2015 Annual Report

coastcapital®
SAVINGS

About Us

Coast Capital Savings Credit Union (our friends know us as Coast Capital) is Canada's largest credit union by membership, dedicated to improving the financial well-being of our members. We are a co-operative company owned by the 532,000 members who bank with us. We offer banking, investment, and insurance services through our 50 branches in the Metro Vancouver, Fraser Valley, and Vancouver Island regions of British Columbia. Our total assets under administration were $16.8 billion as at December 31, 2015.

Our 1,600 staff care about improving the financial well-being of our members, customers, and communities. We have delivered helpful product innovations such as Canada's first free chequing account from a full-service financial institution and the country's most flexible mortgage product, the You're the Boss® Mortgage. Coast Capital has earned recognition as one of Canada's 10 Most Admired Corporate Cultures™ and is a member of Canada's Best Managed Companies Platinum Club. Every year, we make our communities stronger by investing 7 per cent of our budgeted pre-tax income in local programs, partnerships, and events. We are an Imagine Canada Caring Company.

Purpose

- *To change the way Canadians feel about banking, forever.*

Mission

- *Simple financial help.®*

Values

- *We take business seriously. Ourselves, not so much.*
- *We invite innovation.*
- *We make spirited teamwork happen.*
- *We keep our promises, pinkie-swear.*
- *We live to make our communities stronger.*
- *We make it easy as pie.*

Retail Services

Coast Capital offers banking and investment services including savings and chequing accounts, term deposits, registered savings accounts (RRSPs, TFSAs, RRIFs, RESPs), mutual funds and online brokerage, mortgages, loans, lines of credit, and credit cards. We offer in-branch teller services, access to a surcharge-free network of more than 4,000 ATMs across Canada, and telephone, Internet and mobile banking services.

Our subsidiary, Coast Capital Financial Management Ltd., offers life and disability insurance products including life, critical illness, disability, and long-term care insurance, as well as segregated funds and annuities. Life and disability insurance services are offered through our branch network and by a team of mobile specialists.

Business Services

Coast Capital offers lending, leasing, and deposit services to commercial real estate and small- and medium-sized businesses throughout B.C. This includes savings and chequing accounts, U.S. chequing accounts, business credit cards, merchant payment services, term loans, interim lending and long-term commercial mortgages, letters and lines of credit, and automated funds transfers. We provide commercial and industrial equipment leasing for businesses in B.C. through our equipment finance division. Commercial and industrial equipment and auto leasing and financing are also provided from B.C. to Ontario through Coast Capital Equipment Finance Ltd., Travelers Finance Ltd., and Travelers Leasing Ltd.

Businesses can access business and related individual or employee insurance solutions through Coast Capital Financial Management Ltd. Our insurance for business owners and partners includes personal living benefits as well as group benefit plans and strategies related to succession planning and protecting the business. Our business-related insurance solutions are provided through our mobile insurance experts.

Board Chair's Message

Coast Capital Savings celebrated our 75th birthday on July 24, 2015. Our first pioneer credit union was originally formed in 1940 on Vancouver Island, following the Great Depression. At a time when money was hard to come by, groups of credit union pioneers on Vancouver Island and neighbouring Gulf Islands, and in Richmond and Surrey, came together to form small financial co-ops focused on helping their friends, neighbours, and colleagues get the financial help they needed to better their lives. And here we are, 75 years later, still adhering to the same values and the same ultimate goal – to help Canadians achieve financial well-being through simple financial help.

Building and sustaining relationships with our members and our communities continues to be of the utmost importance. To exemplify this importance, and to celebrate 75 years of help, we asked our 50 branches and 25 administration teams to go out in their communities and undertake 75 *Acts of Help*. From helping neighbourhood schools with breakfast and backpack programs to volunteering time at community food banks and local senior centres, our employees demonstrated what being a credit union is all about and reinvigorated the passion of *people helping people* from 75 years ago.

