RRC) is responsible for assisting the Board of Directors in fulfilling its responsibilities for oversight of Coast Capital's risk management activities. It oversees the identification, measurement and monitoring of risks impacting on and emanating from Coast Capital's strategic and business activities and ensures effective controls are in place. The RRC seeks to ensure Coast Capital's risk management activities are independent from operational management, are adequately resourced and have appropriate status and visibility throughout the organization. The RRC is also responsible for overseeing the governance of projects undertaken by the Enterprise Project Management Office.
- The *Audit & Finance Committee* (AFC) is responsible for overseeing our financial reporting and internal control activities, assisting the Board in fulfilling its responsibilities for oversight of capital and liquidity management. The AFC also ensures the independence and evaluation of the performance of the internal audit and external audit functions.
- The *Human Resources Committee* (HRC) is responsible for providing a forum for 'big picture' oversight of the Human Resources Strategy as it underpins the People side of Coast Capital's corporate strategy; reviewing, recommending or approving, as required, the appointment, compensation, evaluation, succession planning and, if necessary, termination of the Chief Executive Officer (CEO) and, where appropriate, members of the EXCO. The HRC establishes appropriate standards of business conduct and ethical behavior for Coast Capital, its directors, officers and employees, ensuring monitoring and compliance with those standards, and promoting the ongoing education and enhancement of those standards. The HRC also fulfils the legal requirement of having a conduct review committee and of performing all the duties required of such a committee in the *Bank Act* and regulations.
- The *Governance & Nominations Committee* (GNC) is responsible for ensuring that the Board maintains current and effective corporate governance practices that are aligned with best practices, regulatory expectations, and Coast Capital's purpose and values. The GNC identifies the priority skills and experience to be sought in director candidates, seeks and recommends appropriate candidates for nomination to the Board, and oversees the director nomination and election process. The GNC also communicates with Coast Capital's members on governance issues.

Roles and Responsibilities of Other Risk Management Committees

The EXCO is responsible for overseeing the overall governance, operations and activities of Coast Capital. These activities include, but are not limited to, corporate strategy, business and financial performance, income, liquidity and capital performance and risk appetite. EXCO defines our overall risk strategy in consultation with and subject to approval by the Board. Each member of EXCO is responsible for developing, executing and managing strategies for their business areas and ensuring such strategies align with our risk appetite.

- The *Credit Risk Committee* (CRC) is responsible for overseeing key credit risks and controls to seek to ensure alignment with the risk appetite of Coast Capital. These responsibilities include, but are not limited to, identification of emerging risks/risk events, development of action plans to treat risks, assignment of action plan owners, escalation of issues to the Chief Risk Office (CRO), EXCO and/or RRC and reporting risk appetite and measures to the RRC.
- The *Operational Risk Committee* (ORC) is responsible for overseeing the effective identification and management of operational risks and internal controls across Coast Capital. These responsibilities include, but are not limited to, the identification of emerging risks/risk events, development of action plans to treat risks, assignment of action plan owners, escalation of issues to the CRO, EXCO and/or RRC and reporting risk appetite and measures to the RRC.

- The *Asset and Liability Committee* (ALCO) is responsible for overseeing the balance sheet (including capital management, funding and liquidity management and asset liability management) under both normal operating conditions as well as in periods of stress. These responsibilities include, but are not limited to, identification of emerging risks/risk events, development of action plans to treat risks, assignment of action plan owners, escalation of issues to the Chief Financial Officer (CFO), EXCO and/or RRC and reporting risk appetite and measures to the RRC.

Risk Appetite

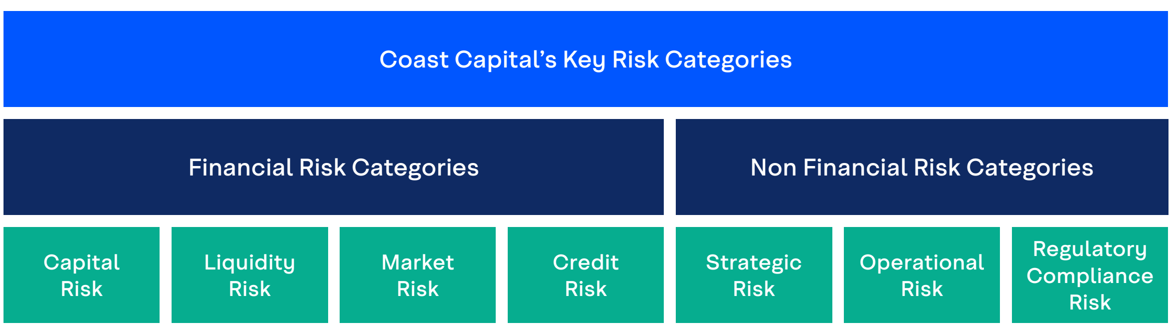
Our risk appetite is the aggregate level and types of risk that we are willing to accept (or to avoid) in order to achieve our strategic and business objectives.

As we endeavour to improve our members' financial well-being, we consider the risks associated with the strategies available to achieve this goal, our capacity to take such risks and our appetite for such risks. Risk appetite considerations are an integral part of management decision-making, guided by Board oversight and approval of management actions. This includes considering risk appetite in short- and long-term strategic planning, in budget planning and in assessing new products, services, activities and markets.

Our risk appetite is both driven by and informs:
- Coast Capital's strategy
- Coast Capital's risk management principles
- Coast Capital's capacity and constraints

Risk Categories

We define risk as the possibility that an event will occur and adversely affect the achievement of our objectives. The ERMF defines and categorizes risks as outlined below:



- **Capital Risk**: The risk that insufficient acquisition or inappropriate management of capital threatens the organization's capacity to grow, execute its business model and generate future financial returns
- **Liquidity Risk**: The risk of inappropriately managing funds and cash flow obligations in a timely and cost-effective manner
- **Market Risk**: The risk of changes in market rates, prices or liquidity in various markets such as for interest rates, credit, foreign exchange, equities, and commodities
- **Credit Risk**: The risk of a counterparty, borrower, obligor, or guarantor being unable or unwilling to fulfill its contractual obligations for a financial transaction on a timely basis
- **Strategic Risk**: The risk that business strategies are ineffective, unclear, not executed effectively or not responsive to changes in the external environment (economic, political, competition, industry and customer)
- **Operational Risk**: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events
- **Regulatory Compliance Risk**: The risk of non-compliance with regulatory requirements that apply to Coast Capital

Risk Management Policies, Processes and Tools

The ERMF is supported by established processes and tools that are used to manage risk across Coast Capital. Risk management processes and tools are designed based on Coast Capital's size, level of complexity and risk profile. We review these processes and tools regularly and update to ensure alignment with current risk environment, activities and strategic execution.

Policies and Limits

Coast Capital has corporate document approval processes based on current legal and regulatory requirements and best practices for financial institutions, to support effective communication, implementation and governance of corporate frameworks and policies. ERM oversees the governance over corporate documents by ensuring key stakeholders follow review and approval procedures. This begins by identifying the appropriate type of document to use, determined by the appropriate chief executive officer responsible for the business area. Risk frameworks and policies are reviewed regularly and approved by the designated committee.

Risk Measurement

The ability to quantify risk is a key component of our risk management process. Our risk measurement processes align with regulatory requirements such as adequacy of capital and liquidity levels, stress testing and maximum credit exposures guidelines established by regulators. We have processes in place to measure and quantify risks to provide accurate and timely measurements of the risks that we assume.

Risk Monitoring and Reporting

Risk monitoring and reporting is a key risk management tool to facilitate the identification, monitoring and management of risks. Coast Capital's Risk Reporting Framework (RRF) establishes standards and processes to promote an effective and robust risk management reporting system that yields high-quality risk reports. These risk reports allow senior management, committees and the Board of Directors to manage risk and provide oversight. We continuously monitor and report on risk level relative to the established risk appetite to ensure Coast Capital is operating within risk limits as defined by our Risk Appetite Framework (RAF).

Risk Identification and Assessment

Risk identification and assessment focuses on recognizing and understanding existing risks, risks that may arise from new or evolving business initiatives and risks that emerge from the changing business, economic and competitive environment.

Our objective is to establish and maintain an integrated risk identification and assessment process that:

- Supports the identification and assessment of inherent risks and emerging risks. Identifies existing controls and evaluates the effectiveness of those controls
- Assesses residual risk and determines the appropriate risk response and mitigation strategies
- Assesses the effectiveness of the mitigation strategies

Strategic Risk

Strategic risk is the risk that business strategies are ineffective, unclear, not executed effectively, or not responsive to changes in the external environment (economic, political, competition, industry, and customer). We ensure that our strategic risks align with the risk appetite set by the Board. The EXCO and the Senior Leadership Team (SLT) evaluate strategic risks with consideration of the strategic goals established for Coast Capital. A robust Strategic Risk Management Framework and a set of supporting processes are in place to identify, assess, communicate, manage, monitor and report on strategic risk to the EXCO and RRC.

Regulatory Compliance Risk

Regulatory compliance risk is the risk of not conforming to regulatory requirements that apply to Coast Capital. Our approach to managing and mitigating regulatory compliance risk is comprised of risk identification and assessment, control, testing, monitoring and reporting. We have implemented the Regulatory Compliance Management Framework to establish the required standards, limits, processes, organizational structures and personnel requirements that we will have in place to meet our compliance obligations.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in the normal course of business and in all our activities. Operational risk includes process ineffectiveness, information technology and cybersecurity risk, information management risk, third-party risk, business disruption, internal and external theft and fraud, people risk, model risk and legal risk but excludes strategic risk and reputational risk. Coast Capital's inability to adequately protect against operational risks or to adequately respond to unexpected situations could adversely affect the organization.

We have developed the Operational Risk Management Framework to ensure that all stakeholders understand how we manage operational risk. We manage operational risk through collaboration amongst the Three Lines of Defence with integrated assurance. Risk subject matter experts on the second line of defence are responsible for overseeing specific operational risks and provide support and oversight to the First Line of Defence.

Top and Emerging Risks

Coast Capital identifies and assesses top and emerging risks on an ongoing basis, evaluating the business and economic environment as well as internal operations for potential risks on the horizon. The key risks looking ahead into 2024 and beyond are discussed below.

Canadian Household Debt and Affordability

Canadian household indebtedness remains high. The steep increase in interest rates has eroded debt affordability. In an elevated interest rate environment, mortgage holders may not be able to afford higher monthly payments and may experience payment shocks at the time of mortgage renewal, increasing the financial strain and the probability of default. In addition, a slowdown in economic growth and housing market activity could degrade loan-to-value ratios within our residential mortgage portfolio and could potentially lead to higher credit losses.

Increasing Cybercrime Sophistication

The cybercrime landscape is evolving rapidly, with ransomware events growing in number and size, as well as efficiency through system infection, compromised data and multiple extortion techniques. This leaves organizations exposed to operational disruptions, reputational damage and potential liability. In addition, we see the potential for increased vulnerabilities to digital identity and data privacy risks resulting from remote working models, or business email compromise resulting in member fraud, invoice fraud and potential for account takeovers. Due to increased geopolitical tensions, the Office of Superintendent of Financial Institutions (OSFI) and Financial Sector Information Sharing and Analysis Centre (FS ISAC) have issued a high risk cyber threat advisory to Canadian organizations and advised them to remain on High Alert.

Coast Capital's size and breadth of operations, the complexity of our technology infrastructure, and volume of digital activity used in transactions, as well as the development of mobile and internet banking platforms and the adoption of emerging technologies such as cloud computing, all play a significant role in providing threat actors with opportunities to exploit existing or new vulnerabilities. Coast Capital must be vigilant and must continue to evolve its information technology and cybersecurity risk management practices.

Regulatory Change

We actively monitor the regulatory environment for changes, including new or amended laws and regulations, as well as to understand the ongoing expectations of government and our regulators. These monitoring activities indicate an increase in the volume of regulatory change as well as an acceleration of the expected implementation timelines. Recent examples of new or revised regulations include significant reforms to federal privacy laws, new consumer protection measures, amended anti-money laundering regulations, and legislation to address artificial intelligence. OSFI also recently released guidelines and engaged in public consultation related to third-party risk management, climate risk disclosures, operational resilience and operational risk management, integrity and security. Responding to regulatory changes requires organizational attention and additional resources to effectively implement and comply with the changes, while also identifying approaches to mitigate potentially adverse impacts on our operations and the achievement of our strategic objectives.

Mass Generative Artificial Intelligence (AI) Risks

There is a widespread recognition of AI's disruptive potential, leading to increased investment and deployment given significant advancements in generative AI capabilities, which continue to grow rapidly.

Potential impacts include strategic misfires due to a lack of AI vision, resulting in improper use cases, talent shortages, compliance issues, and wasted investments. There is also a risk of control failure, with malicious actors exploiting generative AI tools for theft, fraud, and unauthorized use that may compromise data, security, and intellectual property. Generative AI technology capabilities increased faster than expected and continue to grow quickly, accompanied by significant investment and the integration of AI support services and technologies by cloud service providers. The rapid pace of change can increase the risk of failures related to use case adoption, AI talent acquisition or inadequate investments.

Third-Party Support Services Dependency and Exposure

Coast Capital utilizes third-party providers for support services. Digital, cloud and technology third parties are commonplace. Threat actors may target third-party providers in attempt to gain access, disrupt or profit from vulnerabilities. Third-party concentration risk, in particular for cloud services, is emerging for financial institutions through increased reliance on large technology vendors and their exposure to disruption. Regulatory expectations for third-party risk management continue to evolve, and Coast Capital is enhancing its practices to ensure we are fully compliant. Through our vendor security assessment, we select partners that adhere to standard or minimum cybersecurity practices, policies and procedures. Our ongoing vendor management practices include monitoring our material third-party providers to assess inherent and residual risk, including performing periodic control environment reviews.

Environment, Social & Governance (ESG)

Organizations will face challenges with increasing pressure to meet ESG regulatory requirements, investor expectations and customer expectations. The ability to manage ESG risks will be key as demand for sustainability-linked products grows and regulatory oversight materializes in 2025. The challenges would result from the imperative to demonstrate risk management and oversight for ESG commitment and diversity, equity and inclusion through reporting and disclosures, leading to higher levels of accountability around ESG progress. Financial institutions will also face challenges and opportunities in ensuring they have adequate data collection and reporting capabilities for regulatory disclosures and in reallocating their portfolios as the de-carbonization of the economy accelerates in years to come. Coast Capital will face new regulatory oversight of climate risk management from the OSFI in the future.

Climate Risk and Disclosures
Coast Capital supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), and applies the TCFD framework to disclose the evolving risks and impacts associated with climate change, together with possible mitigation strategies. Refer to Coast Capital's separate 2023 Climate Disclosure Statement for further details.

Aligning with industry efforts to address climate change, Coast Capital joined the Net-Zero Banking Alliance (NZBA) in 2021, becoming part of the global initiative to achieve net-zero emissions by 2050, and is a registered member of the Partnership in Carbon Accounting Financials (PCAF). We have also maintained certification as a B Corporation, or B Corp, since 2018, which requires Coast Capital to meet rigorous standards of social and environmental performance and a commitment to continuous improvement. As a federally regulated institution, Coast Capital will also comply with OSFI's Guideline B-15 on Climate Risk Management, including the Minimum Mandatory Climate-Related Financial Disclosure Expectations, starting in 2026 for the 2025 fiscal year-end.

Capital, Liquidity and Market Risk
Effective April 1, 2023, Coast Capital implemented the Basel III banking reforms in accordance with OSFI's revised capital, leverage, liquidity, and disclosure requirements to help Canadian deposit-taking institutions more effectively manage risks and sustain resilience. The Basel III reforms include:
- Capital Adequacy Requirements (CAR) with revised standard approach for credit risk and operational risk
- Leverage Requirements (LR)
- Liquidity Adequacy Requirements (LAR)
- Small- and Medium-Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements
- Pillar 3 Disclosures

Reporting of our 2023 results reflects the revised Basel III disclosures and prior periods have not been restated.

Coast Capital assessed the impact of these changes on its capital position and increased risk sensitivity. The overall impact of the changes was not significant given our long history of prudent lending practice and moderate risk appetite combined with a rigorous risk management framework.

Other Regulatory Capital Developments
On October 20, 2023, OSFI released updates to its CAR guideline, CAR 2024, which take effect fiscal Q1 2024. The revised guideline includes changes to capital requirements associated with negative amortization mortgages with growing balances, where payments are insufficient to cover the interest components. Ongoing updates to CAR have the potential to change the treatment of current lending portfolio assets and impact future risk-weighted assets.

Capital Management
Regulatory Capital Requirements
Coast Capital is committed to maintaining a strong capital base to support the risks associated with our business. We manage our capital in accordance with our internal policy as reviewed and approved by our Board on an annual basis, with review and recommendations from its RRC. The internal policy includes recognition of federal regulations and guidelines as set out by the *Bank Act* and OSFI's Guideline for Capital Adequacy Requirements (CAR) based on the Bank for International Settlements, Basel Committee on Banking Supervision (BCBS) capital guidelines, commonly referred to as Basel III.

We have implemented processes to measure, track and report our regulatory capital ratios based on these guidelines. We remained fully compliant with the applicable regulatory capital requirements as at December 31, 2023, and throughout the year then-ended.

Maintaining a Sustainable Level of Regulatory Capital

Sustainable business growth and expansion of our member-focused products and services depends on our ability to maintain healthy capital ratios. Retained earnings growth, generated through profitable business operations, remains our primary source of capital. This underscores the importance of our pricing decisions and our efforts to manage expenses prudently to ensure we earn positive and sufficient returns.

Total regulatory capital consists of the sum of the following elements:

- Tier 1 capital, which is designed to ensure going concern, is the most permanent and subordinated form of capital and consists of Common Equity Tier 1 (CET 1) capital and Additional Tier 1 (AT 1) capital
- Tier 2 capital, which consists of supplementary capital instruments

In accordance with federal capital adequacy requirements, Coast Capital must maintain a minimum capital base, plus incremental capital related to internal targets, as determined based on the ratio of capital to risk-weighted assets. Our minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% Total Capital.

Coast Capital uses the Standardized Approach for calculating risk-weighted assets for capital adequacy purposes. Under the Standardized Approach, OSFI-recognized external credit rating agencies are used to determine the credit risk ratings of exposures. The external credit rating agencies used are Standard & Poor's, Moody's, and DBRS Morningstar. To assign risk weights to credit exposures not rated by external credit agencies, we use OSFI's prescribed methodology under the Standardized Approach. The capital adequacy requirements also require the allocation of capital to support operational risk. Coast Capital uses the Basic Indicator Approach to measure operational risk.

OSFI also provides additional guidance regarding the treatment of non-qualifying capital instruments The guidance specifies that certain capital instruments eligible under provincial guidelines prior to continuance as a federally regulated institution are subject to inclusion under the OSFI CAR with phase-out arrangements applied at 10% per year starting at the date of continuance as a federally regulated credit union.

Capital Structure and Regulatory Ratios

Our capital ratios, Common Equity Tier 1 (CET1), Tier 1 and Total Capital, increased compared with the prior year-end and remained above the minimum regulatory targets and above our internal targets during the year. CET1 capital increased during the year supported by retained earnings growth, our primary source of regulatory capital, and by an increase in accumulated other comprehensive income. Tier 2 capital increased, reflecting the issuance of qualifying Tier 2 capital instruments with a $100 million par value during the year, representing our first issuance of a non-viability contingent capital (NVCC) subordinated debenture as a federally regulated credit union. The increase in Tier 2 capital from the NVCC issuance was partially offset by a redemption during the year of previously issued capital instruments with a $200 million par value, qualifying as Tier 2 capital subject to phase out arrangements.

Risk-weighted asset growth during the year was modest at 0.2%. Our total exposures, reflecting asset growth and other factors including measurement changes related to compliance with OSFI's 2023 CAR Guidelines, increased by 0.3%. Risk-weighted assets as a percentage of exposures remained flat year-over-year, at 48.4%.

The table below outlines the regulatory capital and risk-weighted asset (RWA) amounts used to calculate our regulatory capital ratios. The summary information shown for year-end 2023 is based on our Pillar 3 Regulatory Disclosure which is available on our public website.

Capital Ratios

Year ended December 31 (in thousands of dollars)	2023	2022
Common Equity Tier 1 Capital (CET1)		
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	2,833	2,895
Retained earnings	1,504,234	1,444,752
Accumulated other comprehensive income (and other reserves)	(33,157)	(75,013)
Regulatory adjustments to Common Equity Tier 1	(120,292)	(111,941)
Common Equity Tier 1 Capital (CET1)	1,353,618	1,260,693
Additional Tier 1 Capital (AT1)		
Directly issued capital instruments subject to phase out from Additional Tier 1	10,473	13,091
Tier 1 Capital (T1 = CET1 + AT1)	1,364,091	1,273,784
Tier 2 Capital (T2)		
Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000	0
Directly issued capital instruments subject to phase out from Tier 2	100,000	150,000
Collective Allowances	57,422	56,511
Tier 2 Capital (T2)	257,422	206,511
Total Capital (TC = T1 + T2)	1,621,513	1,480,295
Total risk-weighted assets	10,792,204	10,773,476
Capital Ratios		
Common Equity Tier 1 (as percentage of risk-weighted assets)	12.5%	11.7%
Tier 1 (as percentage of risk-weighted assets)	12.6%	11.8%
Total capital (as percentage of risk-weighted assets)	15.0%	13.7%
OSFI Target		
Common Equity Tier 1 capital target ratio	7.0%	7.0%
Tier 1 capital target ratio	8.5%	8.5%
Total capital target ratio	10.5%	10.5%
Capital Instruments Subject to Phase-out Arrangements		
Current cap on AT1 instruments subject to phase-out arrangements	10,473	13,091
Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	8,832	7,265
Current cap on T2 instruments subject to phase out arrangements	40%	50%
Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	150,000

In Q1 2020, OSFI introduced a transitional arrangement for expected credit loss provisioning on capital to address the economic conditions arising from the COVID-19 pandemic. Under this arrangement, a portion of allowances that would otherwise have been included in Tier 2 capital were recognized for inclusion in CET1 capital. The impact of this arrangement was an additional $3.1 million in CET1 and Tier 1 capital reported at December 31, 2022. The transitional arrangement was not applicable in 2023. The impact of the arrangement on the capital ratios reported at December 31, 2022 was minimal. The capital figures and ratios reported for December 31, 2022 are reported excluding the transitional arrangement.

The tables below present our assets and exposures based on their risk-weighted values, as used in the calculation of our total risk-weighted assets and regulatory capital ratios. Reporting as at December 31, 2023 reflects the Basel III banking reforms and are aligned with OSFI's 2023 CAR Guidelines, effective Q2 2023. Prior periods have not been restated and the reporting as at December 31, 2022 is based on OSFI's 2019 CAR Guidelines, effective Q1 2019.

Risk-Weighted Assets (RWA) by Weighting Category

As at December 31, 2023
(in thousands of dollars)

	0%	10% to 25%	30% to 45%	50% to 75%	80% to 100%	Above 100%	Other	Total Exposure	2023 Total RWA
Corporate	–	–	–	30,617	214,623	52	–	245,292	224,452
Sovereign	2,145,607	–	–	–	–	–	–	2,145,607	–
Public sector entities	122,299	151,975	–	–	–	–	–	274,274	30,395
Banks	–	290,696	–	–	–	–	–	290,696	40,452
Securities firms and FIs treated as banks	–	–	57,402	–	–	–	–	57,402	17,220
Regulatory retail portfolios	790	–	–	1,364,462	2,592	15,487	–	1,383,331	1,049,168
Commercial real estate	75,760	–	–	2,210,571	796,387	77,232	–	3,159,950	2,338,799
Residential real estate	1,538,255	4,743,324	4,549,510	1,078,487	8,892	25,271	–	11,943,739	3,273,610
Land acquisition, devt and const.	–	–	–	–	863,326	898,135	–	1,761,461	2,388,614
Equity	–	–	–	–	–	2,100	–	2,100	5,250
Other assets	328,970	3,092	–	–	157,295	11,579	–	500,936	186,858
Off-balance sheet exposures	–	167,159	30,928	120,937	93,083	39,932	–	452,039	279,256
Derivatives	–	12,450	–	–	–	–	–	12,450	2,490
Credit value adjustment	–	–	–	–	–	–	13,523	13,523	5,697
Operational risk	–	–	–	–	–	–	75,995	75,995	949,943
Total Risk Weighted Assets	**4,211,681**	**5,368,696**	**4,637,840**	**4,805,074**	**2,136,198**	**1,069,788**	**89,518**	**22,318,795**	**10,792,204**

As at December 31, 2022
(in thousands of dollars)

	0%	10% to 25%	30% to 45%	50% to 75%	80% to 100%	Above 100%	Other	Total Exposure	2022 Total RWA
Corporate	–	–	–	86,861	4,678,344	–	–	4,765,205	4,721,775
Sovereign	2,755,241	–	–	–	–	–	–	2,755,241	–
Banks	113,232	417,541	–	29,583	–	–	–	560,356	98,300
Retail residential mortgages	1,586,381		10,506,879	152,391	3,045	–	–	12,248,696	3,794,746
Other retail									
Excluding small business entities	–	–	–	155,036	–	1,723	–	156,759	118,862
Small business entities	–	–	–	1,166,095	–	6,361	–	1,172,456	884,113
Equity	–	–	–	–	2,100	–	–	2,100	2,100
Off-balance sheet exposures	10,554	–	1,006	6,726	28,519	–	–	46,805	33,916
Derivative exposures	–	12,201	–	–	–	562	–	12,763	9,462
Other	288,205	3,121	–	–	154,910	16,084	–	462,320	195,744
Operational risk	–	–	–	–	–	–	73,157	73,157	914,459
Total Risk Weighted Assets	**4,753,613**	**432,863**	**10,507,885**	**1,596,692**	**4,866,918**	**24,730**	**73,157**	**22,255,858**	**10,773,476**

Under the OSFI Leverage Requirements Guideline, federally regulated deposit-taking institutions are expected to maintain a Basel III leverage ratio that meets or exceeds 3% at all times. The leverage ratio is calculated based on the ratio of Tier 1 capital to total exposure. Total exposure is measured based on unweighted on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

Our leverage ratio at year-end was 6.2% and exceeded the current minimum requirement throughout the year. Our leverage ratio increased by 0.5% compared with 5.7% as at the prior year-end. The increase reflects Tier 1 capital growth during the year, attributed to an increase in CET1 capital as discussed above, as well as a decrease in our total exposures.

