Coast Capital Savings
2004 Annual Report

DO WE HAVE WHAT IT TAKES?

coastcapital SAVINGS

- yes -

And more. Our leadership goes beyond our commitment to serve our members and their financial needs. We support many worthwhile initiatives happening in our communities through our innovative and strategic business plans. We are flexible and adapt to the changing needs of our members, embracing new opportunities that allow us to enhance our services. Our employees inspire and support each other. They understand what it takes to be a leading financial institution in BC and beyond. Our leadership is demonstrated by our valuable and lasting contributions that benefit our members and sustain our communities. Follow us and decide for yourself if *we have what it takes*.

Coast Capital Savings at a Glance

– CORPORATE PROFILE –

Coast Capital Savings is Canada's second largest credit union with $7.2 billion in assets, 300,000 members, and 44 branches located across the Lower Mainland, Fraser Valley, and Vancouver Island. It was formed as a result of mergers between Richmond Savings, Pacific Coast Savings, and Surrey Metro Savings credit unions.

With more than 1,900 employees, Coast Capital Savings is one of the largest employers in the Greater Vancouver and Victoria regions.

For the fifth time, Coast Capital Savings was named one of Canada's 50 Best Managed Companies, and was the recipient of Imagine Canada's best corporate citizen award in the financial services industry.

– VISION –

Yes from Coast to coast – demonstrates our commitment to growth and to remaining a relevant and innovative financial services provider in Canada

– MISSION –

Simple financial help – speaks to our goal of providing simple solutions to our members' complex financial situations

– VALUES –

Customer-centric – We put our customers' needs first, and honour them with exceptional service and simple help – whether the customer comes from outside or inside Coast Capital Savings.

Citizenship – We are responsible citizens in thought and in deed. We act with purpose to benefit customers, fellow employees, company, and community alike.

Spirit – We do everything with spark. Everyday.

– PRODUCTS AND SERVICES –

Personal – savings and chequing accounts (including Canada's first free chequing account from a full-service financial institution), US chequing account, term deposits, RRSPs, RESPs, RRIFs, mutual funds, safety deposit boxes, mortgages, loans, lines of credit, credit cards, travelers cheques, foreign currency, drafts, lending insurance, telephone banking, online banking, and Q-trade® online brokerage

Business Lending and Services – savings and chequing accounts, community chequing account for non-profit organizations, business credit card, US chequing account, merchant services, small- and medium-sized business loans and services, equipment financing, loans, mortgages, and letters and lines of credit

– SUBSIDIARIES –

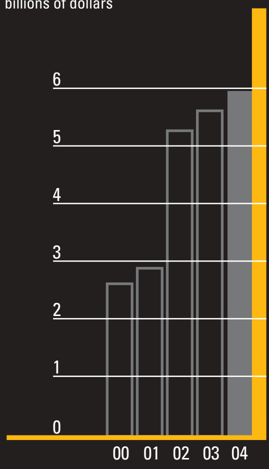
Insurance
Coast Capital Insurance Services Ltd. provides general insurance products including auto, home, travel, recreational, marine, business, and commercial insurance at 26 locations across Vancouver Island and the Lower Mainland. They offer advice and service related to segregated funds, annuities, life insurance, and living benefits products. Marriage licenses are also available.

Mutual Fund Dealer
Coast Capital Investments is Canada's largest credit union-owned mutual fund dealer, and provides advice and service related to mutual funds and financial planning. Clients have access to over 1,400 mutual funds and 95 investment professionals committed to helping them reach their financial goals.

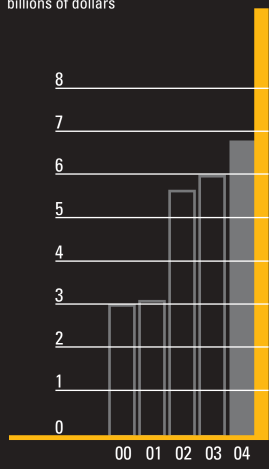
Mortgage Broker
U-Select Mortgage Services Ltd. is one of Vancouver Island's largest mortgage brokerages with more than 40 brokers located in three offices in Victoria and Nanaimo. The company brokers conventional, insured high-ratio, equity access, multi-purpose, construction, and commercial mortgages to a number of lenders, including Coast Capital Savings.

Financial Highlights at a Glance

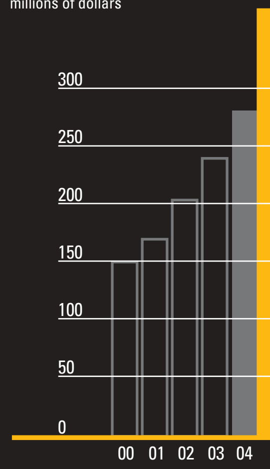
TOTAL LOANS
billions of dollars



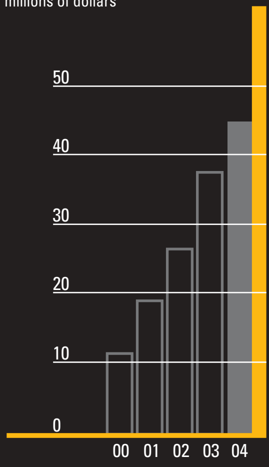
TOTAL DEPOSITS
billions of dollars



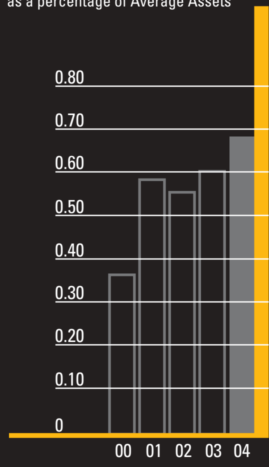
MEMBERS' EQUITY
millions of dollars



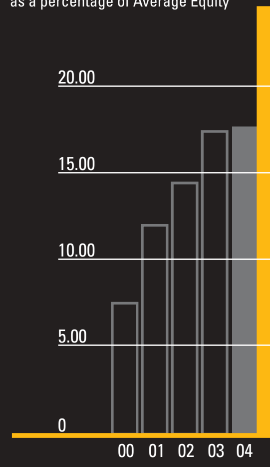
NET INCOME
millions of dollars



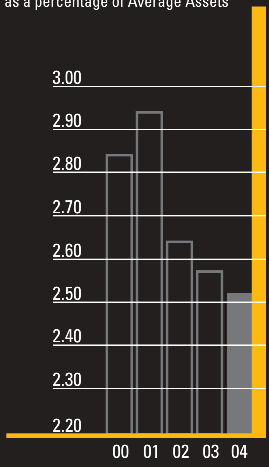
NET INCOME
as a percentage of Average Assets



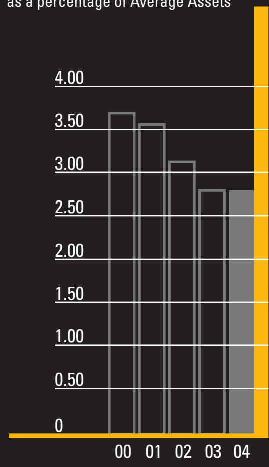
NET INCOME
as a percentage of Average Equity



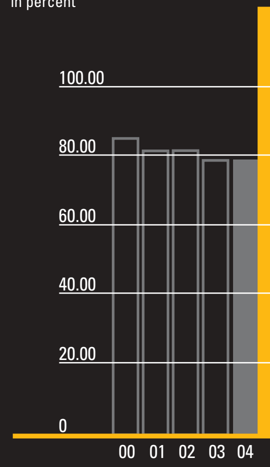
NET INTEREST INCOME
as a percentage of Average Assets



NON-INTEREST EXPENSES
as a percentage of Average Assets



OPERATING EFFICIENCY
in percent



Financial Highlights at a Glance

As at December 31	2004	2003
BALANCE SHEET *in thousands of dollars*		
Assets	$ **7,195,073**	$ 6,421,467
Loans	**5,993,391**	5,651,445
Deposits	**6,782,693**	5,954,508
Members' equity	**278,460**	237,263
RESULTS OF OPERATIONS *in thousands of dollars*		
Net interest income	**$ 166,700**	$ 160,864
Other income	**68,048**	62,128
Non-interest expenses	**184,989**	175,116
Effect of accounting change	**12,290**	
Net income	**44,787**	37,473
FINANCIAL STATISTICS *in percent*		
Operating efficiency	**78.80**	78.53
Return on average equity	**17.68**	17.38
Return on average assets	**0.68**	**0.60**
Capital ratio	**9.47**	9.64
Liquidity ratio	**16.39**	10.94
SELECTED AVERAGE BALANCES *in thousands of dollars*		
Assets	**$ 6,606,497**	$ 6,259,735
Loans	**5,821,817**	5,496,836
Deposits	**6,095,381**	5,755,022
Borrowings	**64,607**	93,407
Members' equity	**253,324**	215,646
DIVIDENDS *in percent*		
Class B shares	**4.20**	4.27
Class C shares	**6.00**	6.00
ASSETS UNDER ADMINISTRATION *in thousands of dollars*		
Mutual funds	**$ 1,208,622**	$ 1,029,448

☑ Innovative and Revolutionary

LET'S FACE IT - BANKING IS NOT SOMETHING EVERYONE GETS EXCITED ABOUT.
It's not every day your employees and customers jump for joy over a new product, but that's what Janice, Randy, Satnam, and Dan did when we became Canada's first full-service financial institution to offer a free chequing account. The *Free Chequing, Free Debit and More Account*™ is an innovative new product that charges no service fees for the banking services you use most, and requires no monthly fee or minimum balance.

Our philosophy is to challenge the traditional ways of banking. When presented with new service and product ideas from members, we find ways to say, "Yes, we can do that and this is how." Our desire to offer members an improved banking experience and handle their financial needs comfortably has resulted in innovation and style in the three new Coast Capital Savings *Aperio*™ branches that will open by year-end.

Coast Capital Savings embraced many changes during the past year to better serve our members and their diverse and complex needs, and we will continue to do so as our industry evolves. Our strong vision and leadership keeps us flexible as we make strategic changes to add value to the services we provide for our members, employees, and communities. Our journey is just beginning and *we have what it takes* to be an innovator in our industry.

Responsible and Supportive

SPREADING THE SEEDS OF $2.8 MILLION IS CONTAGIOUS.

Debi knows that making a positive impact in our communities involves more than shaking a few hands, organizing some great photo opportunities, or marketing our logo on a poster. Working in Community Relations, she plays a valuable role in cultivating the seeds that will grow into programs and sustain our communities.

Socially responsible companies can significantly shape and define their communities' success, and Coast Capital Savings is no exception. We are engaged in our communities and in 2004, we reinvested $2.8 million of our profits back into community events and sponsorships. We help our young leaders of tomorrow get a head start today through programs focussed on youth, including our postsecondary educational awards.

Whether we are sponsoring a community event, encouraging employees to participate in fundraising activities, or championing an environmental project, Coast Capital Savings is a corporate leader working to strengthen the social fabric of our communities. We nurture relationships with local groups, non-profit organizations, and other successful companies to keep our communities healthy and growing. Our employees' desire to volunteer builds stronger, more resilient communities and demonstrates their leadership and commitment to an outreaching quality of life. *We have what it takes* to make a lasting contribution for everyone who makes our communities their home.

☑ Perceptive and Resourceful

THINK OF IT AS THE ADULT, LESS PAINFUL VERSION OF "PIG IN THE MIDDLE."
Some say it's being customer-focussed; others call it good business sense. We think of it as taking care of the main reason why we're in business today – our 300,000 members. We put members, like Mark, at the centre of everything we do. We implemented a new business model to develop structures and practices that involve our customers, offering unprecedented potential for capacity and capability.

The new model acknowledges our interconnectedness with one another and builds on our ability to provide members with the options that best meet their financial service needs. Our challenge is to think smart, be creative, and find ways to live our brand promise, *How can we help you?*™ everyday. At the same time, we balance our way of thinking with the need to be financially responsible and take care of the $7.2 billion in assets that our members have entrusted to us.

We believe our new operations model is the cornerstone to our continued success. It allows Coast Capital Savings to leverage all team members in a collaborative fashion, and creates even greater value for our members. Whether you want to conduct your banking business over the phone, online, at an ATM, or in-branch, *we have what it takes* to let you choose when and where you want to manage your financial business.

Caring and Encouraging

DOES HER BOSS KNOW SHE'S SKIPPING WORK TODAY?

Yes, and it's okay. Lynne's participation in a unique 10-month Employment Program gives Coast Capital Savings employees the opportunity to take two months off from work and spend additional quality time with their families during the summer months. Helping employees find a healthy balance between work and their families is one example of how we offer some of the best employee work programs available.

We want the future leaders of our organization to succeed. That's why we developed our own Coast Capital University, which helps employees meet and exceed their personal and professional goals with more than just on-the-job training. The university develops programs to offer lifelong learning and builds leadership skills to help promote employees to higher and more rewarding positions within the company.

We are fostering a culture of leadership at Coast Capital Savings through our employees, and in turn, they reinvest these skills within their own communities. Our new values: Customer-centric, Citizenship, and Spirit speak to our bright future. Our experiences over the past few years have made us a stronger team, and our employees will agree *we have what it takes* to keep Coast Capital Savings on track and successful for many years to come.

The long-term success of Coast Capital Savings begins with the leadership provided by the Board of Directors. It is the Board's responsibility to approve strategic direction and offer guidance to management; ensure high standards of conduct and promote ethical behaviour; and provide stewardship in representing the interests of members and other stakeholders. Additionally, in overseeing the credit union's management and business affairs, the Board's mandate includes fostering a culture of transparency and accountability and implementing corporate governance best practices for the benefit of all stakeholders.

– LEADING THE WAY –

In response to member feedback from last year's Annual General Meeting, we expanded our efforts and worked extensively to build awareness of the corporate governance practices at Coast Capital Savings. Under the seven-month *Leading the Way* awareness campaign, the credit union undertook a number of communication initiatives, including the development and distribution of an informational brochure to all members and member newsletter articles. Each was designed to facilitate a better understanding of Board governance and, in particular, the candidate recruitment and director election process.

The challenge for a Board today is to build a team that serves the best interests of stakeholders and the best interests of the company. Our candidate recruitment process was reviewed and strengthened to provide the membership with a diverse group of qualified candidates for election. It is important for the Board's composition to reflect Coast Capital Savings' membership base and, together, directors need to possess the right combination of skill, experience, and knowledge to maximize its effectiveness. The work that Coast Capital Savings' Nominations and Election Committee has undertaken in this area included a detailed review of the current Board members' strengths to determine any gaps, and endorse the candidates that best represent the required skill sets and experience needed to strengthen the Board for the consideration of all voting members. This discipline in building the very best Board for the future enhances the credit union's success and value for all stakeholders.

At the conclusion of the 2005 Annual General Meeting, the Board of Directors will fulfill a mandate that was set in 2002 – to systematically move from 18 directors in 2002 to 12 directors in 2005. Board policy currently requires eight Directors to reside on the Mainland and four to reside on the Island to ensure appropriate geographic representation of the three heritage credit unions during the early years following the mergers. All directors, regardless of their residency, represent the interests of the entire membership. Directors' specific knowledge of their respective regions adds value to discussions and decisions regarding any future changes that may be of importance to the membership. As we expand our operations, we'll exercise flexibility in this policy and adjust it accordingly, to ensure it serves the needs of the membership.

– SUPPORTING THE VISION –

Setting the focus and direction for Coast Capital Savings is a collaborative effort between the Board and executive management, with final approval resting with the Board. Our vision, *Yes from Coast to coast*, embodies our goal to expand our credit union operations within British Columbia, and across Canada when legislation allows. We believe our presence in more communities is important for two reasons: it diversifies and strengthens Coast Capital Savings' financial position, and equally important, enhances the well-being and long-term viability of the credit union system. Members naturally benefit from our success in expanding our services to more communities and offering them enhanced services and products; and employees reap the rewards of greater career opportunities.

As leaders of change, we have worked hard during the past year to complete our merger integration initiatives. Relying tremendously on the hard-working efforts of our employees to execute these changes, and the continued loyalty and understanding of our members, we move closer to achieving our ambitious goals in supporting our vision. Decisions to make changes were not made lightly – every significant change was reviewed for its overall impact on members by the Board and senior management.

Communication with our members regarding our plans was critical, and we took every opportunity to provide our members with helpful information to keep them apprised of changes and enhancements. We are pleased with the member feedback we received, which told us that members felt they received information in a timely manner and the integration was smoothly implemented.

– MAKING OUR MARK –

During the past year, we approached our community and social initiatives with a balanced and sustainable approach based on three simple concepts: opportunity, responsibility, and community. To achieve our long-term goal of being one of

Canada's top corporate citizens, our strategy includes supporting a number of key community initiatives where Coast Capital Savings can make a meaningful difference.

Our employees, too, understand and believe in the importance of Coast Capital Savings making a difference to the communities we serve. In 2004, we invested $2.8 million of our profits to support community initiatives and launched a new community involvement model. The model's five key programs are designed to support our communities in more innovative and effective ways and builds on the successes of our three heritage credit unions. First, the Coast Community Fund will support community organizations in all our regions, and manage sponsorship and donation requests with focuses on health and wellness, education, environment, community services, and arts and culture.

Second, the Coast Capital Savings Foundation will provide even greater definition and discipline to the credit union's community initiatives by supporting social, economic, and environmental causes that cross all regions. Currently, the Foundation's focus is on youth with a mandate to grow strong, confident, and healthy young Canadians.

The third program, dedicated to supporting youth, is the Coast Community Youth Team. Every year grade 11 and 12 high school students are recruited for this program. They receive employee training, work part-time in branches, and represent Coast Capital Savings at community events as goodwill ambassadors. Our Education Awards program, the fourth component of the model, is comprised of more than 60 scholarships of $2,000 each. It rewards students exhibiting extraordinary leadership potential, which undoubtedly will benefit our communities in the years ahead as they prepare to become the leaders of tomorrow.

No company's future is complete without the support of a strong and confident employee base – we have both at Coast Capital Savings. The final component of the community model to be launched later this year involves paid volunteer time for our employees, who continue to demonstrate true community spirit by dedicating countless hours of their time and energy to many charitable organizations.

– LEADERSHIP EFFORTS RECOGNIZED –

Coast Capital Savings was recognized by Imagine Canada for its outstanding leadership in the area of corporate citizenship at the annual Canadian Investment Awards Gala held in December. This national Corporate Citizenship Award for the Financial Service Sector acknowledges that we go beyond simply providing a financial contribution. We take a more innovative approach to ensure greater impact through our community building initiatives. This way of engaging our communities sets Coast Capital Savings apart from other companies. The strong partnership between our members, our communities, and employees is key to our success.

Do we have what it takes to become one of Canada's leading corporate citizens? Absolutely. We see ourselves as a growing leader in corporate citizenship – a company that exercises great concern for social well-being and responsibility to improving our communities by providing strength, leadership, and innovation.

Your Board of Directors works effectively with the Chief Executive Officer and his executive team, and together we provide the leadership for Coast Capital Savings. Regrettably, we lost one of our leaders in 2005. Just prior to the printing of this Annual Report, Doug Brawn, a member of our Board for the past five years, passed away unexpectedly. As a lawyer, Doug's expert knowledge of retail and commercial lending law benefitted Coast Capital Savings tremendously. His insight and dedication to sound corporate governance practices, in particular his work on this year's Nominations and Election Committee, helped strengthen Coast Capital Savings' commitment in this area. Doug's valued contributions, including his leadership, outstanding judgment, and kindness will be missed.

