

Notes to Readers

Overview and background

Coast Capital Savings Federal Credit Union is a federally regulated credit union (Schedule I bank), incorporated and domiciled in Canada. Coast Capital offers personal, 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.

Basis of Preparation

This document represents the Basel III Pillar 3 disclosures for the credit union. The credit union follows the Pillar 3 Disclosure requirements for Small and Medium-Sized Banks (SMSBs) and is classified as a Category 1 SMSB.

The amounts disclosed in this document are based on the Coast Capital's annual audited financial statements and the unaudited interim financial statements, which reflect the consolidated financial position and results of operations of the credit union. The interim consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34, including the accounting requirements specified by the Office of the Superintendent of Financial Institutions (OSFI), and reflect, where necessary, management's best estimates and judgments.

Pursuant to the SMSBs Capital and Liquidity Requirements guidelines, Coast Capital, is classified as Category I SMSB with total assets over the \$10 billion threshold.

Starting Q2 2023, this Report reflects the revised Basel III disclosures and prior periods have not been restated.

All numbers in this report are Canadian Dollars and are unaudited.

Use of this document

Additional financial data published on the OSFI website can also be accessed through the link below.

[Financial data - Office of the Superintendent of Financial Institutions \(osfi-bsif.gc.ca\)](https://osfi-bsif.gc.ca)

Modified CC1 – Composition of capital for SMSB's

Composition of Capital Template		Q3,2023	Q2,2023	Q4,2022
(Thousands of Canadian dollars, except percentage and otherwise noted)				
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	2,891	2,881	3,120
2	Retained earnings	1,507,640	1,479,818	1,444,528
3	Accumulated other comprehensive income (and other reserves)	(63,131)	(67,150)	(75,013)
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)</i>	-	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	1,447,400	1,415,549	1,372,635
Common Equity Tier 1 capital: regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1	(108,795)	(108,356)	(111,941)
29	Common Equity Tier 1 capital (CET1)	1,338,605	1,307,193	1,260,694
Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus			
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)</i>	13,091	13,091	13,091
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>			
36	Additional Tier 1 capital before regulatory adjustments	13,091	13,091	13,091
Additional Tier 1 capital: regulatory adjustments				
43	Total regulatory adjustments to additional Tier 1 capital	-	-	-
44	Additional Tier 1 capital (AT1)	13,091	13,091	13,091
45	Tier 1 capital (T1 = CET1 + AT1)	1,351,695	1,320,284	1,273,785
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000	100,000	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)</i>	100,000	100,000	150,000
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	-
49	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	-	-	-
50	Collective allowances	57,753	57,751	53,419
51	Tier 2 capital before regulatory adjustments	257,753	257,751	203,419
Tier 2 capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 capital	-	-	-
58	Tier 2 capital (T2)	257,753	257,751	203,419
59	Total capital (TC = T1 + T2)	1,609,449	1,578,035	1,477,204
60	Total risk-weighted assets	10,745,003	10,610,318	10,773,476
60a	Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)	5,685	6,741	7,021
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	12.5%	12.3%	11.7%
62	Tier 1 (as a percentage of risk-weighted assets)	12.6%	12.4%	11.8%
63	Total capital (as a percentage of risk-weighted assets)	15.0%	14.9%	13.7%
OSFI target				
69	Common Equity Tier 1 target ratio	7%	7%	7%
70	Tier 1 capital target ratio	8.50%	8.50%	8.50%
71	Total capital target ratio	10.50%	10.50%	10.50%
Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)				
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-	-
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-
82	Current cap on AT1 instruments subject to phase-out arrangements	13,091	13,091	13,091
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	5,876	6,312	7,265
84	Current cap on Tier 2 instruments subject to phase-out arrangements	50%	50%	50%
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	-	150,000