2015 was also the first full year under the leadership of president and CEO, Don Coulter. In a tumultuous year for our industry, Don's leadership and strategic focus on helping our members achieve financial well-being was a main contributor to our financial stability.

We're here to help

Coast Capital's Board of Directors represents you, our members. It is with great care and consideration that we make important decisions about what's best for Coast Capital's future and, ultimately, your financial well-being. We provide guidance and approve strategic direction, help set policies, approve plans, and, oversee management of the credit union. It is our job to make sure we are compliant with regulatory and statutory requirements, and represent our members' interests. We are held accountable, by law, to act in your best interests.

Looking forward, we will continue to focus on making sure the credit union is always governed in an ethical, efficient, and fair manner, and will always make community involvement one of our top priorities.

Building a richer future for youth in your community

At Coast Capital, we're committed to building a richer future for youth in your communities through our Youth Get It community investment model that supports initiatives that empower and engage youth. From employee volunteer programs to strategic partnerships and investments, our community strategy is embedded in everything we do. In 2015, we invested $5 million, or 7 per cent of the credit union's budgeted pre-tax income in youth-focused initiatives in our three trade areas – Metro Vancouver, Fraser Valley, and Vancouver Island regions. Since 2000, we have invested more than $60 million in our communities.

We believe investing in youth is not just a nice to have, it is crucial to the ongoing success and growth of our communities. Youth today, specifically those in the 13 to 29 age group, face steep requirements for post-secondary education, high costs for both education and housing, delays in life transition, and issues of stress and depression far greater than previous generations. Coast Capital addresses these needs with our four community investment goals; 1. Youth Financial Empowerment: Helping build a strong financial future for youth; 2. Youth Educational Success: Helping youth succeed during their school years; 3. Youth Family and Social Connections: Helping youth increase their sense of belonging in their family, school and community and; 4. Youth Healthy Minds: Helping decrease stress and depression in youth.

We achieve these goals by delivering a variety of programs, including our three Young Leaders Community Councils, which, in 2015 empowered 24 emerging young leaders to recommend $1.2 million in community investment grants to 87 community groups in Metro Vancouver, the Fraser Valley, and on Vancouver Island. In 2015, we also provided 41 Education Awards totaling $145,000 to support youth entering post-secondary studies. Since 2004, we have awarded more than $1.6 million to over 626 students across British Columbia.

We support youth innovation and entrepreneurship through various post-secondary partnerships. The Coast Capital Savings Innovation Hub through the Sauder School of Business at UBC, and Simon Fraser University's Venture Connection program provide coaching and mentoring to young entrepreneurs with start-up ventures.

In late 2015, we announced a commitment to BCIT with a $376,000 contribution over three years to create the Coast Capital Savings Entrepreneurial Skills for Trades and Technology Program. This program will support trades and technology students to develop their entrepreneurial skills and help them build their small business know-how so they are set up for success when they graduate.

For the third year, Coast Capital was the Presenting Sponsor of Pink Shirt Day in B.C. The provincial campaign, helps to raise awareness and funds in support of youth-focused bullying prevention initiatives. In 2015 we launched a social media campaign, #PinkItForward, that resulted in over 18,000 posts. For each person who shared a positive message to another person via social media, Coast Capital donated $1 to the CKNW Orphans' Fund.

Coast Capital continued to be the official Presenting Tour Sponsor of the 2015 Canadian Cancer Society Cops for Cancer Tours, which, through the combined efforts of employees and members, raised a remarkable $110,000 to support pediatric cancer research and programs. This year, we also reached the $2 million milestone for funds raised in support of depression research at VGH & UBC Hospital Foundation through our annual Coast Capital Savings Charity Golf Tournament.

Healthy, engaged, and educated youth are essential to the continued strength of our larger community. We are honoured to play a role in building a richer future for youth in your communities.