On behalf of the Board, I thank our employees for their integrity and hard work, and for maintaining the outstanding reputation of Coast Capital Savings during these changing times. To our members, I thank you for your loyalty and continued trust.

Bill Wellburn, CA
Chair, Board of Directors

Many important initiatives were undertaken in 2004 and flourished because of the tremendous leadership commitment inherent across our organization. Coast Capital Savings challenged and engaged its employees to position this organization for the future with renewed energy, purpose, and passion. Looking back over the past year, our success in integrating three organizations can be attributed to the dedication and vision of our employees to forge a stronger future. Our goal now is to live a new vision, mission, and culture that best serves the changing needs of our members.

– MOVING BEYOND INTEGRATION –

We completed our merger integration activities, including the move to a single and integrated banking system, and ensured that service levels to our members remained high. Our focus is now on executing our growth and expansion plans. We are determined that as a result of our 2004 initiatives around integration and planning, 2005 will be a breakout year for the credit union.

Our television advertisements achieved our goal of creating recognition and recall of the Coast Capital Savings name from both members and non-members. More advertising was unveiled early in 2005, building on our *How can we help you?*™ promise by providing a helpful solution to consumers' number one source of frustration in banking: service fees on chequing accounts.

The *Free Chequing, Free Debit and More Account*™ is not an entirely new concept – free chequing accounts have been available in the US for more than a decade. However, Coast Capital Savings is the first full-service Canadian financial institution to bring this product to market. This new account is about growing our organization, living our brand promise, and most importantly, listening to our customers and responding with products and services that address their needs. Not surprisingly, consumers have responded positively to our free chequing product. We have increased our account openings and more members are looking to us first to provide *Simple financial help* with their other banking needs.

In 2004, Coast Capital Savings' group of subsidiaries were reviewed for market growth potential. Our strategy is to continue in areas that offer the greatest opportunity for growth, and best meet the needs of our members. Our emphasis is focussed on leveraging our subsidiaries with our credit union operations, keeping in mind required capital and technology investments. In 2004, we sold Coast Appraisals to the employees who operated the subsidiary; streamlined U-Select Financial and Insurance Services Ltd. to focus on mortgage brokerage services and subsequently renamed it U-Select Mortgage Services Ltd.; created an alliance between Coast Capital Real Estate Ltd. and Royal Lepage Realty to establish Royal LePage Coast Capital Realty; and acquired additional insurance offices on Vancouver Island.

The insurance industry is one area that we believe aligns well strategically with Coast Capital Savings' long-term plans and has been identified for increased growth and planned capital expenditures. Coast Capital Insurance Services continues to exceed our growth targets with increased revenue over the past two years. Our insurance subsidiary has remained successful and relevant in another increasingly competitive industry as a result of our employees' hard work and invaluable understanding of their clients' needs.

– SOLID FINANCIAL PERFORMANCE –

Using our past mergers to strengthen Coast Capital Savings, 2004 was a successful year financially for the credit union. A one-time adjustment regarding the accounting for mortgage prepayment penalty income positively impacted Coast Capital Savings' year-end results (see Management's Discussion and Analysis for more information).

Our net income for the year was $44.8 million, up $7.3 million or 20% from the previous year. Net income expressed as a return on average assets was 0.68% in 2004, compared with 0.60% in 2003. Net income expressed as a return on average equity was 17.68%, up slightly from 17.38%. Assets grew to $7.2 billion by year-end, and member equity increased to $278.5 million from $237.3 million. Regulatory capital increased in the year to $355.8 million from $323.9 million.

We strive for operational excellence in order to improve long-term profitability and become a better organization for our stakeholders.

– EXPANDING OUR PRESENCE –

One of our priorities as an organization is continuing growth and expansion. In 2004, we converted three of our U-Select branches to full-service Coast Capital Savings branches; bringing our helpful customer service approach to the communities of Nanaimo, Duncan, and Mill Bay on Vancouver Island. This move increases our total branch locations to 44.

With an eye to growing the credit union, we have many initiatives planned for 2005. We look forward to opening three new branches in Coquitlam, Pitt Meadows, and Surrey – areas that have been identified for significant growth.

These branches will unveil our new and innovative *Aperio*™ branch design, which offers an improved retail environment with extended hours of operation to better serve our members' banking needs. Later this year, as part of our plan to solidify our membership base in the Lower Mainland and on Vancouver Island, we will introduce a new mortgage process, branded *No Worry Mortgages*™, which builds on our promise to help more members financially reach their dreams of home ownership.

There are currently 54 credit unions in BC, less than half the number in operation 15 years ago. This consolidation trend continues in conjunction with the hope that enabling legislation is created to allow credit unions to operate branches beyond their traditional provincial boundaries. We hope there will be opportunities for Coast Capital Savings to merge with other credit unions, and thereby play a leadership role in helping the credit union system graduate to the next level of competitiveness. We firmly believe that members receive greater value through larger and more efficient credit unions that can serve an expanded geographic region, without sacrificing exceptional customer service.

We will consolidate several of our mainland administration offices to the Surrey Central City Development by October 2005. While the Administration Office in Victoria and Head Office in Surrey will remain at their current locations, our Contact Centre currently situated in New Westminster, as well as staff from our Richmond and Langley Administration Offices will move to Central City. Coast Capital Savings is one of the largest employers in the Surrey area, and this is an excellent opportunity to be a part of the planned redevelopment and prosperity of this mainland region.

– BUILDING LEADERSHIP WITHIN –

For the fifth time, Coast Capital Savings earned distinction as one of Canada's 50 Best Managed Companies. This award has generated enormous pride among staff and members alike; however, this will be our last year of participating in the program due to changes in the eligibility criteria, which now excludes credit unions. We have enjoyed the recognition afforded to being a 50 Best Managed Company and look forward to other opportunities that will highlight and profile the best practices of our credit union.

While we expect the Board of Directors and executive team to be an integral component of the leadership process, we have leaders emanating from every level within our organization. It is our employees' resolve and flexibility that enables us to introduce changes that make Coast Capital Savings a better financial institution. Our new corporate university, introduced this year, will add to our employees' leadership development.

We celebrated many milestones in 2004. Sadly, the year also included the passing of three long-time employees: Don MacLulich, Peter Siemens, and Dave Smart. Well respected as leaders, all three employees contributed to the success of Coast Capital Savings, and to the health and well-being of their communities. They are missed for their friendship and leadership – we were fortunate to have them as part of our team. Their legacy inspires others to lead by example and be the best they can be.

– SECURING OUR FUTURE –

As we look towards the future, we are confident that with our employees' dedication, focus and energy, *we have what it takes* to be a leading financial institution in Canada. We continuously strive to remain highly relevant in the financial services industry, and are committed to finding innovative ways to address the evolving needs of our members and create a unique and inviting workplace for employees. Our employees' leadership skills will benefit our members and communities as we build momentum and achieve success in fulfilling our vision, mission, and values.

Lloyd Craig
President and Chief Executive Officer

The social challenge facing all businesses today, including Coast Capital Savings, is to develop a balanced and strategic approach to align its corporate citizenship and community investment objectives with those of the enterprise. Businesses are viewed as natural leaders - they have access to skilled employees and capital, which add to the public's growing expectation that companies can do more to ensure the long-term viability and success of our communities. Consequently, more public pressure is placed on companies to step up and demonstrate their commitment to stakeholders.

Coast Capital Savings has a strong belief in integrating our business practices with our social well-being. Our commitment to doing the right things includes: ethical business practices; democratic governance; progressive employee development; environmental awareness; support of our communities; transparency and accountability; and ensuring healthy financial outcomes.

– ESTABLISHING A VISION –

Creating community sustainability requires vision and leadership. Throughout 2004, Coast Capital Savings' Board of Directors and senior management worked extensively to determine the future direction of our social responsibility initiatives, resulting in a philosophy to be "moderate in interpretation, balanced in approach, and sustainable by design." Three concepts: opportunity, responsibility, and community emerged to help guide the credit union in strengthening its corporate citizenship and social responsibility role.

Coast Capital Savings is committed to the long-term success of our communities. The challenge we look forward to is finding ways to manage the financial, social, and environmental impacts of our business in support of achieving our financial goals. Our success lies in identifying priority issues where we can add value and make substantial improvements within our communities. Finally, we must ensure our process of assessing our impact becomes second nature and entrenched in our core business strategies and practices everyday.

Our commitment to being a responsible leader, investor, and catalyst can be divided into two frameworks: leadership initiatives within Coast Capital Savings and leadership programs that extend outward and benefit the organization's other stakeholders. Demonstrating Leadership Within focuses on internal initiatives that enhance the social well-being of our employees and strengthen the governance of our organization. Extending Leadership Beyond speaks to our strategies of how we lead and contribute to community and economic projects that make a lasting difference for many.

The following summary highlights and demonstrates how we have furthered our commitment to responsible business practices, enhanced the quality of life for stakeholders, and contributed to a healthier environment.

– DEMONSTRATING LEADERSHIP WITHIN –

Supporting Employee Well-being

Coast Capital Savings works hard to maintain its reputation as a leading employer – one that provides a work environment treating employees fairly, with caring and respect. In addition to offering competitive salaries and benefits, we design innovative and flexible work programs to meet our employees' changing lifestyle needs.

We offer an innovative 10-month work program that allows employees to take two months off work to spend time with their families in July and August, and introduced an option where employees can purchase additional vacation time annually. Both initiatives recognize the importance of maintaining a much-needed balance between work and our personal lives. Mental health is a growing concern among employers and we support our employees' needs to stay physically healthy and mentally fit. Change management courses are available to help employees adjust to the ongoing challenges within our industry.

Engaging Employee Feedback

Understanding how our employees feel about their work environment is important. Their feedback is valued at all levels and solicited continuously to ensure we understand their needs and perceptions. Our most recent survey showed that overall, employee satisfaction continues to improve and we are performing above the satisfaction levels reported by other credit unions. This year's rating of 74.8% is up from 2003's score of 71.6%. The survey includes questions regarding work environment, career development, training, performance management, decision-making, teamwork, and compensation issues. While our results are positive, there are still areas we can improve in and to this end, we schedule focus group sessions regularly to find solutions to address employee concerns.

An employee suggestion program was launched in 2004 and has been well received. Ideas range from suggestions to reduce costs, improve the efficiency of processes, and add value to the customer experience.

The process to redefine and simplify the company's values was completed in 2004. The result is a set of three simple, yet powerful, employee-driven values that already have roots in the attitudes and behaviour of our employees. Customer-centric, Citizenship, and Spirit each address values that are fundamental and will remain permanent to Coast Capital Savings' success now and in the future.

Rewarding the Team Financially

Recognizing that employee performance directly affects the credit union's success, we launched a new employee incentive plan in 2004. The plan is based on the credit union reaching specific financial objectives and employees meeting key performance indicators, which are identified quarterly. We are pleased to recognize the hard work of our employees and share the company's success with them.

Providing Innovative Learning

In 2004, we laid the groundwork for our new Coast Capital University launched in early 2005. Through in-house courses and learning resources, we are committed to challenging our employees and adding knowledge to complement their on-the-job training. Employees can expand their leadership skills in order to prepare themselves for greater and more rewarding job opportunities within our organization. In turn, their expertise allows them to serve our members better.

Leading the Way

The credit union believes good corporate governance is essential to any successful organization. To educate members about the value of corporate governance and the Board of Directors' role, we worked extensively to increase awareness of the corporate governance practices at Coast Capital Savings. A special brochure, titled *Leading the Way*, was mailed to members, and additional articles in the member newsletter were published to provide greater understanding of Board governance, the candidate recruitment process, and the Directors Election.

The Board embraces best practices and supports the business industry's accepted guidelines for effective corporate governance as established by the Toronto Stock Exchange (TSX). Organizations that are accountable, transparent in their actions, and ethical continue to maintain the trust of their stakeholders and prove to be successful in the marketplace.

Coast Capital Savings earned distinction as one of Canada's 50 Best Managed Companies for the fifth time, based on its exemplary performance in areas such as leadership, financial growth, and social responsibility. This award has generated enormous pride among staff and members alike; however, this will be our last year of participating in the program due to changes in the eligibility criteria, which now excludes credit unions. We have enjoyed the recognition afforded to being a 50 Best Managed Company and look forward to other opportunities that will highlight and profile the best practices held by Coast Capital Savings.

Conserving Our Resources

Coast Capital Savings is not a resource-based organization and our direct impact on the environment is relatively small. However, through various programs and initiatives, we do our part to minimize the negative impact on our environment. We need to consider how our actions today may affect our communities tomorrow.

We believe in educating our employees to be more environmentally aware and responsible. Employees managing our social responsibility function visit branch and administration offices on an ongoing basis. They attend employee orientation sessions to provide an overview of our activities and to address how we can help the credit union leave as small a footprint as possible on the environment. We share information with employees through a monthly corporate social responsibility column in community newspapers. Stories on "green purchasing" or offering examples on "setting environmental resolutions" serve to remind us how we can be more environmentally responsible and contribute to sustaining our communities.

As part of our commitment to reduce our impact on the environment, we work with our printers to find recycled paper stocks that are produced in Canada and contain a reasonable percentage of post consumer waste.

Throughout 2004, we promoted the option for members to use our online banking service to view their statements rather than receive them via mail. We also began providing double-sided statements to conserve paper. Increasingly, we know that more members have access to the Internet and we encourage them to use it to view statements, newsletters, and publications readily available online.

Coast Capital Savings sponsored the Eco-Star Award for Youth to recognize the outstanding leadership commitment of a young individual working to make a positive difference in our environment. The winner of the 2004 Award demonstrated leadership by spearheading a successful school recycling program.

Coast Capital Savings' current environmental practices include extensive recycling and use of recycled and/or recyclable products, use of energy-efficient appliances and heating, lighting and ventilating systems, and encouraging employees to use alternatives to single occupancy vehicles for daily commuting.

Using Alternative Transportation

Each of us has a responsibility to do our part to cut down the growing levels of traffic congestion and pollution in our communities. In June 2004, 90 percent of our employees participated in the National Commuter Challenge Day, which resulted in approximately 1,100 fewer single-occupancy vehicles on the road. This event raises awareness of sustainable, responsible transportation alternatives.

Coast Capital Savings participates in Employer Pass programs both on the Lower Mainland and Vancouver Island, which encourage employees to leave their cars at home and use public transit. Annual passes are provided to employees at a reduced rate through a payroll deduction plan.

Coast Capital Savings encourages its employees to use public transit and participates in TransLink's OnBoard Employer Pass Program, which offers employees passes at a reduced rate through a payroll deduction plan. *Heather McGrath, Grant Davies, Kristi Zychowka*

Encouraging Member Feedback

The key distinction between banks and credit unions is that members have a strong voice in the decisions of the organization. Coast Capital Savings encourages members to participate in many important aspects of our business, including director elections and other voting matters put before the membership. We have a responsibility to listen to our members, offer them the products that they need, and remain innovative in our services to maintain our competitive edge in an industry that is ever-changing.

Member satisfaction surveys and focus groups are two primary methods of soliciting feedback from members. Additional comments are also received by way of in-branch comment cards and online surveys. We also ensure that our employees are trained to respond to our members' inquiries and resolve any service issues in a prompt and helpful manner.

Enhancing Products and Services

2004 was dedicated mainly to reviewing our products and services and building the framework for new and innovative products, many of which were developed based on member feedback. We strive to be operationally excellent, and are held accountable to manage our business efficiently and effectively. Our solid financial performance provides the capital to invest in new technology and services to benefit our members and meet their changing financial needs.

The *Free Chequing, Free Debit and More*™ account launched in January 2005, was in response to one of Canadian consumers' biggest complaints in banking: service fees on chequing accounts. We are confident this unique, ground-breaking account will improve our competitiveness in the banking world. Our plan is to continue developing innovative products that positively impact our members financially. Later this year, we will introduce *No Worry Mortgages*™, to build on our promise to help more members reach their financial dreams of owning a home.

Giving Back to Our Communities

In 2004, we completed the remainder of our merger integration activities and focussed our attention on executing our growth plans. With more than 1,900 employees, branch operations in 44 communities and plans to open more branches in 2005, we provide both economic and financial benefits to many, as well as share the rewards of our financial success with our communities.

Coast Capital Savings is one of only 580 Canadian businesses to participate in Imagine Canada's Caring Company program, which encourages businesses to make a difference and donate a minimum of 1% of their pretax profits back to their communities. The program also supports companies in establishing programs for employee giving and volunteering as a way to address social needs. During 2004, Coast Capital Savings invested $2.8 million in our communities, representing more than 5% of our pretax profits.

Coast Capital Savings welcomes the opportunity to lead by example. We are working hard to raise awareness of how companies can contribute to the social well-being of our communities. Our efforts to date include addressing major business groups and sharing our experiences and successes in the area of social responsibility.

Our employees contribute significantly to the success of our community fundraising activities as demonstrated by the Coast Capital Savings Multicultural Committee. This is an employee group which supports multicultural initiatives in our communities. Their role includes participating in key community events and recommending funding for community projects. The Multicultural Committee organizes an annual fundraising event and in 2004, they raised $17,000 for Surrey Memorial Hospital in support of mental illness.

Employees also organize an annual charity golf tournament, which has raised $170,000 over the past three years. In 2004, the proceeds from the tournament, more than $65,000, were directed to two charitable organizations: the Richmond Hospice Association and the Surrey Hospice Society.

We had our most successful United Way campaign to date in 2004. Employees raised $225,723 through the employee giving program, and combined with our corporate contribution of $45,000, made a total contribution of $270,723 to United Way. Our exceptional dedication and service to communities and the United Way was recognized earlier in the year, when we received the Organizational Support Award at the United Way Spirit Awards.

Coast Capital Savings is proud to be the official Tours Sponsor of the Cops for Cancer campaign, a bike ride that encompasses Vancouver Island, the Lower Mainland, and the Fraser Valley. A team of police officers from various communities cycle to raise money for childhood cancer research and Camp Goodtimes, a summer program for children with a history of cancer. In the past three years, Coast Capital Savings and its employees have donated more than $500,000 to Cops for Cancer, including a $216,000 donation in 2004.

In response to the tragic earthquake and tsunami that struck South East Asia at the end of December, Coast Capital Savings pledged $50,000 to the relief effort and employees donated an additional $36,654. The financial support and level of caring demonstrated by Coast Capital Savings and other businesses in our communities will make a difference in supporting the survivors and rebuilding affected communities.

Our reputation as a good corporate citizen was recognized in December when we were awarded the national Corporate Citizenship Award for the Financial Service Sector by Imagine Canada. This recognition acknowledges our efforts in going beyond simply providing a financial contribution and helps define Coast Capital Savings as a top corporate leader.

Advancing Community Economic Development

A significant component of our financial contribution to communities results from Community Economic Development (CED). For nearly 10 years, Coast Capital Savings has been an active partner in the development of CED, and in 2004, we expanded our CED program to include the Fraser Valley region.