The table below outlines the Tier 1 capital and total exposure amounts used to calculate our leverage ratio. The summary information shown for year-end 2023 is based on our Pillar 3 Regulatory Disclosure which is available on our public website.

Leverage Ratio

Year ended December 31 (in thousands of dollars)	2023	2022
On-Balance Sheet Exposures		
On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	21,618,929	22,011,355
Asset amounts deducted in determining Tier 1 capital	(120,292)	(111,941)
Total on-balance sheet exposures (excluding derivatives and SFTs)	21,498,637	21,899,414
Derivative Exposures		
Replacement cost associated with all derivative transactions	3,858	3,930
Add-on amounts for potential future exposure associated with all derivative transactions	8,592	8,270
Total derivative exposures	12,450	12,200
Securities Financing Transaction Exposures		
Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	88,437	116,501
Netted amounts of cash payables and cash receivables of gross SFT assets	(88,437)	(116,501)
Counterparty credit risk (CCR) exposure for SFTs	21,909	35,575
Total securities financing transaction exposures	21,909	35,575
Other Off-Balance Sheet Exposures		
Off-balance sheet exposure at gross notional amount	4,244,345	4,631,888
Adjustments for conversion to credit equivalent amounts	(3,792,200)	(4,131,557)
Total Other Off-Balance Sheet Exposures	452,145	500,331
Capital and total exposures		
Tier 1 capital	1,364,091	1,273,784
Total exposures	21,985,141	22,447,520
Basel III Leverage Ratio	**6.2%**	**5.7%**

Monitoring Capital Adequacy Risk

Our Internal Capital Adequacy Assessment Process (ICAAP) is jointly led by our Finance and Group Risk Management teams. The ICAAP is reviewed (at minimum) annually by the RRC with additional review and approval by the Board. The ICAAP provides a framework for determining the amount of capital that we require to manage unexpected losses arising from adverse economic and operational conditions. Modelling and stress testing, applied to near-term and longer-term planning, forecasting and strategic objectives, are key components of the ICAAP.

Our ICAAP includes the following elements:

- Identification and assessment of material risks and of risk mitigants.
- Internal calculation of required capital levels based on the financial plan and on current and prospective risk profiles.
- Assessment of internal capital targets for reasonableness relative to internal and regulatory capital requirements.
- Projection of capital levels over multiple years and assessment against regulatory and internal capital requirements.
- Stress testing, which assesses the potential impact of severe but plausible events, such as severe economic recessions, liquidity and interest rate shocks, flood and cyberattacks.
- Development of contingency plans to be deployed in the event that severe stresses materialize.
- Monitoring and reporting, which ensures that senior management monitors required capital levels against available capital on a regular basis. The results of this assessment are shared with EXCO and Board committees. The ICAAP report is drafted by senior management and approved by the Board on an annual basis. Between regular ICAAP cycles, the ICAAP is updated (if needed) to reflect material changes in the risk profile of the organization.
- Internal control review, which describes the governance process in place to ensure adequate review and challenge of ICAAP conclusions by senior management, the Board and Internal Audit.

Application of the ICAAP in 2023 confirms that our capital levels are healthy and sufficient for achieving our strategic plans and for successfully navigating through all stress scenarios considered. Federally regulated financial institutions must maintain robust and credible recovery plans that identify options to restore financial strength and viability when under severe stress. Coast Capital maintains and updates its recovery plan in line with OSFI requirements and industry best practices.

Liquidity Risk and Funding Management

Liquidity risk is the risk of insufficient acquisition or inappropriate management of funding, which threatens the capacity to grow, and the exposure to loss as a result of the inability to satisfy cash flow obligations in a timely and cost-effective manner, impacting our ability to achieve business objectives.

Liquidity Risk Governance

Coast Capital prudently manages its liquidity risk to ensure sufficient liquidity is available to support ongoing and new business activities and to withstand a range of stresses, by maintaining a sufficient level of High-Quality Liquid Assets (HQLA).

The Board defines the overall liquidity risk tolerance and seeks to ensure that it supports Coast Capital's business strategy, its role in the financial system, and the protection of members' deposits. The Treasury and Finance departments manage liquidity risk within established limits and ensure that business and strategic plans align with those limits. GRM and ALCO provide independent oversight to ensure adherence with appropriate risk management policies. The RRC provides ultimate oversight.

ALCO, RRC, and the Board review Coast Capital's liquidity and funding risk policy on an annual basis and the Board provides final approval.

Liquidity Risk Management

As a federal credit union, Coast Capital must adhere to guidelines and requirements as set out by OSFI, including guidelines and requirements specific to maintaining adequate and appropriate forms of liquidity.

Liquidity Adequacy Requirements

Coast Capital manages its liquidity to comply with the regulatory liquidity metrics according to the OSFI Liquidity Adequacy Requirements (LAR) Guideline. These metrics include the Liquidity Coverage Ratio (LCR), based on the Basel III liquidity framework, and the OSFI-designed Net Cumulative Cash Flow (NCCF) supervisory tool. The LCR requires that banks maintain a sufficient stock of unencumbered HQLAs to meet net short-term financial obligations over a 30-day period in an acute stress scenario. In addition to the minimum standards, Coast Capital establishes a Board limit above the OSFI minimum for each of these metrics, along with management limits that are used for the day-to-day management of liquidity.

Coast Capital remained fully compliant with applicable regulatory requirements for liquidity throughout the year ended December 31, 2023.

Supplemental Liquidity Management Activities

Contingency Funding Plan. We maintain a liquidity Contingency Funding Plan, which includes ongoing monitoring of our liquidity levels, as well as the actions that will be taken should we experience a liquidity event (formulated taking into account the outcomes of our liquidity risk stress testing programs). The plan details the approach for analyzing and responding to actual and potential liquidity events, outlines an appropriate governance structure for the management and monitoring of liquidity events and establishes clear lines of responsibility, as well as invocation and escalation procedures. The Contingency Funding Plan is regularly tested and updated.

Resolution Plan. Federally regulated financial institutions must maintain robust and credible recovery plans that identify options to restore financial strength and viability when under severe stress. Coast Capital maintains and updates its recovery plan in line with OSFI requirements and industry best practices.

Stress Testing Program. We maintain a liquidity stress testing program that:

- Considers extreme but plausible scenarios that capture both Coast Capital specific and systemic market-wide disruptions
- Compares the outcomes of stress tests to the liquidity risk tolerance established by the Board
- Informs the limit setting decisions of various liquidity metrics, such as the LCR and NCCF
- Provides information for assessing the adequacy of the Liquidity Contingency Funding Plan

Stock of Liquid Assets. The stock of HQLAs is designed to ensure continuous compliance with policy limits of the LCR and NCCF and internal liquidity stress tests. It is tested periodically to ensure the eligibility for repurchase agreements and central bank pledging.

Coast Capital holds liquid assets in the form of cash and cash resources and marketable debt securities, including securities purchased under reverse repurchasing agreements. The financial investments are comprised primarily of securities issued or guaranteed by the Government of Canada, provinces or municipalities. As at December 31, 2023, our liquid assets totalled $3.1 billion and represented 14.3% of total assets.

Liquid Assets

As at December 31

(in thousands of dollars)	2023
Cash and cash resources	49,364
Financial investments	
Securities issued or guaranteed by sovereigns	814,900
National Housing Act (NHA) mortgage-backed securities	725,471
Canada Mortgage Bonds	597,088
Securities issued by provinces or municipalities	244,490
Securities purchased through reverse repurchasing agreements	88,437
Covered bonds (not self-issued)	8,539
Non-financial corporate bonds	117,786
NHA mortgage-backed securities (reported as loans at amortized cost)	461,124
Total Liquid Assets	3,107,199
Total Assets	21,704,611
Encumbered Assets	785,939
Unencumbered Assets	2,321,259

Assets are considered to be HQLA if they can be easily and immediately converted into cash at little or no loss of value. The liquidity of an asset depends on the underlying stress scenario, the volume to be monetized and the time-frame under consideration. Nevertheless, by their nature, certain assets are more likely to generate funds without incurring large discounts in sale or repurchase agreement (repo) market sales, even in times of stress.

Funding Management

To improve our ability to respond to and manage liquidity and funding requirements, we maintain suitable diversification of our funding sources. This includes diversification across tenors and providers of retail and wholesale liquidity, including retail and commercial deposits, institutional deposits, borrowing facilities, debt capital markets, securitization and repurchase agreements. Funding relationships that provide an opportunity to build deeper connections, such as with our retail and commercial members, enhance the stability of our funding, and are preferable to single-point funding relationships, such as through capital markets and institutional relationships.

To maintain sound diversification of our liquidity funding, targets and limits by funding source have been established. These targets and limits form part of our overall liquidity policy and are monitored regularly to ensure adherence. The targets and limits established take into consideration the volatility of different funding sources, among other things. Monthly reporting on our liquidity position is submitted to ALCO. The monthly reporting includes information on our concentration of funding across time horizons and also includes market-related monitoring information, such as:

- Unsecured and secured funding rates for various tenors and by specific instrument issued
- Current short-term secured and unsecured funding spreads
- Material balances held at central banks or other financial institutions
- Trends in collateral flows, net balances and stress test projections

Maintaining healthy borrowing facilities and access to other funding programs is essential for managing both short-term and long-term funding needs. Our borrowing channels include facilities with Central 1 and other financial institutions, and participation in the Government of Canada's *National Housing Act* Mortgage Backed Securities (NHA MBS) and Canada Mortgage Bond (CMB) programs. Additionally, to access funding through capital markets we maintain issuer ratings with DBRS Morningstar.

Borrowing facilities and funding programs currently in use include:

- Lines of credit with Central 1 and other financial institutions. Our outstanding borrowings through these facilities were maintained at $200 million in 2023.
- Short-term commercial paper. At year-end, the outstanding balance of issued short-term commercial paper was $189 million.
- Floating rate notes. At the start of the year we had one floating rate note outstanding with a principal amount of $200 million. The note matured during the year and at year-end we had no floating rate notes outstanding.
- Fixed rate notes. At year-end, we had three fixed rate notes outstanding with a combined principal amount of $600 million.
- NHA MBS and CMB programs. These programs allow us to obtain low-cost funding through a process of securitizing existing mortgages or using the NHA MBS as security in repurchasing agreements. Borrowing through these programs totalled $536 million at year-end.

Long-term subordinated notes. In 2018 we issued two series of notes with a combined par value of $300 million. In 2023 we redeemed one of the outstanding note series having a par value of $200 million and issued a new non-viability contingent capital (NVCC) subordinated note series with a par value of $100 million. Additional information related to outstanding notes is provided in Note 16 of the Notes to the Consolidated Financial Statements.

In addition to the above, at the onset of the COVID-19 pandemic, the Bank of Canada initiated liquidity programs to assist financial institutions and provide an additional risk mitigation measure. Coast Capital contracted to participate in two of these programs: the Standing Term Liquidity Facility (STLF) and the Emergency Lending Assistance (ELA). Coast Capital has not utilized these programs to date.

Our credit ratings, issued by DBRS Morningstar, demonstrate the soundness of our financial position, providing assurance to our members and to capital market participants. In 2016 Coast Capital received its initial ratings: long-term issuer rating BBB (high), short-term issuer rating R-1 (low). Both were reconfirmed in 2023 without change. Changes to our credit ratings impact our borrowing costs and ability to raise funds in capital markets. Rating downgrades could potentially result in higher financing costs, increased requirement to pledge collateral and reduced access to capital markets. The credit ratings provided by rating agencies reflect the views of the rating providers and are subject to change based on a number of factors, including our financial strength, competitive position and liquidity, in addition to factors not entirely within our control, including the methodologies used by rating agencies and conditions affecting the overall financial services industry.

Contractual Obligations

Coast Capital's liquidity position is impacted by contracts that it enters into in the normal course of business that give rise to contractual obligations. Note 28 in the Consolidated Financial Statements provides details of the mismatch between the contractual maturity of our on-balance sheet assets and liabilities. Under normal market conditions, these maturity gaps are generally funded by members rolling over or renewing their deposits as, typically, credit union deposits are growing. Aside from the obligations related to deposits and borrowings discussed above, Coast Capital also has off-balance sheet obligations related to credit commitments. Details of contractual maturities and commitments to extend funds are a source of information for the management of liquidity risk and are monitored and reported to ALCO on a regular basis.

Risk Information Specific to Our Financial Reporting

(Shaded information that follows on pages 53-57 is an integral part of the audited financial statements)

Credit Risk

Credit risk is the risk of a counterparty, borrower, obligor, or guarantor (collectively as "counterparty") being unable or unwilling to fulfill its obligations for a financial transaction on a timely manner. Credit risk can also occur when the underlying collateral becomes impaired (loses value) due to deterioration in the credit quality of the counterparty. To track risk migration or deterioration, credit risk is monitored and reassessed. Management and Board committees receive Risk Migration reports in order to ensure that risk remains within risk appetite and tolerance.

Credit Risk Management Overview

Credit risk arises from every loan, credit or transaction, and extension of these obligations that involves the transfer of funds between Coast Capital and the counterparty, including actual, contingent or potential claims. Credit risk includes credit default, credit concentration and credit transaction risks. Coast Capital supports a strong risk culture by maintaining a Credit Risk Management Framework and supporting policies designed to describe risk appetite, principles, methodologies, limits, roles and responsibilities, and controls to manage credit risk within the organization.

Credit Risk Governance

The responsibility for managing credit risk is enterprise-wide and shared broadly following the three lines of defence governance model. Coast Capital governs and manages credit risk by providing strong oversight and control of risk with clear accountabilities based on Coast Capital's risk principles and practices as defined by the three lines of defence governance model.

The Board, through its RRC, delegates credit risk approval limits to the President & CEO and CRO on an annual basis. To facilitate day-to-day business operations, the CRO further delegates credit risk approval limits to individuals within a centralized Credit Risk Management function and the retail business line, as appropriate.

Each business line is responsible for adhering to the established credit risk assessment standards and must comply with established policies, exception procedures and credit approval limits. Any credit decisions beyond their discretionary limits must obtain approval from Credit Risk Management.

Credit Risk Management is accountable for oversight of credit risk by developing frameworks, policies and procedures that govern and control portfolio risks. The Risk Review Committee oversees the management of credit risk and approves certain significant credit risk policies.

Credit Risk Assessment

Coast Capital utilizes a range of methodologies and tools to measure and manage the credit risk in our retail and commercial portfolios. Our credit risk rating systems measure and assess the credit risk inherent in our retail and commercial lending activities in a consistent and replicable manner.

Within our commercial business line, Coast Capital uses a dual probability and loss given default risk rating scale to evaluate the creditworthiness of its commercial borrowers. The risk rating system is transparent and replicable for an individual commercial borrower's risk rating based on the documented standards for each of the risk rating categories. For the retail business line, Coast Capital uses a matrix of beacon score, total debt service ratio, and loan to value ratio to evaluate the creditworthiness of an individual retail borrower.

Credit Risk Mitigation

Coast Capital has documented framework, policies and procedures that set out the requirements for the mitigation of credit risk. The extent of the risk mitigation provided by the collateral security depends on the amount, type and quality of the collateral security taken. In the retail and commercial business lines, collateral security is primarily non-financial and includes residential and commercial real estate (including real estate under development), automobiles and other business assets (such as equipment, inventory and accounts receivable). Coast Capital may take liquid assets, securities and guarantees to reduce the risk in its credit exposures. Coast Capital uses a risk-based approach to property valuation when adjudicating loans collateralized by real estate. To support property valuations, third-party valuations are used, such as appraisals and automated valuation models. To ensure that risk remains within established tolerance levels, monitoring and periodic reassessment of collateral values take place depending on asset type and based on external conditions.

Exposure to Credit Risk

The table below presents the maximum exposure to credit risk of financial instruments before taking into account collateral held or other credit enhancements. It includes financial instruments held both on- and off-balance sheet. For on-balance sheet assets, the credit risk exposure equals their carrying amount. For financial guarantees granted, the exposure is the maximum amount that we would have to pay if counterparties called upon the guarantees. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

Maximum Exposure to Credit Risk

As at December 31, 2023

(in thousands of dollars)	Banking	Derivatives
On-Balance Sheet		
Cash held at Central 1	201,786	
Investments held at Central 1	160,044	
Other investments	2,644,739	
Loans	18,407,686	
Derivative instruments	–	2,756
Accounts receivable and accrued interest	60,021	
	21,474,276	2,756
Off-Balance Sheet		
Letters of credit	74,612	
Commitments to extend credit	4,330,180	
	4,404,792	–
Maximum exposure to credit risk	25,879,068	2,756

Credit Risk Mitigation

As at December 31, 2023 (in thousands of dollars)	Amounts in Consolidated Balance Sheet	Amounts covered by: Financial collateral received or pledged	Guarantees/ credit derivatives	Net amounts
Financial Assets				
Loans				
Residential mortgages	12,004,258	–	1,634,198	10,370,060
Personal loans	448,030	13,228	–	434,802
Commercial loans and mortgages	5,032,128	19,009	–	5,013,119
Equipment financing	923,270	–	–	923,270
Financial investments	2,637,554	–	–	2,637,554
Derivatives	2,756	–	–	2,756
Total	21,047,996	32,237	1,634,198	19,381,561

Credit Concentration Risk

Concentration risk arises where there is a material direct and/or indirect exposure to a single counterparty or group of counterparties that share similar characteristics. Residential mortgages represent our largest concentration of credit exposure at 62.7% of the total exposure. We carry out the majority of our residential lending activities in the Metro Vancouver, Fraser Valley and southern Vancouver Island regions of B.C., as well as in areas serviced by our branches located in the central Vancouver Island region and in the B.C. Interior. Residential real estate prices in our region of operation have experienced price fluctuations in recent years. Understanding that prices often move and fluctuate in cyclical patterns, we monitor our residential real estate exposure on an ongoing basis, including modelling of price change impacts on collateral value and validating the performance of our automated valuation models. This monitoring, combined with sound underwriting practices, ensures our residential real estate risk exposure is maintained within an acceptable level.

Distribution of Credit Exposure by Portfolio and Industry

As at December 31, 2023 (in thousands of dollars)	Outstanding loans	Mix %	Undrawn commitments	Letters of credit	Total exposure
Retail mortgages	12,004,258	65.2	2,050,893		14,055,151
Retail loans	448,030	2.4	745,932		1,193,962
Commercial					
Accommodation and food services	285,477	1.6	8,256	40	293,773
Construction	1,690,907	9.2	834,609	57,761	2,583,277
Health care and social assistance	101,931	0.6	6,928	47	108,906
Management of companies and enterprises	128,457	0.7	10,344	475	139,276
Manufacturing	86,980	0.5	14,539	177	101,696
Other	235,469	1.3	59,317	9,184	303,970
Professional, scientific and technical services	50,071	0.3	15,058	982	66,111
Real estate and rental and leasing	2,240,659	12.2	154,918	3,291	2,398,868
Retail and wholesale trade	147,122	0.8	21,179	2,430	170,731
Transportation and warehousing	988,325	5.4	12,302	225	1,000,852
Total	18,407,686	100.0	3,934,275	74,612	22,416,573

Counterparty Credit Risk on Derivative Exposures

Over-the-counter derivative instruments are subject to credit risk as the counterparties to these arrangements may default on their obligations while the exposures have a positive value to Coast Capital at the time of the default. Counterparty credit risk is mitigated through our formal market risk policy, which includes an approved list of counterparties for derivative instruments, limits on net credit exposure after collateral is considered, and minimum counterparty credit risk rating requirements. Information on our derivative instrument credit risk exposure is provided in Note 29 of the Notes to the Consolidated Financial Statements.

Market Risk

Market risk relates to changes in market rates, prices or liquidity in various markets such as for interest rates, credit, foreign exchange, equities, and commodities. Market risk can impact our profitability, capital and ability to achieve business objectives.

Interest Rate Risk

The majority of our revenue is generated from net interest income, or the spread between the interest we earn on loans and the interest we pay on deposits. Our Treasury Department employs strategies to manage the spread between deposit and loan interest rates for different maturities while remaining within our risk appetite policy limits. The Treasury Department also provides recommendations to ALCO. ALCO meets regularly to review our interest rate risk profile in conjunction with the current economic environment and sets direction for management to develop and implement strategies for managing market risk.

Interest rate risk results from mismatches in the maturities or repricing dates of our interest rate sensitive asset and liability positions, both on and off of our Consolidated Balance Sheet. Changes in market interest rates affect net interest income by altering the amount and timing of cash flows and spreads. Changes in market interest rates and changes in duration of assets and liabilities can also affect the economic value of our assets, liabilities and off-balance sheet positions. The economic value of an instrument is the present value of the expected net cash flows, discounted to reflect market rates. The economic value reflects a view of the sensitivity of value of equity to changes in interest rates.

Structural interest rate risk is primarily comprised of duration mismatch risk and option risk embedded within the structure of our asset and liability portfolio. Differences in the scheduled maturity, repricing dates or reference rates of assets, liabilities and derivatives cause duration mismatch. Certain product features also allow our members to alter scheduled maturity or repricing dates, resulting in product-embedded option risks. These product features include deposit early redemption options, loan prepayment options and interest rate commitments on loans yet to be funded. The maturity and repricing profile of our asset and liability portfolio changes daily in the normal course of business as new assets and liabilities are originated, existing assets and liabilities mature, and as members exercise different product options related to their loans and deposits.

Activities to manage structural interest rate risk balance short-term income volatility against volatility in the long-term value of equity. The Treasury Department uses both on-balance sheet exposures and derivatives, to manage structural interest rate risk, while adhering to the risk limits and tolerances approved by ALCO and the Board.

Interest Rate Risk Metrics and Exposures

We control our exposure to interest rate risk by managing overall sensitivity to changes in interest rates. We monitor and manage the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods and we conduct sensitivity analysis to measure structural interest rate risk related to our net interest income and our economic value of equity with the objective to generate stable and predictable earnings over time while also protecting the economic value. Net interest income sensitivity is measured based on the potential reduction in net interest income due to interest rate movements over a one-year horizon. Economic value of equity sensitivity is measured based on the potential reduction in economic value of equity due to interest rate movements.

The table below summarizes the transition we experienced during the year as members adjusted to the higher interest rate environment. Our liabilities shifted towards longer-term deposits (maturing over 1 year), and in our assets shifted away from variable rate to fixed rate loans (maturing over 1 year).

Asset and Liability Maturities

As at December 31

(in thousands of dollars)			2023			2022
	Assets	Liabilities and equity	Differential	Assets	Liabilities and equity	Differential
Variable rate	6,311,286	200,000	6,111,286	7,549,046	400,000	7,149,046
Interest sensitive maturing:						
Under 3 months in 2024	1,005,923	4,740,742	(3,734,819)	1,356,748	6,246,542	(4,889,794)
Over 3 to 6 months in 2024	1,135,489	1,922,682	(787,193)	1,205,656	1,672,172	(466,516)
Over 6 to 12 months in 2024	2,217,438	4,758,334	(2,540,896)	1,973,395	4,983,922	(3,010,527)
Over 1 to 5 years in 2025 to 2029	10,336,524	8,022,447	2,314,077	9,371,929	6,956,468	2,415,461
Over 5 years in 2030 and beyond	165,605	61,581	104,024	169,581	4,139	165,442
Non-interest-bearing items(1)	532,346	1,998,825	(1,466,479)	504,159	1,867,271	(1,363,112)
	21,704,611	21,704,611	–	22,130,514	22,130,514	–

(1) Assets include cash, accrued interest receivable, premises and equipment and other items. Liabilities and equity include accrued interest payable, retained earnings, accumulated other comprehensive income, share capital and other items.