Thank you

In 2015, the credit union was recognized for the eighth year in a row as a member of Canada's Best Managed Companies Platinum Club, and we continued to be recognized as a Most Admired Corporate Culture. Coast Capital was also awarded the 2015 Giving Hearts Outstanding Corporation Award for its leadership in philanthropy and community investment.

These awards are a reflection of the remarkable efforts of the Coast Capital team and their unwavering dedication to the pioneer spirit in the form of people helping people through simple financial help.

On the topic of people helping people, I would like to thank Bill Wellburn, who is retiring from your Board after 23 years, 14 of which he served as Coast Capital's Board Chair. A remarkable leader and visionary, Bill guided the credit union through multiple mergers, incredible growth, and financial success. This year, Director, Doug Brownridge will also retire from the Board after six years of dedicated and enthusiastic service to the credit union. I thank both Bill and Doug for their leadership and wish them all the best.

I would also like to thank my fellow directors for their ongoing governance and support, the executive team for their exceptional leadership, and all Coast Capital employees for their hard work in 2015.

Finally, on behalf of the Board of Directors, I would like to thank every Coast Capital member for choosing us to help you improve your financial well-being.

Bill Cooke
Chair, Board of Directors

CEO's Message

Celebrating 75 Years of Help

During our credit union's historic 75th birthday I was thrilled to see our 1,600 employees do what we do best - helping. Not only did the team exceed expectations by completing over 75 *Acts of Help* through grassroots, employee-led gestures of kindness in our communities, they also demonstrated why credit unions exist and why membership is so powerful by putting our members' financial well-being at the heart of everything we do.

Our employees helped an increasing number of British Columbians navigate uncertain financial times. We welcomed 20,000 new members and completed 27,000 of our unique *Where You're At Money Chats®* to help our members save, manage, grow, and protect their finances. We took our passion to help our members to the next level, embedding it into every fibre of our corporate strategy. We officially made it our quest to help Canadians improve their financial well-being. It is, after all, the driving force for why we exist and the essence of our *Members Get It* value proposition.

When we say that our *Members Get It*, we mean that in a number of ways. When members bank with us, they *get* great deposit and mortgage interest rates, they *get* innovative products like our new *Members Get It Mortgages™*, they *get* great help from our employees, and they *get* why we are committed to investing back into our communities. Our members also *get* that Coast Capital is a different kind of financial institution, and that being part of a credit union is something special. It's through this focus on making sure our members *get* the financial help they deserve that we are able to continuously thrive year after year.

Strong financials and steady growth

2015 was a year of strong financial results for Coast Capital. We had an 11 per cent increase in total assets under administration, from $15 billion in 2014 to nearly $17 billion. Our regulatory capital increased by 6 per cent, exceeding the $1 billion mark for the first time in the credit union's history, and our revenues grew to $341 million, an increase of 4.6 per cent over the previous year.

We achieved a 6 per cent jump from $10.9 billion to $11.6 billion in our 2015 retail lending. Our new *Members Get It™ Mortgages* offering, which launched in March 2015, played a key role in this success. In addition to offering a competitive interest rate, the innovative mortgage offering also provides members with $1,000 in *Help Extras™* to invest in an RSP, RESP, TFSA, Mutual Fund, or GIC. This means our members don't have to choose between having a mortgage or saving – they can do both.

We focused on investing in the credit union to help position ourselves for growth and expansion opportunities, enabling us to deliver helpful products and services to more Canadians. Our dip in net income, which went from $62 million in 2014 to $58 million in 2015, was partially due to several strategic investments during the year. These investments included further enhancements to our banking system to improve our member service, and moving into our new head office.

You can read more about our financial performance in the Management's Discussion and Analysis and Consolidated Financial Statements.

Investing in our foundation for a strong future

As the landscape of the financial services industry rapidly changes, evolving with new technology, Coast Capital continuously seeks new and innovative ways to help our members. In 2015, we enhanced our-award winning mobile app by adding key membership alerts and a new dashboard to provide members with better insight into upcoming payments and transfers. In 2016, we'll be taking our mobile digital banking a step further by introducing mobile cheque deposit capability, as well as making substantial upgrades to our online banking services for business members. These important investments in technology will allow Coast Capital to keep pace with our members' evolving needs.