Coast Capital Savings plays a pivotal role in using CED initiatives to improve the economic resilience of our communities through access to capital. We focus our CED efforts in three areas: small business start-up financing and assistance, project and organizational development, and community planning.

Small business start-up financing forms the cornerstone of our CED program - entrepreneurs help fuel the growth of small business and contribute to the economy by bringing new ideas, energy, and a long-term commitment to our regions.

Core lending products, in support of small business start-ups are contained in a Rising Tide portfolio, which offers loans to individuals and businesses that do not meet standard lending criteria, but contribute to the social and economic development of their communities. Western Economic Diversification Canada is our partner in the Rising Tide program. In 2004, Coast Capital Savings assisted 33 clients resulting in $1,173,503 in Rising Tide loans. More than 89 jobs were created from these business start-ups, thus contributing to the economic growth of our communities.

We see the value of providing timely and targeted assistance to new entrepreneurs before they encounter serious problems with their business. In this regard, Coast Capital Savings partners with local organizations to provide business development assistance to Rising Tide loan recipients.

Project and organizational development grants allow us to invest human and financial capital into non-profit organizations to facilitate economic growth. In 2004, we invested in 33 new projects and initiatives including the Helping the Helper Non-Profit Workshop Series and the Business Links for New Immigrants Program.

The Helping the Helper Non-Profit Workshop Series is designed to help organizations seek new ways to generate income and increase their efficiency to meet social challenges and opportunities, using their existing resources. Coast Capital Savings joined with The Centre for Non-Profit Management, in partnership with the University of Victoria's Centre for Public Sector Studies, to create a series of five workshops for Lower Mainland and Vancouver Island non-profit organizations to increase their resourcefulness and adapt to new demands and opportunities.

In partnership with Western Economic Diversification Canada and S.U.C.C.E.S.S. (United Chinese Community Enrichment Services Society), Coast Capital Savings provided funding and resources to launch the new Business Links for New Immigrants Program. Immigrant entrepreneurs who lack the Canadian business context or who face language and cultural barriers and want to start or expand their businesses are linked with a business advisor who provides business development assistance and acts as a liaison to lending institutions. This program has created a unique opportunity for Coast Capital Savings to share our expertise and resources to help immigrant entrepreneurs obtain the skills they need to operate successful businesses.

Community planning provides opportunities for Coast Capital Savings to directly participate in community-based multi-sector processes that are designed to improve the health of communities, with specific focus on poverty reduction, affordable housing, and economic development.

In 2004, we invested in seven community planning initiatives. We continue to support the Quality of Life CHALLENGE (in BC's Capital Region) and Vibrant Surrey. Both initiatives focus on poverty reduction and housing affordability. Coast Capital Savings invested in a range of planning initiatives, both neighbourhood-based and community-wide.

The Housing Affordability Partnership (HAP) of BC's Capital Region includes public, private, and non-profit groups from this area working together to address housing affordability and choice. HAP has been extensively involved in the development of the Regional Housing Affordability Strategy and is a major influence on its implementation. In 2004, Coast Capital Savings provided a community planning grant toward the development of a business plan designed to fulfill its mandate to improve community stability and quality of life through able housing.

Coast Capital Savings was the title sponsor for the first East Richmond Farmers Market. An initiative of the East Richmond Healthy Communities Committee, the Farmers Market was a result of a partnership of the East Richmond Community Association, Your Local Farmers Market Society, and the City of Richmond. In its commitment to selling 100% BC-grown agricultural products, the Farmers Market serves as an important venue for community economic development by providing retail opportunities for small-scale local producers.

The Business Links for New Immigrants Program is a partnership between Coast Capital Savings, Western Economic Diversification, and S.U.C.C.E.S.S., and helps immigrant entrepreneurs start businesses and contribute to the economic growth of our communities.
Lilian To, CEO of S.U.C.C.E.S.S. and *Rajeev Jain*, Chief Executive, Somiya Stones Inc.

Through the CED Fund, Coast Capital Savings provides both human capital and financial assistance. Grants and sponsorships support innovative initiatives and projects with a CED focus, as well as community-wide planning processes that are designed to contribute to economic revitalization. In 2004, more than $500,000 was invested into our communities through the CED Fund.

Launching a New Community Model

We have a Board of Directors, executive team, and employees willing to use the required resources to build sustainable communities. In addition, we have a large membership base to partner with us in our community building responsibility initiatives.

Following our mergers, we recognized the need to integrate and harmonize our community giving programs under one program to enable us to deliver community impact in a more effective and consistent manner across the regions we serve. Through the new Community Model unveiled in 2004, Coast Capital Savings demonstrates its strong commitment to supporting the communities in which we work and live. Giving financially to our local communities is important but it is not what sets us apart. Our key differentiating factor is connected to our underlying philosophy: We are more than just providing financial contributions. We are building relationships with our community partners, and offering help in many ways, including resources, gifts in kind, volunteers, and event support.

The Community Model is comprised of five key community programs: Coast Capital Savings Foundation, Coast Community Fund, Coast Community Education Awards, Coast Community Youth Team, and Coast Community Volunteer Program.

The mandate of the Coast Capital Savings Foundation is to significantly impact a specific area through its community investment. The Foundation Board, comprised of 12 directors: six employees, three Coast Capital Savings Board Directors, and three community directors, worked tirelessly in 2004 to develop a new direction, and after significant research, they identified youth leadership as the Foundation's new area of focus. With a vision of growing strong, confident, healthy young Canadians, the Foundation is dedicated to supporting initiatives, programs, and partnerships that build or enhance leadership skills for youth. Leadership skills are essential in enabling youth to develop character, confidence, and values that promote healthy behaviour.

In 2004, the Foundation provided financial assistance to organizations including the Big Brothers Big Sisters of Victoria for their Teen Mentoring Program, which focuses on high school students mentoring children in an elementary school setting. Servants Anonymous Society Surrey also received funding for its Changing Patterns Program which helps at-risk female youth become more supportive and contributing individuals within their school, community, and workplace.

Coast Community Fund serves as our cornerstone community giving program that provides broad-based community support to non-profit organizations in all our communities. Areas of support include health and wellness, environment, education, arts and culture, and community services. Two of the many organizations that received support from the Fund include: Coats For Kids and the Cinderella Project.

The Coats for Kids initiative raises awareness of the need to provide warm coats for children. Donations of new or gently used coats were collected and distributed to more than 55 family-help organizations.

The Cinderella Project is an initiative that helps make graduation dreams come true for underprivileged high school graduates. Participants are provided with formal attire so they can attend their graduation festivities with pride. Each year, over 150 Cinderellas and Cinderfellas are referred to the Cinderella Project by school counsellors, teachers, principals, or social services agencies. Representing a diverse range of cultures and backgrounds, these students are accepted into the program based upon an existing hardship. Without assistance, these students could not afford to participate in celebrating this important milestone.

The Coast Community Education Awards provide financial assistance to students with their postsecondary education. During 2004, Coast Capital Savings awarded $132,000 in Education Awards to 66 students. Recipients were selected based on their demonstration of leadership abilities either through volunteering in their communities or making notable contributions to improving the lives of others.

Since 2000, we have awarded more than $500,000 in educational scholarships.

The Coast Community Youth Team is an innovative program that offers grade 11 and 12 high school students in Richmond, Surrey, and on Vancouver Island the opportunity to get a head start on life with real-world experience both on the job and in the community. The students work for a one-year term at community events, and serve as Customer Service Representatives at a Coast Capital Savings branch, gaining valuable leadership, interpersonal, and job-related skills.

In 2004, the Lower Mainland and Vancouver Island Youth Teams attended more than 100 community events. One of their initiatives involved helping remove two tonnes of waste from the Gorge Waterway. The initiative attracted over 100 volunteers who contributed more than six hours each to help improve the waterway. In Richmond, the Community Youth Team helped to landscape an undeveloped area for use as a community garden and park.

Members of the Youth Team also participate in many of the parades featuring Coast Capital Savings' award-winning float, including the Torchlight Parade in White Rock, the Victoria Day Parade, and the Rogers Santa Claus Parade.

The Coast Community Volunteer Program represents a new employer-supported program that will have a significant impact on the company, employees, members, and our communities when it is launched later this year. The program will support volunteer activity and provide countless challenging, meaningful, and fun opportunities for staff. Coast Capital Savings employees continue to donate more than 20,000 volunteer hours annually to support a variety of initiatives and events throughout their communities.

Green Building Initiatives

The new administration office at Central City in Surrey will be ready for occupancy in October. The location was selected for a number of reasons, including accessibility to public transit. The Central City Development was designed to exceed the Model

The Coast Community Youth Team is an important component of our new Community Model. Youth Team members attended more than 100 community events on behalf of Coast Capital Savings in 2004. Back row: *Rob Davies*, *Sam Zimmer*, *Nouri Najjar*
Front row: *Kyley Egginton*, *Sarah Brouwer*, *Max Pringle*

National Energy Code in energy and efficiency by 25%, and many Green Engineering features were incorporated into its project design.

The credit union's Vancouver Island Administration Office, which our employees moved into at the end of 2003, was designed to meet the LEED (Leadership in Energy and Environmental Design) for Commercial Interiors Standards. LEED emphasizes state-of-the-art strategies for sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. We are awaiting formal certification of our Island Administration office.

We are proud to offer our employees high-performance, sustainable workplaces for their comfort and enjoyment.

Coast Capital Savings recently donated three floors of office furniture to Victoria's Habitat For Humanity's ReStore, an operation that sells building supplies to the public at low prices. By donating the office furniture, we are able to recycle furniture and fixtures that still have a useful life; reduce the amount of construction materials ending up in our landfill sites; and provide the non-profit organization with a revolving fund to help them continue to build affordable housing. Every $60,000 in ReStore profit builds one house for Victoria's Habitat for Humanity.

– FUTURE OBJECTIVES –

Our goal is to be a top Canadian corporate citizen. By building relationships with our community partners and offering support in ways that utilize our human and financial resources we can have an even greater impact for the future.

During 2004, we worked extensively to establish what social responsibility means for Coast Capital Savings and how our philosophy to be "moderate in interpretation, balanced in approach, and sustainable by design" will guide the company's direction toward future initiatives in improving our financial, social well-being, and environmental outcomes.

It is imperative we engage employees in a common understanding of the company's direction in community investment and corporate citizenship. In 2005, we are launching an internal awareness campaign to advise all employees of our planned community and economic development initiatives. Similarly, with social responsibility remaining an integral philosophy of the organization, we also need to educate our members and share with them the programs and projects that we are initiating to build stronger, healthier communities for the future. A member engagement strategy was developed and will be launched this year.

Our new community and economic models will further strengthen employees' and the public's understanding of how Coast Capital Savings is doing more to better serve all our stakeholders and working hard to improve financial, social, and environmental conditions.

Our continuing development towards establishing measurable objectives ensures we maintain our focus on excellent business practices to benefit all of us for years to come. We have contracted to use see-it™ software from Vancouver-based Real Living Solutions to track our socially responsible performance indicators. In 2005, we will work to develop and report on these measures.

Through its credit union roots, Coast Capital Savings has been a prominent supporter of social responsibility for many years. We lead by example and use our financial resources to help provide *Simple financial help* to our members while achieving our vision of *Yes from Coast to coast*. Along with other socially-minded businesses, we can make a difference and are committed to taking a leadership role in sustaining our communities for today, and looking ahead to ensure they remain vibrant for tomorrow.

Coast Capital Savings serves a membership of 300,000 across the Lower Mainland, Fraser Valley and southern Vancouver Island regions of British Columbia. During the year, we received questions from members regarding the following:

1. When will there be a Coast Capital Savings branch outside of British Columbia?

At this time, federal legislation does not exist which would allow credit unions to operate across Canada. Although certain members of the credit union industry are lobbying the federal government to make changes to the current federal legislation, it may be a few more years before this will occur. There are potentially three ways for credit unions to operate outside of BC:

1. Provincial reciprocity legislation allows credit unions in one province to open a branch in another province, providing the same agreement exists both ways. Coast Capital Savings is waiting for regulations to be written to accompany the legislation that has been passed in three provinces, including BC, and most likely, this will occur in 2005 and 2006.

2. Under the *Bank Act*, the federal government would need to create a new section allowing a cooperative bank model to exist. There are indications that the federal government is interested in supporting this amendment, provided credit unions can demonstrate their interest and utilization of the new legislation.

3. Setting up a subsidiary company dealing only in commercial leasing is the third option. Coast Capital Savings could set up a subsidiary company in BC and register to do business in other provinces. Although the subsidiary could not take deposits, it could execute leases and increase the commercial component of the loan portfolio.

Realistically, it may take several years before the necessary legislation is in place to support our strategy of moving outside BC. Ideally, this gives us time to solidify and expand our presence in BC before moving into another province.

2. How does routing all general branch calls to a Contact Centre help provide members with exceptional service?

The Contact Centre is an integral part of our strategy to service members beyond the traditional ways of banking. It complements our Coast Online Banking, Coast-by-Phone automated telephone banking, and ATM services by offering members more choice in the ways they can conduct their business with us. The Contact Centre is open from 8am to 8pm, Monday through Saturday, providing members with expanded hours of telephone service.

Our decision to move to an integrated telephone system with a single point of contact supports our goal of providing members with convenient service. Transactions that normally take place in-branch can easily and conveniently be completed through the Contact Centre by our employees, many of whom have previous experience in our branches and continue to provide exceptional service.

We recognize some members have established long-time relationships with our employees and therefore, some prefer to deal directly with specific branch employees. In these cases, we suggest that members ask to be transferred directly to the individual requested. Please keep in mind that employees may already be helping another member in-branch, so you may be required to leave a message and have your call returned at a later time. The benefit of having a Contact Centre is that there is a representative able to assist you almost immediately.

3. How is Coast Capital Savings improving the candidate recruitment process for the Board of Directors?

In 2004, based on member feedback, Coast Capital Savings reviewed and strengthened its recruitment process to provide our membership with a diverse group of qualified election candidates. We strongly believe Board composition needs to reflect Coast Capital Savings' membership base and be balanced in terms of skill, experience, and knowledge, in order to maximize its effectiveness.

Historically, the credit union had a cross-section of qualified male and female candidates, but in the past few years, we have had fewer women stand for election. Currently, Coast Capital Savings' Board of Directors is comprised of three females and 10 males. On average, women represent approximately 10% of Canadian Boards. Although our female representation on the Board is much higher (23%) than the national average, we know we can do better.

To help raise awareness of the importance of diversity on our Board and to recruit skilled and knowledgeable candidates for election to the Board of Directors, the credit union undertook a public campaign on behalf of the Nominations and Election Committee. A brochure was developed to improve understanding of the Board's role and the candidate recruitment process, and several articles were published in the member newsletter to increase the number of qualified candidates standing for election.

The work Coast Capital Savings' Nominations and Election Committee has undertaken in this area includes a detailed review of the current Board members' strengths to determine any gaps, and endorsement of the candidates that best represent the required skill sets and experience needed to strengthen the Board for the consideration of all voting members. This discipline in building the best Board for the future enhances the credit union's success and value for all stakeholders.

4. How does Coast Capital Savings plan to maintain its strong revenue growth and earnings beyond 2004?

Coast Capital Savings has many exciting initiatives planned for 2005 to help us achieve a solid performance. The primary focus of the credit union's strategy is growth. To reach our goals, our long-term plan focuses on the development of four key initiatives.

The launch of the *Aperio*™ Design and expanded Retail Branch Network will begin in 2005 with the opening of three new branches in Coquitlam, Pitt Meadows, and Surrey. *Aperio*™ branches offer an improved retail environment with extended hours of operation to better serve our members' banking needs. These openings represent one fifth of the overall rollouts expected over the next five years.

Coast Capital Savings is the first full-service Canadian financial institution to introduce free chequing. The launch of the *Free Chequing, Free Debit and More*™ account is about growing our organization, living our brand promise to provide helpful service, and listening to our customers by developing the accounts and services they want. Not surprisingly, customers have responded positively to our free chequing product.

Later this year, we are launching *No Worry Mortgages*™, another innovative product which improves the efficiency for members going through the mortgage qualification and pricing process.

Another focus for 2005 is the remix of assets with an emphasis on commercial lending. This is possible due to the regulatory changes that increased the percentage of assets a credit union can hold in commercial loans from 20% to 30%.

Beyond these initiatives, we remain interested in future aggregation and continue to solicit input from interested credit unions who wish to partner in pursing a dynamic future together. However, our first priority is to grow by attracting new members by providing exceptional service and products.

We have all the pieces in place: a great team, a proud history, and next-generation suite of products. We are confident that 2005 will start strong and finish even stronger.

2004 Performance Against Objectives

2004 OBJECTIVES		PERFORMANCE
Net income	Achieve $36.6 million net income	$44.8 million
Return on average assets	Achieve an after-tax return of 0.55% on average assets	0.68%
Return on average equity	Achieve return on average equity of 14.70%	17.68%
Capital	Attain BIS capital level of 9.37% of risk-weighted assets	9.47%
Non-interest expenses	Non-interest expenses to be no more than 2.71% of average assets	2.80%
Operating efficiency	Achieve a ratio of 76.54%	78.80%

5 Year Overview – Financial Highlights

2002 reflects merger with Surrey Metro Savings Credit Union, effective June 27, 2002
2000 reflects merger between Richmond Savings Credit Union and Pacific Coast Savings Credit Union, effective December 31, 2000

in thousands of dollars	2004	2003	2002	2001	2000
Balance sheets:					
Assets					
Cash resources	**$ 581,342**	$ 237,679	$ 255,988	$ 239,123	$ 290,745
Investments	**530,391**	439,551	409,110	147,738	168,835
Loans	**5,993,391**	5,651,445	5,305,265	2,917,871	2,648,310
Premises and equipment	**37,682**	42,729	43,927	24,542	33,007
Other	**52,267**	50,063	48,082	28,461	22,346
	$ 7,195,073	$ 6,421,467	$ 6,062,372	$ 3,357,735	$ 3,163,243
Liabilities					
Deposits					
Demand	**$ 1,432,172**	$ 1,329,413	$ 1,229,362	$ 787,008	$ 667,508
Term	**3,819,782**	3,070,874	2,876,280	1,417,264	1,492,700
Registered	**1,458,409**	1,476,275	1,428,914	802,262	748,842
Class A shares	**1,651**	1,454	1,456	909	964
Accrued interest	**70,679**	76,492	70,327	47,494	52,803
	6,782,693	5,954,508	5,606,339	3,054,937	2,962,817
Borrowings	–	80,000	131,000	75,200	9,000
Other	**61,140**	76,841	74,001	60,406	43,655
	6,843,833	6,111,349	5,811,340	3,190,543	3,015,472
Subordinated notes	**33,500**	33,500	50,000	–	–
Class C shares	**39,280**	39,355	–	–	–
Members' equity					
Class B shares	**48,855**	50,859	50,346	41,016	38,777
Retained earnings	**229,605**	186,404	150,686	126,176	108,994
	278,460	237,263	201,032	167,192	147,771
	$ 7,195,073	$ 6,421,467	$ 6,062,372	$ 3,357,735	$ 3,163,243
Income statements:					
Interest income	**$ 334,511**	$ 337,969	$ 261,717	$ 214,629	$ 218,229
Interest expense	**167,811**	177,105	134,975	118,704	128,292
Net interest income	**166,700**	160,864	126,742	95,925	89,937
Provision for credit losses	**7,228**	8,937	3,872	3,504	2,990
	159,472	151,927	122,870	92,421	86,947
Other income	**68,048**	62,128	57,832	46,736	47,346
Gains on disposal of assets	**916**	4,467	–	–	–
	228,436	218,522	180,702	139,157	134,293
Non-interest expenses	**184,989**	175,116	150,423	116,112	116,715
Income before undernoted	**43,447**	43,406	30,279	23,045	17,578
Effect of accounting change	**12,290**	–	–	–	–
Income before taxes	**55,737**	43,406	30,279	23,045	17,578
Income taxes	**10,950**	5,933	3,957	4,234	6,307
Net income	**$ 44,787**	$ 37,473	$ 26,322	$ 18,811	$ 11,271
Financial statistics in percent:					
Asset growth	**12.05**	5.92	80.55	6.15	(0.04)
Loan growth	**6.05**	6.53	81.82	10.18	0.05
Deposit growth	**13.91**	6.21	83.52	3.11	(0.27)
Operating efficiency	**78.80**	78.53	81.51	81.39	85.02
Capital ratio	**9.47**	9.64	8.27	10.10	9.65
Liquidity ratio	**16.39**	10.94	11.21	11.96	15.56
Percentage of average assets					
Net interest income	**2.52**	2.57	2.64	2.94	2.84
Other income	**1.03**	0.99	1.21	1.43	1.50
Non-interest expenses	**2.80**	2.80	3.13	3.56	3.69
Percentage return on					
Average assets	**0.68**	0.60	0.55	0.58	0.36
Average equity	**17.68**	17.38	14.37	11.94	7.43
Branches	**44**	42	42	25	25
Insurance offices	**26**	25	25	25	16
Mutual funds under administration	**$ 1,208,622**	$ 1,029,448	$ 910,216	$ 687,999	$ 752,422
Average assets	**6,606,497**	6,259,735	4,798,744	3,260,489	3,163,892
Average equity	**253,324**	215,646	183,216	157,482	151,610
Total assets under administration	**$ 8,403,695**	$ 7,450,915	$ 6,972,588	$ 4,045,734	$ 3,915,665

Financial Contents

Management's Discussion and Analysis

This section of the Annual Report contains details of the operations and financial condition of Coast Capital Savings Credit Union (CCS), as well as management's discussion of various forms of risk inherent in its operations. A section providing a detailed analysis of CCS's capital structure is also included.