The table below provides an estimate of the sensitivity of our net interest income to a change in interest rates. The amounts represent the estimated change in net interest income over a one-year period resulting from a 1% change in interest rates.

As at December 31

(in thousands of dollars)	2023	2022
1% increase in rates	25,527	23,331
1% decrease in rates	(17,078)	(14,516)

Based on the earnings sensitivity analysis above and additional sensitivity analysis we perform on our economic value of equity, our exposure to interest rate risk is within our established risk tolerances.

Financial Reporting Controls, Estimates and Judgments

Internal Controls Over Financial Reporting and Disclosures

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Because of its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis. We are always looking for best practices in financial reporting and corporate governance. To this end, similar to public companies, we have a process in place to evaluate the design and operating effectiveness of our ICFR. Through this evaluation process, we strive to continually strengthen our system of internal controls over financial reporting.

Use of Critical Estimates and Judgments

The preparation of financial information requires the use of estimates and judgments about future conditions. Management's selection of Coast Capital's significant accounting policies, which contain critical estimates and judgments, are discussed in Note 2 to the Consolidated Financial Statements. It reflects the materiality of the items to which the policies are applied, and the high degree of judgment and estimation uncertainty involved.

	Further relevant information	
Item	Consolidated Financial Statements	MD&A
Allowance for expected credit losses	Notes 2(c), 7	Credit and counterparty risk
Valuation of financial instruments	Note 30	Market risk
Income taxes and deferred tax assets	Notes 2(h), 25	
Impairment of goodwill and other intangible assets	Notes 2(g), 10	
Leases	Notes 2(e), 18	

Future Accounting Changes

The International Accounting Standards Board (IASB) has issued and amended accounting standards that are effective for Coast Capital after December 31, 2023. Refer to Note 4 to the Consolidated Financial Statements for further information on these changes.

Non-GAAP and Other Financial Measures

Management uses a number of financial measures and ratios to assess overall performance. Some of these measures do not have a standardized definition prescribed by Generally Accepted Accounting Principles (GAAP) and might not be comparable to similar measures presented by other companies. Presenting non-GAAP or supplementary financial measures and ratios provide readers with a better understanding of how management assesses results and the underlying business performance. Information regarding the composition of non-GAAP and other financial measures, including supplementary financial measures, is provided below.

Assets under administration (AUA) are financial assets that are managed by a third-party on behalf of members and clients. These assets are not reported on our Consolidated Balance Sheet.

Average assets is calculated based on month-end asset balances.

Average equity is calculated based on month-end balances for total members' equity.

Average net loans is calculated based on month-end loan balances net of allowances for credit losses.

Average total loans is calculated based on month-end loan balances.

Gross impaired loans as a percentage of total loans is a ratio calculated by dividing gross impaired loans by the total loan balance.

Loan write-offs as a percentage of average total loans is a ratio calculated by dividing loans written-off by the average total loans.

Net impaired loans as a percentage of total members' equity is a ratio calculated by dividing net impaired loans by total members' equity.

Net interest income as a percentage of average assets is a measure of profitability and is calculated by dividing net interest income by average total assets.

Net interest margin is a measure of profitability and is calculated by dividing net interest income by average total assets.

Non-interest expenses as percentage of average assets is a measure of productivity and cost control and is calculated by dividing non-interest expenses by average total assets.

Non-interest income as percentage of average assets is a measure of profitability and is calculated by dividing non-interest income by average total assets.

Operating efficiency ratio is a measure of productivity and cost control and is calculated by dividing non-interest expenses by total revenue.

Provision for credit losses as a percentage of average net loans is a ratio calculated by dividing provisions for credit losses by the average net loans.

Return on average assets (Net income as percentage of average assets) is a measure of profitability and is calculated based on net income divided by average assets, expressed as a percentage.

Return on average equity (Net income as percentage of average equity) is a measure of profitability and is calculated based on net income divided by average members' equity, expressed as a percentage.

Total allowance for credit losses as a percentage of total loans is a ratio calculated by dividing the total allowance for loan losses divided by the total loan balance.

Total assets under administration is calculated by adding total assets reported on our Consolidated Balance Sheet to assets under administration, as defined above.

Consolidated Financial Statements

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Management's Responsibility for Financial Reporting

The consolidated financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors (the Board).

The consolidated financial statements for the year ended December 31, 2023, have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The financial statements also comply with the provisions of the *Bank Act* (Canada) and related regulations, including interpretations of IFRS Accounting Standards by our regulator, the Office of the Superintendent of Financial Institutions Canada. The consolidated financial statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Office of the Superintendent of Financial Institutions Canada, which is mandated to protect the rights and interests of the depositors and creditors of the Bank, examines and enquires into the business and affairs of the Bank, as deemed necessary, to determine whether the provisions of the *Bank Act* are being complied with, and that the Bank is in a sound financial condition.

In meeting its responsibility for the reliability of financial data, as well as the accounting systems from which they are derived, management maintains comprehensive internal controls over transactions and related accounting practices. Controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability; the careful selection and training of personnel; the application of accounting and administrative policies and procedures necessary to ensure adequate internal control over transactions, assets and records; and a continued program of extensive internal audits. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements, maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition.

The Board has appointed an Audit and Finance Committee, comprised of five independent directors, to review with management and auditors the annual consolidated financial statements prior to submission to the Board for final approval. KPMG LLP has been appointed by the membership as independent auditors to examine and report on the consolidated financial statements, and their report appears on the next page. They have full and free access to and meet periodically with the internal audit staff and the Audit and Finance Committee of the Board.

Helen Blackburn
Chief Financial Officer

Calvin MacInnis
President and Chief Executive Officer

Independent Auditor's Report

To the Members of Coast Capital Savings Federal Credit Union

Opinion

We have audited the consolidated financial statements of Coast Capital Savings Federal Credit Union (the Credit Union), which comprise:

- the consolidated balance sheet as at December 31, 2023
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' equity for the year then ended
- the consolidated statement of cash flows for the year then ended,
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of the Credit Union as at December 31, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Consolidated Financial Statements"* section of our auditor's report.

We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 included in Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 Management's Discussion & Analysis 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 regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 consolidated financial statements, management is responsible for assessing the Credit Union'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 the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Credit Union'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 the Credit Union'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 consolidated 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 the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
February 22, 2024

Consolidated Balance Sheet

As at December 31

(Amounts in thousands of Canadian dollars)	Notes	2023	2022
Assets			
Cash and cash resources		209,015	164,897
Interest bearing deposits with financial institution	5	160,000	151,395
Financial investments	6	2,637,554	3,257,112
Loans	7		
Residential mortgages		12,004,258	12,244,807
Personal loans		448,030	419,898
Commercial mortgages and loans		5,032,128	4,789,354
Equipment financing		923,270	814,529
		18,407,686	18,268,588
Allowance for loan losses	7	(60,558)	(57,436)
		18,347,128	18,211,152
Premises and equipment	9	60,941	65,473
Goodwill and intangible assets	10	115,071	108,757
Deferred tax assets	25	16,800	19,268
Derivative assets	29	2,756	2,659
Other assets	11	155,346	149,801
Total assets		21,704,611	22,130,514
Liabilities			
Deposits	12	18,062,203	18,570,139
Borrowings	13	988,072	1,066,267
Secured borrowings	14	537,252	445,110
Subordinated debentures	16	197,301	297,928
Derivative liabilities	29	4,754	2,965
Other liabilities	17	421,814	355,115
Total liabilities		20,211,396	20,737,524
Members' Equity			
Share capital	20	22,138	23,251
Retained earnings		1,504,234	1,444,752
Accumulated other comprehensive loss		(33,157)	(75,013)
Total members' equity		1,493,215	1,392,990
Total liabilities and members' equity		21,704,611	22,130,514

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

Bob Armstrong
Chair, Board of Directors

Calvin MacInnis
President & Chief Executive Officer

Consolidated Statement of Income

For the year ended December 31 *(Amounts in thousands of Canadian dollars)*	Notes	2023	2022
Interest Income			
Loans	21	893,577	669,900
Cash and financial investments	21	84,686	52,321
Derivatives	21	–	148
		978,263	722,369
Interest Expense			
Deposits	21	514,347	244,061
Borrowings	21	88,098	59,953
Derivatives	21	2,082	–
		604,527	304,014
Net Interest Income		373,736	418,355
Non-Interest Income			
Fees and commission income	22	96,673	96,783
Net gain from securitization activities		4,900	1,806
Net gain from sale of financial investments		13	604
Other income		8,414	9,040
		110,000	108,233
Total Revenue		483,736	526,588
Provision for credit losses	7	10,014	2,134
		473,722	524,454
Non-Interest Expenses			
Salaries and employee benefits	23	223,051	230,263
Administration	24	80,398	81,953
Technology		40,604	40,778
Occupancy		11,730	11,820
Depreciation and amortization		36,453	36,925
Community contributions		6,244	4,658
		398,480	406,397
Income Before Provision for Income Taxes		75,242	118,057
Provision for income taxes	25	16,769	23,985
Net Income		58,473	94,072

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31 *(Amounts in thousands of Canadian dollars)*	2023	2022
Net Income	58,473	94,072
Other Comprehensive Income (Loss), Net of Income Taxes		
Items that will not be reclassified subsequently to net income:		
Actuarial (losses) gains on defined benefit pension plans	(173)	504
- before income taxes	(208)	607
- income tax recovery (provision)	35	(103)
Items that will be reclassified subsequently to net income:		
Unrealized gains (losses) on financial investments classified at fair value through other comprehensive income	40,665	(72,154)
- before income taxes	48,994	(86,933)
- income tax (provision) recovery	(8,329)	14,779
Net gains (losses) on effective portion of cash flow hedges	1,191	(1,006)
- before income taxes	1,435	(1,212)
- income tax (provision) recovery	(244)	206
Total other comprehensive income (loss)	41,683	(72,656)
Comprehensive income	100,156	21,416

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Members' Equity

For the year ended December 31 *(Amounts in thousands of Canadian dollars)*	Notes	2023	2022
Share Capital	20		
Balance at beginning of year		23,251	24,330
Shares issued		188	623
Shares redeemed		(1,301)	(1,702)
Balance at end of year		22,138	23,251
Retained Earnings			
Balance at beginning of year		1,444,752	1,350,787
Net income		58,473	94,072
Actuarial (losses) gains on defined benefit plans, net of income taxes		(173)	504
Share dividends		(817)	(737)
Income tax deduction on dividends		139	126
Other equity adjustments		1,860	–
Balance at end of year		1,504,234	1,444,752
Accumulated Other Comprehensive Income			
Financial Investments Classified as FVOCI			
Balance at beginning of year		(73,822)	(1,668)
Other comprehensive income (loss)		40,665	(72,154)
Balance at end of year		(33,157)	(73,822)
Cash Flow Hedges			
Balance at beginning of year		(1,191)	(185)
Other comprehensive income (loss)		1,191	(1,006)
Balance at end of year		–	(1,191)
Total accumulated other comprehensive loss		(33,157)	(75,013)
Total members' equity		1,493,215	1,392,990

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31 *(Amounts in thousands of Canadian dollars)*	2023	2022
Cash Flows From Operating Activities		
Income before provision for income taxes	75,242	118,057
Adjustment for non-cash items:		
Depreciation and amortization	36,453	36,925
Provision for credit losses	10,014	2,134
Unrealized foreign exchange losses (gains) within financial investments	167	(2,004)
Net gain on disposal of premises and equipment	–	(265)
Changes in operating assets and liabilities		
Change in other assets	(9,415)	(30,113)
Change in other liabilities	71,699	45,798
Net increase in loans	(145,990)	(262,482)
Net (decrease) increase in deposits	(507,936)	451,874
Income taxes paid	(19,051)	(15,546)
Net cash (used in) from operating activities	(488,817)	344,378
Cash Flows From Investing Activities		
Net proceeds from financial investments	659,780	(606,592)
Purchase of premises, equipment and intangible assets, net of disposals	(38,235)	(18,530)
Net cash from (used in) investing activities	621,545	(625,122)
Cash Flows From Financing Activities		
Net (redemption of) proceeds from borrowings	(86,680)	32,909
Proceeds from share capital issued	188	623
Redemption of share capital	(1,301)	(1,702)
Dividends paid	(817)	(740)
Net cash from (used in) financing activities	(88,610)	31,090
Net Increase (Decrease) in Cash and Cash Resources	44,118	(249,654)
Cash and cash resources, beginning of year	164,897	414,551
Cash and cash resources, end of period	209,015	164,897
Supplemental Disclosure of Cash Flow Information		
Cash flows from (used in) operating activities includes:		
Interest received	969,004	707,918
Interest paid	(690,818)	(358,366)
Dividends received	125	81

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Coast Capital Savings Federal Credit Union and its subsidiaries (Coast Capital, we, our) are located in Canada and provide financial services to members principally in the Metro Vancouver, Fraser Valley, Vancouver Island and Okanagan regions of British Columbia. Our head and registered office is located at 800-9900 King George Boulevard, Surrey, British Columbia.

Coast Capital Savings Federal Credit Union is incorporated under the *Bank Act* (Canada) (the *Bank Act*), and its subsidiaries are incorporated under the *Canada Business Corporations Act*.

Coast Capital is a member of the Canada Deposit Insurance Corporation.

The consolidated financial statements have been approved for issue by the Board of Directors (the Board) on February 22, 2024.

1. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the accounting guidelines as issued by the Office of the Superintendent of Financial Institutions Canada (OSFI), as required under Section 308(4) of the *Bank Act*. IFRS Accounting Standards comprise accounting standards as issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the IFRS Interpretations Committee.

The financial statements also comply with the provisions of the *Bank Act* (Canada) and related regulations, including interpretations of IFRS Accounting Standards by our regulator, the Office of the Superintendent of Financial Institutions Canada.

Certain comparative information has been amended to conform to current period presentation. These reclassifications had no impact on Coast Capital's net assets or profit or loss.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments and derivatives classified at fair value through profit or loss and certain financial assets classified at fair value through other comprehensive income, which are measured at fair value.

c) Presentation and Functional Currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency. Dollar amounts presented in the notes to the consolidated financial statements are presented in thousands of Canadian dollars unless otherwise stated.

d) Use of Critical Estimates and Judgments

The preparation of financial information requires the use of estimates and judgments about future conditions. There is heightened economic volatility related to the ongoing global political unrest, the current inflationary environment and a tightened monetary policy as a result. Management has considered and reflected these uncertainties related to the macroeconomic environment in its use of estimates and judgments. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, it is possible that the outcomes in future reporting periods could differ from those on which management's estimates are based. This could result in materially different estimates and judgments from those reached by management for the purposes of the consolidated financial statements.

1. Basis of Presentation (Continued)

Management's selection of Coast Capital's accounting policies, which contain critical estimates and judgments, are disclosed below. It reflects the materiality of the items to which the policies are applied and the high degree of judgment and estimation uncertainty involved. The judgments and estimates that have the most significant effect on amounts recognized in the consolidated financial statements pertain to estimation for allowance for expected credit losses.

Allowance for Expected Credit Losses

Coast Capital's accounting policy for determining expected credit losses (ECL) is described in Note 2(c). The most significant judgments relate to defining what is considered to be a significant increase in credit risk since origination, determining the lifetime and point of initial recognition of revolving facilities, and in making assumptions and estimates to incorporate relevant information about past events, current conditions, forecasts of economic conditions and use of probability-weighted scenarios. Coast Capital also exercises experienced credit judgment to incorporate multiple economic forecasts, which are probability-weighted in the determination of the final ECL. Details of such judgments and estimates are described further in Note 7 Loans and Allowance for Credit Losses. The risk factors to estimate the ECL have a high degree of interdependency, and there is no single factor to which loan impairment allowances as a whole are sensitive to.

Valuation of Financial Instruments

The best evidence of fair value is a quoted price in an actively traded principal market. In the event that the market for a financial instrument is not active and the valuation technique uses only observable market data, the reliability of the fair value measurement is high. In absence of observable valuation inputs, due to lack of or a reduced volume of similar transactions, management judgment is required to assess the price at which an arm's-length transaction would occur under normal business conditions, in which case management may rely on historical prices for that particular financial instrument or on recent prices for similar instruments.

The main assumptions and estimates that management considers when applying a model with valuation techniques are:

- The likelihood and expected timing of future cash flows on the instrument where judgment may be required to assess the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates.
- Selecting an appropriate discount rate for the instrument, judgment is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate.
- Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Income Taxes and Deferred Tax Assets

Coast Capital's accounting policy for the recognition of income taxes and deferred tax assets is described in Note 2(h). Tax laws are complex and can be subject to interpretation. Management applies its own judgment to the application and interpretation of tax laws, but the interpretation by the relevant tax authorities may differ. Tax liabilities are recognized based on best estimates of the probable outcome. If the final outcome is in favour of the decisions made by the relevant tax authorities, additional liabilities and expense in excess of the amounts recorded may result.

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. The most significant judgments relate to expected future profitability.

Notes to the Consolidated Financial Statements

2. Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of Consolidation

The financial position, operating results and cash flows of other entities are included in these consolidated financial statements if Coast Capital controls these investees. Coast Capital controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is presumed with an ownership interest of more than 50% of the voting rights unless there are other factors that indicate that Coast Capital does not control the investee despite having more than 50% of the voting rights. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accordingly, these consolidated financial statements include the financial position, operating results and cash flows of Coast Capital and its subsidiaries. As at December 31, 2023, Coast Capital, either directly or indirectly through its subsidiaries, controls the following corporations for which head offices are located at 800-9900 King George Boulevard, Surrey, British Columbia:

Corporate name of subsidiary	Carrying value of shares owned (in Canadian dollars)	Voting rights
Coast Capital Financial Management Ltd.	100	100%
Coast Capital Wealth Management Ltd.	100	100%
Coast Capital Real Estate Holdings Ltd.	100	100%
Coast Capital Holdings Ltd.	100	100%
Coast Capital Equipment Finance Ltd.	88	88%
Coast Capital Equipment Leasing Ltd.	100	100%
Coast Capital Auto & Equipment Finance Ltd.	76,000	50%

Coast Capital applies the anticipated acquisition method where it has the right and the obligation to purchase any remaining non-controlling interest. Under this method, the interests of the non-controlling shareholder are derecognized when Coast Capital's liability relating to the purchase of its shares is recognized. The recognition of the financial liability implies that the interests subject to the purchase are deemed to have been acquired already. Therefore, the corresponding interests are presented as if already owned by Coast Capital, even though legally they are still non-controlling interests. The initial measurement of the fair value of the financial liability recognized by Coast Capital forms part of the contingent consideration for the acquisition.

All inter-company transactions and balances have been eliminated. The consolidated financial statements have been prepared using consistent accounting and valuation policies for similar transactions and events under similar circumstances.

There are no significant restrictions on Coast Capital's ability to access or use its assets and settle its liabilities and those of its subsidiaries, other than those resulting from regulatory requirements.

b) Cash and Cash Resources

Cash and cash resources comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, cheques and other items in transit to Coast Capital.

2. Material Accounting Policies (Continued)

c) Allowance for Expected Credit Losses

Coast Capital carries an allowance for expected credit losses for loans and debt securities classified at amortized cost and fair value through other comprehensive income, as well as loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss. The allowance is calculated using an expected credit loss model which recognizes 12 months expected credit losses for performing assets (Stage 1), lifetime losses on performing assets that have experienced a significant increase in credit risk (SICR) since origination (Stage 2), and lifetime losses on assets in default (Stage 3).

The determination of a SICR takes into account many different factors and varies by product and risk segment. Our assessment of credit risk requires significant expert judgment and is assessed on a regular basis. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses. We perform an assessment of changes in credit risk at least quarterly based on three factors:

- Identification of increase in credit risk using established thresholds that determine whether a significant increase in credit risk has occurred since initial recognition.
- Identification of transactional behaviours that indicate an increase in credit risk, such as delinquency behaviour or rejected transactions due to insufficient funds.
- Assets that are 30 days past due are generally considered to have experienced significant increase in credit risk, even if our other metrics do not indicate that a significant increase in credit risk has occurred.

The definition of default is consistent with the definition of default used for internal credit risk management purposes. The definition of default may differ across products and consider both quantitative and qualitative factors, such as terms of financial covenants, bankruptcy and days past due. Instruments that are 90 days past due are considered to be in default.

For each exposure, the calculation of expected credit loss is calculated based on the probability of default (PD), loss given default (LGD), exposure at default (EAD) that considers the timing of the loss, incorporation of forward-looking economic information, and expert judgment to reflect factors that are not captured by the model.

PD represents the likelihood a loan will not be repaid and will go into default in either a 12-month period or in the remaining lifetime of the arrangement if a significant increase in credit risk is identified. LGD is the amount that may not be recovered in the event of a default. EAD represents an estimate of the amount outstanding at the time of default. For off-balance sheet and undrawn amounts, EAD includes an estimate of additional drawn amounts at the time of default.

We have developed models that incorporate specific macroeconomic variables that affect PD, LGD, and EAD, by product type. Key economic variables incorporated into the models include unemployment rate, housing price index, interest rates, and gross domestic product of British Columbia and Canada (GDP). The forecast is based on publicly available external data and our view of future economic conditions. We exercise experienced credit judgment to incorporate multiple economic forecasts, which are probability-weighted in the determination of the final ECL. Our ECL methodology also requires the use of experienced credit judgment to incorporate the estimated impact of factors that are not captured in the modelled ECL results. We applied experienced credit judgment to reflect the continuing impact of the uncertain environment on credit conditions and the economy. The allowance is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario.

Coast Capital determines ECL using three probability-weighted forward-looking scenarios. These scenarios include a “base” case scenario that represents the most likely outcome and two additional scenarios representing the optimistic and pessimistic outcomes. These additional scenarios are designed to capture material non-linearity of potential credit losses in portfolios.

2. Material Accounting Policies (Continued)

d) Revenue from Contracts with Customers

Revenue is recognized when Coast Capital satisfies a performance obligation by transferring the promised good or service to the customer, and the customer obtains control of the good or service. The recognition of revenue can either be over time or at a point in time, depending on when the performance obligation is satisfied. Determining the timing and transfer of control, at a point in time or over time, requires judgment. Coast Capital's revenue streams recognized are described below.

Fee and Commission Income

Wealth Management Investment Commissions

Coast Capital primarily earns trailing commissions on sales of wealth management investments to its members on behalf of the fund dealer. Trailing commissions are calculated based on the asset base and yield of the underlying funds and are paid to Coast Capital on a biweekly or monthly basis as long as the member holds the funds. Trailing commissions are recognized over time as the funds giving rise to the commission are continued to be held by the respective members.

Other Fees and Commissions

The majority of other fees and commissions are derived from day-to-day banking fees. Coast Capital provides services for member chequing and savings accounts that generate fees from various activities including, but not limited to, Automated Teller Machines (ATM) transactions, cash withdrawals, issuance of paper account statements, wire transfers and money orders, Non-Sufficient Funds (NSF) fees, utilization of cheques, and e-Transfers. The fees for these services are established in the member account agreement and are either billed individually at the time the service is performed and the performance obligation is met, or on a monthly basis for a package or bundle of services as the services are performed and the performance obligation is met. Banking fees billed individually at the time the service is performed are recognized into revenue at the point in time the service is performed. Where monthly services are provided over time throughout the month, revenue is recognized over time with full recognition at the end of each month. Coast Capital also receives an annual fee from members who rent safety deposit boxes at its branch locations. The annual fee is recognized into income on a straight-line basis over the annual rental period.

Credit Card Commissions

Coast Capital offers credit cards to its members who satisfy the credit card approval process. The cardholder agreement is between the member and a third-party credit card company; Coast Capital receives monthly commission income from the credit card company. The commission income is based on the number of active cardholders and the balance incurred on the credit card. The ongoing commission is recognized into income over time on a monthly basis.

Insurance Commissions

Coast Capital earns upfront commission for sale or renewal of insurance policies made on behalf of third-party insurance providers. The commission is earned and recognized into income, net of clawbacks, at the point in time when the sale or renewal of an insurance policy is made.

Foreign Exchange

Foreign exchange fees represent the foreign exchange spread on sale of foreign currency and are recognized at a point in time when the sale of foreign currency to the member is completed.

e) Leases

Coast Capital as Lessor

A lessor classifies lease agreements as finance leases when substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are transferred to the lessee. Accordingly, our lease financing agreements are classified as finance leases and are included within Loans in the Consolidated Balance Sheet. Interest income earned on finance leases is included in Net Interest Income in the Consolidated Statement of Income and is recognized using the effective interest method.