In October 2015, we also established a more collaborative work environment for our employees with our move to our new *Help Headquarters*. The newly built office space provides a technology-savvy environment designed to foster a culture of innovation, to ensure our credit union remains relevant and responsive to our members' financial needs. A LEED Gold certified building, the guiding principles for the building included a creative and accessible work environment, a design to encourage employee collaboration, and an emphasis on environmental sustainability.

We deliberately chose an unconventional location for our new head office. Instead of a monolithic skyscraper in Vancouver, we chose to remain and be part of the revitalization of Surrey. Surrey is where two of our founding financial co-ops, Surrey Credit Union and Newton Credit Union, were established. It's also an economic engine for the province. Being located on a rapid transit line is convenient for our employees while being beneficial for the environment. With 70 per cent of our head office employees living south of the Fraser River, and many of our members calling Surrey home, the choice to make *our* home in one of the cities where it all began, just made sense to us.

And, speaking of new homes, we announced that Coast Capital will be opening new branches in Kelowna and Courtenay in late 2016. The investment in these new locations will allow us to serve existing members who already live in these areas while introducing these communities to our unique approach to banking.

We announced long-time Coast Capital employee David Gaskin would take on the role of Chief Financial Officer. We welcome David to the executive team and look forward to his contributions to Coast Capital.

Thank you

On behalf of the entire executive team, I thank our Board of Directors for their strategic guidance, our employees for continuing to deliver exceptional service, and our members for believing in, and supporting, the credit union system. Here's to another 75 years of help.

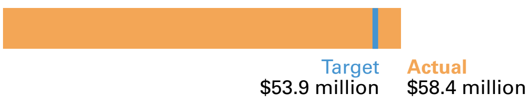
Don Coulter
President and Chief Executive Officer

2015 Performance Against Targets

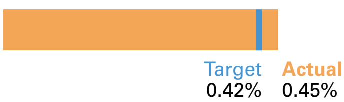
Loan balance
Total loans

Deposit balance
Total deposits

Net income
All revenue less expenses and taxes



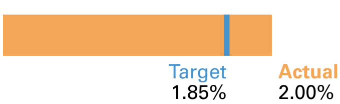
Return on average assets
Net income expressed as a percentage of average assets



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

Capital
Regulator-defined and primarily retained earnings plus share equity divided by total assets adjusted for risk as defined by regulators

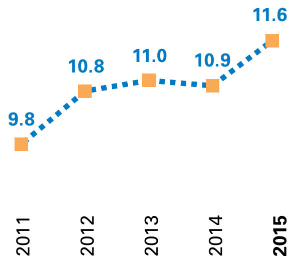
Non-interest expenses
All costs that are not interest-related, with the exception of provisions for credit losses and income taxes



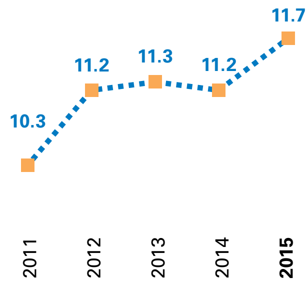
Operating efficiency
Coast Capital's cost to earn $1, equal to all non-interest expenses divided by the sum of net interest income and other income