– INTRODUCTION –

CCS is Canada's second largest credit union and is the result of a merger between Richmond Savings and Pacific Coast Savings Credit Unions in 2000, followed by a merger with Surrey Metro Savings Credit Union (SMS) in 2002. CCS's roots go back over 60 years, providing financial services and products to credit union members and customers throughout the Lower Mainland and southern Vancouver Island regions of British Columbia. CCS is committed to aggregating with other like-minded credit unions within British Columbia and Canada to provide a national alternative to consumers in the financial services marketplace.

CCS successfully competes with other financial service providers in its market area by providing an outstanding level of customer service and product quality. Its major business focus of attracting retail deposits from its members and using these deposits to fund a loan portfolio, primarily comprised of residential first mortgage loans, has enabled it to achieve asset growth.

– OVERVIEW –

2004 was an exceptional year for CCS. It was a year in which all of the merger-related activities were completed, including the successful conversion of SMS branches to the CCS IBS banking system and the conversion of three insurance locations to full-service branches on Vancouver Island. It was also the first year subsequent to the June 27, 2002 merger in which we are able to report successive income statements in a consistent manner, allowing for meaningful year-over-year income statement comparisons in this year's Management's Discussion and Analysis.

Net income for 2004 was $44.8 million, compared to $37.5 million in 2003; return on average assets was 0.68% in 2004, as compared to 0.60% 2003. The results for 2004 benefitted from higher net interest income, increased other income, lower provision for credit losses, and a one-time adjustment in the accounting treatment for mortgage prepayment income.

Assets grew by 12.0% to $7.2 billion in 2004, up from $6.4 billion in 2003. Total loans were $6.0 billion, up 6.1% from $5.7 billion in 2003. Total deposits were $6.8 billion, an increase of 13.9% from $6.0 billion in 2003. Mutual fund assets under administration increased by 17.4% to $1.2 billion, bringing total assets under administration to $8.4 billion.

Members' equity was $278.5 million, up $41.2 million from the prior year, primarily due to net income generated in 2004.

– FINANCIAL PERFORMANCE –

Net Interest Income

Interest income is the major source of revenue for CCS. In 2004, CCS earned interest income of $334.5 million from borrowers on their loans and from cash resources. Interest expense, which represents amounts paid by CCS on member deposits and corporate borrowings, totalled $167.8 million. Net interest income represents the difference between interest income and interest expense. Net interest income for 2004 was $166.7 million, as compared to $160.9 million in 2003. Net interest income, as a percentage of average assets, was 2.52% for 2004, as compared to 2.57% in 2003. As previously mentioned, as a result of the new CICA Handbook section defining what constitutes Canadian GAAP, CCS changed its accounting treatment for prepayment penalty income from a deferral and amortizing basis to recognizing this income on a cash basis. While this change did not have a material impact on net interest income in 2004, CCS did realize unusual income of $12.3 million and reported it separate from income from operations.

Net interest income as a percentage of average assets decreased due to a number of different factors, including: an unexpected decline in prevailing market interest rates in the first half of 2004, lower than expected loan volumes, higher borrower preference for variable rate loans, and higher than expected prepayments of higher yielding loans in the first half of 2004.

Analysis of Net Interest Income

Year ended December 31

in thousands of dollars	2004				2003			
	Average Balance	**Mix %**	**Interest**	**Interest Rate (%)**	Average Balance	Mix %	Interest	Interest Rate (%)
Cash resources	**$ 699,186**	**10.6**	**$ 20,963**	**3.00**	$ 658,533	10.5	$ 21,579	3.28
Loans:								
Residential	**3,999,964**	**60.5**	**200,476**	**5.01**	3,738,909	59.7	203,675	5.45
Commercial	**1,184,633**	**17.9**	**74,810**	**6.32**	1,093,042	17.5	72,074	6.59
Personal	**328,864**	**5.0**	**21,375**	**6.50**	355,560	5.7	22,805	6.41
Lines of credit	**308,356**	**4.7**	**16,887**	**5.48**	309,325	4.9	17,836	5.77
Total loans	**$ 5,821,817**	**88.1**	**$ 313,548**	**5.39**	$ 5,496,836	87.8	$ 316,390	5.76
Other assets	**85,494**	**1.3**	**–**	**–**	104,366	1.7	–	–
Total	**$ 6,606,497**	**100.0**	**$ 334,511**	**5.06**	$ 6,259,735	100.0	$ 337,969	5.40
Deposits:								
Demand	**1,438,878**	**21.8**	**6,385**	**0.44**	1,339,668	21.5	6,272	0.47
Term	**3,163,849**	**47.9**	**100,782**	**3.19**	2,962,284	47.3	104,294	3.52
RRSP	**1,492,654**	**22.6**	**54,602**	**3.66**	1,453,069	23.2	59,741	4.11
Total deposits	**$ 6,095,381**	**92.3**	**$ 161,769**	**2.65**	$ 5,755,021	92.0	$ 170,307	2.96
Borrowings	**64,607**	**1.0**	**2,101**	**3.25**	93,407	1.5	3,114	3.33
Subordinated notes	**33,500**	**0.5**	**1,585**	**4.73**	42,422	0.7	2,426	5.72
Class C shares	**39,262**	**0.6**	**2,356**	**6.00**	20,953	0.3	1,258	6.00
Total financial liabilities	**$ 6,232,750**	**94.4**	**$ 167,811**	**2.69**	$ 5,911,803	94.5	$ 177,105	3.00
Other liabilities	**120,423**	**1.8**	**–**	**–**	131,758	2.1	–	–
Class B shares	**49,394**	**0.7**	**–**	**–**	50,603	0.8	–	–
Retained earnings	**203,930**	**3.1**	**–**	**–**	165,571	2.6	–	–
Total	**$ 6,606,497**	**100.0**	**$ 167,811**	**2.54**	$ 6,259,735	100.0	$ 177,105	2.83
Net interest income			**$ 166,700**	**2.52**			$ 160,864	2.57

Other Income

Other income is income that is not interest related. This includes items such as insurance and mutual fund commissions, securitization revenues, foreign exchange income, and charges for banking services. CCS prices its products and services to provide excellent customer value and fair returns while maintaining market competitiveness.

Other income in 2004 was $68.0 million, as compared to $62.1 million in 2003. Other income as a percentage of average assets was 1.03% in 2004, as compared to 0.99% in 2003. Securitization revenues contributed $1.1 million to other income in 2004, down from $2.9 million in 2003 as a result of no mortgage sales during 2004. Foreign exchange income increased to $2.4 million in 2004 versus $0.7 million in 2003, due to a more stable Canadian dollar. The disposal of various real estate assets and other investments generated a non-recurring gain of $0.9 million, as compared to $4.5 million in 2003.

Non-interest Expenses

Non-interest expenses represent all costs that are not interest related, excluding provisions for credit losses and income taxes. It includes employee salaries and benefits, occupancy, data processing, marketing, deposit insurance assessments, Credit Union Central of British Columbia (CUCBC) dues, provincial capital taxes, and other costs. Total non-interest expenses in 2004 were $185.0 million, as compared to $175.1 million in 2003. Non-interest expenses as a percentage of average assets was 2.80% in 2004, same as in 2003. Without transition costs, non-interest expenses in 2003 were $166.3 million, or 2.66% on average assets. There were no material transition-related expenses in 2004.

Employee costs, including incentive compensation, were $102.0 million in 2004, as compared to $94.3 million in 2003. An incentive program is reviewed by the Board of Directors on a regular basis and can be revised to reflect prevailing economic conditions.

For the second consecutive year, the Credit Union Deposit Insurance Corporation (CUDIC) reviewed its actuarial basis for insurance assessment premiums and did not charge an assessment fee in 2004.

Capital Expenditures/Premises and Equipment

In 2004, CCS undertook the following capital expenditures for general renovations, capital replacements, new signage, and banking system enhancements:

Year ended December 31

in thousands of dollars	**2004**	2003
Building renovations and improvements	**$ 67**	$ 312
Leasehold improvements	**786**	2,686
Computer equipment and software	**2,925**	6,266
Furniture and equipment	**3,075**	4,166
Total	**$ 6,853**	$ 13,430

Capital expenditures for 2005 are expected to exceed $10 million as a result of the addition of three new branches, and the consolidation of administration employees, presently located in several different offices and areas, into a new facility. It is anticipated that this consolidation will increase operational efficiency.

Loans

Total loans as at December 31, 2004 were $6.0 billion, as compared to $5.7 billion as at December 31, 2003, an increase of 6.1%.

CCS aggressively competes for, and is a major holder of, residential first mortgages in the Lower Mainland and the Victoria area on Vancouver Island. It grants mortgages to individuals according to conventional mortgage-lending standards for residential properties. CCS offers closed and open variable- and fixed-rate mortgages, written with terms of 6 months to 10 years.

As at December 31, 2004, CCS's portfolio of residential mortgage loans totalled $4.2 billion, representing 70.8% of total loans outstanding, as compared to $4.0 billion or 71.5% of total loans as at December 31, 2003.

Personal loans to members include instalment loans, demand loans, retail leases, and lines of credit. CCS also offers a suite of credit cards. Based on the contractual agreement with the credit card supplier, CCS does not carry the balances owing from its credit card holders but earns a fee based on the total net purchases generated by its credit card holders, as well as a per-card fee.

As at December 31, 2004, CCS had a personal loan portfolio of $0.5 billion representing 8.1% of total loans outstanding, compared with $0.5 billion and representing 8.6% of total loans as at December 31, 2003.

Commercial lending consists primarily of first mortgage loans to small- and medium-sized businesses for real estate projects. The types of mortgages offered are similar to residential mortgages, except the maximum term is largely limited to five years. Although CCS also conducts other forms of commercial lending, including small business lending and commercial leases, these constitute a small but growing portion of the commercial loan portfolio.

At December 31, 2004, CCS's commercial loan portfolio totalled $1.3 billion, representing 21.1% of total loans outstanding, compared with $1.1 billion, representing 19.9% of total loans as at December 31, 2003.

CCS maintains conservative lending policies and holds no foreign loans. CCS's present policy limits its commercial lending to a maximum of $1.6 billion. It is CCS's intention to eventually increase this limit to the regulatory maximum of 30% of total assets. The maximum single loan exposure to any one borrower is limited to $15.0 million and there is also a maximum connection limit of $25.0 million in place. CCS has no loans outstanding which exceed its internal limits. These limits are included in CCS's internal investment and lending policy, which is regularly reviewed by the Investment and Loan Committee, approved by the Board, and filed annually with the Superintendent of Financial Institutions of British Columbia.

Loan Portfolio

As at December 31

	2004				2003			
	Number	**Total (1) in millions of dollars**	**in percent**	**Average in thousands of dollars**	Number	Total (1) in millions of dollars	in percent	Average in thousands of dollars
Individuals								
Mortgages:								
Conventional	**20,081**	**$ 2,417**	**40.3**	**$ 120**	20,528	$ 2,321	41.1	$ 113
Revenue	**1,973**	**284**	**4.7**	**144**	1,923	242	4.3	126
Progressive	**442**	**64**	**1.1**	**145**	378	36	0.6	96
Insured	**4,988**	**767**	**12.8**	**154**	6,106	901	15.9	148
High-ratio	**1,752**	**317**	**5.3**	**181**	1,100	199	3.5	181
PLC (2) (mortgage secured)	**9,358**	**401**	**6.6**	**43**	8,697	348	6.1	40
Subtotal mortgages	**38,594**	**4,250**	**70.8**	**110**	38,732	4,047	71.5	104
Other:								
Retail leasing	**1,316**	**18**	**0.3**	**14**	1,192	17	0.3	14
PLC (2) (other)	**96,019**	**152**	**2.5**	**2**	81,567	144	2.5	2
Personal loans	**27,051**	**316**	**5.3**	**12**	30,924	328	5.8	11
Subtotal other	**124,386**	**486**	**8.1**	**4**	113,683	489	8.6	4
Subtotal individuals	**162,980**	**4,736**	**78.9**	**29**	152,415	4,536	80.1	30
Commercial								
Commercial loans	**5,748**	**1,199**	**20.0**	**209**	5,709	1,072	19.0	188
Commercial leasing	**1,708**	**69**	**1.1**	**41**	1,393	52	0.9	37
Subtotal other	**7,456**	**1,268**	**21.1**	**170**	7,102	1,124	19.9	158
Subtotal individuals and commercial	**170,436**	**6,004**	**100.0**	**35**	159,517	5,660	100.0	35
Accrued interest		**17**				15		
Total loan portfolio	**170,436**	**$ 6,021**	**100.0**	**$ 35**	159,517	$ 5,675	100.0	$ 36

(1) Before allowance for credit losses
(2) Personal Line of Credit

Allowance for Credit Losses

CCS has an established policy of providing allowances to cover potential credit losses. The loan portfolio is reviewed on an ongoing basis and if potential credit losses are identified, a specific allowance is established. In 2004, provision for credit losses was $7.2 million, as compared to $8.9 million in 2003. Lower loan write-offs allowed for the decrease. The total allowance for credit losses increased to $27.8 million or 0.46% of total loans as at December 31, 2004, versus $23.3 million, or 0.41% as at December 31, 2003.

Asset Quality Coverage

As at December 31

in thousands of dollars	**2004**	2003
Total loans	**$ 5,993,391**	$ 5,651,445
Provision for credit losses (PCL)	**7,228**	8,937
Loan write-offs, net of recoveries	**2,708**	2,518
Total allowance for credit losses	**27,823**	23,303
Impaired loans	**13,807**	26,125
Members' equity	**278,460**	237,263
in percent		
PCL as % of total loans	**0.12**	0.16
Loan write-offs as % of total loans	**0.05**	0.04
Impaired as % of total loans	**0.23**	0.46
Impaired as % of members' equity	**4.96**	11.01
Total allowance as % of impaired loans	**201.51**	89.20
Total allowance as % of total loans	**0.46**	0.41

During the year impaired loans decreased by $12.3 million to $13.8 million versus $26.1 million as at December 31, 2003. CCS classifies a loan as impaired when, in the opinion of management, there is reasonable doubt as to its ultimate collectibility, either in whole or in part, of principal or interest. Loans where interest or principal is contractually past due 90 days are automatically classified as impaired, unless management determines there is no reasonable doubt as to its ultimate collectibility of principal and interest. All loans are classified as impaired when interest or principal is past due 180 days. When a loan is classified as impaired, interest income is recognized on a cash basis only after any specific provisions or partial write-offs have been recovered and provided there is no further doubt as to the collectibility of principal.

Deposits

Total deposits as at December 31, 2004 were $6.8 billion, compared with $6.0 billion for the previous year, an increase of 13.9%. Agency and institutional deposits accounted for $2.0 billion or 29.6% of total deposits as at year-end, versus $1.3 billion or 21.5% in 2003. While deposit initiatives, designed to diversify CCS's funding sources and develop new funding relationships boosted overall deposit growth, core retail deposit growth slowed down from the previous year as funds started to flow back into recovering equity markets.

CCS offers a full range of personal deposit services and products, including chequing accounts, savings accounts, and term deposits. All deposit accounts are in Canadian funds, with the exception of a special US dollar chequing account and US dollar short-term deposits. CCS is also active in the registered retirement savings plan (RRSP) market, offering term and variable RRSPs and registered retirement income funds (RRIFs).

As at December 31, 2004, demand deposits represented 21.1% of total deposits, compared with 22.3% in the previous year. Demand deposits continue to command a larger portion of CCS's funding portfolio as members opt not to immediately renew maturing term deposits and instead, wait until interest rates rise to more historically normal levels. Term deposits represented 56.3%, compared with 52.9% in 2003. This increase is somewhat seasonal in that the majority of the growth in term deposits took place in short-term products or CCS's 1-year redeemable term deposit, again as low historical interest rates cause customers to stay fairly liquid in anticipation of higher interest rates occurring in the future. Term registered savings plans represented 21.5%, compared with 25.1% in 2003.

Borrowings

CCS maintains a loan facility with CUCBC. Outstanding amounts under this facility fluctuated in the normal course of business throughout the year. CCS has an authorized limit to borrow up to 15% of its total assets, which based on the most recent calculation amounted to $1.0 billion as at year-end. There were no borrowings outstanding as at December 31, 2004, as compared to $80.0 million in 2003.

– RISK MANAGEMENT –

CCS's goal is to achieve consistent optimal earnings, over the long term, within acceptable parameters of risk. In order to achieve this goal, CCS has adopted a strategic, risk-based approach to identify and manage the potential risks it faces in today's complex legal and financial world, on an enterprise-wide basis. Enterprise risk management (ERM) is an ongoing process at CCS and a self-assessment process has been initiated to adequately address all aspects of risk that are identified throughout the organization. It is CCS's intention to be fully able to demonstrate that all risks are being optimally managed by the time the new Basel II accord is implemented towards the end of 2007.