LR2: Leverage ratio common disclosure

Leverage ratio common disclosure template (Thousands of Canadian dollars, except percentages)		Q3, 2023	Q2, 2023	Q4, 2022
On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	21,600,315	21,128,413	22,011,355
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)			
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)			
4	(Asset amounts deducted in determining Tier 1 capital)	(108,795)	(108,356)	(111,941)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	21,491,520	21,020,057	21,899,414
Derivative exposures				
6	Replacement cost associated with all derivative transactions	5,205	4,249	3,930
7	Add-on amounts for potential future exposure associated with all derivative transactions	8,449	8,893	8,270
8	(Exempted central counterparty-leg of client cleared trade exposures)			
9	Adjusted effective notional amount of written credit derivatives			
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)			
11	Total derivative exposures (sum of lines 6 to 10)	13,654	13,142	12,200
Securities financing transaction exposures				
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	144,221	131,927	116,501
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(144,221)	(131,927)	(116,501)
14	Counterparty credit risk (CCR) exposure for SFTs	42,055	41,340	35,575
15	Agent transaction exposures			
16	Total securities financing transaction exposures (sum of lines 12 to 15)	42,055	41,340	35,575
Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	4,400,098	4,375,833	4,631,888
18	(Adjustments for conversion to credit equivalent amounts)	(3,930,597)	(3,905,452)	(4,131,557)
19	Off-balance sheet items (sum of lines 17 and 18)	469,501	470,381	500,331
Capital and total exposures				
20	Tier 1 capital	1,351,695	1,320,284	1,276,877
21	Total Exposures (sum of lines 5, 11, 16 and 19)	22,016,730	21,544,919	22,447,520
Leverage ratio				
22	Basel III leverage ratio	6.14%	6.13%	5.69%

Based on OSF's LR guideline Q2, 2023

CR1: Credit quality of assets

Q3, 2023

	(Thousands of Canadian dollars)	a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	22,103	18,317,993	60,315	3,076	57,239	-	18,279,781
2	Debt Securities		2,720,727	-	-	-	-	2,720,727
3	Off-balance sheet exposures	-	73,729	515	-	515	-	73,214
4	Total	22,103	21,112,449	60,830	3,076	57,754	-	21,073,722

¹ Definition of default as per the CAR guidelines and recent OSFI COVID-19 guidance.

² Regulatory category of specific allowance reflects IFRS 9 Stage 3 allowances. Regulatory category of general allowances reflects Stage 1 & 2 allowances.

³ Off balance sheet amounts are before the application of credit conversion factors and reflect guarantees given and irrevocable loan commitments. Revocable loan commitments are excluded as per BCBS requirements.

Q2, 2023

	(Thousands of Canadian dollars)	a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	19,056	18,215,819	58,516	1,369	57,147	-	18,176,358
2	Debt Securities	-	2,317,053	-	-	-	-	2,317,053
3	Off-balance sheet exposures	-	81,995	604	-	604	-	81,391
4	Total	19,056	20,614,867	59,120	1,369	57,751	-	20,574,802

¹ Definition of default as per the CAR guidelines and recent OSFI COVID-19 guidance.

² Regulatory category of specific allowance reflects IFRS 9 Stage 3 allowances. Regulatory category of general allowances reflects Stage 1 & 2 allowances.

³ Off balance sheet amounts are before the application of credit conversion factors and reflect guarantees given and irrevocable loan commitments. Revocable loan commitments are excluded as per BCBS requirements.

CR3: Credit risk mitigation techniques

Q3, 2023

	(Thousands of Canadian dollars)	a	b	c	d	e
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	159,403	18,120,378	16,486,180	1,634,198	-
2	Debt securities	1,551,647	1,169,080	1,169,080	-	-
3	Total	1,711,050	19,289,458	17,655,260	1,634,198	-
4	- Of which defaulted	1,189	19,157		757	-

Column c and d are a subset of column b (b = c + d).

Q2, 2023

	(Thousands of Canadian dollars)	a	b	c	d	e
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	158,706	18,017,651	16,378,213	1,639,438	-
2	Debt securities	1,375,968	941,086	941,086	-	-
3	Total	1,534,674	18,958,737	17,319,299	1,639,438	-
4	- Of which defaulted	796	16,884	16,416	468	-

Column c and d are a subset of column b (b = c + d).

CCR1: Analysis of Counterparty credit risk (CCR) exposures by approach

Q3, 2023

	(Thousands of Canadian dollars, except as otherwise noted)	a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	3,718	6,035		1.4	12,600	5,685
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)					8,929	1,786
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	Value-at-risk (VaR) for SFTs						
6	Total						7,471

Q2, 2023

	(Thousands of Canadian dollars, except as otherwise noted)	a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	3,035	6,352		1.4	12,401	6,741
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)					5,541	1,108
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	Value-at-risk (VaR) for SFTs						
6	Total						7,849