Financial Highlights At A Glance

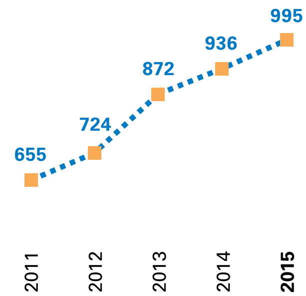
Total loans
Billions of dollars



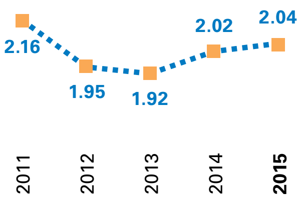
Total deposits
Billions of dollars



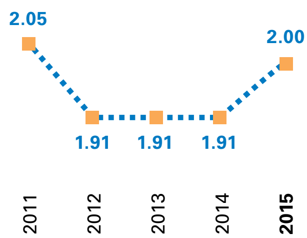
Members' equity
Millions of dollars



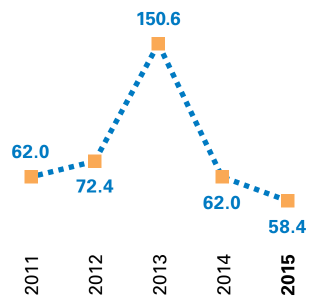
Net interest income
As a percentage of average assets



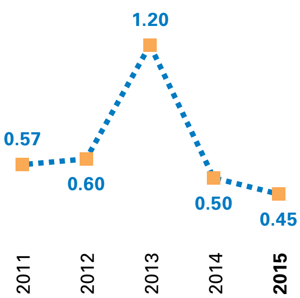
Non-interest expenses
As a percentage of average assets



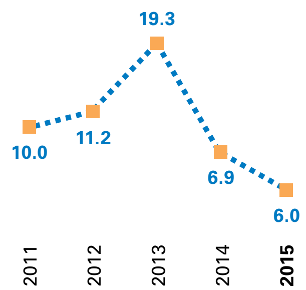
Net income
Millions of dollars



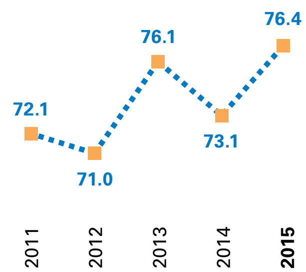
Net income
As a percentage of average assets



Net income
As a percentage of average equity



Operating efficiency
In per cent



5-Year Financial Overview

in thousands of dollars	2015	2014	2013	2012	2011
Balance sheets					
Assets					
Cash and cash resources	$ 585,502	$ 146,808	$ 152,121	$ 399,374	$ 375,590
Financial investments	1,359,015	1,146,909	1,250,619	1,286,124	1,447,872
Loans	11,608,836	10,949,852	11,002,775	10,764,060	9,805,582
Premises and equipment	27,959	23,902	25,465	37,699	34,778
Other	154,781	132,831	98,742	112,248	104,415
	$ 13,736,093	$ 12,400,302	$ 12,529,722	$ 12,599,505	$ 11,768,237
Liabilities					
Deposits					
Demand	5,257,179	4,742,835	4,369,450	4,110,316	4,026,815
Term	5,118,086	5,062,766	5,437,519	5,538,357	4,785,453
Registered	1,247,358	1,350,703	1,445,200	1,471,271	1,435,319
Class A shares	2,470	2,411	2,344	2,256	2,161
Accrued interest	53,667	61,922	62,400	66,582	61,617
	11,678,760	11,220,637	11,316,913	11,188,782	10,311,365
Borrowings secured by loans	570,329	167,378	83,464	51,720	50,673
Borrowings	400,000	–	175,000	565,000	675,000
Other	91,726	76,610	82,024	69,564	76,039
	12,740,815	11,464,625	11,657,401	11,875,066	11,113,077
Members' equity					
Class B shares	32,213	34,482	36,454	38,892	40,302
Retained earnings	952,949	895,983	835,043	688,091	616,576
Accumulated other comprehensive income (loss)	10,116	5,212	824	(2,544)	(1,718)
	995,278	935,677	872,321	724,439	655,160
	$ 13,736,093	$ 12,400,302	$ 12,529,722	$ 12,599,505	$ 11,768,237
Income statements					
Interest income	$ 421,753	$ 428,569	$ 432,713	$ 425,516	$ 414,954
Interest expense	157,277	176,005	192,012	191,880	178,687
Net interest income	264,476	252,564	240,701	233,636	236,267
Provision for credit losses	4,997	5,379	5,794	8,047	8,337
	259,479	247,185	234,907	225,589	227,930
Fees, commission and other income	76,674	72,437	72,873	89,671	75,157
Gain on sale of assets and shares	–	1,324	111,993	–	–
	336,153	320,946	419,773	315,260	303,087
Non-interest expenses	260,470	238,552	238,712	229,459	224,553
Income before undernoted	75,683	82,394	181,061	85,801	78,534
Income before provision for income taxes	75,683	82,394	181,061	85,801	78,534
Provision for income taxes	17,314	20,373	30,430	13,355	16,561
Net income	$ 58,369	$ 62,021	$ 150,631	$ 72,446	$ 61,973