The Board of Directors is provided with an overview of CCS's risk management practices on an ongoing basis and policies specific to credit, investment, and interest rate risk are reviewed by the Board of Directors at least annually and submitted to the Superintendent of Financial Institutions of British Columbia for prudence. The four principal areas of risk that CCS monitors and manages include: operational, market, credit, and liquidity/investment risk.

Operational Risk
Operational risk is the risk of loss associated with inadequate or failed internal processes, people and systems, or from external sources. As such, operational risk covers a broad range of risks, all of which can impact financial performance. At CCS, operational risk is managed under the following key risk areas (KRAs): reputation, transition, regulatory compliance, wealth management, business continuity, and technology operational compliance risks.

Reputation risk is one of the most significant risks facing CCS and is considered extremely important and integral in all of CCS's KRAs. Reputation is described as being an institution's greatest asset, and in a financial institution, reputation and brand value are essential in providing member confidence.

Transition risk has become visible over the last couple of years with the merging of three credit unions. The potential risk of uncertainty as a result of name changes, product changes, advertising, and banking system conversions has increased over this period. As such, many steps have been taken to ensure a heightened awareness to curtail any potential challenges.

Regulatory compliance risk includes meeting our statutory obligations as it relates to the *Proceeds of Crime (Money Laundering) Terrorist Financing Act*, and the more recent *British Columbia Personal Information Protection Act*.

Wealth management risk is largely the risk of non-compliance by CCS employees as it pertains to the many statutes and regulations as set out by government bodies, associated with the investment services provided to CCS's members.

Business continuity risk deals with the catastrophic interruption to business operations due to a disaster, and given CCS's primary business location, this would likely come in the form of a major earthquake. CCS's business continuity plan is designed to ensure that operations resume after such an event without undue delay, minimizing the potential impact on customers and the organization.

Technology and operational compliance risks primarily consist of the banking system's integrity and internet banking security, as well as adherence by CCS personnel to policies and administrative procedures.

CCS continually assesses and develops strategies within specific areas to identify, monitor, and ultimately mitigate any potential risks. While it is realized that these risks cannot be fully eliminated, proactive management of these risks, to within acceptable levels, is the primary goal at CCS. Strategies resulting from these specific areas form the basis of the Annual Risk Management Plan. This plan is approved by the Finance and Audit Committee of the Board of Directors.

Market Risk
Market risk is the potential for loss from changes in the value of financial instruments, as a result of changes in interest rates and foreign exchange rates. Reporting to the Chief Financial Officer, the Vice President, Treasury is responsible for preparing, executing, and monitoring risk strategies in this area.

Interest Rate Risk
Interest rate risk is the negative impact that a change in interest rates could potentially have on CCS's net interest income. Interest rate risk arises when there is a difference in the amount of assets and liabilities that mature within a similar period.

A high proportion of CCS's assets are in the form of residential first mortgages, and like any other financial institution, CCS's annual profitability depends to a certain extent on its ability to manage the maturities and yields of these assets against the maturities and costs of the liabilities funding them.

CCS closely manages its interest rate risk through various strategies designed to optimize the return to CCS of differences between deposit and loan rates for different maturities. An asset and liability management committee (ALCO) comprised of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Credit Officer, and various other executives and senior managers meets regularly to review and monitor asset- and liability-related activities and initiate changes when necessary.

The differentials shown in the table on the following page for different maturities change on an ongoing basis and to some extent are dependent on the interest rate expectations held by the mortgage, loan, and deposit members of CCS. As previously noted, this information is monitored by management on a regular basis to ensure early identification of any trends that are developing, or any differentials that require modification. Through computer modelling techniques, CCS determines its interest rate risk on a monthly basis. The modelling determines the effect that rising or falling interest rates would have on pretax income and market value over the next 12 months. If the interest rate risk is approaching a level above policy guidelines, the largest differentials are reduced through either conventional means, such as deposit campaigns and mortgage securitizations, or through so-called synthetic means by employing derivative instruments such as interest rate swaps. As at year-end, CCS held $692 million in such instruments for interest rate risk management purposes, as compared to $250 million as at December 31, 2003.

Asset and Liability Maturities

As at December 31

in thousands of dollars			2004			2003
	Assets	Liabilities/ Equity	Differential	Assets	Liabilities/ Equity	Differential
Variable rate	**$ 2,032,123**	**$ 1,631,602**	**$ 400,521**	$ 1,462,334	$ 1,469,866	$ (7,532)
Interest sensitive						
Maturing within 1 year	**1,509,040**	**3,316,420**	**(1,807,380)**	1,247,030	2,799,362	(1,552,332)
Maturing between						
1 – 2 years	**618,766**	**688,528**	**(69,762)**	847,968	630,258	217,710
2 – 3 years	**852,229**	**599,947**	**252,282**	862,474	435,849	426,625
3 – 4 years	**923,889**	**274,044**	**649,845**	566,859	413,843	153,016
4 – 5 years	**790,353**	**365,546**	**424,807**	1,050,740	320,080	730,660
Non-interest bearing items (1)	**468,673**	**318,986**	**149,687**	384,062	352,209	31,853
	$ 7,195,073	**$ 7,195,073**	**$ –**	$ 6,421,467	$ 6,421,467	$ –

(1) Assets include cash, accrued interest receivable, premises and equipment, and other items.
Liabilities/equity include accrued interest payable, retained earnings, Class B shares, and other items.

Normally, rapidly falling interest rates would have a neutral to positive impact on CCS's net interest income over a 12-month period. This is because a greater portion of CCS's liabilities will reprice over this period than its assets. However, with interest rates at 40-year lows, falling interest rates actually have a negative impact on CCS's net interest income, as a large portion of CCS's assets are still able to reprice lower while many of its liabilities can no longer go any lower. This "margin squeeze" will dissipate once rates rise back to more historically normal levels.

Most financial institutions tend to deem a prudent level of asset/liability mismatching to be necessary in order to enhance profitability. The challenge is to find the level of mismatch that will optimize net interest income while maintaining an acceptable level of risk.

Foreign Exchange Risk

Foreign exchange risk refers to losses that could result from changes to foreign currency rates. Any assets or liabilities denominated in foreign currencies have foreign exchange risk. At CCS, all our foreign exchange risk comes from US dollar (USD) transactions. The risk occurs through our offering USD chequing accounts and term deposits to our members. We mitigate this risk by holding USD investments against these USD deposits. CCS's investment policy stipulates the maximum difference permitted between the USD deposits we hold and the USD investments needed to protect ourselves against rapid changes in USD exchange rates.

CCS typically acquires more USD from its members than it sells, and as such always tends to be "long" in USD. Over the past 10 years, this has worked in CCS's favour as the Canadian dollar continually weakened over this period. However, in 2003 the Canadian dollar suddenly reversed this trend and as a result, CCS's foreign exchange income fell to $0.7 million. A more stable Canadian dollar and prudent USD management in 2004 resulted in foreign exchange income rising to $2.4 million.

Credit Risk

Credit risk is the potential for financial loss if a borrower fails to meet its obligations. CCS's system for controlling the risk of borrowers defaulting on loan obligations is based upon strict adherence to clearly defined credit policies and credit approval procedures, as developed and maintained by the Chief Credit Officer (CCO). Authority for loan approval to specified limits is also granted to officers by the CCO, with the guidelines reviewed annually by the Board of Directors. Loan approval limits are established based upon the experience and qualifications of the individuals involved. If a proposed loan is beyond the lending limit prescribed for branch management, it is forwarded to the Senior Manager, Retail Credit, or the CCO, depending on the size of the loan. If a loan is beyond the internal lending limit prescribed for the CCO, it is then submitted to one of three credit committees: retail management credit, senior credit, or executive credit, for final approval.

New lending in each branch is reviewed on a regular basis to ensure adherence to policy guidelines and general credit quality. Loans requiring collection are removed from the branch level and centralized for further follow-up.

Liquidity/Investment Risk

Previously the *Financial Institutions Act of British Columbia* (FIA) required that a minimum of 10% of CCS's total deposits and borrowings must be held in a liquidity portfolio comprised of investments with maturities ranging from overnight to five years. This requirement has been recently decreased to 9% by July 2005 and down to 8% by December 31, 2005. As part of this regulation, CCS is required to hold statutory liquidity with Credit Union Central of British Columbia (CUCBC) equalling 1.5% of the British Columbia credit union system's assets, which presently amounts to approximately 8.0% of CCS's deposits and borrowings. These deposits provide yields similar to those of Government of Canada T-bills or bonds. In addition to the liquidity portfolio held at CUCBC, CCS holds other liquidity investments outside CUCBC. CCS's investment policy specifies the minimum rating and certain single investment exposures for these investments. In general, funds placed outside of CUCBC are invested in financial instruments that are rated R-1 low (A-) or higher.

It is CCS's intention to maintain a total liquidity portfolio in the range of 10.0% of total deposits and borrowings. It is management's view that this level will provide CCS with an operating cushion in the event of rapid asset growth or sudden deposit declines and still allow CCS to meet its regulatory requirements, without unduly effecting profitability. Liquidity levels are monitored daily within the Treasury Department.

CCS's liquidity levels are managed through a number of different avenues, including generating deposit growth, by introducing new retail products or promoting existing ones. CCS also has the ability to increase its borrowing relationship with CUCBC up to $1.0 billion as authorized by the Board, and through the securitization of mortgages.

As at December 31, 2004, CCS's liquidity was 16.39% of total deposits and borrowings.

– CAPITAL MANAGEMENT –

CCS's capital requirements are regulated by the Financial Institutions Commission (FICOM) using the risk-weighted approach developed by the Bank for International Settlements (BIS). FICOM established a minimum capital standard based on a ratio of capital-to-risk-weighted assets of 8.0%. At least 50% of a credit union's capital base, for the purpose of meeting the standard, must consist of primary capital, known as Tier 1, comprised of share capital and retained earnings, less intangible assets, and future income taxes. Secondary capital, known as Tier 2, includes subordinated notes, share capital, and 50% of a credit union's portion of retained earnings in the Credit Union Deposit Insurance Corporation (CUDIC), CUCBC, and Stabilization Central Credit Union (Stab Central). A credit union's assets are weighted according to six categories of relative risk ranging from 0% to 200%. Residential mortgages, the largest portion of CCS's assets, are risk-weighted at 50%, while commercial loans, the second largest portion, are risk-weighted at 100%.

CCS monitors its capital levels monthly. Its capital plan is updated annually, providing a forecast of capital requirements over a five-year horizon. As at December 31, 2004, CCS had a total capital ratio of 9.47%, as compared to 9.64% in 2003. As anticipated, the decline in CCS's capital ratio resulted from a 20% deduction of the effective capital portion of CCS's subordinated notes and Class C shares. These instruments have a finite time horizon with maturity dates in 2008 and 2009. CCS is committed to a strong capital position, with a goal of maintaining its capital ratio above 9.0%. While total capital levels declined as a result of the amortizing nature of class B shares and the subordinated notes, primary capital (Tier 1) now comprises 64% of total capital, up from 56% last year.

The following tables show the levels of CCS's capital and its risk-weighted assets under the BIS requirements:

Tier 1 and Tier 2 Capital

As at December 31

in thousands of dollars	2004	2003
Tier 1 Capital		
Class B shares (1)	**$ 18,977**	$ 20,240
Membership Class A shares	**1,651**	1,454
Retained earnings	**229,605**	186,404
Future income taxes	**(11,166)**	(11,114)
	239,067	196,984
Less: Capital deductions	**(11,156)**	(15,121)
	227,911	181,863
Tier 2 Capital		
Subordinated notes (2)	**26,800**	33,500
Portion of equity in CUCBC, CUDIC, and Stab Central (3)	**39,333**	37,018
Class B shares	**30,293**	32,130
Class C shares (2)	**31,418**	39,355
	127,844	142,003
Total Capital	**$ 355,755**	$ 323,866

(1) Portion of shares, based on limited redemption rights
(2) Net amount deemed as capital
(3) Portion of System Retained Earnings x 50%

Risk-Weighted Assets

As at December 31

in thousands of dollars	2004	2003		2004	2003
	Balance Sheet Amount	Balance Sheet Amount	BIS Risk Weight (%)	**Risk-Weighted Balance**	Risk-Weighted Balance
Cash resources	**$ 885,546**	$ 566,951	0	**$ –**	$ –
Commercial paper	**211,628**	107,012	0 – 100	**93,588**	61,771
Residential mortgages	**2,958,066**	2,878,121	50	**1,479,033**	1,439,061
Insured mortgages	**815,813**	893,296	0	**–**	–
High-ratio mortgages	**313,795**	232,383	100	**313,795**	232,383
Personal loans	**653,646**	524,991	80	**522,916**	419,993
Commercial loans and leasing	**1,265,965**	1,129,339	100	**1,265,965**	1,129,339
Other assets/investments	**90,614**	89,374	100	**90,614**	89,374
Off-balance sheet exposure			0 – 100	**3,317**	4,351
Capital deductions				**(11,156)**	(15,121)
	$ 7,195,073	$ 6,421,467		**$ 3,758,072**	$ 3,361,151

in percent	2004	2003
Ratio of capital to risk-weighted assets:		
Primary capital	**6.06**	5.41
Secondary capital	**3.41**	4.23
Total capital ratio	**9.47**	9.64

– INVESTMENT SERVICES/SUBSIDIARIES –

Investing and financial planning continue to be a complex and highly competitive area. With the greater uncertainty we've seen in equity markets over the past several years, CCS has concentrated on giving *Simple financial help* to its members to provide them with the meaningful resources needed to prosper in the years ahead.

As part of this activity, CCS markets mutual funds. These funds provide our members with another investment option and provide CCS with an alternative source of fee income. Continued recovery in the equity markets in 2004 helped to fuel fund sales. As at December 31, 2004, CCS had mutual and segregated funds under administration for its members totalling $1.2 billion, as compared to $1.0 billion in 2003. These assets are not reflected on the consolidated balance sheet.

CCS has a number of subsidiaries that provide complementary financial services. Through these operations, members are able to purchase various forms of insurance and invest in mutual funds and/or the equity markets. Also acting as mortgage brokerages, some subsidiaries not only help members within our trading area, but provide services to members beyond CCS's traditional reach. General insurance continues to be a growing segment of CCS's business with revenues reaching $17.6 million in 2004, as compared to $15.4 million in 2003.

In 2004, Coast Capital Real Estate Ltd, a former wholly owned subsidiary of CCS, combined its operations with a Victoria-based residential real estate brokerage firm. The new company, Royal LePage Coast Capital Realty, is an alliance between CCS and Royal LePage commanding a 19% share of Greater Victoria's residential real estate market.

– OUTLOOK –

Loans and Deposits

Real estate activity in CCS's market area began to slow down in the second half of 2004 and this trend is expected to continue throughout 2005. The Multiple Listing Sales (MLS) statistics showed that activity is back down to 2002 levels. While these levels are lower than they have been, they are still considered by many analysts to be very healthy. While low interest rates will continue to enhance lending activities, CCS also has a number of new initiatives in 2005 that will help meet its growth targets for 2005. In addition to the conversion of three insurance locations on Vancouver Island into full-service banking branches in 2004, three new branches will be opened in 2005. CCS also intends to launch a new innovative mortgage lending strategy to improve the efficiency for customers going through the mortgage qualification and pricing process. In addition, CCS is expanding its commercial lending activities in 2005.

The Canadian stock market did very well in 2004. As such, CCS's deposit-gathering activities in 2005 will become even more challenging than they were in 2004. Deposit customers have been waiting for the return of higher interest rates and are becoming impatient. They are again moving back into mutual funds, searching for higher returns from their investments.

Subsequent to year-end CCS launched its *Free Chequing, Free Debit and More*™ account, the first such chequing account in Canada offered by a full-service financial institution. It is through the introduction of innovative products such as these that CCS hopes it will attract new customers. CCS will continue to develop new relationships with institutional clients as well as explore other funding conduits to diversify its overall funding sources.

Income

Based on the current level of interest rates, CCS is anticipating that net interest income, expressed as a percentage of average assets, will remain in the range of last year's levels. We are also anticipating non-interest expenses, also expressed as a percentage of assets, to continue to decline as a result of improved efficiencies. These trends would normally produce improved results in 2005. However, the one-time, positive prepayment penalty adjustment that took place in 2004, as a result of a change in accounting policy, will make it challenging for CCS's net income in 2005 to meet the level achieved in 2004.

Current income tax legislation provides that British Columbia corporations are taxed at rates as high as 35.6%. Credit unions can reduce normal corporate income tax rates through a special income tax rate reduction that is based upon the relationship between the level of deposits and accumulated pretax earnings that were previously taxed at the reduced rates. Based on CCS's estimated deposit growth in 2005, CCS may not receive this tax rate reduction on portions of its 2005 taxable income, and accordingly, is increasing its provision for income taxes for fiscal 2005. In the event that deposit growth returns to historic levels, CCS will be able to reduce its income tax rate from this projected rate.

While the absence of the positive prepayment penalty adjustment and the possibility of increased income tax provisions will put pressures on CCS's overall performance in 2005, we believe CCS will have another successful year as our initiatives come to realize their full potential. We are looking forward to the opportunities that will present themselves in the coming year.

Note regarding forward-looking statements:
This Annual Report contains forward-looking statements about the operations, objectives, and expected financial performance of Coast Capital Savings. These statements are subject to risks and uncertainties. Actual results may differ depending on a number of factors, including but not limited to legislative or regulatory changes, interest rates, and general economic conditions in British Columbia and Canada. These issues should be given careful consideration and readers should not place undue reliance on Coast Capital Savings' forward-looking statements.

Management's Responsibility and Auditors' Report to the Members

– MANAGEMENT'S RESPONSIBILITY –

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 consolidated financial statements have been prepared by management in accordance with the requirements of the *Credit Union Incorporation Act* and appropriate generally accepted accounting principles in Canada and 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.

In meeting its responsibility for the reliability of financial data, management relies on comprehensive internal accounting, operating, and system controls. Controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability, and 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; as well as a continued program of extensive internal audits. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition. The Board of Directors has appointed an Audit Committee, comprised of four Directors, to review with management and auditors the annual financial statements prior to submission to the Board of Directors 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 at right. They have full and free access to the internal audit staff and the Audit Committee of the Board.