2. Material Accounting Policies (Continued)

Coast Capital as Lessee

At inception of an agreement, we assess whether the agreement is or contains a lease. A Right of Use (ROU) asset and corresponding lease liability is recognized with respect to all lease agreements in which we are a lessee, except for leases with a term of 12 months or less (short-term leases), and leases of assets with a value of $5 or less (low-value leases). For short-term and low-value leases, the lease payments are recognized on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the related assets are consumed.

The lease liability is initially measured at the present value of the lease payments over the estimated term of the lease discounted by the estimated incremental borrowing rate. The estimated incremental borrowing rate is the rate that we would have to pay to borrow funds to obtain the ROU asset assuming a similar term and security provided. The estimated lease term includes extension or termination options that are reasonably certain to be exercised. Lease payments comprised of fixed lease payments we are reasonably certain to pay less lease incentives. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

The lease liability is subsequently remeasured following a change in cash flows, which is based on the original terms and conditions of the lease; for example, a market rent review, or exercising an extension option that was not previously planned to be exercised. The lease liability is remeasured by discounting the remaining estimated future lease payments using the incremental borrowing rate at the date of remeasurement with a corresponding adjustment to the ROU asset.

The ROU asset comprised of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial indirect costs. Subsequently, ROU assets are measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

ROU assets and lease liabilities are included in Premises and equipment and Other liabilities respectively, in the Consolidated Balance Sheet.

f) Premises and Equipment

Land is carried at cost. Buildings, leasehold improvements, computer and telephone equipment, furniture and other equipment are carried at cost, less accumulated depreciation. Subsequent expenditures are included in the assets' carrying amount or are recognized as separate assets only when it is probable that future economic benefits associated with the items will flow to Coast Capital and the cost of the item can be measured reliably. All other repair and maintenance costs are recognized in the Consolidated Statement of Income.

Asset classes are further categorized for depreciation where significant differences in the estimated useful life of the various components of individually significant assets are identified. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 to 50 years
Leasehold improvements	Lease term
Computer and telephone equipment	3 to 15 years
Furniture and other equipment	4 to 10 years

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

2. Material Accounting Policies (Continued)

g) Goodwill and Intangible Assets

Goodwill represents the excess of the consideration transferred for the acquisition of subsidiaries over the fair value of the net assets acquired and is recognized at its initial cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit, which is tested for impairment, annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is tested by comparing the carrying amount of the cash-generating unit, including the goodwill, with the recoverable amount of the cash-generating unit. If the recoverable amount of the cash-generating unit exceeds the carrying amount of the cash-generating unit, the cash-generating unit and the goodwill allocated to that cash-generating unit is not considered impaired. Otherwise, the impairment loss is allocated to reduce the carrying amount of any goodwill and then to reduce the other assets of the cash-generating unit on a pro rata basis of the carrying amount of each asset in the cash-generating unit. The recoverable amount of the cash-generating unit is the greater of its fair value less costs to sell and its value in use.

Intangible assets comprised of computer software, customer lists, trademarks and other intangibles. Intangible assets have definite lives and are measured at cost less accumulated amortization. Intangible assets are amortized using the straight-line method over their estimated useful lives as follows:

Computer software	2 to 15 years
Customer lists, trademarks and other intangibles	5 to 10 years

Intangible assets, including those under development, are assessed for indicators of impairment at the balance sheet date or when events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell or its value in use. The carrying amount of an impaired intangible asset is written down to its recoverable amount.

h) Income Taxes

Coast Capital's income taxes comprise current and deferred income taxes.

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

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred income 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 income tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the provision for income taxes, we interpret tax legislation, case law and administrative positions in numerous jurisdictions and, based on our judgment, record our estimate of the amount required to settle tax obligations. We also make assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If our interpretations and assumptions differ from those of tax authorities or if the timing of reversals is not as expected, our provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

2. Material Accounting Policies (Continued)

In our calculation of the current and future income tax provision, Coast Capital performs an evaluation of the small business tax rate available to eligible credit unions under the relevant provincial tax statutes. In general, the amount of taxable income eligible for the provincial small business rate is limited by the credit union's cumulative taxable income that was taxed at the provincial small business rate as a proportion of amounts owing to members, including deposits and shares. Coast Capital's business plan includes an estimate of deposit, share and income growth in our forecast horizon, which provides the basis in determining the provincial small business tax rate.

Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities, usually in respect of income taxes levied by the same tax authority on the same taxable entity, and if Coast Capital intends to settle current tax liabilities and assets on a net basis or settle the tax assets and liabilities simultaneously.

Deferred tax assets and liabilities are offset if Coast Capital has a legally enforceable right to set off the deferred tax assets and liabilities related to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities, but the entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously for each future period, in which these differences reverse.

i) Employee Benefits

Coast Capital provides pension and other post-retirement benefit plans to its employees through both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Coast Capital also provides other post-retirement defined benefits to its eligible employees, and the obligations comprise the amount of future benefits that employees have earned in return for their service in the current and prior periods. The liability recognized in the Consolidated Balance Sheet in respect of its defined benefit pension plans is the present value of the unfunded defined benefit obligations at the balance sheet date. The defined benefit obligations are calculated annually by independent actuaries by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in Consolidated Statement of Comprehensive Income and are not recycled to the Consolidated Statement of Income.

Coast Capital is a participating member of the British Columbia Credit Union Employees' Pension Plan (the Plan), a multi-employer defined benefit plan. Under IFRS, an employer is required to account for its participation in a multi-employer plan in respect of its proportionate share of assets, liabilities and costs in the same manner as other defined benefit plans except in the circumstances where the information is not available to the employer as follows:

- There is insufficient information available to enable the employer to use defined benefit accounting, and
- The Plan exposes the participating employers to actuarial risks associated with the current and former employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual entities participating in the Plan.

As each member credit union participating in the Plan is exposed to the actuarial risks of the other employers, the result, in management's opinion, is that there is no reasonable way to allocate defined benefit obligations. The Plan has informed Coast Capital that it is not able to provide defined benefit information on a discrete employer basis as the investment records are not tracked by individual employer, and each employer is exposed to the actuarial risks of the Plan as a whole. Accordingly, Coast Capital's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis.

2. Material Accounting Policies (Continued)

Coast Capital also provides a group Registered Retirement Savings Plan (RRSP) to its employees, whereby all of the contributions are funded by Coast Capital. For these defined contribution plans, Coast Capital pays a specified flat rate for employer contributions. Coast Capital has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the periods during which services are rendered by employees.

j) Provisions

A provision is recognized if, as a result of a past event, Coast Capital has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Charges to and reversals to provisions are recognized in the Consolidated Statement of Income under the items corresponding to the nature of the expenditure it is covered for.

k) Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items carried at amortized cost is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and principal payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the reporting period. Revenues and expenses are translated using average spot exchange rates. Foreign currency differences arising on translation are recognized in the Consolidated Statement of Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

l) Recognition, Classification and Measurement of Financial Instruments

Coast Capital's Consolidated Balance Sheet consists primarily of financial instruments, and the majority of our net income is derived from income and expenses, as well as gains and losses related to the respective financial instruments.

Financial instrument assets include cash and cash resources, interest-bearing deposits with financial institutions, financial investments, loans including securitization retained interests, derivative assets and other receivables. Financial instrument liabilities include deposits, borrowings, secured borrowings, subordinated debt, derivative liabilities and other liabilities.

Financial assets and liabilities are recognized when Coast Capital becomes a party to their contractual provisions, namely the date of acquisition or issuance of the financial instrument. Regular-way purchases and sales of financial assets are recognized on a trade-date basis.

Financial Assets

Financial assets are measured initially at fair value and subsequently based on their classification measured at:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost (AMC).

Financial Assets that are Debt Instruments

The classification of financial assets that are debt instruments is based on an assessment of the business model under which the financial assets are managed and the contractual cash flow characteristics of such financial assets.

2. Material Accounting Policies (Continued)

Business Model Assessment

The business model determines how Coast Capital manages its financial assets to generate cash flows. Coast Capital has determined its business models to fall into the following three categories:

- Held to Collect (HTC): The objective is to hold financial assets to collect contractual cash flows.
- Held to Collect and Sell (HTC&S): The objective is to hold financial assets to collect contractual cash flows and to sell the assets.
- Other: These business models are neither HTC nor HTC&S, and primarily represent models where financial assets are held-for-trading or managed on a fair value basis.

Judgment is used to determine the business model, which includes an overall assessment of:

- The level of segregation of financial assets into portfolios that reflect how the financial assets are collectively managed to achieve a particular business objective;
- The purpose of the portfolio as determined by management as guided by applicable policies and mandates;
- The volume and frequency of sales, and reason for such sales, both historical and future expectations; and
- Metrics used to measure and report on portfolio performance to management.

Contractual Cash Flow Characteristics

An assessment is made as to whether the contractual cash flows of a debt instrument represent solely payments of principal and interest (SPPI).

- Contractual cash flows represent SPPI when they consist of only payments of principal and interest on the principal amount outstanding that are consistent with a basic lending arrangement. In a basic lending arrangement, interest comprises only consideration for the time value of money, credit risk, liquidity risk, cost, and profit margin.
- Contractual cash flows do not represent SPPI when the contractual terms of a debt instrument introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices.

FVOCI

Debt instruments are classified and measured at FVOCI when they are held in a business model where the objective is HTC&S and SPPI is met. These debt instruments may be sold in response to or in anticipation of changes in interest rates and resulting prepayment risk, changes in credit risk, changes in foreign currency risk, changes in funding sources or terms, or to meet liquidity needs. Debt instruments in this category are measured using fair value including transaction costs.

Interest revenue is recognized in the Consolidated Statement of Income by applying the effective interest rates to the amortized cost of the assets and as such, premiums, discounts and transaction costs are amortized over the term of the instrument on an effective interest rate basis as an adjustment to interest income. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal payments, plus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount.

Changes in fair value are recorded in other comprehensive income; gains or losses on disposal, foreign exchange translation and impairment on expected losses are recorded in the Consolidated Statement of Income.

2. Material Accounting Policies (Continued)

AMC

Debt instruments are classified and measured at amortized cost when they are held in a business model where the objective is HTC and SPPI is met. Interest revenue is recognized in the Consolidated Statement of Income by applying the effective interest rates to the amortized cost of the assets and as such, premiums, discounts and transaction costs are amortized over the term of the instrument on an effective interest rate basis as an adjustment to interest income. Gains or losses on disposal and impairment on expected losses are recorded in the Consolidated Statement of Income.

Coast Capital has classified its loans as AMC. Loan origination fees, including commitment, renewal and renegotiation fees, are considered to be adjustments to loan yield and are deferred and amortized to loan interest income over the term of the loans using the effective interest method. Mortgage prepayment penalty fees are recognized in interest income unless only minor modifications (based on a present value of future cash flows test) were made to the loan, in which case the fees are deferred and amortized over the remaining term of the loan. Loan discharge and administration fees are recorded directly to income when the loan transaction is complete. Loan syndication fees are included in income when the syndication is completed and Coast Capital has retained no part of the package for itself or, if part has been retained, it bears the same effective interest as other participants.

FVTPL and Fair Value Option

Debt instruments are classified and measured at FVTPL unless it is classified in one of the preceding categories. Debt instruments measured at FVTPL are recorded at fair value, and any unrealized gains or losses arising due to changes in fair value are included in Non-Interest Income in the Consolidated Statement of Income. Any transaction cost for such instruments is expensed to the Consolidated Statement of Income.

Debt instruments meeting criteria for measurement at FVOCI or AMC can be designated at initial recognition as measured at FVTPL, provided the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring these assets on a different basis. Coast Capital had designated some of its loans at FVTPL.

Financial Assets that are Equity Instruments

Equity instruments are measured at fair value through profit or loss unless an election is made to measure at FVOCI, in which case gains and losses are never recognized in the Consolidated Statement of Income. Equity instruments may be measured at cost when this basis of measurement is deemed the best representation of fair value in cases where there is insufficient recent information available to establish a reasonable estimate of fair value, or when there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Non-derivative Financial Liabilities

Non-derivative financial liabilities are measured at fair value on initial recognition and are subsequently measured and classified at amortized cost using the effective interest method. Interest expense on non-derivative financial liabilities is recognized in Net Interest Income in the Consolidated Statement of Income.

Derivative Assets and Liabilities

Derivative assets and liabilities are measured at fair value on initial recognition and are subsequently measured and classified at FVTPL.

2. Material Accounting Policies (Continued)

m) Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or transferred and either all of the risks and rewards of ownership have been substantially transferred; or the risks and rewards of ownership have neither been retained nor substantially transferred but control of the asset has transferred.

Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, is cancelled or is expired.

When a financial asset or liability is derecognized in its entirety, a gain or loss is recognized in the Consolidated Statement of Income for an amount equal to the difference between the carrying amount and the value of the consideration received or paid respectively.

If the transfer of an asset does not meet the criteria for derecognition, Coast Capital continues to recognize the financial asset and also recognizes a financial liability for the consideration received upon transfer, in the Consolidated Balance Sheet.

The derecognition criteria are also applied to part of an asset, rather than the whole asset, or to a group or similar financial assets in their entirety, when applicable. When it is applied to part of an asset, the part comprises specifically identified cash flows, a fully proportionate share of the asset, or a fully proportionate share of a specifically identified cash flow from the financial asset.

Securitization

Securitization is the process by which financial assets are transformed into marketable securities. Coast Capital securitizes residential and commercial mortgages through the Government of Canada's *National Housing Act* Mortgage-Backed Securities (NHA MBS) and Canada Mortgage Bond (CMB) programs, which are facilitated by the Canada Mortgage and Housing Corporation (CMHC). Coast Capital securitizes the pooled loans through the creation of MBS and the ultimate sale of MBS to third-party investors or through the CMB program.

Securitized Loans and Securitization Liabilities

Since Coast Capital continues to be exposed to substantially all the prepayment, interest rate and credit risk associated with the securitized residential mortgages, they do not qualify for derecognition. As such, insured loans in MBS that are sold to third parties but do not qualify for derecognition continue to be classified as Loans on the Consolidated Balance Sheet. These are measured at amortized cost and are reported net of unamortized origination fees and insurance costs.

In addition, these MBS transactions are considered Secured Borrowings (see Note 14) and result in the recognition of securitization liabilities. Securitization liabilities are measured at amortized cost and are reported net of any unamortized premiums or discounts and transaction costs incurred in obtaining such financing.

Under these programs, Coast Capital is entitled to the payment over time of the excess of the sum of interest and fees collected from members, in connection with the loans that were sold, over the yield paid to investors, less credit losses and other costs. The interest and fees collected, net of the yield paid to investors, are recorded in Net Interest Income in the Consolidated Statement of Income using the effective interest method over the term of the securitization.

Coast Capital provides reinvestment assets as collateral for the unsecured portion of secured borrowings created through amortization of the sold residential mortgages.

2. Material Accounting Policies (Continued)

Net Gain from Securitization Activities

When an asset is derecognized, the related loans are removed from the Consolidated Balance Sheet, and a corresponding gain or loss is recognized in the Consolidated Statement of Income under Non-interest income – Net gain from securitization activities.

Securitization Retained Interest and Servicing Liability

For certain securitization transactions that qualify for derecognition, Coast Capital has a continuing involvement in the securitized asset that is limited to retained rights in future excess interest and the liability associated with servicing these assets. As required under IFRS, this retained interest is classified at AMC and presented under Other Assets on the Consolidated Balance Sheet. The servicing liability is presented as part of Other Liabilities on the Consolidated Balance Sheet. During the term of the securitization as cash is received for the underlying loans, the retained interest and servicing liability are amortized and recognized under Interest Expense and Non-Interest Income – Net gain from securitization activities respectively, on the Consolidated Statement of Income.

n) Derivative Financial Instruments

Coast Capital uses derivative financial instruments primarily to manage exposure to interest rate risk. Derivative instruments that are typically utilized include interest rate swaps, bond forwards, total return swaps and equity options. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the maturity characteristics of existing assets and liabilities. Bond forwards are used to hedge interest rate exposures for Coast Capital's loan commitment contracts. Total return swaps are used to hedge the reinvestment risk between the amortizing MBS and the bullet CMB related to its CMB activities.

When derivatives are held for non-trading purposes, and transactions meet the hedge accounting requirements of IAS 39, they receive hedge accounting treatment, as appropriate.

Hedge Accounting

At the inception of a hedging relationship, Coast Capital documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge. Coast Capital requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Fair Value Hedge

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but it does result in recognizing changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognized in the Consolidated Statement of Income. To the extent that the change in the fair value of the derivative does not offset changes in the fair value of the hedged item for the risk being hedged, the net amount (hedge ineffectiveness) is recorded directly in Non-interest income – Other Income in the Consolidated Statement of Income. The main sources of ineffectiveness are the counterparty effect and Coast Capital's credit risk on the fair value of the swap and the difference in terms such as fixed interest rate or reset/settlement frequency between the swap and the hedged item. If a hedging relationship no longer meets the criteria for hedge accounting, the hedge accounting is discontinued; the cumulative adjustment to the carrying amount of the hedged item is amortized to the Consolidated Statement of Income on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized, in which case it is recognized to Non-interest income – Other income, immediately.

2. Material Accounting Policies (Continued)

Cash Flow Hedge

The effective portion of gains and losses on hedging instruments is recognized in other comprehensive income; the ineffective portion of the change in fair value of derivative hedging instruments that are part of a cash flow hedge relationship is recognized immediately in the Consolidated Statement of Income. The accumulated gains and losses recognized in other comprehensive income are reclassified to the Consolidated Statement of Income in the periods in which the hedged item affects profit or loss.

Hedge Effectiveness Testing

To qualify for hedge accounting, Coast Capital requires that, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective both prospectively and retrospectively, on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed, and the method adopted by Coast Capital to assess hedge effectiveness will depend on its risk management strategy. For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, with the effectiveness range being defined at 0.8 to 1.25. Hedge ineffectiveness is recognized in Non-Interest Income – Other income in the Consolidated Statement of Income.

o) Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognized amounts with the same counterparty and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

p) Loan Modification

Coast Capital may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing and other terms to members. Loans may also be modified for credit reasons where the contractual terms are modified to grant a concession to a member that may be experiencing financial difficulty.

Upon the modification of the contractual terms of a financial asset, an assessment is made if the modified contractual terms are considered significant. Coast Capital considers one or a combination of the following factors as a significant change: a substantial interest rate reduction, an extension of the repayment term at a below-market stated interest rate, a forgiveness of principal or accrued interest, or substantial changes to the collateral provided.

When the modification is considered to be significant, the carrying amount of the original financial asset is derecognized and the fair value of the modified financial asset is recognized with the resulting gain or loss recognized in the Consolidated Statement of Income. For the purposes of assessing if the financial asset experienced a significant increase in credit risk, the modification date is considered to be the origination date of the modified financial asset.

When the modification is not considered to be significant, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the Consolidated Statement of Income. The origination date of the financial asset prior to the modification continues to be used for the purposes of assessing if the financial asset experienced a significant increase in credit risk.

q) Dividend Income

Dividend income on equity securities is recognized when Coast Capital's right to receive payment is established, which is on the ex-dividend date for listed equity securities.

Notes to the Consolidated Financial Statements

2. Material Accounting Policies (Continued)

r) Dividend on Membership and Other Equity Shares

Dividends on membership shares and other equity instruments are recognized as a liability and deducted from equity when they are declared and are no longer at the discretion of Coast Capital.

s) Government Lending Programs in Response to COVID-19

In 2020, the Canadian government introduced the Canada Emergency Business Account (CEBA) program to provide partially forgivable interest-free loans of up to $60 for qualifying small businesses and not-for-profit organizations to help cover their operating costs and to support any revenue gaps from the impact of the COVID-19 pandemic. The CEBA program is funded by the Government of Canada through Export Development Canada (EDC) as its agent, and Coast Capital provides CEBA loans to eligible business members. The CEBA loans are not recognized on Coast Capital's Consolidated Balance Sheet because substantially all the risks and rewards to the loans, including exposure to credit losses and principal forgiveness, are assumed by the Government of Canada. The funding provided to Coast Capital by the Government of Canada in respect of the CEBA program represents an obligation to pass-through collections on the CEBA loans and is otherwise non-recourse to the credit union, and accordingly we are not required to repay amounts that our members fail to pay or that have been forgiven.

In our administrative capacity, Coast Capital earns a fee for these services, which is recognized in Non-Interest Income – Other income in the Consolidated Statement of Income.

t) Interest rate benchmark reform:

Effective January 1, 2021, Coast Capital adopted the following changes as set out below.

The publication of the overnight and 12-month U.S. Dollar London Interbank Offered Rate (USD LIBOR) tenors has ceased, and the one-month, three-month and six-month USD LIBOR tenors became non-representative as of June 30, 2023. These non-representative tenors will be published on a synthetic basis until September 30, 2024, to allow market participants to use such rates in legacy contracts. Coast Capital has successfully transitioned all of its USD LIBOR contracts to alternative risk-free rates.

As previously announced by Refinitiv Benchmark Services (UK) Limited, one-month, two-month, and three-month Canadian Dollar Offered Rate (CDOR) tenors will continue to be published until June 28, 2024 (the cessation date). OSFI expects federally regulated financial institutions to transition CDOR-linked transactions to Canadian Overnight Repo Rate Average (CORRA) before the cessation date.

CanDeal Benchmark Solutions and TMX Datalinx have launched the one-month and three-month Term CORRA benchmark on September 5, 2023. The Canadian Alternative Reference Rate working group (CARR) has announced that after November 1, 2023, all new loan contracts must reference only Overnight CORRA, Term CORRA, or Prime Rate instead of CDOR or a bankers' acceptance rate.

Coast Capital continues to work towards meeting the regulatory and industry-wide recommended milestones and will be working with members and counterparties to issue products based on alternative reference rates. With the cessation of CDOR, Bankers Acceptance (BA) based loan facilities will be transitioned to alternative rates such as CORRA or Prime. BA securities, which are produced as a result of BA-based loan facilities, will no longer be issued after the cessation of CDOR and will be replaced by other short-term money market instruments.

Coast Capital continues to manage the transition by evaluating potential changes to market infrastructures on our risk framework, models, systems and processes, and reviewing legal documents to ensure Coast Capital is prepared prior to the cessation of IBOR. These responsibilities are led by an organization wide cross-functional team that includes key stakeholders and decision makers from the Treasury, Finance, and Legal departments, and the front-line businesses.

2. Material Accounting Policies (Continued)

Our exposure to IBOR Reform as at December 31, 2023, is limited to financial instruments that are indexed to the CDOR. The table below shows our exposures to financial instruments that have yet to transition to an alternative benchmark rate as at December 31, 2023.

			As at Dec 31, 2023
	Non-derivative financial assets	Non-derivative financial liabilities	Undrawn facilities
	Carrying amount	Carrying amount	Contractual amount
CDOR	446,613	397,301	1,005,000
Total	446,613	397,301	1,005,000

3. Changes in Accounting Policies

a) Amendments to IAS 1, Presentation of Financial Statements:

Coast Capital adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in line with the amendments.

4. Future Accounting Changes

Coast Capital actively monitors developments and changes in accounting standards from the IASB, as well as requirements from the other regulatory bodies, including OSFI. The following changes to accounting standards have been issued but are not yet effective for Coast Capital.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The IASB issued narrow-scope amendments to IAS 1 to clarify that covenants to be complied with after the reporting date of the company do not affect the classification of a liability as current or non-current at the reporting date. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, the amendments clarify that a company has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendment is effective for Coast Capital on January 1, 2024. Coast Capital is currently evaluating the impact of the adoption of this change on its condensed consolidated financial statements.

5. Interest Bearing Deposits with Financial Institution

		As at Dec 31
	2023	2022
Non-statutory deposits with Central 1, classified as FVOCI	160,000	151,395

6. Financial Investments

	Term to Maturity				As at Dec 31 2023	2022
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total	Total
Debt Securities Measured at FVOCI						
Corporate, provincial, and municipal bonds	391,676	709,992	–	–	1,101,668	1,222,101
Mortgage-backed securities	157,649	566,843	–	–	724,492	537,298
Reverse repurchase agreements	88,437	–	–	–	88,437	116,501
Treasury bills	566,036	–	–	–	566,036	1,369,923
Commercial paper	145,164	–	–	–	145,164	–
Investment funds	–	–	–	9,472	9,472	9,004
Equity Securities Measured at FVOCI						
Equity[1]	–	–	–	2,285	2,285	2,285
Total financial investments	1,348,962	1,276,835	–	11,757	2,637,554	3,257,112

(1) Comprised of equity investments of affiliated co-operative and other entities that complement and support the credit union system.