5-Year Financial Overview

in thousands of dollars	2015	2014	2013	2012	2011
Financial statistics in per cent					
Asset growth	10.77	(1.03)	(0.55)	7.06	11.90
Loan growth	6.02	(0.48)	2.22	9.77	15.61
Deposit growth	4.08	(0.85)	1.15	8.51	6.09
Operating efficiency	76.35	73.10	76.13	70.97	72.11
Capital ratio	16.19	16.39	15.28	12.63	13.06
Liquidity ratio	16.21	11.36	12.12	14.28	16.52
Percentage of average assets					
Net interest income	2.04	2.02	1.92	1.95	2.16
Other income	0.59	0.59	0.58	0.75	0.69
Non-interest expenses	2.00	1.91	1.91	1.91	2.05
Percentage return on					
Average assets	0.45	0.50	1.20	0.60	0.57
Average equity	6.03	6.88	19.30	10.58	9.99
Average assets	$ 12,993,903	$ 12,517,384	$ 12,508,923	$ 11,996,263	$ 10,962,358
Average equity	967,517	901,669	780,574	645,257	620,078
Mutual funds under administration	3,066,823	2,720,090	2,293,326	1,978,066	1,762,378
Securitized loans	570,329	184,334	91,457	49,977	48,484
Total assets under administration	$ 16,802,916	$ 15,120,392	$ 14,823,048	$ 14,577,571	$ 13,530,615
Asset quality trends					
Allowance for credit losses, beginning	$ 37,632	$ 38,862	$ 42,507	$ 43,658	$ 59,911
Provisions for credit losses	4,997	5,379	5,794	8,047	8,337
Loans written off	7,201	7,853	10,676	10,957	25,949
Recoveries of loans written off	1,378	1,245	1,237	1,759	1,359
Allowance for credit losses, end	36,806	37,633	38,862	42,507	43,658
Impaired loans	26,596	23,515	39,607	50,541	77,769

Management's Discussion and Analysis

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

This section is current as of February 24, 2016, and should be read with the audited consolidated financial statements, which are prepared according to the International Financial and Reporting Standards (IFRS).

Table of Contents

About Forward-Looking Statements

This Annual Report contains forward-looking statements about our operations, goals and expected financial performance. These statements are subject to risks and uncertainties that may affect results, including legislative or regulatory changes, interest rates and general economic conditions in B.C. and Canada (among others). These issues should be given careful consideration, and readers should not rely too heavily on our forward-looking statements.

About Coast Capital Savings Credit Union

We are Canada's third largest credit union based on assets and the largest based on our membership of 532,000. We serve members across B.C. through our online and mobile platforms, contact centre, and 50 branches located in Metro Vancouver, Fraser Valley and Vancouver Island regions.

We are owned by our members

- As a credit union, our members, and their financial well-being, come first. Unlike the banks, our decisions are not focused on shareholder profits.
- We are dedicated to serving everyday Canadian families and local small businesses.
- Our membership has grown consistently over the past 10 years because we offer a better banking experience, along with innovative and competitive products. In 2015, we welcomed over 20,000 new members.