Lloyd Craig President and Chief Executive Officer	Hermann Bessert Chief Financial Officer

– AUDITORS' REPORT TO THE MEMBERS –

We have audited the consolidated balance sheet of Coast Capital Savings Credit Union as at December 31, 2004, and the consolidated statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of Coast Capital Savings Credit Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Coast Capital Savings Credit Union as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Vancouver, Canada
February 11, 2005

Consolidated Balance Sheets

As at December 31

All tabulated in thousands of dollars, unless otherwise stated	Notes	2004	2003
Assets:			
Cash resources	4	**$ 581,342**	$ 237,679
Investments	8	**530,391**	439,551
Loans	5,6,7	**5,993,391**	5,651,445
Premises and equipment	9	**37,682**	42,729
Other	10	**52,267**	50,063
		$ 7,195,073	$ 6,421,467
Liabilities:			
Deposits	11	**$ 6,782,693**	$ 5,954,508
Borrowings	12	**–**	80,000
Other	13	**61,140**	76,841
		6,843,833	6,111,349
Subordinated notes	14	**33,500**	33,500
Class C shares	15	**$ 39,280**	$ 39,355
Members' equity:			
Class B shares	16	**$ 48,855**	$ 50,859
Retained earnings		**229,605**	186,404
		278,460	237,263
		$ 7,195,073	$ 6,421,467

Commitments and contingent liabilities 20

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Income

Year ended December 31

All tabulated in thousands of dollars, unless otherwise stated	Notes	2004	2003
Interest income:			
Loans		**$ 313,548**	$ 316,390
Cash resources and investments		**20,963**	21,579
		334,511	337,969
Interest expense:			
Deposits		**164,125**	171,565
Borrowings		**3,686**	5,540
		167,811	177,105
Net interest income		**166,700**	160,864
Provision for credit losses	6	**7,228**	8,937
		159,472	151,927
Other income	17	**68,048**	62,128
Gains on disposal of properties		**916**	4,467
		228,436	218,522
Non-interest expenses:			
Salaries and employee benefits		**102,048**	94,259
Administration	18	**44,004**	34,439
Technology		**18,868**	17,954
Occupancy		**20,069**	19,642
Transition costs		**–**	8,822
		184,989	175,116
Income before the following		**43,447**	43,406
Effect of accounting change	2	**12,290**	–
Income before provision for income taxes		**55,737**	43,406
Provision for income taxes	19	**10,950**	5,933
Net income		**$ 44,787**	$ 37,473

Consolidated Statements of Retained Earnings

All tabulated in thousands of dollars, unless otherwise stated	Notes	2004	2003
Retained earnings, beginning of year		**$ 186,404**	$ 150,686
Net income		**44,787**	37,473
Dividends on Class B shares, net of income taxes	16	**1,586**	1,755
Retained earnings, end of year		**$ 229,605**	$ 186,404

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Year ended December 31 *All tabulated in thousands of dollars, unless otherwise stated*	Notes	2004	2003
Cash flows from operating activities:			
Net income		**$ 44,787**	$ 37,473
Adjustments for:			
Amortization of premises, equipment	9	**10,547**	11,510
Amortization of intangible assets		**332**	119
Future income taxes	19	**53**	(5,753)
Provision for credit losses	6	**7,228**	8,937
Write-down for impairment of property held		**–**	646
Changes in accrued interest receivable and payable		**(7,020)**	4,004
Changes in other non-cash operating items		**(16,926)**	5,849
Cash flows from operating activities		**39,001**	62,785
Cash flows used in investing activities:			
Net increase in loans		**(347,610)**	(398,033)
Net increase in investments		**(317,337)**	(54,248)
Net purchase of premises and equipment		**(5,400)**	(10,312)
Acquisition of insurance agency business		**(1,450)**	–
Cash flows used in investing activities		**(671,797)**	(462,593)
Cash flows from financing activities:			
Net increase in deposits		**833,787**	342,006
Net decrease in borrowings	12	**(80,000)**	(51,000)
Proceeds from issuance (redemption) of Class C shares	15	**(75)**	39,355
Repayment of subordinated notes	14	**–**	(16,500)
Net redemption of Class A and B shares	11, 16	**(3,394)**	(1,244)
Proceeds from mortgage securitizations		**–**	42,874
Cash flows from financing activities		**750,318**	355,491
Net increase (decrease) in cash and short-term investments		**117,522**	(44,317)
Cash and short-term investments, beginning of year		**98,009**	142,326
Cash and short-term investments, end of year		**$ 215,531**	$ 98,009
Supplemental disclosure of cash flow information:			
Interest paid during the year		**$ (184,277)**	$ (170,304)
Income taxes paid during the year		**(13,916)**	(7,209)

See accompanying notes to the consolidated financial statements.

Year ended December 31, 2004
All amounts in thousands of dollars, unless otherwise stated

Coast Capital Savings Credit Union (CCS) is incorporated under the *British Columbia Credit Union Incorporation Act*, and its subsidiaries are incorporated under the *British Columbia Company Act*. The operation of CCS is regulated under the *British Columbia Financial Institutions Act*. CCS serves members principally in the Lower Mainland and southern Vancouver Island regions of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements include the financial position, operating results, and cash flows of CCS, its active subsidiaries Coast Capital Insurance Services Ltd. (CCIS), Coast Capital Investments (a partnership between CCS and CCIS), U-Select Mortgage Services Ltd., Shoreline Projects Ltd., Rising Tide Development Corporation, and various inactive subsidiaries. All inter-company transactions and balances have been eliminated.

Business Combinations, Goodwill and Other Intangibles

Business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from Goodwill and included in Other intangibles.

Goodwill represents the excess of the price paid for the acquisition of subsidiaries over the fair value of the net assets acquired. Goodwill impairment is assessed on at least an annual basis. Any excess of carrying value over fair value is charged to income in the period in which impairment is determined.

Other intangibles with definite lives are amortized over their estimated useful lives, generally not exceeding 10 years, and are also reviewed for indications of impairment annually.

Cash Resources

For the purposes of the Consolidated Statement of Cash Flows, cash and short-term investments comprise balances with less than 90 days maturity from the date of acquisition, including cash and deposits with Credit Union Central of British Columbia, treasury bills and other eligible bills, amounts due from other banks, and cheques and other items in transit.

Investments

Investments are recorded at cost plus accrued interest, except where there is a loss in value that is determined by management to be other than temporary in nature. In such cases, the investment is written down to recognize the loss.

Loans

Loans are stated at the amount of unpaid principal plus accrued interest net of the allowance for credit losses.

Interest income is recorded on the accrual basis. Accrued but uncollected interest is reversed whenever loans are determined to be impaired. CCS classifies a loan as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility, either in whole or in part, of principal or interest. Loans where interest or principal is contractually past due 90 days are automatically placed on an impaired basis, unless management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest. All loans are classified as impaired when interest or principal is past due 180 days. When a loan is classified as impaired, interest income is recognized on a cash basis only after any specific provisions or partial write-offs have been recovered and provided there is no further doubt as to the collectibility of principal.

Loan Fees

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.

Allowance for Credit Losses

CCS maintains an allowance for credit losses which, in management's opinion, is considered adequate to provide for credit-related losses. The allowance is increased for loan impairment by a charge to income and reduced by write-offs net of recoveries.

A specific allowance is established on an individual loan basis to reduce the carrying value to the loan's estimated realizable amount. The estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably determined, estimated realizable amounts are determined by reference to market prices for the loans or their underlying security.

CCS also maintains a general allowance to absorb credit losses that management estimates have occurred at the balance sheet date for which specific allowances cannot yet be determined. CCS applies a methodology that incorporates loan loss history as the basis for estimating probability of default and loss for various credit portfolios that exhibit similar loan loss characteristics.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

Transfers of Mortgage Receivables
Transfers of mortgages to unrelated parties are treated as sales provided that control over the transferred mortgages has been surrendered and consideration other than beneficial interests in the transferred mortgages has been received in exchange. If these criteria are not satisfied, then the transfers are treated as financing transactions. If treated as sales, the mortgages are removed from the consolidated balance sheet, and a gain or loss is recognized in other income based on the carrying value of the loans transferred, allocated between the assets sold and the retained interests in proportion to their fair values at the date of transfer. The fair values of mortgages sold, retained interests, and recourse liabilities are determined using either quoted market prices or pricing models that take into account management's best estimates of key assumptions such as expected losses, prepayments, and discount rates commensurate with either the risks involved or sales of similar assets. Where CCS continues to service the mortgages sold, a servicing liability is recognized and amortized over the servicing period as servicing fees. The carrying value of retained interests is reviewed periodically for impairment of an other than temporary nature.

Premises and Equipment
Land is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 to 50 years
Leasehold improvements	Lease term
Computer and telephone equipment	3 years
Furniture and other equipment	5 to 10 years
Computer software	2 to 5 years

Gains and losses on disposal are recorded separately in the Consolidated Statement of Income. Gains realized from the sale of land and buildings that are accompanied by a more than minor leaseback agreement are deferred and amortized over the minimum lease period to the extent of the present value of the minimum lease costs. The balance of any gain received is recognized in earnings of the current period.

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

In the ordinary course of business, CCS enters into various derivative contracts, including interest rate forwards and swaps, options, and equity swaps. Derivative contracts are either exchange-traded contracts or negotiated over-the-counter contracts. CCS enters into such contracts principally to manage its exposures to interest rate fluctuations as part of CCS's asset/liability management program.

CCS formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheet or to specific firm commitments or forecasted transactions. CCS also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative instruments entered into for the purpose of managing CCS's interest rate exposures and meeting hedge accounting requirements are accounted for on the accrual basis. The income or expense is recognized over the term of the agreement as an adjustment to interest income or expense.

Derivative instruments used in trading activities are marked to market and the resulting realized and unrealized gains or losses are recognized in "other income" in the Consolidated Statement of Income in the current period.

Income Taxes
CCS uses the asset-and-liability method of accounting for income taxes. Future 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. Future 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. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is established to reduce future income tax assets to the amount expected to be realized.

Future income tax assets or liabilities are included in other assets or other liabilities, as applicable.

Comparative Figures
Certain comparative figures have been reclassified to conform to the current year's financial statements.

2. SIGNIFICANT ACCOUNTING CHANGES

Sources of GAAP

Effective January 1, 2004, CCS adopted new accounting requirements of the Canadian Institute of Chartered Accountants ("CICA") that provide guidance on sources to consult ("GAAP hierarchy") when selecting accounting policies and determining appropriate disclosures, when a matter is not dealt with explicitly in primary sources of GAAP. As a result of these new requirements, CCS made the following change to its accounting policies on a prospective basis effective January 1, 2004:

Mortgage Prepayment Fees

Mortgage prepayment fees are recognized in income when the related mortgages are prepaid or renegotiated at market rates. Prior to January 1, 2004, mortgage prepayment fees were deferred and amortized to income over the average remaining term of the related mortgages. In adopting this new policy CCS recorded in income an initial adjustment related to the balance of deferred mortgage prepayment fees as at January 1, 2004 of $12,290 before income taxes.

3. FUTURE ACCOUNTING CHANGES

Consolidation of Variable Interest Entities

The CICA issued revised Accounting Guideline 15 – Consolidation of Variable Interest Entities ("VIEs"), which becomes effective January 1, 2005 for CCS. VIEs are defined as entities that have insufficient equity and/or their equity investors at risk lack one or more of the specified essential characteristics of a controlling financial interest. The primary beneficiary is required to consolidate a VIE. The guideline requires CCS to identify variable interest entities in which it has a variable interest, determine whether it is the primary beneficiary of such entities and, if so, consolidate them. Management does not expect this guideline to have a significant impact on the consolidated financial statements.

4. CASH RESOURCES

	2004	2003
Cash	**$ 56,765**	$ 52,454
Short-term investments	**158,766**	45,555
Cash and short-term investments	**215,531**	98,009
Statutory deposits with CUCBC	**363,781**	137,155
Accrued interest	**2,030**	2,515
	$ 581,342	$ 237,679

In accordance with provincial legislation and the terms of arrangements with Credit Union Central of British Columbia (CUCBC), credit unions are required to maintain deposits with CUCBC totalling the lesser of 10% of their deposit and debt liabilities or 1.5% of all British Columbia credit union assets. Deposits with CUCBC earn interest at short-term market rates. The long-term portion of CCS's deposits with CUCBC is shown in Note 8 and classified as investments.

5. LOANS

2004	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Loan principal	**$ 4,249,504**	**$ 486,451**	**$ 1,268,490**	**$ 6,004,445**
Accrued Interest	**10,185**	**1,011**	**5,573**	**16,769**
Total loans	**4,259,689**	**487,462**	**1,274,063**	**6,021,214**
Allowances for credit losses	**8,082**	**3,149**	**16,592**	**27,823**
	$ 4,251,607	**$ 484,313**	**$ 1,257,471**	**$ 5,993,391**
Impaired loans	**$ 5,157**	**$ 652**	**$ 7,998**	**$ 13,807**
Less amounts where loss not expected	**5,013**	**110**	**7,166**	**12,289**
Specific allowances	**144**	**542**	**832**	**1,518**
General allowances				**26,305**
Total allowances for credit losses				**$ 27,823**

2003	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Loan principal	$ 4,046,718	$ 488,917	$ 1,123,911	$ 5,659,546
Accrued interest	9,286	1,549	4,367	15,202
Total loans	4,056,004	490,466	1,128,278	5,674,748
Allowances for credit losses	6,137	1,892	15,274	23,303
	$ 4,049,867	$ 488,574	$ 1,113,004	$ 5,651,445
Impaired loans	$ 10,897	$ 660	$ 14,568	$ 26,125
Less amounts where loss not expected	10,276	465	13,295	24,036
Specific allowances	621	195	1,273	2,089
General allowances				21,214
Total allowances for credit losses				$ 23,303

Substantially, all of CCS's loans are written on properties and businesses located in the Lower Mainland and southern Vancouver Island regions of British Columbia.

6. ALLOWANCES FOR CREDIT LOSSES

	2004	2003
Balance, beginning of year	**$ 23,303**	$ 16,884
Provision for credit losses	**7,228**	8,937
	30,531	25,821
Loans written off	**3,144**	3,352
Recoveries of loans written off	**436**	834
Balance, end of year	**$ 27,823**	$ 23,303
Percentage of total loans	**0.46%**	0.41%

7. TRANSFERS OF MORTGAGE RECEIVABLES

As part of its program of liquidity, capital, and interest rate risk management, CCS enters into arrangements to fund mortgage growth by selling loans to unrelated third parties.

As part of these transfers of mortgage receivables, CCS retains servicing responsibilities. CCS does not receive an explicit servicing fee for its servicing responsibilities. CCS's retained interests consist of its rights to future cash flows arising after the investors have received the return for which they contracted and credit enhancement provided to the third parties in the form of cash collateral accounts. The third parties, as holders of the securitized mortgages, have recourse only to a cash collateral account and cash flow from the securitized mortgages. The investors and the third parties have no recourse to CCS's other assets for failure of debtors to pay when due. CCS's retained interests are subject to credit, prepayment, and interest rate risks on the securitized mortgages.

In 2004, no securitization transactions were undertaken. In 2003, CCS recognized a gain on the securitization of commercial mortgages in the amount of $1,303. Servicing liabilities amortized to income during the year amounted to $451 (2003 – $587). The fair value of servicing liabilities amounted to $580 at December 31, 2004 (2003 – $1,031). The fair value of retained interests amounted to $1,474 at December 31, 2004 (2003 – $3,371) and is recorded in Other assets.

Key assumptions used in measuring the retained interests at the date of securitization were as follows:

	2004 Mortgages	2003 Commercial mortgages
Prepayment	–	7.00%
Expected credit losses	–	0.50%
Residual cash flows discounted at	–	3.86%
Weighted-average life (in years)	–	2.56

The following table summarizes quantitative information about mortgages securitized by CCS as at December 31, 2004:

Type of Loan	Total principal amount of mortgages	Principal amount of loans over 60 days past due	Average balances
Residential	$ 62,539	$ –	$ 86,986
Commercial	47,322	–	65,509
Total Loans	$ 109,861	$ –	$ 152,495

CCS has no obligation to repurchase the mortgages sold through securitizations. The securitized mortgages will mature as follows:

2005	$ 20,737
2006	26,355
2007	61,535
2008 and subsequent years	1,234
	$ 109,861

Recourse for holders of conventional securitized mortgages	$ 4,599

8. INVESTMENTS

	2004	2003
Investments, CUCBC	**$ 452,444**	$ 377,540
Shares, CUCBC	**24,081**	22,949
Accrued interest	**8,612**	8,486
Other	**45,254**	30,576
	$ 530,391	$ 439,551

Shares in CUCBC are a required investment as a condition of membership in CUCBC and provincial legislation and are carried at cost. The amount of the share investment in CUCBC is determined based on CCS's membership and assets.

9. PREMISES AND EQUIPMENT

	Cost	Accumulated amortization	2004 Net book value	2003 Net book value
Land	**$ 3,703**	**$ –**	**$ 3,703**	$ 4,007
Buildings	**18,742**	**8,732**	**10,010**	10,964
Furniture and equipment	**52,542**	**35,017**	**17,525**	20,388
Leasehold improvements	**15,718**	**9,274**	**6,444**	7,370
	$ 90,705	**$ 53,023**	**$ 37,682**	$ 42,729

Amortization in respect of the above buildings, furniture and equipment, and leasehold improvements amounted to $10,547 (2003 – $11,510).

10. OTHER ASSETS

	2004	2003
Accounts receivable	**$ 15,512**	$ 14,242
Prepaid expenses	**15,572**	13,582
Future income taxes (Note 19)	**12,140**	12,476
Goodwill and other intangibles	**6,738**	5,436
Other	**2,305**	4,327
	$ 52,267	$ 50,063

11. DEPOSITS

	2004	2003
Demand	**$ 1,432,172**	$ 1,329,413
Term	**3,819,506**	3,070,591
Registered plans	**1,458,409**	1,476,275
Class A membership shares	**1,650**	1,454
Class P non-equity shares	**276**	283
Accrued interest	**70,680**	76,492
	$ 6,782,693	$ 5,954,508

Class A Membership Shares
Class A shares are a membership requirement and are redeemable on demand upon cessation of membership, and accordingly are classified as deposits. These are voting shares with a par value of $1 each. CCS has an unlimited number of Class A shares authorized.

Class P Non-equity Shares
Amounts contributed by members for Class P shares can be withdrawn on demand or redeemed at any time by CCS, and accordingly are classified as deposits. These shares have a life insurance component such that the shareholder's estate is paid double the value of the share upon death of the shareholder. These shares do not participate in any annual dividend.

12. BORROWINGS

Maturity date	Interest rate %	2004	2003
January 2, 2004	3.17	**$ –**	$ 80,000
		$ –	$ 80,000

Borrowings are secured by a debenture in favour of CUCBC, which creates a floating charge on the assets and undertakings of CCS, and an assignment of book debts. As at December 31, 2004, CCS has an authorized credit line limit of $1,011,229 (2003 – $205,500) with CUCBC.

13. OTHER LIABILITIES

	2004	2003
Accounts payable and accruals	**$ 48,967**	$ 56,595
Deferred fee income	**12,173**	20,246
	$ 61,140	$ 76,841

14. SUBORDINATED NOTES

The notes are unsecured and subordinated in right of payment to the claims of depositors and certain other creditors. The interest rates are calculated on a floating rate basis. CCS has an option to convert to fixed interest rates on 30 days' written notice.

Maturity date	2004	2003
December 31, 2008	$ **5,000**	$ 5,000
June 30, 2009	**28,500**	28,500
	$ **33,500**	$ 33,500

15. CLASS C SHARES

	2004	2003
Issued and outstanding Class C shares	$ **39,280**	$ 39,355

During 2003, the Credit Union issued a Disclosure Statement regarding the sale of Class C Shares – Series 1 at a price of $1.00 per Class C share. These non-voting, non-transferable shares receive a non-cumulative cash dividend equal to 6%. The shares are redeemable on June 27, 2009 at their par value of $1.00 per share. The rights of claim of Class C shares ranks after claims of the depositors, certain other claims, and subordinated notes, but rateably with holders of Class B shares.