7. Loans and Allowance for Credit Losses

a) Maturity of Loans

The majority of Coast Capital's loans are written on properties and businesses located in the Metro Vancouver, Fraser Valley, Vancouver Island and Okanagan regions of British Columbia. The following table sets out maturity of the loans:

	Term to Maturity				As at Dec 31, 2023
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Residential mortgages	1,134,852	10,044,026	37,343	788,037	12,004,258
Personal loans	23,675	200,584	88,375	135,396	448,030
Commercial mortgages and loans	2,075,342	2,807,334	90,332	59,120	5,032,128
Equipment financing	40,413	747,504	135,353	–	923,270
Total loans	3,274,282	13,799,448	351,403	982,553	18,407,686
Allowance for loan losses					(60,558)
Total loans net of allowances					18,347,128

	Term to Maturity				As at Dec 31, 2022
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
Residential mortgages	978,316	10,392,643	44,019	829,829	12,244,807
Personal loans	16,287	181,577	73,882	148,152	419,898
Commercial mortgages and loans	1,910,857	2,681,501	108,546	88,450	4,789,354
Equipment financing	53,835	659,176	101,518	–	814,529
Total loans	2,959,295	13,914,897	327,965	1,066,431	18,268,588
Allowance for loan losses					(57,436)
Total loans net of allowances					18,211,152

7. Loans and Allowance for Credit Losses (Continued)

b) Credit Risk Exposure from Loans

The following tables set out our credit risk exposure for loans as at December 31, 2023, and December 31, 2022.

				As at
				Dec 31, 2023
	Stage 1	Stage 2	Stage 3	Total
Residential Mortgages				
Good	9,062,555	98,564	–	9,161,119
Satisfactory	2,064,474	330,195	–	2,394,669
Below satisfactory	344,056	89,359	–	433,415
Not rated	73	1,056	–	1,129
Impaired	–	–	13,926	13,926
Total residential mortgages	11,471,158	519,174	13,926	12,004,258
Allowance for expected credit losses	(1,481)	(2,060)	(636)	(4,177)
Residential mortgages less allowance	11,469,677	517,114	13,290	12,000,081
Personal Loans				
Good	79,525	1,283	–	80,808
Satisfactory	344,136	7,945	–	352,081
Below satisfactory	6,856	4,896	–	11,752
Not rated	142	532	–	674
Impaired	–	–	2,715	2,715
Total personal loans	430,659	14,656	2,715	448,030
Allowance for expected credit losses	(2,247)	(2,898)	(687)	(5,832)
Personal loans less allowance	428,412	11,758	2,028	442,198
Commercial Mortgages and Loans				
Excellent	368,981	1,495	–	370,476
Good	3,403,372	97,385	–	3,500,757
Satisfactory	1,047,978	51,233	–	1,099,211
Below satisfactory	819	2,140	–	2,959
Not rated	53,751	2	–	53,753
Impaired	–	–	4,972	4,972
Total commercial mortgages and loans	4,874,901	152,255	4,972	5,032,128
Allowance for expected credit losses	(36,675)	(4,500)	(306)	(41,481)
Commercial mortgages and loans less allowance	4,838,226	147,755	4,666	4,990,647
Equipment Financing				
Satisfactory	889,758	16,748	–	906,506
Impaired	–	–	16,764	16,764
Total equipment financing	889,758	16,748	16,764	923,270
Allowance for expected credit losses	(7,211)	(350)	(1,507)	(9,068)
Equipment financing less allowance	882,547	16,398	15,257	914,202
Total loans less allowance	17,618,862	693,025	35,241	18,347,128

Notes to the Consolidated Financial Statements

7. Loans and Allowance for Credit Losses (Continued)

				As at
	Term to Maturity			Dec 31, 2022
	Stage 1	Stage 2	Stage 3	Total
Residential Mortgages				
Good	8,986,808	96,604	–	9,083,412
Satisfactory	2,457,506	304,941	–	2,762,447
Below satisfactory	342,781	48,899	–	391,680
Not rated	215	1,127	–	1,342
Impaired	–	–	5,926	5,926
Total residential mortgages	11,787,310	451,571	5,926	12,244,807
Allowance for expected credit losses	(4,239)	(2,314)	(308)	(6,861)
Residential mortgages less allowance	11,783,071	449,257	5,618	12,237,946
Personal Loans				
Good	75,100	956	–	76,056
Satisfactory	325,339	8,008	–	333,347
Below satisfactory	5,584	3,397	–	8,981
Not rated	84	368	–	452
Impaired	–	–	1,062	1,062
Total personal loans	406,107	12,729	1,062	419,898
Allowance for expected credit losses	(3,396)	(4,649)	(239)	(8,284)
Personal loans less allowance	402,711	8,080	823	411,614
Commercial Mortgages and Loans				
Excellent	352,168	1,668	–	353,836
Good	3,439,201	74,019	–	3,513,220
Satisfactory	751,052	132,218	–	883,270
Below satisfactory	742	836	–	1,578
Not rated	37,043	14	–	37,057
Impaired	–	–	393	393
Total commercial mortgages and loans	4,580,206	208,755	393	4,789,354
Allowance for expected credit losses	(27,098)	(9,223)	–	(36,321)
Commercial mortgages and loans less allowance	4,553,108	199,532	393	4,753,033
Equipment Financing				
Satisfactory	798,162	11,720	–	809,882
Impaired	–	–	4,647	4,647
Total equipment financing	798,162	11,720	4,647	814,529
Allowance for expected credit losses	(5,418)	(174)	(378)	(5,970)
Equipment financing less allowance	792,744	11,546	4,269	808,559
Total loans less allowance	17,531,634	668,415	11,103	18,211,152

Notes to the Consolidated Financial Statements

7. Loans and Allowance for Credit Losses (Continued)

c) Allowance for Expected Credit Losses

The following tables set out the movement in our allowance for ECL for the twelve months ended December 31, 2023, and December 31, 2022. Any changes from an ongoing ECL model upgrade project are captured within Net remeasurement of loss allowance.

The Provision for credit losses in the Consolidated Statement of Income includes recoveries of $960 for the twelve months ended December 31, 2023 (December 31, 2022 – $1,259).

				2023
	Stage 1	Stage 2	Stage 3	Total
Residential Mortgages				
Balance as at Jan 1, 2023	4,239	2,314	308	6,861
Loan originations	207	–	–	207
Transfers to (from)				
Stage 1	1,083	(1,083)	–	–
Stage 2	(116)	116	–	–
Stage 3	(2)	(6)	8	–
Net remeasurement of loss allowance	(3,755)	903	395	(2,457)
Derecognitions and maturities	(175)	(184)	(44)	(403)
Write-offs	–	–	(31)	(31)
Balance as at Dec 31, 2023	1,481	2,060	636	4,177
Personal Loans				
Balance as at Jan 1, 2023	3,396	4,649	239	8,284
Loan originations	1,187	–	–	1,187
Transfers to (from)				
Stage 1	1,365	(1,350)	(15)	–
Stage 2	(575)	575	–	–
Stage 3	(253)	(255)	508	–
Net remeasurement of loss allowance	(2,633)	(180)	3,135	322
Derecognitions and maturities	(240)	(541)	(6)	(787)
Write-offs	–	–	(3,174)	(3,174)
Balance as at Dec 31, 2023	2,247	2,898	687	5,832
Commercial Mortgages and Loans				
Balance as at Jan 1, 2023	27,098	9,223	–	36,321
Loan originations	12,938	–	–	12,938
Transfers to (from)				
Stage 1	6,870	(6,862)	(8)	–
Stage 2	(1,109)	1,109	–	–
Stage 3	(20)	(75)	95	–
Net remeasurement of loss allowance	(2,322)	3,714	219	1,611
Derecognitions and maturities	(6,780)	(2,609)	–	(9,389)
Write-offs	–	–	–	–
Balance as at Dec 31, 2023	36,675	4,500	306	41,481

Notes to the Consolidated Financial Statements

7. Loans and Allowance for Credit Losses (Continued)

				2023
	Stage 1	Stage 2	Stage 3	Total
Equipment Financing				
Balance as at Jan 1, 2023	5,418	174	378	5,970
Loan originations	4,387	–	–	4,387
Transfers to (from)				
Stage 1	110	(50)	(60)	–
Stage 2	(289)	309	(20)	–
Stage 3	(810)	(49)	859	–
Net remeasurement of loss allowance	(1,117)	25	5,296	4,204
Derecognitions and maturities	(488)	(59)	(298)	(845)
Write-offs	–	–	(4,648)	(4,648)
Balance as at Dec 31, 2023	7,211	350	1,507	9,068
Total allowance	47,614	9,808	3,136	60,558

				2022
	Stage 1	Stage 2	Stage 3	Total
Residential Mortgages				
Balance as at Jan 1, 2022	2,059	281	165	2,505
Loan originations	2,605	–	–	2,605
Transfers to (from)				
Stage 1	103	(95)	(8)	–
Stage 2	(1,324)	1,324	–	–
Stage 3	(10)	(5)	15	–
Net remeasurement of loss allowance	1,023	834	164	2,021
Derecognitions and maturities	(217)	(25)	(27)	(269)
Write-offs	–	–	(1)	(1)
Balance as at Dec 31, 2022	4,239	2,314	308	6,861
Personal Loans				
Balance as at Jan 1, 2022	5,075	4,814	206	10,095
Loan originations	1,037	–	–	1,037
Transfers to (from)				
Stage 1	2,526	(2,526)	–	–
Stage 2	(750)	750	–	–
Stage 3	(81)	(198)	279	–
Net remeasurement of loss allowance	(4,002)	2,104	2,386	488
Derecognitions and maturities	(409)	(295)	(69)	(773)
Write-offs	–	–	(2,563)	(2,563)
Balance as at Dec 31, 2022	3,396	4,649	239	8,284

7. Loans and Allowance for Credit Losses (Continued)

	Stage 1	Stage 2	Stage 3	2022 Total
Commercial Mortgages and Loans				
Balance as at Jan 1, 2022	30,530	7,802	–	38,332
Loan originations	8,039	–	–	8,039
Transfers to (from)				
Stage 1	4,909	(4,909)	–	–
Stage 2	(2,073)	2,073	–	–
Stage 3	(2)	(30)	32	–
Net remeasurement of loss allowance	(8,916)	4,798	(31)	(4,149)
Derecognitions and maturities	(5,389)	(511)	–	(5,900)
Write-offs	–	–	(1)	(1)
Balance as at Dec 31, 2022	27,098	9,223	–	36,321
Equipment Financing				
Balance as at Jan 1, 2022	6,251	149	533	6,933
Loan originations	3,128	–	–	3,128
Transfers to (from)				
Stage 1	97	(55)	(42)	–
Stage 2	(179)	179	–	–
Stage 3	(264)	(4)	268	–
Net remeasurement of loss allowance	(2,775)	(12)	1,367	(1,420)
Derecognitions and maturities	(840)	(83)	(491)	(1,414)
Write-offs	–	–	(1,257)	(1,257)
Balance as at Dec 31, 2022	5,418	174	378	5,970
Total allowance	40,151	16,360	925	57,436

d) Key Economic Variables

The allowance for performing loans is sensitive to changes in both economic forecasts and the probability-weight assigned to each forecast scenario. Each macroeconomic scenario affects the estimated PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 ECL. Coast Capital maintains economic forecasts for the next two years from the reporting date. After this forecast period, management assumes that macroeconomic factors revert to their long-term averages.

The following tables show the key economic variables that were used to estimate ECL on performing loans during the forecast period. Macroeconomic variables were selected for each portfolio and used to model ECL. The values shown represent key economic variables utilized in the expected credit loss model as at the reporting period and include period averages for the forward-looking economic forecasts.

	Base case scenario			
	As at Dec 31, 2023		As at Dec 31, 2022	
Driver	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Canada real GDP[1]	0.50%	1.87%	0.37%	1.07%
BC unemployment rate[2]	6.63%	4.83%	6.00%	5.93%
Housing price index % change[1]	(3.47%)	7.17%	(9.70%)	2.10%

7. Loans and Allowance for Credit Losses (Continued)

	Alternative scenario: Optimistic			
	As at Dec 31, 2023		As at Dec 31, 2022	
Driver	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Canada real GDP(1)	1.00%	2.37%	0.87%	1.57%
BC unemployment rate(2)	6.13%	4.33%	5.50%	5.43%
Housing price index % change(1)	(1.47%)	9.17%	(4.70%)	7.10%

	Alternative scenario: Pessimistic			
	As at Dec 31, 2023		As at Dec 31, 2022	
Driver	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Canada real GDP(1)	(0.30%)	1.07%	(0.43%)	0.27%
BC unemployment rate(2)	7.83%	6.03%	7.20%	7.13%
Housing price index % change(1)	(6.47%)	4.17%	(12.00%)	(5.00%)

(1) Calculated as annual % change.
(2) Rate at the end of the forecast period.

The calculation of ECL is sensitive to changes in economic forecasts and the probability weighting of each scenario. Probability weighting of economic scenarios are not equally weighted and may change over time. In addition, ECL responds to changes in economic forecasts in a non-linear manner. Therefore, depending on the attributes of the portfolio, the differences in economic forecasts can have minor or significant impact to ECL.

Overall, there are signs of the inflationary risks starting to recede in Canada in late 2023 after impacting the economic landscape for the past two years. The softer trends in consumer spending and labour market data are pointing towards a mild economic downturn and are expected to be extended into early 2024 alongside more easing in inflationary pressures. The Bank of Canada will be cautioning against pivoting to rate cuts too quickly, while minding the downside growth risks if the economic slowdown were to become faster and/or steeper than expected.

The reported ECL for financial assets in Stage 1 and Stage 2 under the Base case macroeconomic conditions, with other assumptions held constant including the application of experienced credit adjustment would be $53,736 (December 31, 2022 – $51,810), compared to reported allowance for performing loans of $57,422 (December 31, 2022 – $56,511).

The reported ECL for financial assets in Stage 1 and Stage 2 under the Optimistic case macroeconomic conditions, with other assumptions held constant including the application of experienced credit adjustment would be $47,790 (December 31, 2022 – $44,571), compared to reported allowance for performing loans of $57,422 (December 31, 2022 – $56,511).

The reported ECL for financial assets in Stage 1 and Stage 2 under the Pessimistic case macroeconomic conditions, with other assumptions held constant including the application of experienced credit adjustment would be $65,923 (December 31, 2022 – $67,183), compared to reported allowance for performing loans of $57,422 (December 31, 2022 – $56,511).

7. Loans and Allowance for Credit Losses (Continued)

The current environment is subject to change, and to the extent that certain effects of the forward-looking economic forecasts are not fully incorporated directly into the model calculations, temporary quantitative and qualitative overlay adjustments have been applied to the determination of ECL at the end of the reporting period.

Actual credit loss results will differ due to stage migration, growth, risk mitigation actions as well as other factors.

e) Loans Past Due but Not Impaired[1]

Loans past due but not impaired are loan amounts that are contractually past due but not assessed as impaired because the full amount of principal and interest payments are expected to be collected. The following table sets out loans past due but not impaired as at December 31, 2023, and December 31, 2022.

			As at Dec 31, 2023
	31 to 60 days	61 to 90 days	Total
Residential mortgage	24,345	5,330	29,675
Retail loan	3,147	818	3,965
Commercial	1,363	316	1,679
Equipment finance	12,151	4,241	16,392
Total	41,006	10,705	51,711

			As at Dec 31, 2022
	31 to 60 days	61 to 90 days	Total
Residential mortgage	14,402	1,982	16,384
Retail loan	2,849	1,027	3,876
Commercial	5,202	–	5,202
Equipment finance	8,257	3,462	11,719
Total	30,710	6,471	37,181

(1) Loans past due 30 days or less are not presented as they are not administratively considered past due.

8. Risk Management

Coast Capital has established an Enterprise Risk Management Framework (ERMF) that defines a risk management methodology that ensures risks are effectively identified, assessed, measured, controlled, monitored and reported within an approved risk appetite. The key risks related to our financial instruments are classified as liquidity and funding risk, credit and counterparty risk, concentration risk, market risk and interest rate risk. Risk management practices and key measures are disclosed in the text and tables presented in the Risk Information Specific to Our Financial Reporting section of the 2023 Management's Discussion and Analysis and are an integral part of these consolidated financial statements.

9. Premises and Equipment

Original cost	Land	Buildings	Furniture and equipment	Right-of-use assets[1]	Leasehold improvements	Total
Balance at Jan 1, 2022	57	1,581	74,293	105,066	39,726	220,723
Additions during the year	–	–	2,492	6,675	537	9,704
Disposals during the year	–	(1,405)	(3,528)	(5,543)	(3,196)	(13,672)
Balance at Dec 31, 2022	57	176	73,257	106,198	37,067	216,755
Additions during the year	–	–	4,618	10,126	1,236	15,980
Disposals during the year	–	–	(3)	(5,399)	–	(5,402)
Balance at Dec 31, 2023	57	176	77,872	110,925	38,303	227,333

Accumulated depreciation	Land	Buildings	Furniture and equipment	Right-of-use assets[1]	Leasehold improvements	Total
Balance at Jan 1, 2022	–	1,528	64,355	41,881	32,202	139,966
Depreciation during the year	–	5	4,773	13,531	1,555	19,864
Disposals during the year	–	(1,405)	(3,280)	(750)	(3,113)	(8,548)
Balance at Dec 31, 2022	–	128	65,848	54,662	30,644	151,282
Depreciation during the year	–	4	3,247	12,972	1,367	17,590
Disposals during the year	–	–	(3)	(2,477)	–	(2,480)
Balance at Dec 31, 2023	–	132	69,092	65,157	32,011	166,392
Net book value, at Dec 31, 2022	57	48	7,409	51,536	6,423	65,473
Net book value, at Dec 31, 2023	57	44	8,780	45,768	6,292	60,941

(1) Refer to Note 18 for further information on Coast Capital's right-of-use assets.

10. Goodwill and Intangible Assets

Original cost	Software	Goodwill	Customer lists, trademarks and other intangibles	Total
Balance at Jan 1, 2022	178,222	15,205	8,935	202,362
Additions during the year	14,218	–	–	14,218
Disposals during the year	(32)	–	–	(32)
Balance at Dec 31, 2022	192,408	15,205	8,935	216,548
Additions during the period	25,177	–	–	25,177
Balance at Dec 31, 2023	217,585	15,205	8,935	241,725

10. Goodwill and Intangible Assets (Continued)

Accumulated amortization	Software	Goodwill	Customer lists, trademarks and other intangibles	Total
Balance at Jan 1, 2022	83,651	–	7,108	90,759
Amortization during the year	16,261	–	800	17,061
Disposals during the year	(29)	–	–	(29)
Balance at Dec 31, 2022	99,883	–	7,908	107,791
Amortization during the period	18,063	–	800	18,863
Balance at Dec 31, 2023	117,946	–	8,708	126,654
Net book value at Dec 31, 2022	92,525	15,205	1,027	108,757
Net book value at Dec 31, 2023	99,639	15,205	227	115,071

11. Other Assets

		As at Dec 31
	2023	2022
Accrued interest receivable	52,878	45,826
Prepaid expenses	33,075	35,021
Accounts receivable	7,143	11,734
Retained interest in commercial loans sold	32,742	22,542
Income taxes receivable	8,055	11,828
Other	21,453	22,850
Total other assets	155,346	149,801

12. Deposits

				As at Dec 31, 2023
	Core retail and commercial members	External deposit agents	Institutional depositors	Total
Demand[(1)]	7,552,658	19,973	–	7,572,631
Fixed term redeemable[(2)]	1,789,500	1,459	177,459	1,968,418
Fixed term non-redeemable[(3)]	4,499,470	2,843,953	1,177,731	8,521,154
Total deposits	13,841,628	2,865,385	1,355,190	18,062,203

12. Deposits (Continued)

				As at Dec 31, 2022
	Core retail and commercial members	External deposit agents	Institutional depositors	Total
Demand(1)	8,444,276	18,602	–	8,462,878
Fixed term redeemable(2)	2,516,951	5,502	277,875	2,800,328
Fixed term non-redeemable(3)	3,371,616	2,521,134	1,414,183	7,306,933
Total deposits	14,332,843	2,545,238	1,692,058	18,570,139

(1) Demand deposits include accounts for which Coast Capital does not have the right to require notice to withdrawal, generally chequing accounts, and accounts for which Coast Capital can legally require notice of withdrawal, generally savings accounts. Repayment of demand deposits is subject to the Coast Capital Personal or Business Account and Services Agreements.
(2) Fixed term redeemable deposits include all deposits that mature on a specified date and are redeemable subject to certain conditions, generally term deposits, guaranteed investment certificates and similar instruments.
(3) Fixed term non-redeemable deposits include all deposits that mature on a specified date and are not redeemable or are redeemable only under exceptional circumstances, generally term deposits, guaranteed investments certificates and similar instruments.

The table below sets out the contractual maturities of fixed-term redeemable and non-redeemable deposits.

		As at Dec 31
	2023	2022
Under 1 year	5,052,869	7,128,825
1 to 5 years	5,317,191	2,974,219
Over 5 years	119,512	4,217
Total term deposits	10,489,572	10,107,261

13. Borrowings

		As at Dec 31
	2023	2022
Commercial paper	189,279	267,494
Term loans	200,000	200,000
Floating rate notes	–	199,778
Fixed rate notes	598,793	398,995
Total borrowings	988,072	1,066,267

Commercial Paper

Commercial paper pays a fixed weighted average interest rate of 5.37% (2022 – 4.49%) and matures between January 2, 2024 and March 26, 2024 (2022: between January 3, 2023 and March 30, 2023).

Term Loan

The term loan entered into on July 20, 2019, bears a floating interest rate with monthly repricing. The rate as at December 31, 2023, was 6.115% (2022 – 5.14%). The term loan matures on July 29, 2026.

Floating Rate Note

The floating rate note issued on October 27, 2021, with principal amount of $200 million, paid a floating interest rate of three-month CDOR plus 33 basis points, matured on October 27, 2023.

13. Borrowings (Continued)

Fixed Rate Note

The fixed rate note issued on April 21, 2022, with principal amount of $200 million, pays a fixed interest rate of 4.26% and matures on April 21, 2025.

The fixed rate note issued on November 25, 2022, with principal amount of $200 million, pays a fixed interest rate of 6.13% and matures on November 25, 2024.

The fixed rate note issued on September 28, 2023, with principal amount of $200 million, pays a fixed interest rate of 7.01% and matures on September 28, 2026.

14. Secured Borrowings

The weighted average interest rate on secured borrowings was 2.14% for the twelve months ended December 31, 2023 (1.73% for the year ended December 31, 2022).

The table below summarizes the amounts borrowed under secured borrowings, the amount of residential mortgages sold, and the amount of reinvestment assets provided as collateral.

		As at
	Dec 31, 2023	Dec 31, 2022
Secured borrowings	537,252	445,110
Residential mortgages sold (included in Loans)	461,547	330,401
Financial Investment – Re-investment assets provided as collateral	88,437	116,501
Total collateral	549,984	446,902

The table below shows the maturity of amounts borrowed under secured borrowings and the amount of residential mortgages sold. Reinvestment assets provided as collateral mature within three months and are typically rolled over upon maturity.

	Residential mortgages	Secured borrowings
2024	103,856	121,268
2025	165,400	192,529
2026	129,159	150,184
2027	38,702	45,051
2028	24,430	28,220
Total	461,547	537,252

15. Assets Pledged as Collateral

In the normal course of business, Coast Capital pledges assets to secure credit facilities and other financing arrangements. Asset pledging transactions are conducted under terms that are common and customary to standard financing activities. Standard risk management controls are applied with respect to asset pledging.

Assets that are pledged as collateral are related to proceeds from securitizations and other borrowings. As at December 31, 2023, Coast Capital has pledged residential mortgages and other securities in the amount of $549,984 (December 31, 2022 – $446,902) in relation to its secured borrowings, $1,272,194 (December 31, 2022 – $1,253,784) in relation to other borrowings, and Nil (December 31, 2022 – $1,526) in relation to its derivative position with a counterparty.

16. Subordinated Debentures

	As at Dec 31	
	2023	2022
Series 1 issued May 3, 2018	–	198,268
Series 2 issued Oct 29, 2018	99,774	99,660
Series 3 issued Apr 25, 2023	97,527	–
Total subordinated debt	197,301	297,928

Series 1

The subordinated debentures had a 10-year term maturing on May 3, 2028, at a par value of $200 million. Coast Capital exercised the option to redeem the subordinated debentures on May 3, 2023. The subordinated debentures bore interest at 5.0% per annum, payable semi-annually in arrears up to May 2, 2023.

