

## **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		Q2,2023	Q4,2022
(Thousands of Canadian dollars, except percentage and otherwise noted)			
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	2,881	3,120
2	Retained earnings	1,479,818	1,444,528
3	Accumulated other comprehensive income (and other reserves)	(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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	1,415,549	1,372,635
<b>Common Equity Tier 1 capital: regulatory adjustments</b>			
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	(108,356)	(111,941)
29	<b>Common Equity Tier 1 capital (CET1)</b>	1,307,193	1,260,694
<b>Additional Tier 1 capital: instruments</b>			
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
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	<b>Additional Tier 1 capital before regulatory adjustments</b>	13,091	13,091
<b>Additional Tier 1 capital: regulatory adjustments</b>			
43	<b>Total regulatory adjustments to additional Tier 1 capital</b>	-	-
44	<b>Additional Tier 1 capital (AT1)</b>	13,091	13,091
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	1,320,284	1,273,785
<b>Tier 2 capital: instruments and provisions</b>			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)</i>	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	57,751	53,419
51	<b>Tier 2 capital before regulatory adjustments</b>	257,751	203,419
<b>Tier 2 capital: regulatory adjustments</b>			
57	<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
58	<b>Tier 2 capital (T2)</b>	257,751	203,419
59	<b>Total capital (TC = T1 + T2)</b>	1,578,035	1,477,204
60	<b>Total risk-weighted assets</b>	10,610,318	10,773,476
60a	<b>Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)</b>	6,741	7,021
<b>Capital ratios</b>			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	12.3%	11.7%
62	Tier 1 (as a percentage of risk-weighted assets)	12.4%	11.8%
63	Total capital (as a percentage of risk-weighted assets)	14.9%	13.7%
<b>OSFI target</b>			
69	Common Equity Tier 1 target ratio	7%	7%
70	Tier 1 capital target ratio	8.50%	8.50%
71	Total capital target ratio	10.50%	10.50%
<b>Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)</b>			
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
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	6,312	7,265
84	Current cap on Tier 2 instruments subject to phase-out arrangements	50%	50%
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	-

## LR2: Leverage ratio common disclosure template

<b>Leverage ratio common disclosure template</b>		Q2, 2023	Q4, 2022
(Thousands of Canadian dollars, except percentages)			
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	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)	(108,356)	(111,941)
5	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)</b>	21,020,057	21,899,414
<b>Derivative exposures</b>			
6	Replacement cost associated with all derivative transactions	4,249	3,930
7	Add-on amounts for potential future exposure associated with all derivative transactions	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	<b>Total derivative exposures (sum of lines 6 to 10)</b>	13,142	12,200
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	131,927	116,501
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(131,927)	(116,501)
14	Counterparty credit risk (CCR) exposure for SFTs	41,340	35,575
15	Agent transaction exposures		
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	41,340	35,575
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	4,375,833	4,631,888
18	(Adjustments for conversion to credit equivalent amounts)	(3,905,452)	(4,131,557)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	470,381	500,331
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	1,320,284	1,276,877
21	<b>Total Exposures (sum of lines 5, 11, 16 and 19)</b>	21,544,919	22,447,520
<b>Leverage ratio</b>			
22	<b>Basel III leverage ratio</b>	6.13%	5.69%
Based on OSFI's LR guideline Q2, 2023			

## CR1: Credit quality of assets

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	<b>Total</b>	<b>19,056</b>	<b>20,614,867</b>	<b>59,120</b>	<b>1,369</b>	<b>57,751</b>	<b>-</b>	<b>20,574,802</b>

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

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

<sup>3</sup> 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

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	18,017,650	16,378,213	1,639,438	-
2	Debt securities	1,375,968	941,086	941,086	-	-
<b>3</b>	<b>Total</b>	<b>1,534,674</b>	<b>18,958,736</b>	<b>17,319,299</b>	<b>1,639,438</b>	-
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

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	<b>Total</b>						<b>7,849</b>