16. CLASS B SHARES

Issued and outstanding Class B shares	2004	2003
Beginning of year	$ **50,859**	$ 50,346
Share redemptions	**(3,929)**	(1,509)
Stock dividends	**1,925**	2,022
End of year	$ **48,855**	$ 50,859

Class B shares are not a membership requirement. These shares are non-transferable, non-cumulative, retractable, and non-voting. Redemption of Class B shares is subject to the discretion of CCS. Terms and conditions, including dividends, are set at the discretion of the Board of Directors. The dividend rate is a floating rate, currently 4.20% (2003 – 4.27%), set at one percent in excess of CCS's average five-year posted rate of interest on term deposits.

CCS has authorized six classes of equity shares. Each class is authorized for an unlimited number of shares with a par value of $1.

17. OTHER INCOME

	2004	2003
Fund commissions	**$ 11,478**	$ 8,301
Account service charges	**16,533**	16,818
Loan processing fees	**3,289**	3,378
General insurance commissions, net	**17,564**	15,402
Creditor and life insurance commissions	**9,277**	8,571
Real estate commissions and service fees, net	**969**	1,019
Securitization income (Note 7)	**1,139**	2,864
Foreign exchange	**2,427**	727
Safety deposit box rental income	**1,123**	1,131
Credit card commissions	**1,157**	1,252
Other	**3,092**	2,665
	$ 68,048	$ 62,128

18. ADMINISTRATION EXPENSES

	2004	2003
Dues to CUCBC	**$ 1,663**	$ 1,659
Chequing service charges	**2,598**	3,253
Marketing	**6,318**	4,450
Capital taxes	**2,751**	2,309
Bonding and other insurance	**2,057**	1,742
Professional services and other	**8,596**	2,561
Stationery, telephone, and postage	**7,462**	8,597
Community contributions	**2,802**	2,065
Travel, training, meals, and entertainment	**2,927**	3,389
Sundry	**6,830**	4,414
	$ 44,004	$ 34,439

19. PROVISION FOR INCOME TAXES

	2004	2003
Current income taxes	**$ 10,897**	$ 11,686
Future income taxes	**53**	(5,753)
	$ 10,950	$ 5,933

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 35.6% (2003 – 37.6%) to income before income taxes. The reasons for the differences are as follows on the next page:

19. PROVISION FOR INCOME TAXES (CONTINUED)

	2004 Amount	2004 % of pretax income	2003 Amount	2003 % of pretax income
Combined federal and provincial statutory income taxes	**$ 19,853**	**$ 35.6**	$ 16,329	$ 37.6
Reduction applicable to credit unions	**(7,958)**	**(14.3)**	(8,593)	(19.8)
Change in estimate of tax rates	**(1,059)**	**(1.9)**	(2,926)	(6.7)
Gains on disposal of assets	**(128)**	**(0.2)**	(496)	(1.1)
Large corporation tax	**142**	**0.2**	188	0.4
Other	**100**	**0.2**	1,431	3.3
Effective income tax rate	**$ 10,950**	**$ 19.6**	$ 5,933	$ 13.7

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

	2004	2003
Allowance for credit losses	**$ 8,091**	$ 7,060
Deferred revenue/prepaid expense	**475**	3,397
Tax loss carry forwards	**1,535**	1,176
Transition costs	**1,478**	2,258
Other	**561**	(1,415)
Future income tax asset, net (Note 10)	**$ 12,140**	$ 12,476

20. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments

Lease commitments

CCS occupies premises under long-term leases extending to 2014. Aggregate basic annual lease payments are as follows:

2005	$ 7,728
2006	7,430
2007	6,279
2008	5,447
2009	3,871
Subsequent years	10,651

20. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments (CONTINUED)

Credit instruments

CCS 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, thus actual credit risk is expected to be less than the amounts set forth. Details of these are as follows:

	2004	2003
Lines of credit unfunded	**$ 666,697**	$ 581,294
Letters of credit	**35,864**	34,043

CCS, as part of its commercial lending services program, issues letters of credit and guarantees. These are issued in the normal course of business. CCS issues guarantees that commercial clients will perform certain work or services on behalf of third parties. Additionally, CCS may issue guarantees to facilitate commercial trade of goods and services between clients and third parties. CCS's policy for requiring collateral security with respect to these instruments held is generally the same as for loans. As at December 31, 2004, all but $2,330 (2003 – $3,616) of the total letters of credit and guarantees issued was secured by deposits by the borrower with CCS. Management estimates that there will be no losses under these obligations that requires an allowance for credit losses.

b) Contingencies

CCS is involved in various claims arising in the normal course of business. CCS cannot state what the ultimate outcome of such matters will be; however, based on current information and knowledge, management considers that adequate provisions have been recorded in the consolidated financial statements in respect of claims issued. Management regularly assesses the adequacy of accruals for contingent liabilities.

21. 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 the consolidated balance sheet. The resultant mismatch, or gap, to which it is commonly referred, 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.

21. INTEREST RATE SENSITIVITY POSITION (CONTINUED)

2004	Variable rate	0 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	3 years+	Non-interest sensitive	Total	%
		Fixed-rate terms							
Assets									
Cash and investments		532,547	37,962	142,563	241,552	63,594	93,515	1,111,733	2.62
Loans	2,023,544	253,903	199,230	342,836	1,470,754	1,714,179	(11,055)	5,993,391	5.06
Other assets	–	–	–	–	–	–	89,949	89,949	–
	2,023,544	786,450	237,192	485,399	1,712,306	1,777,773	172,409	7,195,073	
Asset yield	4.99%	4.80%	5.22%	5.23%	4.85%	4.96%	–		4.62
Liabilities									
Deposits	1,492,640	1,190,826	452,664	1,672,930	1,288,475	600,309	84,849	6,782,693	2.55
Borrowings	–	–	–	–	–	–	–	–	–
Other liabilities	232	–	–	–	–	–	60,908	61,140	0.01
	1,492,872	1,190,826	452,664	1,672,930	1,288,475	600,309	145,757	6,843,833	
Liability cost	0.46%	3.06%	2.72%	2.53%	3.94%	4.30%	–		2.55
Subordinated notes	33,500	–	–	–	–	–	–	33,500	4.73
Class C shares	–	–	–	–	–	39,280	–	39,280	6.00
	1,526,372	1,190,826	452,664	1,672,930	1,288,475	639,589	145,757	6,916,613	
Total liability cost	0.55%	3.06%	2.72%	2.53%	3.94%	4.41%	–		2.58
Members' equity									
Class B shares	–	–	–	–	–	–	48,855	48,855	
Retained earnings	–	–	–	–	–	–	229,605	229,605	
	–	–	–	–	–	–	278,460	278,460	
Balance-sheet mismatch	497,172	(404,376)	(215,472)	(1,187,531)	423,831	1,138,184	(251,808)	–	
Prepayment estimates									
Loans	–	119,435	119,435	238,870	(220,613)	(257,127)	–	–	
Deposits	–	(18,888)	(18,888)	(37,776)	51,539	24,013	–	–	
Mismatch after estimated prepayments	497,172	(303,829)	(114,925)	(986,437)	254,757	905,070	(251,808)	–	
Derivatives									
Assets	–	81,645	–	170,000	440,000	–	–	691,645	3.40
Liabilities	–	611,645	10,000	30,000	–	40,000	–	691,645	3.03
	–	(530,000)	(10,000)	140,000	440,000	(40,000)	–	–	
Net mismatch	497,172	(833,829)	(124,925)	(846,437)	694,757	865,070	(251,808)	–	

21. INTEREST RATE SENSITIVITY POSITION (CONTINUED)

2003	Variable rate	Fixed-rate terms 0 – 3 months	4 – 6 months	7 – 12 months	1 – 3 years	3 years+	Non-interest sensitive	Total	%
Assets									
Cash and investments	(1,069)	182,710	88,367	107,839	175,824	33,877	89,682	677,230	2.87
Loans	1,463,402	277,558	203,777	386,779	1,710,442	1,617,599	(8,112)	5,651,445	5.46
Other assets	–	–	–	–	–	–	92,792	92,792	–
	1,462,333	460,268	292,144	494,618	1,886,266	1,651,476	174,362	6,421,467	
Asset yield	5.61%	4.38%	4.91%	4.98%	5.26%	5.30%	–		5.11
Liabilities									
Deposits	1,385,280	646,642	552,861	1,519,859	1,066,107	694,568	89,191	5,954,508	2.81
Borrowings	–	80,000	–	–	–	–	–	80,000	3.17
Other liabilities	227	–	–	–	–	–	76,614	76,841	0.01
	1,385,507	726,642	552,861	1,519,859	1,066,107	694,568	165,805	6,111,349	
Liability cost	0.58%	2.92%	3.07%	2.98%	4.38%	4.68%	–	–	2.81
Subordinated notes	33,500	–	–	–	–	–	–	33,500	5.21
Class C Shares	–	–	–	–	–	39,355	–	39,355	6.00
	1,419,007	726,642	552,861	1,519,859	1,066,107	733,923	165,805	6,184,204	
Total liability cost	0.69%	2.92%	3.07%	2.98%	4.38%	4.68%	–		2.82
Members' equity									
Class B shares	–	–	–	–	–	–	50,859	50,859	
Retained earnings	–	–	–	–	–	–	186,404	186,404	
	–	–	–	–	–	–	237,263	237,263	
Balance-sheet mismatch	43,326	(266,374)	(260,717)	(1,025,241)	820,159	917,553	(228,706)	–	
Prepayment estimates									
Loans	–	124,802	124,802	249,603	(256,567)	(242,640)	–	–	
Deposits	–	(17,607)	(17,607)	(35,214)	42,645	27,783	–	–	
Mismatch after estimated prepayments	43,326	(159,179)	(153,522)	(810,852)	606,237	702,696	(228,706)	–	
Derivatives									
Assets	–	73,358	3,250	2,937	170,000	–	–	249,545	3.52
Liabilities	–	194,084	366	13,450	41,645	–	–	249,545	3.36
	–	(120,726)	2,884	(10,513)	128,355	–	–	–	
Net mismatch	43,326	(279,905)	(150,638)	(821,365)	734,592	702,696	(228,706)	–	

In managing interest rate risk, CCS relies primarily upon its contractual interest rate sensitivity position adjusted for certain assumptions regarding customer behaviour preferences, which are based upon historical trends.

Adjustments made include assumptions relating to early repayment of loans and customer preferences for demand, notice and redeemable deposits.

22. DERIVATIVE INSTRUMENTS

Effective January 1, 2004, CCS adopted CICA Accounting Guideline 13, Hedging Relationships. Under this standard, gains and losses on both securities and derivative instruments used for hedging purposes, are recognized in the Consolidated Statement of Income on the same basis and in the same period as the underlying hedged items.

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 is being assessed.

Changes in the fair value of the derivative must be highly effective in offsetting either changes in the fair value of on-balance sheet items or changes in the amount of future cash flows. 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.

This hedge accounting will be discontinued prospectively when the derivative ceases to qualify as an effective hedge, and the fair value of the derivative will be recognized on the Consolidated Balance Sheet at that time. The amounts required to record the derivative at this fair value would be deferred and recognized in income as the hedged item affects net income. Subsequent changes in fair value will be recognized immediately in "Net interest income" until the derivative qualifies for hedge accounting again. The fair value at the time the derivative qualifies again will be recognized in income as the hedged item affects net income.

CCS has the following accrual accounted derivatives:

	Maturities of Derivatives 0 – 12 months	Maturities of Derivatives 1 – 5 years	Notional Amounts Total 2004	Notional Amounts Total 2003	Fair Values 2004	Fair Values 2003
Interest rate swaps						
Receive fixed	**$ 170,000**	**$ 420,000**	**$ 590,000**	$ 192,839	**$ 2,670**	$ 1,157
Forward starting receive fixed	**–**	**20,000**	**20,000**	–	**141**	–
Pay fixed	**40,000**	**20,000**	**60,000**	53,037	**(1,338)**	(820)
Forward starting pay fixed	**–**	**20,000**	**20,000**	–	**(59)**	–
	210,000	**480,000**	**690,000**	245,876	**1,414**	337
Other derivatives						
Index linked swaps	**1,645**	**–**	**1,645**	3,669	**–**	–
Total derivative contracts	**$ 211,645**	**$ 480,000**	**$ 691,645**	$ 249,545	**$ 1,414**	$ 337

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. Notional amounts are not exchanged.

Interest rate swaps are transactions in which two parties exchange interest flows on a specified notional amount for a predetermined period based on agreed-upon fixed and floating rates. Equity swaps are transactions in which, CCS manages its exposure to changes in the value of index-linked deposit products. Two parties exchange cash flows on a specified notional amount for a predetermined period based on the increase or decrease in an underlying stock market index versus a fixed interest rate. Notional amounts are not exchanged.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table represents the fair values of CCS's financial instruments, including derivatives. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the balance sheet date. The fair value of financial assets and liabilities with floating rates of interest is assumed to be equal to book value, as the interest rates on these instruments automatically reprice to market rates. Fair values of other financial assets and liabilities are assumed to approximate their carrying values, principally due to their short-term nature. Fair values of derivative financial instruments have been based on market price quotations. No fair values have been determined for capital assets, or any other asset or liability that is not a financial instrument.

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 CCS might receive or pay if it were to dispose of any of its financial instruments prior to their maturity.

			2004			2003
	Book value	**Fair value**	**Difference**	Book value	Fair value	Difference
Assets:						
Cash resources	**$ 581,342**	**$ 581,342**	**$ –**	$ 237,679	$ 237,789	$ 110
Investments	**530,391**	**532,453**	**2,062**	439,551	442,960	3,409
Loans	**5,993,391**	**6,024,328**	**30,937**	5,651,445	5,699,731	48,286
Other	**16,963**	**16,963**	**–**	17,714	17,714	–
	$ 7,122,087	**$ 7,155,086**	**$ 32,999**	$ 6,346,389	$ 6,398,194	$ 51,805
Liabilities:						
Deposits	**$ 6,782,693**	**$ 6,812,228**	**$ 29,535**	$ 5,954,508	$ 6,008,867	$ 54,359
Borrowings	**–**	**–**	**–**	80,000	80,000	–
Other	**45,555**	**45,555**	**–**	50,168	50,168	–
Subordinated notes	**33,500**	**33,500**	**–**	33,500	33,500	–
Class C shares	**39,280**	**39,845**	**565**	39,355	39,339	(16)
	$ 6,901,028	**$ 6,931,128**	**$ 30,100**	$ 6,157,531	$ 6,211,874	$ 54,343
Hedging derivatives	**–**	**1,414**	**1,414**	–	337	337

24. RELATED-PARTY TRANSACTIONS

As at December 31, 2004, outstanding loans to directors, officers, and employees totalled $178,873 (2003 – $166,011), which included 1,003 mortgages totalling $146,170 and 2,620 other loans totalling $32,703.

During the year, directors, in their capacity as directors, received remuneration of $234 (2003 – $282). Directors do not receive or pay preferred rates on products and services offered by the credit union.

During the year, in the normal course of business, CCS paid $13 for professional services to and received $64 in rental income from a professional firm, of which a partner is a director of CCS.

25. PENSION PLAN

CCS is a participating member of the B.C. Credit Union Employees' Pension Plan, a contributory defined-benefit plan.

As at December 31, 2003 the plan actuary reported that the plan had an excess of plan assets over actuarial liabilities for accrued pension benefits. The plan actuary further reported that no change needed to be made at that time to the current level of employer contributions to the plan. The next actuarial review is scheduled for the period ending December 31, 2006.

Pension expense included in the consolidated statement of income was $1,375 (2003 – $1,134).

26. PURCHASE OF SMS NON-VOTING SHARES

Pursuant to the merger agreement with Surrey Metro Savings Credit Union (SMS) of June 27, 2002, CCS became obligated to purchase all SMS non-voting shares for $21 each. As at December 31, 2004, Computershare Investor Services held $9.6 million (2003 – $10.3 million) in trust for 456,094 non-tendered shares (2003 – 490,783); $9.5 million of these funds are placed with CCS. As of June 27, 2008, any unclaimed funds become the property of CCS.

The Board of Directors is responsible for approving the credit union's strategic goals, plans and policies, and overseeing the activities of management. The Board also fosters a socially responsible culture to meet the expectations of members and other stakeholders. The adoption and implementation of best practices in corporate governance is a significant factor in Coast Capital Savings' continuing success.

The Board's effective leadership results in a clear vision for the credit union's future. Coast Capital Savings' Board of Directors brings a strong and diverse variety of skills, experience, and backgrounds to support and build that future. Both the Board and management are committed to excellence in sound business practices, and are dedicated to the credit union's engagement in and promotion of responsible financial, social, and environmental practices.

At Coast Capital Savings, we believe good corporate governance is not about following the latest trends; it's about leading the way.

– DEMOCRATIC CONTROL AND ACCOUNTABILITY –

A fundamental principle of a credit union membership is the opportunity to participate in the democratic control of the organization – every member has one vote subject to requirements of legislation and the credit union Rules, and has the right to vote in director elections and on resolutions. Directors are elected to the Board by Coast Capital Savings' membership for staggered three-year terms, and are eligible for re-nomination at the conclusion of each term.

Effective governance requires the Board be accountable to the membership and comprised of directors who understand their roles and responsibilities. As a group, they should bring forward diversity and the right mix of competencies, background and experience to govern the credit union in the members' best interests. Through good corporate governance practices, the Board of Directors enhances the credit union's ability to achieve success.

– THE MANDATE OF THE BOARD OF DIRECTORS –

The Board of Directors is responsible for overseeing the management of Coast Capital Savings' business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the credit union in the interest of all members and to provide the highest standard of governance. The Board delegates certain authority to the Chief Executive Officer, who is primarily responsible for leading the organization by formulating policy, proposing actions, and seeking Board approval and guidance in the implementation of both policies and actions. The CEO is responsible for keeping the Board of Directors informed of the credit union's progress in meeting its goals and any material deviations from corporate objectives or policies.

The duties and responsibilities of the Board of Directors include:

- Develop, review, and approve long-term strategies for implementing the mission, vision, and values of the credit union.
- Develop, review, and approve a system for measuring corporate and Board performance.
- Ensure the financial performance of the credit union is adequately reported to members, other security holders, and regulators on a timely and regular basis.
- Ensure the financial results are reported fairly and in accordance with generally accepted accounting principles.
- Ensure the timely reporting of any other developments that have a significant and material impact on the operations of the credit union.
- Report annually to the members on its stewardship for the preceding year.
- Recommend scope of common bond.
- Formulate annual key outputs.
- Set policies for Board operations that ensure, in particular, the credit union operates at all times within applicable laws and regulations, and to the highest ethical and moral standards; monitor compliance with all significant policies and procedures by which the credit union is operated.
- Ensure proper risk management policies are developed, and monitor and evaluate the effectiveness of those policies. Significant areas of risk management include: innovation risk; interest rate risk, including use of derivatives; credit risk, including portfolio investments; integration risk: culture, information systems, timeliness and effectiveness of execution; and reputation risk.