Coast Capital entered into a fair-value hedge to hedge against the interest rate risk on this subordinated note. The hedge had an expiry date of May 3, 2023, which was not renewed.

Series 2

The subordinated debentures have a 12-year term maturing on October 29, 2030, at a par value of $100 million. Coast Capital has the option to redeem the subordinated debentures on October 29, 2025, at par plus accrued interest, subject to regulatory approval. The subordinated debentures bear interest at 5.25% per annum, payable semi-annually in arrears up to October 28, 2025. From October 29, 2025, the subordinated debentures bear interest at three-month CDOR plus 242 basis points per annum, payable quarterly in arrears.

Series 3

On April 25, 2023, Coast Capital issued (trade date) Non-Viability Contingent Capital (NVCC) subordinated debt, settlement date of May 2, 2023, with a par value of $100 million having a 10-year term maturing on May 2, 2033. Coast Capital has the option to redeem the subordinated debentures on May 2, 2028, at par plus accrued interest, subject to regulatory approval. The subordinated debentures bear interest at 8.875% per annum, payable semi-annually in arrears up to May 2, 2028. From May 3, 2028, the subordinated debentures bear interest at a variable rate equal to daily-compounded CORRA plus 5.92%, payable quarterly in arrears.

17. Other Liabilities

	As at Dec 31	
	2023	2022
Accounts payable and accruals	136,636	155,501
Accrued interest payable	213,318	124,010
Lease liabilities	54,013	60,108
Income taxes payable	699	141
Deferred tax liability	1,309	1,991
Other	15,839	13,364
Total	421,814	355,115

18. Leases

a) Right-of-Use Assets

The nature of our ROU assets is comprised of leased premises that house the majority of Coast Capital's branch premises, our head office and certain of our dedicated computer servers. We sublease certain of our leased premises. Our income from subleases was $1,790 for the year ended December 31, 2023 ($1,527 for the year ended December 31, 2022). ROU assets are included under Premises and equipment in the Consolidated Balance Sheet. Refer to Note 9 for further information.

b) Lease Liabilities

Lease liabilities are included under Other liabilities in the Consolidated Balance Sheet and comprise:

		As at Dec 31
	2023	2022
Balance at the beginning of year	60,108	72,767
Additions	10,126	6,675
Lease payments	(16,003)	(16,565)
Reassessment	(3,104)	(6,089)
Interest expense	2,886	3,320
Balance at the end year	54,013	60,108

The weighted average incremental borrowing rate applied to determine the balance of lease liabilities as at December 31, 2023, was 5.26% (5.00% – 2022).

The contractual maturity of future lease payments are as follows:

		As at Dec 31
	2023	2022
1 year or less	15,137	15,019
1 to 5 years	38,083	40,009
More than 5 years	8,701	14,706
Total expected cash flow	61,921	69,734

19. Capital Management

a) Objectives, Policies and Processes

Coast Capital's objectives in managing financial capital resources include: generating value to all stakeholders but primarily to members while ensuring the long-term viability of the credit union by holding a level of high-quality capital deemed sufficient to protect against unanticipated losses; providing prudent depositor security; maintaining favourable credit ratings and exceeding applicable regulatory requirements and long-term internal targets.

Coast Capital's policy is to hold capital in a range of different forms and from diverse sources but with an emphasis on growing retained earnings. Retained earnings represent the highest quality, the most stable and the least expensive form of capital.

To ensure processes are in place to meet its objectives, Coast Capital follows policies approved by the Board. Management monitors capital levels on a regular basis. The capital plan is updated annually and provides a forecast of capital requirements over a five-year horizon.

19. Capital Management (Continued)

Coast Capital's Finance and Treasury departments manage compliance with policies monthly, with regular monitoring by the Asset and Liability Committee (ALCO). ALCO is chaired by the Vice President, Treasury, and includes the senior executive management team. Departures from policy are reported to the Board's Risk Review Committee (RRC) with a detailed action plan to resolve any deviation.

b) Regulatory Capital

Coast Capital remained fully compliant with the applicable regulatory capital requirements and the corresponding Board and management limits as at December 31, 2023.

Coast Capital manages its capital in accordance with its internal policy as reviewed and approved by its Board on an annual basis, with review, recommendations and input coming from its RRC and its Audit and Finance Committee (AFC). Coast Capital's internal policy with respect to regulatory capital requirements adheres to regulations and guidelines as set out by the *Bank Act* and the OSFI's Capital Adequacy Requirements (Federal Requirements).

Capital is managed in accordance with requirements of the Basel III Capital Adequacy Accord (Basel III). Coast Capital has implemented processes to measure, forecast, track and report its regulatory capital ratios based on OSFI guidelines, which are based on minimum Basel III capital ratios adopted by the Basel Committee on Banking Supervision (BCBS).

OSFI has established capital targets (including a mandated capital conservation buffer) that all financial institutions are expected to attain or exceed.

In accordance with Basel III, the minimum capital base comprised of:

- Tier 1 capital, which is designed to ensure going concern, is the most permanent and subordinated form of capital and consists of Common Equity Tier 1 (CET 1) capital and Additional Tier 1 (AT 1) capital; and
- Tier 2 capital, which consists of supplementary capital instruments.

In accordance with OSFI's requirements, the minimum regulatory capital ratios, including a 250 basis point capital conservation buffer, are 7.0% CET1, 8.5% Tier 1 and 10.5% Total Capital.

In accordance with OSFI's requirements, the minimum regulatory leverage ratio is 3%. This ratio is determined by dividing the Tier 1 capital by the exposure measure. The exposure measure is independent from risk and includes on-balance sheet exposures, securities financing transaction exposures, derivative exposure and off-balance sheet exposures.

OSFI provides additional guidance regarding the treatment of non-qualifying capital instruments that specifies that certain capital instruments, which were eligible capital instruments under provincial guidelines prior to Continuance as a federally regulated institution, would be included under the OSFI CAR Guidelines subject to a 10% phase-out per year starting at Continuance.

Coast Capital uses the Standardized Approach for calculating risk-weighted assets for capital adequacy purposes. Under the Standardized Approach, Coast Capital uses OSFI-recognized external credit rating agencies to determine the credit risk ratings of exposures. The external credit rating agencies used are Standard & Poor's, Moody's and DBRS Morningstar. To assign risk weights to credit exposures not rated by external credit agencies, Coast Capital uses OSFI's prescribed methodology under the Standardized Approach.

Capital, RWA and capital ratios are calculated using OSFI's Capital Adequacy Requirements (CAR) guideline and the leverage ratio is calculated using OSFI's Leverage Requirements (LR) guideline. Both the CAR guideline and LR guideline are based on the Basel III framework. The results for the period ended December 31, 2023 reflect our adoption of the revised CAR and LR guidelines as part of OSFI's implementation of the Basel III reforms.

19. Capital Management (Continued)

Coast Capital's regulatory capital, risk-weighted assets, actual regulatory capital ratios and minimum regulatory required capital ratios are presented in the table below:

	As at Dec 31	
	2023	2022
Regulatory Capital		
Common equity tier 1 capital[1]	1,353,618	1,260,693
Tier 1 capital	1,364,091	1,273,784
Tier 2 capital	257,422	206,511
Total capital	1,621,513	1,480,295
Risk-Weighted Assets Used in Capital Ratios	10,792,204	10,773,476
Actual Regulatory Capital Ratios		
Common equity tier 1 capital ratio	12.5%	11.7%
Tier 1 capital ratio	12.6%	11.8%
Total capital ratio	15.0%	13.7%
Leverage ratio	6.2%	5.7%
Regulatory Capital Requirements		
Minimum common equity tier 1 capital ratio	7.0%	7.0%
Minimum tier 1 capital ratio	8.5%	8.5%
Minimum total capital ratio	10.5%	10.5%
Minimum leverage ratio	3.0%	3.0%

(1) Includes Class A shares, retained earnings and accumulated other comprehensive income.

20. Share Capital

	As at Dec 31	
	2023	2022
Class A Shares		
Balance at the beginning of period	2,895	2,823
Shares issued	188	623
Shares redeemed	(250)	(551)
Balance at the end of period	2,833	2,895
Class B Shares		
Balance at the beginning of period	20,356	21,507
Shares redeemed	(1,051)	(1,151)
Balance at the end of period	19,305	20,356
Total share capital	22,138	23,251

20. Share Capital (Continued)

Class A Shares

An unlimited number of Class A shares are authorized for issue. Class A shares are a membership requirement, voting, without par value and issued shares are fully paid. Class A shares are redeemable subject to the *Bank Act* as well as the approval of the Board and the Superintendent of Financial Institutions. The declaration of dividends is subject to the approval of the Board.

Class B Shares

An unlimited number of Class B shares are authorized for issue. Class B shares are not a membership requirement, non-voting, without par value and issued shares are fully paid. Class B shares are redeemable subject to the *Bank Act* as well as the approval of the Board and the Superintendent of Financial Institutions. The declaration of dividends is subject to the approval of the Board. The dividend target for Class B shares is equal to Coast Capital's average posted rate of its five-year term deposits and was 4.21% for the twelve months ended December 31, 2023 (3.64% for the twelve months ended December 31, 2022).

21. Net Interest Income

	For the year ended Dec 31	
	2023	2022
Interest Income		
Financial instruments measured at amortized cost	893,577	669,900
Financial instruments measured at FVOCI	84,686	52,321
Derivatives	–	148
Total interest income	978,263	722,369
Interest Expense		
Deposits	514,347	244,061
Borrowings	62,537	35,008
Secured borrowings	10,492	9,414
Subordinated debt	15,069	15,531
Derivatives	2,082	–
Total interest expense	604,527	304,014
Net interest income	373,736	418,355

22. Fees and Commission Income

	For the year ended Dec 31	
	2023	2022
Wealth management investment commissions	45,949	45,304
Other fees and commissions	29,556	28,957
Credit card commissions	7,226	9,923
Insurance commissions	7,056	7,523
Foreign exchange	6,886	5,076
Total fees and commission income	96,673	96,783

Notes to the Consolidated Financial Statements

23. Salaries and Employee Benefits

	For the year ended Dec 31	
	2023	2022
Salaries	184,206	185,811
Benefits	25,991	24,961
Post retirement costs	11,179	12,311
Termination benefits	1,632	7,121
Other	43	59
Total salaries and employee benefits	223,051	230,263

24. Administration Expenses

	For the year ended Dec 31	
	2023	2022
Consultants	15,123	19,710
Professional services	6,103	6,337
Marketing	10,084	9,974
ATM/POS operations	8,999	8,323
Stationery, statements, telephone, and postage	3,982	4,543
Chequing service charges	4,863	4,556
Loan processing	3,681	3,245
Travel, meals, and entertainment	2,845	2,854
Bonding and other insurance	2,285	2,737
Training and recruitment	851	1,195
Courier	332	380
Other	21,250	18,099
Total administration expenses	80,398	81,953

25. Provision for Income Taxes

	2023	2022
Current Income Taxes		
Current year	14,982	17,077
	14,982	17,077
Deferred Income Taxes		
Origination and reversal of temporary differences	765	7,286
Change in estimates of tax rate	1,022	(378)
	1,787	6,908
Total income taxes	16,769	23,985

25. Provision for Income Taxes (Continued)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 27% (2022 – 27%) to income before income taxes. The reasons for the differences are as follows:

	2023 Amount	2023 % of pre-tax income	2022 Amount	2022 % of pre-tax income
Combined federal and provincial statutory income taxes	20,303	27.0%	31,850	27.0%
Reduction applicable to credit unions	(3,913)	(5.2%)	(8,828)	(7.5%)
Change in estimate of tax rates and reversals	708	0.9%	(365)	(0.3%)
Other	(328)	(0.4%)	1,328	1.1%
Effective income tax rate	16,769	22.3%	23,985	20.3%

The components of the net deferred income tax asset are as follows:

	2023	2022
Allowance for credit losses	14,167	13,943
Loss carry-forwards	5,220	3,184
Restructuring costs	380	1,226
Employee future benefits	994	914
Capital and intangible assets	785	4,354
Deferred revenue/prepaid expense	(6,056)	(6,344)
Total deferred tax asset, net of deferred tax liabilities	15,490	17,277

As at December 31, 2023 and 2022, Coast Capital has considered contingent tax liabilities and uncertain tax treatments, as well as interest and penalties, and determined that no amount needs be accrued in respect of such amounts.

26. Commitments

Coast Capital enters into various off-balance sheet commitments, such as letters of credit and loan commitments. These are not reflected in the Consolidated Balance Sheet. In the normal course of business, many of these arrangements will expire or terminate without being drawn upon, and therefore the actual credit risk is expected to be less than the amounts set forth. Details of these are as follows:

	2023	2022
Lines of credit, unfunded	3,116,938	3,102,912
Letters of credit	74,612	89,492

Coast Capital, as part of its commercial lending services program, issues letters of credit and guarantees. These are issued in the normal course of business. Coast Capital issues guarantees that commercial clients will perform certain work or services on behalf of third parties. Additionally, Coast Capital may issue guarantees to facilitate commercial trade of goods and services between clients and third parties. Coast Capital's policy for requiring collateral security with respect to these instruments held is generally the same as for loans. As at December 31, 2023, $17,866 (December 31, 2022 – $20,391) of the total letters of credit and guarantees issued were secured by deposits by the borrower with Coast Capital. Management estimates that there will be no losses under these obligations that require an allowance for credit losses.

Notes to the Consolidated Financial Statements

27. Contingent Liabilities

Coast Capital is involved in various claims arising in the normal course of business, and provisions for these claims have been included in liabilities where management has considered this to be appropriate. Coast Capital establishes provisions when it becomes probable that a loss will realize and the amount can be reasonably estimated. In management's opinion, based on our current knowledge and consultation with legal counsel, Coast Capital does not expect the outcome of any of these proceedings, in aggregate, to have a material adverse effect on its Consolidated Balance Sheet or consolidated cash flows.

28. Interest Rate Sensitivity Position

Interest rate risk results from differences in the maturities or repricing dates of interest rate sensitive assets and liabilities, both on- and off-balance sheet. The resultant mismatch, or gap, as it is commonly called, may produce favourable or unfavourable variances on interest margins depending on the direction of the gap, the direction of interest rate movements and/or the volatility of those interest rates. The maturity or repricing profiles change daily in the ordinary course of business as members select different terms of mortgages, member loans and deposits.

		Fixed rate						
	Floating rate	Under 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 5 years	Over 5 years	Non-interest sensitive	2023
Assets								
Cash and investments	–	490,451	524,672	655,262	1,107,991	–	228,194	3,006,570
Loans	6,311,286	515,472	610,817	1,562,176	9,228,533	165,605	(46,762)	18,347,127
Other assets							350,914	350,914
	6,311,286	1,005,923	1,135,489	2,217,438	10,336,524	165,605	532,346	21,704,611
Liabilities and Equity								
Deposits	–	4,548,742	1,922,682	4,517,748	7,011,450	61,581	–	18,062,203
Borrowings	200,000	192,000	–	200,000	400,000	–	(3,928)	988,072
Secured borrowings				40,586	410,997	–	85,669	537,252
Subordinated debt		–	–	–	200,000	–	(2,699)	197,301
Other liabilities							426,568	426,568
Equity							1,493,215	1,493,215
	200,000	4,740,742	1,922,682	4,758,334	8,022,447	61,581	1,998,825	21,704,611
Balance sheet mismatch	6,111,286	(3,734,819)	(787,193)	(2,540,896)	2,314,077	104,024	(1,466,479)	–
Net mismatch	6,111,286	(3,734,819)	(787,193)	(2,540,896)	2,314,077	104,024	(1,466,479)	–

Notes to the Consolidated Financial Statements

28. Interest Rate Sensitivity Position (Continued)

	Floating rate	Fixed rate: Under 3 months	Fixed rate: Over 3 to 6 months	Fixed rate: Over 6 to 12 months	Fixed rate: Over 1 to 5 years	Fixed rate: Over 5 years	Non-interest sensitive	2022
Assets								
Cash and investments	–	893,362	635,375	850,875	994,209	–	199,582	3,573,403
Loans	7,549,046	463,386	570,281	1,122,520	8,377,720	169,581	(41,381)	18,211,153
Other assets							345,958	345,958
	7,549,046	1,356,748	1,205,656	1,973,395	9,371,929	169,581	504,159	22,130,514
Liabilities and Equity								
Deposits	–	5,976,042	1,474,987	4,969,963	6,145,008	4,139	–	18,570,139
Borrowings	400,000	270,500			400,000		(4,233)	1,066,267
Secured borrowings				13,959	311,460		119,691	445,110
Subordinated debt			197,185	–	100,000	–	743	297,928
Other liabilities							358,080	358,080
Equity							1,392,990	1,392,990
	400,000	6,246,542	1,672,172	4,983,922	6,956,468	4,139	1,867,271	22,130,514
Balance sheet mismatch	7,149,046	(4,889,794)	(466,516)	(3,010,527)	2,415,461	165,442	(1,363,112)	–
Derivatives	–	(400,000)	400,000	–	–	–	–	–
Net mismatch	7,149,046	(5,289,794)	(66,516)	(3,010,527)	2,415,461	165,442	(1,363,112)	–

In managing interest rate risk, Coast Capital relies primarily upon its contractual interest rate sensitivity position adjusted for certain assumptions regarding customer behaviour preferences, which are based upon historical trends. During 2022, Coast Capital updated the adjustments made at a more granular level to include assumptions relating to early repayment of loans and customer preferences for demand, notice and redeemable deposits. Based on these preferences, deposits previously reported as floating rate behaved similar to fixed rate deposits with maturities 3 months or less.

29. Derivative Instruments

All derivative instruments, including hedging derivatives, are recorded at their fair value in the Consolidated Balance Sheet.

Types of Derivatives

Coast Capital enters into the following types of derivatives:

	Notional amounts Maturities of derivatives				
	Up to 12 months	Over 1-3 years	Over 3-5 Years	2023 Total	2023 Fair value
Interest Rate Swaps					
Pay floating, receive fixed	–	–	–	–	–
Total interest rate swaps	–	–	–	–	–
Forward Contracts	159,262	–	–	159,262	(4,754)
Equity Options	16,051	29,472	1,805	47,328	2,756
Total derivative contracts	175,313	29,472	1,805	206,590	(1,998)
Derivative assets					2,756
Derivative liabilities					(4,754)

	Notional amounts Maturities of derivatives				
	Up to 12 months	Over 1-3 years	Over 3-5 Years	2022 Total	2022 Fair value
Interest Rate Swaps					
Pay floating, receive fixed	400,000	–	–	400,000	(2,965)
Total interest rate swaps	400,000	–	–	400,000	(2,965)
Forward Contracts	26,515	–	–	26,515	239
Equity Options	3,650	35,544	8,685	47,879	2,420
Total derivative contracts	430,165	35,544	8,685	474,394	(306)
Derivative assets					2,659
Derivative liabilities					(2,965)

29. Derivative Instruments (Continued)

- Interest rate swaps: these are contractual agreements between two parties to exchange a series of cash flows and are tools that Coast Capital uses to manage interest rate risk. Generally, counterparties exchange fixed and floating rate interest payments on a notional value. These contracts are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction or a specific pool of transactions with similar risk characteristics. Notional amounts are not exchanged.
- Forward contracts: these are mainly bond forward contracts that Coast Capital utilizes to hedge against changes in future cash flows from interest rate changes attributable to highly probable forecasted issuance of fixed-rate liabilities.
- Options: these are contractual agreements that convey to the buyer the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest rate sensitive financial instrument or security at a fixed future date or at any time within a fixed future period.
- Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure.

In addition, Coast Capital can classify the derivatives it uses into two broad categories according to their intended purpose:

Trading Derivatives

Trading derivatives are transacted to generate trading income or include interest rate swaps that do not qualify as hedges for accounting purposes. For the years ended December 31, 2023, and December 31, 2022, Coast Capital has not utilized any derivatives for the purpose of earning trading income. Realized and unrealized gains and losses are recorded in Non-Interest Income – Other income in the Consolidated Statement of Income. Unrealized gains and losses on trading derivatives are recorded in the Consolidated Balance Sheet as derivative assets and derivative liability, respectively.

Hedging Derivatives

Coast Capital uses both cash flow and fair value hedges as part of its risk management strategy to hedge its exposure to interest rates. A derivative will qualify as a hedge if the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge, the specific asset, liability or cash flow being hedged, as well as how effectiveness will be assessed.

Coast Capital's over-the-counter derivatives subject to International Swaps and Derivatives Association's (ISDA) master netting agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet as they give a right to set off that is enforceable only in the event of default, insolvency or bankruptcy.

Cash Flow Hedges

Cash flow hedges are a type of hedging derivative used to modify exposure to variability in cash flows for variable rate interest bearing instruments or the highly probable forecasted issuance of fixed-rate liabilities. A hypothetical derivative is used to measure the hedge risk of the hedged instrument. The hypothetical derivative matches the critical terms of the hedged items identically, and it perfectly offsets the hedged cash flow. The effectiveness of these hedging relationships is evaluated at inception of the hedge and on an ongoing basis, both retrospectively and prospectively using quantitative statistical measures of correlation. The main sources of ineffectiveness in cash flow hedges used by Coast Capital are differences in interest rate indices, tenor and reset/settlement frequencies between the hedging instrument and the hedged item.

During the year, Coast Capital recognized a gain of $371 (2022 – loss of $186) for ineffectiveness in cash flow hedges, which is recognized in Interest Income – Derivatives in the Consolidated Statement of Income as it arises. See Note 2(n) for accounting policy of cash flow hedges.

There are no cash flow hedges outstanding as at December 31, 2023.

29. Derivative Instruments (Continued)

The following tables indicate the periods in which the hedged cash flows associated with cash flow hedges are expected to occur and affect consolidated statement of income:

				2022
	Expected cash flow	Less than 1 year	1 to 5 years	More than 5 years
Receive fixed	2,643	2,643	–	–
Pay floating	4,633	4,633	–	–
Net cash inflow (outflow)	(1,990)	(1,990)	–	–

Fair Value Hedges

Fair value hedges modify exposure to changes in a fixed-rate instrument's fair value caused by changes in interest rates. These hedges economically convert fixed-rate assets and liabilities to floating rate. Interest rate swaps are used to hedge interest rate risk. A hypothetical derivative is used to measure the hedge risk of the hedged instrument. The hypothetical derivative matches the critical terms of the hedged items identically, and it perfectly offsets the hedged cash flow. To the extent that the change in the fair value of the derivative does not offset changes in the fair value of the hedged item for the risk being hedged, the net amount (hedge ineffectiveness) is recorded directly in Other Income. The main sources of ineffectiveness are the counterparty effect and Coast Capital's credit risk on the fair value of the swap, and the difference in terms such as fixed interest rate or reset/settlement frequency between the swap and the hedged item.

On May 3, 2018, Coast Capital entered into a fair value hedge on the subordinated note to hedge against interest rate risk. The hedged item is 100% of the 60 month 5.0% fixed rate of the subordinated note. Coast Capital entered into an interest rate swap that calls for receipt of interest at a fixed rate and payment of interest at a variable rate. This subordinate note matured May 3, 2023.

There are no fair value hedges outstanding as at December 31, 2023.

The amounts relating to derivatives designated as fair value hedging instruments, hedged items and hedge ineffectiveness for the year are as follows. See Note 2(n) for accounting policy of fair value hedges.

				2022
	Notional amount of hedging item asset	Carrying amount of hedging item asset	Gains (losses) used to calculate hedge ineffectiveness (1)	Carrying amount of hedged item(2)
Hedging items – interest rate swap contracts	200,000	(1,567)	(1,567)	–
Hedged item – subordinated debt	–	–	1,612	198,268
Total	200,000	(1,567)	45	198,268

(1) Amount also represents accumulated changes in fair value as the swaps were entered into during the year. The ineffectiveness is recorded in Non-Interest Income – Other income.
(2) Represents carrying value on the Consolidated Balance Sheet and includes amortized cost, plus fair value hedge adjustments.

29. Derivative Instruments (Continued)

The credit risk associated with derivative financial instruments refers to the risk that a counterparty will fail to honour its contractual obligations toward Coast Capital at a time when the fair value of the instrument is positive for Coast Capital. The table below presents the credit risk exposure from our derivatives. Replacement cost is the cost of replacing, at current market rates, all contracts with a positive fair value without taking into consideration the impact of netting agreements or any collateral that may be obtained. Credit risk equivalent is the total replacement cost and future credit exposure, which is presented by the change in value determined using a formula prescribed by the Bank for International Settlements (BIS), excluding items prescribed by the BIS, such as the replacement cost of forwards exchange contracts with an original maturity of less than 14 days and exchange-traded derivatives subject to daily cash margining. The risk-weighted asset is the balance of the asset weighted by the risk related to the credit-worthiness of the counterparty calculated at the rates prescribed by the BIS.