– BOARD GOVERNANCE GUIDELINES –

Coast Capital Savings supports the corporate governance guidelines established by the Toronto Stock Exchange and the Ontario Securities Commission, and uses them as a baseline in evaluating the Board's governance of the credit union:

1. The Board should explicitly assume responsibility for the stewardship of the corporation:
The Board of Directors is responsible for overseeing the credit union's management and business affairs and makes all major policy decisions for Coast Capital Savings. Long-term goals and strategies for the credit union are developed as part of the Board's annual strategic planning process. Through an annual budgeting process, the Board adopts the operating budget, capital budget, and business plans for the coming year, and then monitors management's progress through regular reporting and review processes. The day-to-day management of the credit union's business and affairs are delegated by the Board to the Chief Executive Officer (CEO). The Board ensures on an annual basis that succession planning is in place for the CEO and the executive management team.

2. Majority of directors should be unrelated (unrelated director meaning a director who is independent of management and is free from any interest and other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the credit union – the application of the definition of "unrelated director" is the responsibility of the Board):
The members of Coast Capital Savings elect the Board of Directors on the basis of one-member, one-vote. The *Rules of Coast Capital Savings* prohibit an employee of the credit union from serving on the Board of Directors. The Board Chair is an independent director.

3. Appointment of a committee composed exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated directors, responsible for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis:
The Nominations and Election Committee is composed exclusively of outside directors who are not currently seeking re-election, and is responsible for overseeing the election of directors by the credit union's membership. The committee undertakes a detailed gap analysis of the ideal skills and competencies required by the Board of Directors to support the stewardship and strategic direction of the credit union. The competencies and skills of directors whose terms are not expiring are noted, and areas where gaps may exist are determined. The committee publishes a Candidate Description to the membership, accepts the nominations of qualified individuals, and endorses candidates who, in the opinion of the committee, would best add strength to the Board of Directors for the benefit of the credit union and its members.

4. Implement a process for assessing effectiveness of the Board as a whole, the Committees of the Board, and the contribution of individual directors:
The Governance and Member Relations Committee ensures annual Board and Board Chair evaluations, and individual director self-evaluations are undertaken in consultation with an independent governance expert. Each committee of the Board also undertakes a self-assessment of its effectiveness. The Governance and Member Relations Committee considers comments on the effectiveness of the Board, Board Chair, and committees and proposes modifications for improvement for the benefit of the credit union's overall governance.

5. Provide orientation and education programs for new Board members:
The Governance and Member Relations Committee ensures access to training and education is provided to directors to update, maintain, and enhance their skills and knowledge. As well, this committee ensures an orientation program is provided to all new directors to familiarize them with all aspects of the credit union and their individual responsibilities and accountabilities as Board members. Credit union legislation in British Columbia mandates all new directors elected or appointed for the first time must complete a series of tutorials and an accompanying workshop within the first year of their election or appointment to the Board. The mandatory tutorials consist of: Overview of the Credit Union System; Board's Role and Responsibilities; Director's Roles; Legal Basics; Financial Statements; Asset-Liability Management; and Monitoring Credit Union Performance. In the second year after election or appointment to the Board, directors must complete a Business Simulation program and workshop.
Optional training includes Leadership and Organization; Strategic Planning; Board Development and Evaluation; Management, Recruitment, Performance Planning and

Evaluation; Credit; Audit; Financial Management and Analysis II; and Making Meetings Work. One director has recently graduated from the Directors Education Program at the ICD Corporate Governance College, in partnership with the Rotman School of Management.

6. Examine the size of the Board, with a view to establishing a Board size that facilitates effective decision-making:
As a result of a merger in June 2002 with Surrey Metro Savings, the Board of Coast Capital Savings was comprised of 18 directors at that time. In October 2002, Coast Capital Savings members approved a special resolution to reduce the Board size. As a result, the Board reduced to 16 directors in 2003, 14 directors in 2004 and will further decrease to 12 directors at the conclusion of the 2005 Annual General Meeting.

7. Review compensation for directors to ensure it realistically reflects the responsibilities and risks involved in being a director:
The Governance and Member Relations Committee is mandated to periodically review and make recommendations with respect to the remuneration paid to directors. The members of Coast Capital Savings must approve changes in director remuneration by ordinary resolution.

8. Committees should be generally composed of outside directors, the majority of whom are unrelated directors, although some Board committees may include one or more inside director:
Each of the Board's committees is comprised entirely of outside directors, and in all cases, the majority are unrelated directors.

9. The Board of Directors should expressly assume responsibility for, or assign a committee responsible for the corporation's approach to corporate governance issues:
The Governance and Member Relations Committee is responsible for providing a focus on Board governance that will enhance the credit union's performance. Additionally, the committee is responsible for overseeing the credit union's community and member relations.

10. Develop position descriptions for the Board and the CEO; define limits to management's responsibilities; and approve corporate objectives the CEO is responsible for meeting, and assess the CEO against these objectives:
The Board of Directors, Board Chair, individual directors, and the CEO each have an express written mandate. The CEO's limits of authority are clearly defined. Corporate objectives are established and approved annually by the Board, and the CEO's performance is measured against these objectives.

11. Implement structures and procedures to ensure the Board can function independently of management:
Coast Capital Savings has a Board Chair separate from management, and the Board functions independently of management. The Chair's role is to ensure full and effective reporting and communication is established between the CEO and the Board of Directors. The Chair is also responsible to ensure all proper business is brought forward to the Board of Directors. The Board meets in-camera at each of its regularly scheduled meetings.

12. The audit committee should be composed only of outside directors. Roles and responsibilities should be specifically defined to provide appropriate guidance to committee members. The audit committee should have direct access to internal and external auditors and the committee's duties should include oversight responsibilities for management reporting on internal controls. The audit committee should ensure management has an effective system of internal control:
The Finance and Audit Committee, comprised solely of outside directors, is responsible for monitoring corporate compliance and influencing quality financial reporting and sound internal controls. The members of the committee are all deemed by the Board to be financially literate. The committee's mandate is to monitor and ensure quality financial management and reporting, and sound internal controls. The committee annually reviews, approves, and recommends to the Board policies and procedures relating to financial reporting, external audit, risk management, and internal audit. The external auditor reports directly to the committee.

13. Implement a system to enable individual directors to engage outside advisors at the corporation's expense in appropriate circumstances:
The Board of Directors, Board committees, and individual directors may engage the services of an outside advisor at the expense of the credit union. To determine appropriate circumstances, individual directors or Board committees first review the request with the Board Chair.

14. Adopt a written code of business conduct and ethics applicable to directors, officers, and employees of the credit union:
The Board has adopted written codes for its directors, officers, and employees. The Conduct Review Committee of the Board reviews these codes annually. Written procedures are designed to prevent conflicts of interest, and to resolve them if they occur, and to restrict the flow of confidential information.

– BOARD COMMITTEES –

The Board delegates specific tasks to its six standing committees: Human Resources, Finance and Audit, Conduct Review, Governance and Member Relations, Nominations and Election, and Investment and Loan. Each committee is comprised of at least three directors and the Board Chair serves ex-officio on those committees to which he/she has not otherwise been elected or appointed. Each committee has the resources of the CEO and other members of management as appropriate. The Board determines the authority and responsibilities of each committee and reviews the mandate of each committee annually. In accordance with the *Credit Union Incorporation Act*, the *Financial Institutions Act*, and the *Rules of Coast Capital Savings*, the Board of Directors annually elects Board committees that carry out specific mandates:

Finance and Audit Committee - ensures quality financial management and reporting, and sound internal controls are in place, implemented, and maintained. The committee is the liaison between internal audit/risk management and other internal resources, the external auditors, and the Board of Directors.

Investment and Loan Committee - guarantees sound investment, lending, interest rate risk, and credit risk management policies are in place, implemented, and maintained.

Governance and Member Relations Committee - provides a focus on Board governance that will enhance the credit union's performance. It promotes and improves director education, knowledge, skills, and abilities, and community and member relations.

Human Resources Committee - ensures sound human resources policies are in place, implemented, and maintained. The committee also reviews and recommends policy and strategy with respect to employee salaries, benefits and incentive compensation, succession planning for senior management, and directs the process regarding CEO performance assessment and compensation.

Conduct Review Committee - oversees general director conduct, and is responsible under the *Financial Institutions Act* for preventing and resolving conflicts of interest, and ensuring required product disclosures to customers. It also oversees compliance with the related party provisions contained in the *Financial Institutions Act*.

Nominations and Election Committee - pursuant to the Rules of the credit union, operates independently of the Board to ensure there is an appropriate number of qualified nominees for Board of Directors election; the minimum number being those vacancies to be filled. The committee also oversees, organizes, and administers the election of directors to the Board.

– DIRECTOR ATTENDANCE –

The following table sets out directors' attendance at Board and Committee meetings from April 27, 2004 to March 1, 2005.

Director	Board of Directors Meetings	Board Committee Meetings					
		Finance and Audit	Investment and Loan	Governance and Member Relations	Human Resources	Conduct Review	Nominations and Election
Doug Brawn	10/11					3/3	13/13
Christine Brodie	9/11			5/6			
Daniel Burns	10/11	3/4		* 6/6	8/8		
Georgiana Evans	11/11			6/6		3/3	
Bob Garnett	11/11	4/4					13/13
Frank Harper	9/11	* 4/4					9/13
John Huska	9/11		4/4		8/8		
John Jansen	9/11		3/4				
Karen Kesteloo	10/11					3/3	* 13/13
Ken Martin	11/11					* 3/3	13/13
Gordon Munn	10/11	4/4	* 4/4				
Doug Stone	11/11			6/6	* 8/8		
Bill Wellburn	** 11/11	4/4	4/4	6/6	8/8	3/3	11/13

* denotes Committee Chair
** denotes Board Chair

Board of Directors

Bill Wellburn, Chair
Residence: Victoria, Director since: 1992

Mr. Wellburn, 57, is a Chartered Accountant and an active volunteer with Board service on many community organizations. He is also a past Director and Board Chair of Stabilization Central Credit Union and a past Director of the Credit Union Deposit Insurance Corporation. Since 2002, he has been Chair of the Provincial Capital Commission. Mr. Wellburn received a Bachelor of Arts from the University of Victoria in 1969, and qualified as a Chartered Accountant in 1974. He has been the Chair of Coast Capital Savings since the first merger in 2000 and brings extensive financial literacy, strategic planning, and strong leadership and governance skills to the credit union.

R.W. (Bob) Garnett, 1st Vice Chair
Residence: Richmond, Director since: 1985

Mr. Garnett, 56, is an independent businessman and an owner of Novex Couriers in Richmond and WPX Couriers in Seattle. He is a member of the Financial Executives Institute, a Board member of W3 Solutions Inc. and has served on the boards of four other public companies and the Richmond Gateway Theatre Society. He received a Bachelor of Arts, Commerce degree from Simon Fraser University in 1974 and later received his Chartered Accountant designation. Mr. Garnett is an entrepreneur with significant corporate board experience, and strong financial and corporate governance knowledge.

Karen Kesteloo, 2nd Vice Chair
Residence: Victoria, Director since: 1984

Ms. Kesteloo, 48, is a partner in the accounting firm of Kesteloo and Busse. She is concurrently the Chief Financial Officer for a leading entrepreneurial consulting firm, Thornley BKG Consultants Inc. Ms. Kesteloo's qualifications include a Certified General Accountant designation, and a Trust and Estate Planners degree. She is a Governor at Royal Roads University and a Director of the Pacific Christian School Foundation. Past directorships include the Queen Alexandra Foundation for Children and the Pacific Coast Savings Foundation. She brings to the Board a leadership role with respect to raising corporate governance standards, as well as ensuring focus on a healthy triple bottom line.

Christine Brodie
Residence: Richmond, Director since: 1993

Ms. Brodie, 59, is a Richmond Teacher Consultant supporting out-of-school youth and is on the District Autism Team. Graduating from California State University in 1967, she completed a Master's degree in Education in 1971. Bringing extensive corporate governance and Board experience to Coast Capital Savings, she currently serves on the Boards of Co-operators Group, Kwantlen University College Foundation, and Credit Union Central of BC. Ms. Brodie's contribution to the Board also includes her commitment to community initiatives as demonstrated by her active involvement in Rotary, as past Board Chair of Richmond Caring Place Society, and through her participation in community economic development initiatives.

Daniel Burns
Residence: Vancouver, Director since: 1994

Mr. Burns, 44, is an entrepreneur and lawyer. He is the CEO of Myrmex Solutions Inc., a software development company, and the CEO of BNW Travel Management Ltd., an internet-based travel company. He graduated from the University of Western Ontario with a Bachelor of Arts, Economics in 1984 and a Bachelor of Law, LL.B. from the University of British Columbia in 1988. He is currently a director of the Canadian Constitution Foundation. He brings excellent corporate governance skills to the Board, having recently completed the Directors Education Program at the Institute of Corporate Directors (ICD) Corporate Governance College, offered through the Rotman School of Management at the University of Toronto.

Georgiana Evans
Residence: Delta, Director since: 1993

Ms. Evans, 71, retired from the Seniors Foundation of BC in 2003, and is currently a Director of the Coast Capital Savings Foundation. Additional past Board experience includes the Richmond Chamber of Commerce, Kwantlen College, and the Richmond Caring Place Society. Ms. Evans received a Governor General's Award and Richmond Review's Ethel Tibbits' Award, both for community service. She retires from the Board of Coast Capital Savings in April 2005.

Frank Harper
Residence: Surrey, Director since: 1995

Mr. Harper, 63, is the President and Director of Sphere Financial Ltd., a private investment management company. He holds a Bachelor of Commerce, Finance from the University of British Columbia, and is a Chartered Accountant. In addition to his strong finance, accounting, and restructuring background, Mr. Harper brings significant strategic planning, change management, risk management, product development, and marketing expertise to the Board.

John Huska
Residence: Surrey, Director since: 1981

Mr. Huska, 48, is the President of Cougar Metal, a steel fabrication plant in Surrey. He sits on a BC Institute of Technology Advisory Committee and volunteers his time on the ViJohn Homecare committee. Mr. Huska's education includes University Entrance Civil & Structural Engineering and the Sales and Marketing Executives of Vancouver Program. He brings small and medium business expertise to the Board. Mr. Huska retires from the Board of Coast Capital Savings in April 2005.

John Jansen
Residence: Chilliwack, Director since: 1999

Mr. Jansen, 57, is the President of the Chilliwack Economic Partners Corporation and the Chair of the BC Milk Marketing Board. He is also President of Eggstream Farms Ltd., Canadian Organic Feeds Ltd., and Fraser Pacific Management Ltd. Mr. Jansen previously served as Mayor of Chilliwack, Chair of the Fraser Cheam Regional District, Member of BC's Legislative Assembly, Minister of International Business, Minister of Health, and Minister of Finance. He received a Business Management diploma from the BC Institute of Technology and is a Certified General Accountant. Mr. Jansen brings to the Board experience in governance, small- and medium-sized business, and a high level of financial literacy.

Ken Martin
Residence: Surrey, Director since: 2004

Mr. Martin, 50, is the founder and senior partner of Passion for Action, a social enterprise that develops and delivers environmental sustainability and healthy living public outreach and school education programs development. He is a Board member of the West Panorama Ridge Ratepayers Association and serves on the steering committee of Surrey's Quality of Life Poverty Reduction Challenge. Mr. Martin received a Master of Business Administration from Simon Fraser University in 1998, and an Electronic Technology diploma from the BC Institute of Technology in 1975. A champion for community and environmental sustainability, he also brings to the Board merger and Canadian banking technology expertise.

Gordon Munn
Residence: Victoria, Director since: 1990

Mr. Munn, 57, is a graduate of the University of Victoria, Bachelor of Arts program, and is a Certified General Accountant. He currently serves as an accountant for an endowed community charitable foundation. He is a past director of Stabilization Central of BC, Credit Union Central of BC and Credit Union Central of Canada. Currently, he is a member of the Board of a local non-profit society that operates a halfway house for released prisoners. Mr. Munn embraces strong support for our communities and the co-operative and credit union system in Canada.

Doug Stone
Residence: White Rock, Director since: 1994

Mr. Stone, 60, worked as a senior officer for the City of White Rock, retiring as the Director of Operations in 2004. He currently owns a private consulting and television production firm. Mr. Stone is an active member of the community, having served on committees of the Air Canada Championship, the White Rock Sea Festival, the White Rock Food Bank, and the Olympiad for the Physically Disabled. He received a Bachelor of Arts, Parks and Recreation Administration from San Jose State University in 1970. Mr. Stone brings to the Board a true community spirit, and excellent human resource and corporate governance skills.

In Memory

Doug Brawn
Residence: Surrey, Director since: 2000

Mr. Brawn, 57, passed away in March 2005. He was a partner in the law firm of Brawn, Karras & Sanderson. Mr. Brawn served as a former director and Vice Chair of Kwantlen College, and was a past director of Surrey Memorial Hospital. He was also actively involved in the community through his lifelong interest in hockey. Mr. Brawn earned a Bachelor of Arts from the University of British Columbia in 1969, and a Bachelor of Law, LL.B. from the University of Toronto in 1972. As a real estate lawyer, Mr. Brawn brought extensive knowledge of retail and commercial lending law to the Board. His leadership, dedication, and commitment to the credit union will be greatly missed.

Executive Team

Lloyd Craig
President and
Chief Executive Officer








– SENIOR EXECUTIVE –

Sheila Baker
Chief Information Officer

Hermann Bessert
Chief Financial Officer

Mike Bushore
Senior Vice President
Strategic Planning

Lawrie Ferguson
Senior Vice President
Marketing

Ken Hahn
Senior Vice President
Human Resources

Nancy McNeill
Senior Vice President
Administration

David Munson
Chief Credit Officer

Joel Rosenberg
Chief Operating Officer

– EXECUTIVE –

Dave Finner
Vice President
Retail Services

David Gaskin
Vice President
Finance

Guy Gondor
Vice President
Information Technology

Sheena Hanbury
Vice President
Retail Services

Herb Jamieson
Vice President
Retail Performance

Trudi Kloepper
Senior Vice President
Investment Services

Norm Krannitz
Vice President
Treasury

Cyndie Kremyr
Vice President
Public Affairs

Rod Marr
Senior Vice President
Commercial Services

Ross Morrow
Vice President
Retail Services

Geoff Parkin
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How can you help us?
Please share your feedback on our 2004 Annual Report by completing our online survey at **www.coastcapitalsavings.com.**

Imagine A Caring Company

Coast Capital Savings is one of only 580 Canadian companies recognized as a Caring Company, an initiative of Imagine Canada that encourages businesses to donate a minimum of 1% of their pretax profits to community organizations. Coast Capital Savings was the recipient of Imagine Canada's best corporate citizen award in the financial services industry.

Canada's 50 Best Managed Companies

Coast Capital Savings was named one of Canada's 50 Best Managed Companies for its best practices in the areas of leadership, financial growth, and social responsibility.

Eco-Audit
This Annual Report was printed on recycled papers containing 40% and 100% post consumer waste and saved the following:

TREES SAVED	SOLID WASTE in kilograms	ENERGY REDUCED (000) BTU	WATER REDUCED in litres	NET GREENHOUSE GASES in kilograms	HAZARDOUS EFFLUENT in kilograms
30	674	2,300	63,557	1,572	38

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