				2023
	Notional	Replacement cost	Credit risk equivalent	Risk-weighted asset
Interest rate swaps	–	–	–	–
Forward contracts	159,262	–	5	1
Equity options	47,328	2,756	12,444	2,489
Total	206,590	2,756	12,449	2,490

				2022
	Notional	Replacement cost	Credit risk equivalent	Risk–weighted asset
Interest rate swaps	400,000	–	20	4
Forward contracts	26,515	387	567	113
Equity options	47,879	2,420	11,614	2,323
Total	474,394	2,807	12,201	2,440

30. Fair Value of Financial Instruments

There have been no significant changes to Coast Capital's approach and methodologies used to determine fair value measurements during the twelve months ended December 31, 2023.

a) Fair Value of Financial Instruments Not Carried at Fair Value

The following table presents the fair values of Coast Capital's financial instruments that are currently not carried at fair value. Accordingly, the table below excludes financial instruments with a carrying value approximating fair value, such as cash and cash resources, other assets and other liabilities, and value of assets that are not financial instruments, such as premises and equipment, goodwill and intangible assets and deferred tax assets.

30. Fair Value of Financial Instruments (Continued)

The undernoted fair values, presented for information only, reflect conditions that existed only at the respective balance sheet dates and do not necessarily reflect future value or the amounts Coast Capital might receive or pay if it were to dispose of any of its financial instruments prior to their maturity.

					As at Dec 31, 2023
	Carrying value	Fair value	Level 1	Level 2	Level 3
Loans					
Residential mortgages	12,004,258	11,640,043	–	–	11,640,043
Personal loans	448,030	450,270	–	–	450,270
Commercial mortgages and loans and equipment financing	5,955,398	5,812,056	–	–	5,812,056
	18,407,686	17,902,369	–	–	17,902,369
Deposits	18,062,203	18,118,757	–	18,118,757	–
Secured borrowings	537,252	549,786	–	549,786	–
Borrowings	988,072	990,682	–	990,682	–
Subordinated debentures	197,301	195,946	–	195,946	–
	19,784,828	19,855,171	–	19,855,171	–

					As at Dec 31, 2022
	Carrying value	Fair value	Level 1	Level 2	Level 3
Loans					
Residential mortgages	12,244,807	11,828,753	–	–	11,828,753
Personal loans	419,898	420,966	–	–	420,966
Commercial mortgages and loans and equipment financing	5,603,883	5,420,333	–	–	5,420,333
	18,268,588	17,670,052	–	–	17,670,052
Deposits	18,570,139	18,563,385	–	18,563,385	–
Secured borrowings	445,110	433,700	–	433,700	–
Borrowings	1,066,267	1,066,267	–	1,066,267	–
Subordinated debentures	297,928	295,193	–	295,193	–
	20,379,444	20,358,545	–	20,358,545	–

b) Fair Value Hierarchy

For financial instruments measured at fair value in the Consolidated Balance Sheet, Coast Capital follows a three-level hierarchy to categorize the inputs used in valuation techniques to measure fair value. The hierarchy is as follows:

- Level 1: Inputs that are based on quoted prices in active markets.
- 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.

30. Fair Value of Financial Instruments (Continued)

The following tables represent the fair values of Coast Capital's financial instruments, including derivatives, classified in accordance with the fair value hierarchy.

				Dec 31, 2023
	Level 1	Level 2	Level 3	Total
Interest bearing deposits with financial institutions classified FVOCI	–	160,000	–	160,000
Financial investments				
Debt securities classified FVOCI	2,546,832	88,437	–	2,635,269
Equity securities designated FVOCI	–	–	2,285	2,285
Derivative assets classified FVTPL	2,756	–	–	2,756
Total financial assets	2,549,588	248,437	2,285	2,800,310
Derivative liabilities classified FVTPL	4,754	–	–	4,754
Total financial liabilities	4,754	–	–	4,754

				Dec 31, 2022
	Level 1	Level 2	Level 3	Total
Interest bearing deposits with financial institutions classified FVOCI	–	151,395	–	151,395
Financial investments				
Debt securities classified FVOCI	3,138,326	116,501	–	3,254,827
Equity securities designated FVOCI	–	–	2,285	2,285
Derivative assets classified FVTPL	2,659	–	–	2,659
Total financial assets	3,140,985	267,896	2,285	3,411,166
Derivative liabilities classified FVTPL	–	2,965	–	2,965
Total financial liabilities	–	2,965	–	2,965

The fair value of financial investments is determined by using quoted market values when available. For financial assets and liabilities where market quotes are not available, including for equity securities designated at FVOCI and loans designated at FVTPL, Coast Capital uses valuation techniques to estimate fair value. These techniques include discounted cash flow models based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the balance sheet date. These techniques incorporate Coast Capital's estimate of assumptions that a market participant would make when valuing the instruments.

Fair values for equity securities are determined based on redemption value. Where redemption value is not available, and there is insufficient information to determine fair value, cost is used as it represents the best estimate of fair value (Note 6).

Fair value of loans is determined by discounting expected contractual cash flows using market interest rates charged for similar new loans at the reporting date and takes estimated prepayments into account. Changes in interest rates and in the creditworthiness of borrowers are the main causes of changes in the fair value of loans held by Coast Capital, which results in a favourable or unfavourable difference compared to their carrying amount. The fair value of impaired loans is assumed to be equal to their carrying amount.

Fair values of derivative financial instruments have been based on market price quotations.

The above-noted fair values, presented for information only, reflect conditions that existed only at the respective balance sheet dates and do not necessarily reflect future value, or the amounts Coast Capital might receive or pay if it were to dispose of any of its financial instruments prior to their maturity.

30. Fair Value of Financial Instruments (Continued)

There were no transfers between Level 1, Level 2 and Level 3 for the twelve months ended December 31, 2023.

c) Changes in Level 3 Fair Value Measurements

The following table reconciles the opening and closing totals:

	Equity securities designated FVOCI	Total
Balance as at Jan 1, 2022	3,558	3,558
Purchased during the year	–	–
Sold during the year	(1,273)	(1,273)
Balance as at Dec 31, 2022	2,285	2,285
Purchased during the period	–	–
Sold during the period	–	–
Balance as at Dec 31, 2023	2,285	2,285

31. Classification of Financial Assets and Liabilities

					2023
	Classified FVOCI	Designated FVOCI	Classified FVTPL	Amortized Cost	Total
Financial Assets					
Cash and cash resources	–	–	–	209,015	209,015
Interest bearing deposits with financial institutions	160,000	–	–	–	160,000
Financial investments					
Debt securities	2,635,269	–	–	–	2,635,269
Equity securities	–	2,285	–	–	2,285
Loans	–	–	–	18,407,686	18,407,686
Derivative assets	–	–	2,756	–	2,756
Other assets	–	–	–	100,818	100,818
Total financial assets(1)	2,795,269	2,285	2,756	18,717,519	21,517,829
Financial Liabilities					
Deposits	–	–	–	18,062,203	18,062,203
Borrowings	–	–	–	988,072	988,072
Secured borrowings	–	–	–	537,252	537,252
Subordinated debentures	–	–	–	197,301	197,301
Derivative liabilities	–	–	4,754	–	4,754
Other liabilities	–	–	–	404,666	404,666
Total financial liabilities(2)	–	–	4,754	20,189,494	20,194,248

(1) The other assets balance excludes prepaid expenses and others.
(2) The other liabilities balance excludes deferred tax liability and other balance.

31. Classification of Financial Assets and Liabilities (Continued)

					2022
	Classified FVOCI	Designated FVOCI	Classified FVTPL	Amortized Cost	Total
Financial Assets					
Cash and cash resources	–	–	–	164,897	164,897
Interest bearing deposits with financial institutions	151,395	–	–	–	151,395
Financial investments					
Debt securities	3,254,827	–	–	–	3,254,827
Equity securities	–	2,285	–	–	2,285
Loans	–	–	–	18,268,588	18,268,588
Derivative assets	–	–	2,659	–	2,659
Other assets	–	–	–	91,930	91,930
Total financial assets	3,406,222	2,285	2,659	18,525,415	21,936,581
Financial Liabilities					
Deposits	–	–	–	18,570,139	18,570,139
Borrowings	–	–	–	1,066,267	1,066,267
Secured borrowings	–	–	–	445,110	445,110
Subordinated debentures	–	–	–	297,928	297,928
Derivative liabilities	–	–	2,965	–	2,965
Other liabilities	–	–	–	339,760	339,760
Total financial liabilities	–	–	2,965	20,719,204	20,722,169

32. Related-Party Transactions

Related parties of Coast Capital include subsidiaries, key management personnel and close family members of key management personnel.

A number of transactions were entered into with key management personnel in the normal course of business and presented below:

	2023	2022
Outstanding loans	3,040	4,606
Outstanding deposits	1,350	197

Loans are advanced to employees at interest rates that range from market rates to preferred rates, but directors are not eligible for this employee benefit. No specific provisions for expected credit losses have been recognized for these loans (2022 – Nil). Upon initial recognition, employee loans are recorded at fair value with the difference between fair value and funds advanced being recorded as Salaries and employee benefits in the Consolidated Statement of Income. Deposits from related parties are accepted at an insignificant premium interest rate.

During the year, the following compensation was charged to Salaries and employee benefits in the Consolidated Statement of Income for key management personnel who are managers of Coast Capital and who have the authority and responsibility for planning, directing, and controlling the activities of Coast Capital, directly or indirectly. These key management personnel are comprised of the President & CEO; Chief Financial Officer; Chief Commercial, Retail & Wealth Officer; Chief Risk Officer; Chief Legal, Regulatory & Corporate Affairs Officer; Chief People Officer; Chief Digital, Information & Technology Officer; and the Chief Strategy, Product & Marketing Officer.

32. Related-Party Transactions (Continued)

	Compensation component			Compensation component		
	Fixed	Variable	2023	Fixed	Variable	2022
Short-term	4,090	1,979	6,069	4,037	2,627	6,664
Post-employment	692	–	692	634	–	634
Other long-term	–	2,938	2,938	–	2,368	2,368
Total employee benefits	4,782	4,917	9,699	4,671	4,995	9,666

Employee benefits include amounts earned in that year. Short-term employee benefits are employee benefits that are payable within 12 months after December 31 of each year. This includes gross wages, incentive payments, all taxable/company-paid benefits, perquisite allowances and any discretionary payments made. Post-employment benefits are employee benefits that are payable after the completion of employment and this includes compensation made to retirement and pension plans. Other long-term employee benefits are employee benefits that are payable more than 12 months after December 31 of each year. This includes compensation under the long-term incentive plan.

During the year, members of the Board, who are also considered key management personnel under IFRS, received remuneration of $801 (2022 – $813). Directors do not receive or pay preferred rates on products and services offered by Coast Capital and are only compensated with short-term Directors' fees and related statutory benefits.

33. Pension Plan

Coast Capital provides employees with post-retirement benefits under the following plans:

a) Multi-employer Defined-benefit Plan

Coast Capital is a participating member of the Plan. The Plan is governed by a Board of Trustees who oversee the management of the Plan, including the investment of the assets and administration of the benefits.

There is insufficient information from the Plan to account for the Plan using defined benefit accounting. Accordingly, Coast Capital's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis.

An actuarial valuation of the overall Plan was carried out as at December 31, 2021, and it was determined that the overall Plan was 112% funded on a going concern basis. The next actuarial review is scheduled for the period ending December 31, 2024. Pension expense of $5,999 (2022 – $7,197) in respect of contributions paid into the Plan in 2023 has been charged to Salaries and employee benefits in the Consolidated Statement of Income. Contributions to the Plan in 2024 are expected to be $6,735.

b) Defined Contribution Plan

Coast Capital provides a group RRSP to its eligible employees whereby all contributions are funded by Coast Capital. Pension expense of $4,427 (2022 – $4,206) in respect of contributions paid into this Plan in 2023 has been charged to Salaries and employee benefits in the Consolidated Statement of Income.

c) Other Post-retirement Defined Benefits

Coast Capital provides other post-retirement benefits to its eligible employees (Other Post-Retirement Plans). The obligations are comprised of the amount of future benefits that employees have earned in return for their service in the current and prior periods, and the benefits are discounted to determine its present value.

Actuarial valuation of the Other Post-Retirement Plans is obtained once every three years. The latest actuarial valuation was performed as at December 31, 2022, and the next valuation will be completed as at December 31, 2025.

33. Pension Plan (Continued)

Risks associated with this plan are similar to those of similar benefit plans, including market risk, interest rate risk, bankruptcy/insolvency risk, currency risk, longevity risk, etc.

The weighted-average duration of the defined benefit obligation is seven years at December 31, 2023.

	2023	2022
Benefit obligation at beginning of year	3,586	3,948
Current service costs	550	400
Interest costs	194	116
Benefit payments	(275)	(271)
Actuarial gain (loss), due to:		
Experience adjustments	138	(287)
Changes in financial assumptions	70	(320)
Benefit obligation at end of year	4,263	3,586

Pension expense of $744 (2022 – $516) has been charged to Salaries and employee benefits in the Consolidated Statement of Income. Any actuarial gains and losses are recognized in OCI in the period in which they arise.

	2023	2022
Cumulative actuarial gains (losses) at beginning of year	225	(382)
Actuarial (losses) gains	(208)	607
Cumulative actuarial gains at end of year	17	225

The main actuarial assumptions used for the accounting valuation are summarized in the following table.

	2023	2022
Discount rate	4.6%	5.2%
Dental benefits trend rate for 10 years	5.0%	5.0%
Extended health benefits trend rate for 10 years	6.5%	6.5%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The following table shows how the defined benefit obligation as at December 31, 2023, would have been affected by changes that were reasonably possible at that date in each of the actuarial assumptions that were considered significant to the valuation of the benefit obligation.

	2023	2022
Discount rate (1% decrease)	127	129
Trend rates (1% increase)	48	43

34. Membership

The following membership data is as at December 31, 2023, and is annexed in accordance with subsection 308 (3) of the *Bank Act*. As at December 31, 2023, Coast Capital is organized and carrying on business on a cooperative basis in accordance with subsection 12(1) of the *Bank Act*.

	2023	2022
Number of members	599,455	597,681
Percentage of members who are natural persons	91.3%	91.3%
Percentage of financial services transacted with members on the basis of gross revenues (based on unconsolidated financial data of Coast Capital Savings Federal Credit Union)	99.5%	98.2%

35. Supplemental Cash Flow Information

	2023	2022
Cash Flows from Investing Activities		
Purchases of financial investments	(17,687,799)	(13,702,571)
Proceeds from maturity of financial investments	18,347,579	13,095,979
Net proceeds from financial investments	659,780	(606,592)
Cash Flows from Financing Activities		
Proceeds from borrowings	1,374,885	1,762,960
Redemption of borrowings	(1,461,565)	(1,730,051)
Net (redemption of) proceeds from borrowings	(86,680)	32,909

Corporate Governance

Coast Capital is committed to excellence in sound business practices and to the achievement of responsible economic, social, and environmental objectives. Its member-elected Board of Directors (the Board) centres this commitment in its daily work overseeing one of Canada's largest financial cooperatives.

The Board is responsible for supervising the management of Coast Capital's business and affairs. It oversees the management of Coast Capital and holds the President and Chief Executive Officer (President & CEO) accountable for achieving specific short and long-term performance goals.

The Board is required by law to act in the best interest of Coast Capital and to oversee the processes required to ensure the safety of the organization. It reviews and approves Coast Capital's strategic direction and risk appetite, sets and monitors corporate policies and is responsible for overseeing management and ensuring that Coast Capital complies with regulatory and statutory requirements.

To do this effectively, the collective skills and experience of the Board are applied to:

- Effectively carry out oversight responsibilities by ensuring that strong management is in place and that policies, systems and practices that manage risk and protect the members' assets are established and followed.
- Provide insight to management to guide and approve Coast Capital's strategic plan and process. This includes understanding the business, its environment, and its future opportunities and strategies.
- Engage with and report to the members, regulators and other stakeholders.

The Board and Coast Capital's management team are guided by the Office of the Superintendent of Financial Institutions (OSFI) Corporate Governance Guideline which details OSFI's expectations with respect to corporate governance of federally regulated financial institutions.

Ethical Business Conduct

The Board embraces and promotes a culture of ethical behaviour at Coast Capital and is accountable for ensuring Coast Capital meets public, regulatory and member expectations in complying with existing laws.

The Board has a Directors' Code of Conduct and Conflict of Interest Policy (Directors' Code) that establishes the standards that govern the manner in which directors conduct themselves and, in particular, how they consider the interests of members, employees and other stakeholders. Annually, each director is required to formally acknowledge and agree to the Directors' Code. Coast Capital also has a Code of Conduct and Business Ethics Corporate Policy (Code) that applies to the Board, officers and employees. The Code states the values upheld by Coast Capital and the standards of behaviour expected. Every director, officer and employee at Coast Capital is required to acknowledge and sign the Code each year. The Human Resources Committee (HRC) is responsible for reviewing the Code and the Directors' Code at least annually, reviewing any incidents of non-compliance and the resulting consequences, and reporting to the Board.

More information regarding governance is available at **coastcapitalsavings.com/governance**.

Director Remuneration

At Coast Capital, director remuneration is set in accordance with the member-approved Guiding Principles on Director Remuneration. Details about the Guiding Principles and current Board remuneration, which came into effect after approval at the April 28, 2022 Annual General Meeting, can be found on Coast Capital's website at **Coast Capital Savings – Director Remuneration**.

Director Retainers	Board Chair	$85,000
	Director	$50,000
Committee Chair Retainers	Audit & Finance and Risk Review Committee	$15,000
	Governance & Nominations and Human Resources Committee	$10,000
Meeting Fees	Board and Committee	$1,000

Total remuneration paid to directors in 2023 was $789,000. Coast Capital is required by law to pay Canada Pension Plan contributions, WorkSafeBC premiums and Employer Health Tax premiums. In 2023, these amounts totaled $48,399. Directors do not receive product or service preferences not available to the general membership.

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Director Expenses

Directors are reimbursed for all reasonable expenses incurred in carrying out their duties and responsibilities as directors of Coast Capital, including technology expenses. Directors are expected to use restraint and good judgment to ensure consistency and equity in spending. Expenses are reviewed by the Board Chair prior to reimbursement or, in the case of expenses of the Board Chair, they are reviewed by the GNC Chair.

Total director expenses for 2023 were $48,609 which includes $20,028 under the Directors' Development and Continuous Learning Allotment.

Board and Board Committee Meetings

The Board meets at least once each quarter for regular Board meetings and holds strategy and planning sessions with management. The Board delegates specific governance responsibilities to four standing committees: Audit & Finance Committee (AFC), Governance & Nominations Committee (GNC), Human Resources Committee (HRC) and Risk Review Committee (RRC). The Board may also establish ad hoc special-purpose committees as needed and for which meeting fees may be paid.

All members of the committees must be independent directors, as defined in the Rules and the independence standards established by the Board.

Audit & Finance Committee: oversees the quality, integrity, accuracy and clarity of Coast Capital's financial reporting and the effectiveness of systems of internal control. The committee is the liaison between internal audit, the external auditors and the Board. The committee is also responsible for approving the Annual Operating Plan (AOP), monitoring the performance of the members' external auditors and reviewing legal and regulatory matters as they relate to financial reporting and controls.

Governance & Nominations Committee: ensures the Board's governance practices are consistent with leading practices, regulatory expectations and the needs of Coast Capital. The committee recommends to the Board an evaluation process for individual directors, the Board as a whole, committees, and the Board and committee chairs. The committee oversees the relationship of Coast Capital's Board with our members. The committee undertakes a regular process of identifying and reviewing the overall skills and experience required amongst directors to strengthen the Board and to meet the needs of Coast Capital's governance, both now and in the future. The committee ensures the integrity of the election process for directors to the Board and reports the results of the election to the members at the AGM.

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Human Resources Committee: ensures human resources policies are in place, implemented and maintained. The committee reviews and recommends policy and strategy with respect to employee salaries, benefits and incentive compensation and succession planning. The committee reviews and recommends policy and strategy regarding employee salaries, benefits, incentive compensation and succession planning. It engages an independent external advisor to assist in the determination and approval of executive compensation and directs the annual evaluation process for President & CEO performance. The committee is responsible for overseeing the conduct of Coast Capital's directors, officers and employees, and is delegated the authority of the Conduct Review Committee. A Conduct Review Committee is required by the *Bank Act*.	**Risk Review Committee**: oversees the identification and monitoring of the key risks at Coast Capital and evaluates the management of risks. The committee approves risk management policies, ensures policies and related internal controls are in place, and assesses Coast Capital's business strategies and plans from a risk perspective. The committee reviews and monitors the effectiveness of policies and internal controls and ensures Coast Capital complies with legal and regulatory requirements. It provides a forum for macro analysis of future risks, which includes considering emerging risks, significant events and trends.

The Board Committees are populated by at least three directors, plus the Board Chair, who sits as an ex officio member of each Committee. In a year when a Director is up for re-election (including the Board Chair), they will not be part of the GNC. The Board Committees meet at least quarterly throughout the year and as required to fulfill their responsibilities. Each of the Board Committees draws upon management resources as appropriate and is authorized by the Board to engage outside advisors as required. The Board determines the authority and responsibilities of each Board Committee and annually approves each Board Committee's charter. Committee membership and Chairs are set immediately following the Annual General Meeting (AGM). Board Committees meet in-camera as a matter of routine including portions set aside without management or the President & CEO present. The Board Chair, as the presiding Board member, ensures that relationships between the Board, the President & CEO, the Executive Committee and the membership are effective and further the best interests of Coast Capital. Six Board meetings were held in 2023.

Nomination of Directors

Each year, the number of vacancies on Coast Capital's Board may vary. Each director's term runs for three years, up to a maximum of four terms or 12 years. Diversity of thought, experience, and perspective enables the Board to best serve Coast Capital's members. The GNC's responsibility is to recommend qualified and diverse candidates for the following year for election to the Board. From the membership, the committee seeks qualified candidates with a diversity of skills and experience, while taking into account different diversity dimensions such as gender, age, geography, disability, race, sexual orientation and gender identity or expression. The committee retains the services of an external governance consultant to assist in seeking out and screening for highly qualified nominees. In keeping with its charter and adhering to corporate governance best practices, the committee carries out a due diligence review of all nominees, including a structured full-committee interview of new nominees whose stated skills and experience most closely match the current year's Ideal Director Candidate Description.

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Following the interviews and at the completion of all the due diligence reviews, the committee determines the candidates it will recommend for election to the Board.

Board Performance Reviews

A director's job is to use their skills and experience to work with the Board in providing strategic advice and business oversight of Coast Capital's operations. This includes challenging and giving approval to Coast Capital's strategic and annual operating plans. Directors are required to act honestly, in good faith and in Coast Capital's best interests. In doing so, they must consider the interests of the members, depositors, employees and other stakeholders.

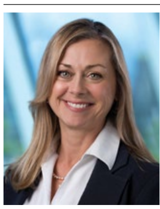
The Board undertakes periodic comprehensive evaluations to review the effectiveness of the Board's governance and performance. The GNC is accountable to ensure the biennial review is completed and recommendations and/or findings are considered and, where determined, acted upon. The review process is based on the duties and responsibilities of the Board, individual directors, and the Board Chair as described in their respective mandates.

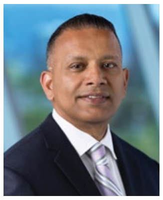
An external evaluation of the Board was conducted in 2023 with implementation of recommendations planned for 2024.

Director Independence

With the exception of Calvin MacInnis, Coast Capital's President & CEO, all other Board directors, including the Board Chair, are independent. Independence is defined by the Director Independence Policy, Coast Capital's Savings Federal Credit Union Rules (Rules) and the *Bank Act*.

In 2023, Coast Capitals' Board of Directors were:

	Bob Armstrong Board Chair **Independent** Director since: 2016 Term expiry: 2025	• Board Committee membership: ex officio on AFC, GNC, HRC • and RRC • Board and Board Committee meeting attendance: 100 per cent (25 of 25) • 2023 remuneration: $120,000
	Nancy McKenzie Vice Chair **Independent** Director since: 2018 Term expiry: 2024	• Board Committee membership: RRC and HRC • Board and Board Committee meeting attendance: 93 per cent (13 of 14) • 2023 remuneration: $83,500
	Charlotte Burke **Independent** Director since: 2019 Term expiry: 2025	• Board Committee membership: HRC Chair and GNC • Board and Board Committee meeting attendance: 100 per cent (16 of 16) • 2023 remuneration: $76,000
	Susan Dujmovic **Independent** Director since: 2021 Term expiry: 2024	• Board Committee membership: RRC Chair and AFC • Board and Board Committee meeting attendance: 100 per cent (14 of 14) • 2023 remuneration: $79,500

	Jerome Dwight **Independent** Director since: 2022 Term expiry: 2025	• Board Committee membership: AFC and HRC • Board and Board Committee meeting attendance: 100 per cent (15 of 15) • 2023 remuneration: $65,000
	Pharid Jaffer **Independent** Director since: 2021 Term expiry: 2024	• Board Committee membership: AFC and RRC • Board and Board Committee meeting attendance: 100 per cent (14 of 14) • 2023 remuneration: $65,000
	Valerie Lambert **Independent** Director since: 2017 Term expiry: 2026	• Board Committee membership: AFC Chair and GNC • Board and Board Committee meeting attendance: 100 per cent (16 of 16) • 2023 remuneration: $84,000
	Lois Nahirney **Independent** Director since: 2023 Term expiry: 2026	• Board Committee membership: HRC and RRC • Board and Board Committee meeting attendance: 100 per cent (12 of 12) • 2023 remuneration: $36,000
	Firdos Somji **Independent** Director since: 2022 Term expiry: 2025	• Board Committee membership: AFC and RRC • Board and Board Committee meeting attendance: 100 per cent (14 of 14) • 2023 Remuneration: $69,000
	Chris Trumpy **Independent** Director since: 2012 Term expiry: 2024	• Board Committee membership: GNC Chair and HRC • Board and Board Committee meeting attendance: 100 per cent 16 of 16) • 2023 remuneration: $79,000
	Calvin MacInnis **Non-Independent**	• Board Member. As President & CEO, Mr. MacInnis attends Board Committee meetings as a member of management. • Board meeting attendance: 100 per cent (6 of 6) • 2023 remuneration: Mr. MacInnis does not receive remuneration as a member of the Board of Directors
	Leanna Falkiner **Independent** Chose not to seek re-election in 2023	• Board Committee membership: AFC, RRC and GNC • Board and Board Committee meeting attendance: 100 per cent (4 of 4) • 2023 remuneration: $32,000

Corporate Governance

Director Education

Directors are required to engage in learning activities that will expand their knowledge in areas of corporate governance, financial literacy, risk management, the financial services sector generally, and the company's impact on members, employees and other stakeholder groups. Coast Capital provides funding of up to $20,000 per director for each three-year term (Director Development & Continuous Learning Allotment) to facilitate active participation in individual continuous learning. The Governance & Nominations Committee annually leads the creation of a Board Education Plan which encompasses both the Board and individual committees. Sessions are conducted through special presentations by topical experts and occur during the meetings.

In 2023, Director education sessions included:

- Open Banking
- Purpose Impact Measurement Framework
- Regulatory Compliance Management and Regulatory Compliance Risk
- Capital Management & Governance
- Role of Boards in ESG and Purpose Governance
- Board Oversight of Anti-Money Laundering and Anti-Terrorist Financing
- Credit Loss Provisioning Approach and Methodology

President & Chief Executive Officer, Executives and Employees

The President and Chief Executive Officer (President & CEO) reports to the Board of Directors and is responsible for providing overall direction and leadership for Coast Capital, delivering on our long-term strategic plan while bringing our purpose, vision and mission to life.

Under the direction of the President & CEO, the Executive team is accountable for the safety and soundness of Coast Capital, as well as its compliance with governing legislation. It has responsibility to ensure that Coast Capital:

- Achieves its purpose: *Building Better Futures Together*
- Improves the financial well-being of our members
- Remains a best-managed financial co-operative by managing members' assets well and in a manner that is profitable and sustainable
- Offers an amazing workplace and culture for its employees

Ethical Business Conduct

Coast Capital's reputation and success as a financial institution depends fundamentally on the honesty, discretion and integrity our employees demonstrate in conducting our business. The Code of Conduct outlines what all employees must do when acting on behalf of Coast Capital. All employees review the Code of Conduct annually and complete and pass an online training module. In addition to the Code of Conduct, employees must abide by all policies, as set out by the organization. Management investigates all incidents of non-compliance with the Code of Conduct, deciding on the appropriate consequences of non-compliance, and reports these to the HRC and Board.

Compensation Governance, Policy and Risk Management

Compensation Governance

The HRC has been delegated the responsibility of reviewing and approving Coast Capital's compensation. The HRC retains an independent compensation consulting firm to provide advice on the total compensation elements of the executive compensation program, including base salary, variable pay, benefits, vacation, perquisites and retirement savings.

Compensation Philosophy

Coast Capital recognizes that a competitive compensation and benefits package is a fundamental tool in attracting, motivating and retaining high-performing executives and employees. Accordingly, our compensation and benefit programs are designed to:

- Attract, motivate and retain individuals with the competencies, values and commitment to support Coast Capital's success and culture
- Deliver fair compensation for the contributions that are made
- Be competitive and aligned with practices in comparable organizations
- Link pay with performance on key organization and individual goals and objectives
- Be accountable and transparent to members and other stakeholders

Compensation Policy

Coast Capital's Compensation Policy directs how Coast Capital remunerates its employees in alignment with the Financial Stability Forum's Principles for Sound Compensation Practices, as well as with the Financial Consumer Agency of Canada Regulations and *Pay Equity Act*. The Policy ensures that Coast Capital prudently manages employees' compensation to meet its strategic objectives with its approved risk appetite, taking into account current legal, regulatory, and socio-economic conditions.

Managing Risk in Compensation

Coast Capital manages compensation programs to ensure that these programs do not cause regulatory, financial, reputational, operational, and talent retention risks. Coast Capital's Group Risk Management and Internal Audit functions provide independent oversight and review over compensation programs to ensure these risks are managed within Coast Capital's risk appetite.

Coast Capital reinforces its desired risk levels by linking compensation to management's performance against the risk appetite. Key risks are considered in the development of Objectives and Key Results (OKRs) as well as the AOP and the outcomes of these activities are cascaded to individuals as part of their performance assessment in addition to being used in the creation of team and corporate balanced scorecards. All employees are expected to observe the organization's risk principles and work within its risk appetite in the attainment of the organization's OKRs and AOP. The Group Risk Management function tracks Board-approved risk appetite measures, including measures tied to compensation (such as voluntary staff turnover, code violations and first-year turnover rate) and reports breaches to the Risk Review Committee and the Board on a quarterly basis.

For the year ended December 31, 2023, the compensation of our Material Risk Takers, which includes senior executives and members of the Board of Directors, is disclosed in Note 32 to our 2023 audited annual financial statements.

Compensation Structure

Coast Capital's President & CEO, executive and employee remuneration is based on both business and individual performance objectives and is structured to incentivize employees to meet strategic business objectives in a manner that is aligned with our Board-approved risk appetite policy and framework and applicable governing legislation. The President & CEO, executives and employees participate in comprehensive compensation and benefits programs made up of the following components:

Base Salary

Coast Capital believes in providing wages that are not only market-competitive but that also ensure a reasonable standard of living for all employees. Nationally recognized compensation surveys are used to evaluate the competitiveness of our salary ranges. Coast Capital targets the median for base salary ranges, with individual differences based on performance and tenure. In addition to market comparisons, Coast Capital obtains living wage data to ensure our starting salary ranges are sufficient to provide a reasonable standard of living for employees.

Variable Incentive Pay

Eligible front-line, administrative and management staff also participate in an annual short-term incentive program based on a combination of overall achievement against pre-defined corporate metrics and individual metrics, subject to overall achievement against pre-defined Corporate Normalized Operating Income performance.

In addition, the President & CEO and eligible executives participate in a long-term incentive program. The program is a pay-for-performance plan designed to support the long-term purpose-driven corporate strategy and ensure prudent and balanced management of the organization over the long term. Payout potential for the short-term and long-term incentive plans varies per level of role and is based on the results achieved and overall financial health and stability of the organization. Payments are contingent on Board approval.

Benefits—Health and Wellness
Coast Capital provides the same competitive, flexible benefits program to all its benefits-eligible employees as it provides to the executive team and President & CEO. Employees select their benefits coverage level, within allocated credit amounts, according to personal need. The program, named FlexWise, is flexible and encourages wise decisions by the employees in choice of coverage and in usage. FlexWise components include health, dental, disability, life, critical illness and accidental death and dismemberment insurance, employee and family assistance, and sick and personal leave. Employees also receive vacation time to support work-life balance, and tuition and educational assistance to help grow their skills and careers with us.

Retirement Savings Programs
Coast Capital provides pension plan programs to support the retirement savings goals of all employees who meet the eligibility criteria. Coast Capital offers two retirement savings vehicles which employees can choose from. Under the Defined Benefit Pension Plan (DBPP), both the employee and employer contribute as per a pre-defined age-graded table. The DBPP is administered by Lifeworks as a multi-employer plan with oversight by the Credit Union Trust. Under the Group RRSP program effective July 1, 2014, employees are not required to contribute to the plan, but if they wish to make voluntary contributions, Coast Capital will match them up to a maximum.

Perquisites
Employees are offered additional perquisites that include an employee loan program and on-site fitness centres at the administrative offices. Coast Capital also provides paid volunteer time and charitable donations of up to $1,000 per year on behalf of individual employees through its Employee Volunteer Program.

President & CEO Evaluation and Compensation
The Board's responsibilities include choosing and evaluating the President & CEO, along with determining the President & CEO's compensation plan. One of the Board's important annual responsibilities is the assessment of the President & CEO's performance and setting of their compensation. Pay-for-performance is an important component of the President & CEO's total compensation, and it is based primarily on Coast Capital's performance and the President & CEO's individual performance against goals. The President & CEO's total direct compensation (salary and incentive compensation) is designed so that at least 50 per cent of potential target compensation opportunities are in the form of variable "at risk" pay, which is based on individual and corporate performance. If performance goals exceed expectations, payouts may pay up to and within the top quartile of the peer group which includes credit unions and financial institutions. If threshold performance goals are not met, no payouts are made.

Our corporate performance is based on strategic themes that focus on our culture, our members, and our operations. Within these themes we have metrics that are measured on a pre-determined frequency and presented to the HRC and the Board for review. Individual performance is based on the progressive achievement of Coast Capital's strategic plan. Our 2023 results are keeping the credit union aligned and on track to achieve its long-term strategy and goals.

Components of President & CEO Compensation and Summary
For the fiscal year ending December 31, 2023, Coast Capital's President & CEO position earned the following total cash compensation:

	Year	Base salary earnings (per IFRS, number of days' pay earned between Dec 1 – 31, 2023)	2023 Annual incentive	Long-term incentive (earned based on performance between 2021 – 2023)	Discretionary bonus	Total cash compensation
President & Chief Executive Officer	2023	$650,000	$657,215	$1,138,424	$150,000	$2,595,639

Base Salary
Base salary for the President & CEO takes into consideration the scope of responsibilities, experience and past performance, as well as comparison to the targeted primary comparator group. The President & CEO salary is reviewed annually and, if appropriate, adjusted accordingly.

Variable Pay
Variable pay is comprised of a short-term incentive plan and a long-term incentive plan, based on a balanced scorecard containing financial and member metrics. Discretionary bonuses are also included.

Short-Term Incentive Plan (STIP)
The annual short-term incentive plan links compensation to the achievement of performance objectives set in our annual business plan. In 2023, the President & CEO STIP target is set at 100 per cent of base salary (weighted at 30 per cent for individual performance and 70 per cent for corporate performance), with an opportunity to earn up to a maximum of 200 per cent of base salary for exceptional performance. If the President & CEO does not meet threshold performance, Coast Capital does not make a payout under this plan. The 2023 President & CEO corporate STIP measures, noted below, are to provide prudent fiscal and operational management so the organization can continue to support its members and communities:

Measures
- Normalized Operating Income
- Total Revenue
- Net Promoter Score

Long-Term Incentive Plan (LTIP)
The long-term incentive plan links eligible compensation to the actual achievement of performance objectives that support Coast Capital's long-term strategy and vision, and that create value for members. We measure the LTIP over a three-year performance period. At the start of each year, Coast Capital establishes specific metrics and targets for the new three-year performance period with an established target payout (grant) percentage of current base salary if these metrics are successfully achieved.

The target payout for performance period 2021–2023 for the President & CEO was set at 110 per cent of base salary to a maximum of 220 per cent. If threshold performance targets are not met, there is no payout. 2023 performance is measured within three rolling LTIP performance periods: 2021–2023, 2022–2024, and 2023–2025. The LTIP amount reported in the Compensation Summary is the 2021–2023 amount that was earned in this time frame.

LTIP Measures

2021 – 2023	2022 – 2024	2023 – 2025
• Total Member Return • Net Promoter Score • Operating Efficiency	• Total Member Return • Operating Efficiency • B Corp Score	• Total Member Return • Operating Efficiency • B Corp Score

Discretionary Bonus
A discretionary bonus in the amount of $150,000 was paid in 2023 to compensate for the deferral of a market increase in the LTIP structure that placed the 2020 Target Total Direct Compensation below the President & CEO benchmark range midpoint. This is in keeping with Coast Capital's Executive Compensation Philosophy.

Benefits and Perquisites
Coast Capital believes in investing in the health and well-being of its employees. As such, a competitive, flexible benefit program protects employees and their families through the following components: health, dental, disability, life, critical illness and accidental death and dismemberment insurance, employee and family assistance, vacation and personal leave, and tuition and educational assistance. In addition, an annual physical (optional) is provided to the President & CEO and executives. Total contributions towards the President & CEO's benefits for 2023 were 11.4 per cent of base salary. This includes the BC Employer Health Tax that came into effect in 2020. The President & CEO is also provided a perquisite allowance of 7.7 per cent of base salary to cover costs for out-of-pocket expenses.

Retirement Income Programs

Coast Capital provides a Defined Benefit Pension (DBP) plan or a Group RRSP program to all employees who meet the eligibility criteria. The President & CEO has elected to participate in the DBP program and also participates in a Supplemental Executive Retirement Plan (SERP). Both programs are based on salary and STIP paid in 2023. Coast Capital contributed 30 per cent of base salary for 2023 towards the President & CEO's retirement savings.

Termination and Change in Control Benefits

The President & CEO has an employment agreement that includes provisions covering position, term, duties, obligations, compensation (including base salary and variable pay), pension, benefits, vacation and provisions covering termination for cause and without cause. If the President & CEO's employment is terminated without cause, 24 months of severance continuance will be payable (including salary, bonus and benefits). If employment at another financial institution commences within the 24 months, any amount owing is payable at 50 per cent.

Other Special Payments

In 2023, there were special project achievement bonuses awarded to Material Risk Takers in the amount of $250,000.

Glossary

Accumulated other comprehensive income (AOCI): includes unrealized gains and losses reported in the equity section of the balance sheet that are netted below retained earnings. Other comprehensive income (OCI) can consist of gains and losses on certain types of investments, pension plans and hedging transactions.

Accumulated depreciation: the cumulative amount of depreciation on tangible assets, such as buildings and equipment, and intangible assets, such as computer software.

Actuarial gains (or losses) on defined benefit pension plans: decrease or increase in the amount of defined benefit pension plan obligations due to changes in projections used to value the obligation.

Allowance for credit losses: is provided at a level that management considers adequate to absorb all expected credit-related losses (ECL) from its loan and debt securities portfolios. The allowance is estimated considering future macroeconomic scenarios for performing assets and net realizable value for non-performing assets.

Amortized cost (AMC): amount at which a financial instrument is measured at initial recognition, minus principal payments, plus or minus cumulative amortization of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Asset and Liability Committee (ALCO): a committee at the credit union that evaluates the risks associated with the credit union's assets and liabilities. It manages interest rate risk while ensuring adequate returns and liquidity.

Assets under administration: total assets plus financial assets that are managed by a third party on behalf of members and clients. The credit union provides administrative services, such as placing trades on behalf of members and clients.

Bank for International Settlements (BIS): an international financial body that serves as a bank for central banks to foster international cooperation for the purposes of monetary and financial stability.

Canada Mortgage Bond (CMB): debt securities fully backed by the Canada Mortgage and Housing Corporation (CMHC) that provide a continuing investment opportunity for investors and a cost-effective source of funding for mortgage lenders.

Canada-United States-Mexico Agreement (CUSMA): replacement of the North American Free Trade Agreement (NAFTA).

Canadian Dealer Offered Rate (CDOR): the rate determined as being the average of the quotations of all financial institutions, which are Schedule I Banks for purposes of the *Bank Act* (Canada). It is a short-term lending rate at which banks would agree to lend to companies.

Term Canadian Overnight Repo Rate Average (CORRA): the rate of overnight general collateral funding in Canadian dollars using Government of Canada treasury bills and bonds as collateral for repurchase transactions.

Capital adequacy ratio (CAR): ratio that shows the amount of a credit union's capital in relation to the amount of risk (Risk-Weighted Asset—RWA) it is taking.

Carrying value: amount at which an asset or liability is recognized on the Consolidated Balance Sheet.

Cash flow hedges: derivatives used to hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss. **Effective portion of cash flow hedges**: degree to which a cash flow hedge is effective in achieving offsetting changes in cash flows attributable to the hedged risk.

Central 1 Credit Union (Central 1): the financial facility and trade association for the B.C. and Ontario credit union systems. Owned and funded by the credit unions, Central 1 provides services for over 250 financial institutions across Canada.

Common Equity Tier 1 (CET 1) ratio: a component of capital, as defined by OSFI, that is primarily comprised of members' equity (class A shares, retained earnings and accumulated other comprehensive income) less deductions for goodwill, intangible assets and other items as prescribed by OSFI, divided by risk-weighted assets.

Glossary

Credit risk: risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Deferred tax assets and liabilities: amounts of income taxes payable or recoverable in future periods as a result of temporary differences between the carrying amount of an asset or liability in the financial statements and its carrying amount for tax purposes.

Derecognition: the removal of a previously recognized financial asset or financial liability from the balance sheet. Derecognition can occur when a financial asset or liability is sold, exchanged or abandoned.

Derivative financial instruments: financial contracts whose value is derived from interest rates, foreign exchange rates or other financial indices.

Effective interest rate: rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument to the net carrying amount of the financial instrument.

Exposure at default (EAD): the total value a credit union is exposed to when a loan defaults.

Fair value: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hedges: derivatives used to hedge exposure to changes in fair value that are attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss.

Effective portion of fair value hedges: degree to which a fair value hedge is effective in achieving offsetting changes in fair value attributable to the hedged risk.

Financial assets at fair value through other comprehensive income (FVOCI): designated equity instruments and debt instruments that meet the criteria that are measured at fair value with fair value adjustments recorded in other comprehensive income within equity.

Financial assets or liabilities at fair value through profit or loss (FVTPL): financial instruments that are acquired principally for the purpose of selling in the near-term or for which there is evidence of a recent actual pattern of short-term profit-taking. Financial instruments may also be designated as FVTPL when the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or from recognizing gains and losses on them, on different bases.

Forward contracts: contracts that oblige one party to the contract to buy and the other party to sell an asset at a fixed price at a future date.

Gross domestic product (GDP): a monetary measure of market value of all the final goods and services produced in a specific time period in a geographical region.

Hedging: risk management strategy used to manage exposures to interest rate fluctuations, foreign currency risk and other market factors as part of its asset/liability management program.

Impairment: occurs when objective evidence is identified, suggesting that a portion or all of an asset's carrying value is not expected to be recovered.

Internal capital adequacy assessment process (ICAAP): provides a framework for determining the amount of capital that the credit union requires to manage unexpected losses arising from adverse economic and operational conditions.

Internal controls over financial reporting (ICFR): a set of means designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

International Accounting Standards (IAS): older accounting standards issued by the International Accounting Standards Council and form part of IFRS.

International Financial Reporting Standards (IFRS): accounting standards issued by the International Accounting Standards Board (IASB).

Glossary

Leverage ratio: a regulatory metric that measures the financial health of a financial institution, as defined by OSFI, and which reflects Tier 1 capital divided by the sum of on-balance sheet and specified off-balance sheet exposures, net of specified adjustments.

Liquidity coverage ratio (LCR): a regulatory metric, as defined by OSFI, that reflects the proportion of high-quality liquid assets (HQLA) held to ensure a financial institution's ongoing ability to meet its short-term obligations.

Loss given default (LGD): the amount of money a credit union loses when a loan defaults, depicted as a percentage of total exposure at the time of default.

***National Housing Act* Mortgage-Backed Securities (NHA MBS)**: investments that are backed by distinct pools of insured mortgages.

Net cumulative cash flow (NCCF): a liquidity metric that measures a credit union's survival horizon based on its net cumulative cash flows. It identifies potential future funding mismatches between contractual inflows and outflows for various time bands over and up to a 12-month time horizon.

Net interest income (NII): the difference between the interest earned on loans and other financial assets, and the interest paid on deposits and other funding sources.

Net interest margin: net interest income expressed as a percentage of average total assets.

Non-interest expenses: operating expenses incurred by a financial institution that are not related to deposit costs or financing expenses.

Notional amount: amount on which cash flows for derivative financial instruments are based.

Office of the Superintendent of Financial Institutions (OSFI): independent agency of the Government of Canada that supervises and regulates federally regulated financial institutions, trust and loan companies, as well as private pension plans subject to federal oversight.

Operating efficiency ratio: ratio that shows the organization's efficiency by comparing non-interest expenses to revenues, which for a financial institution is comprised of net interest income, fees, commission and other income.

Options: contracts in which one party grants the other party the future right to buy or to sell an exchange rate, interest rate, financial instrument or commodity at a predetermined price at or by a specified future date.

Probability of default (PD): the likelihood that a loan defaults.

Provision for credit losses (PCL): amount added to or subtracted from the allowance for credit losses in a reporting period to bring it to a level that management considers adequate to absorb all credit-related losses in its loan portfolio.

Provisions: liabilities of uncertain timing or amount that are unrelated to credit issues.

Return on average assets: indicator used to assess the profitability of the organization and to evaluate how efficiently it is utilizing its assets in comparison to peers in the same industry. The ratio is calculated by taking net income and dividing by average total assets.

Return on average equity: indicator used to assess the profitability of the organization by evaluating how much profit it generates with the funds retained in the organization by members. The ratio is calculated by taking net income and dividing by average total equity.

Risk-weighted assets (RWA): total assets adjusted by applying regulatory predetermined risk-weight factors ranging from 0 per cent to 200 per cent to on- and off-balance sheet exposures. The risk-weight factors are regulated by OSFI.

Securitization: the conversion of an asset, especially a loan, into marketable securities, typically for the purpose of raising cash by selling them to other investors.

Subordinated debenture: an unsecured loan or bond that ranks below other, more senior loans or securities with respect to claims on assets or earnings.

Glossary

Swaps: contracts that involve the exchange of fixed and/or floating interest rate payment obligations and/or currencies for a specified period of time.

Tier 1 capital: the most permanent and subordinated forms of capital, as defined by OSFI, consisting of Common Equity Tier 1 (CET 1) capital and Additional Tier 1 (AT 1) capital.

Tier 2 capital: supplementary capital instruments, as defined by OSFI, consisting of subordinated debentures and collective allowances.

Total capital: comprised of both Tier 1 (primary) and Tier 2 (secondary) capital, as defined by OSFI.

Corporate Information

Board of Directors (as of December 31, 2023)

Bob Armstrong, *Board Chair*
Charlotte Burke, *Chair, Human Resources Committee*
Susan Dujmovic, *Chair, Risk Review Committee*
Jerome Dwight
Pharid Jaffer
Valerie Lambert, *Chair, Audit & Finance Committee*
Calvin MacInnis, *President and Chief Executive Officer*
Nancy McKenzie, *Board Vice Chair*
Lois Nahirney
Firdos Somji
Chris Trumpy, *Chair, Governance & Nominations Committee*

Executive Committee (as of December 31, 2023)

Calvin MacInnis
President & Chief Executive Officer

Helen Blackburn
Chief Financial Officer

Ania Cox
Chief People Officer

Mauro Manzi
Chief Commercial, Retail & Wealth Officer

Peter Roberts
Chief Risk Officer

Lisa Skakun
Chief Legal, Regulatory and Corporate Affairs Officer

Jeff Wong
Chief Digital, Information and Technology Officer

Catherine Wood
Chief, Strategy, Product and Marketing Officer

Biographies of our Board of Directors and Executive Committee are available at **coastcapitalsavings.com/about-us/our-leadership-team**.

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Advice Centre
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Sunday: 9:00 am – 5:30 pm (PT)
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T: 604.517.7000 (Metro Vancouver)
T: 250.483.7000 (Victoria)

Website
coastcapitalsavings.com

Facebook
facebook.com/coastcapitalsavings

Instagram
instagram.com/coast_capital

LinkedIn
linkedin.com/company/coast-capital-savings

Annual General Meeting

Our Annual General Meeting (AGM) will be held on Thursday, April 25, 2024, at 4:30 pm PT. It will be hosted at the Civic Hotel in Surrey, BC and will also be streamed as a live webcast with captions and ASL interpretation. Visit **coastcapitalsavings.com/AGM** for more information.

coastcapital