Management's Discussion and Analysis

Celebrating 75 years of financial help

Our roots stretch back to 1940, with the founding of the Victoria Provincial Government Employees Credit Union, one of B.C.'s earliest financial co-ops. Today's organization is the result of more than 20 credit unions merging over the years. These heritage credit unions were established by farmers, fishermen, meat packers, military and factory workers, telephone and civic employees, parish congregations, and everyday citizens who pooled their resources to provide members with much-needed financial help that was not easily accessible through the banks. Like many credit unions, our legacy organizations were founded in the wake of the Great Depression at a time when banks were charging very high fees and securing credit was difficult.

The benefits of being one of our members:

- You're banking with a credit union dedicated to improving your financial well-being.
- Your assets are looked after by experienced and careful managers who live in your community.
- You have a democratic say in how we are governed, regardless of financial position.
- You can take advantage of high value products and services enjoyed by all members.
- Your community is strengthened when we contribute 7 per cent of budgeted pre-tax income to local initiatives and events.

We celebrated our 75th birthday in a unique way that honoured the values of this heritage. Each of our 75 branch and administrative teams identified and carried out an Act of Help that resonated with the team and with the neighbourhoods where they live and work. Some examples of how our teams celebrated:

- Guildford Branch staff gave the gift of life with the donation of blood at Canadian Blood Services
- Credit Solutions, Retail and Small Business Credit, and Commercial Credit staff raised funds for school supplies and packed backpacks for Surrey School District children in need at the start of the school year
- James Bay Branch helped the James Bay Community Project with food donations and a monthly schedule to allow branch staff time to help with the project each month
- Information Technology Group visited the Outlook Society in the Central City area to provide a fresh coat of paint to the Society's main shelter room
- Investment Operations staff gave up their Sunday morning to volunteer to make breakfast at the Ronald McDonald House in Vancouver
- Queensborough branch staff came together as a team to give the students of Queen Elizabeth Community School the best sports day possible

Our Mission: Simple financial help

We offer Canadians Simple financial help, which means offering helpful products and services that are easy to access and understand. Banking shouldn't be complicated, which is why we are always looking for ways to help our members truly understand the options that are available to them in order to make choices that are right for their needs. It comes down to believing that banking should be simple and convenient.

Our brand personality reflects this mission – smart, a little unconventional, and very approachable. We provide products and services that are easy to understand, easy to access, and provide high value to our members. These include:

- The Free Chequing, Free Debit and More Account
- The One Small Fee, the Rest is Free Business Account
- The High-interest Savings Account
- The Members Get It Mortgage
- The Where You're At Money Chat
- The Low-fee, More-for-me Mutual Funds

Our Simple financial help mission is made possible by creating and maintaining a strong financial foundation. Through sustainable earnings and prudent risk management, we can continue innovating to offer members better experiences, products, and services.

Management's Discussion and Analysis

Building a Richer Future for Youth in Your Community

That's the impact we are making in the communities we serve. Youth face many challenges in transitioning to independence. We believe that with strategic investment and by working together, we can help break down many of the barriers that young people, aged 13 to 29, face. Our goal is to help these individuals create a future that is full of promise and leads to change that will positively impact our communities for generations to come.

In 2015, we invested $5.0 million into our communities, with a special focus on youth programs that help young people build a strong financial future, succeed in school, build belonging, and decrease stress and depression. We developed partnerships and sponsorships that celebrate community, such as Canada Day; engaged and empowered youth through our Young Leaders Community Councils and Youth Team programs; and fostered social connections with our many grants to youth-focused community groups. Our Education Awards program has provided 626 students with over $1.6 million toward their post-secondary education since 2004.

2015 Community highlights

- Raised $208,000 and reached the $2 million milestone for funds raised in support of depression research through our annual Coast Capital Savings Charity Golf Tournament (proceeds to VGH & UBC Hospital Foundation).
- Empowered 24 emerging young leaders to recommend $1.2 million in community investment grants (to 87 community groups) through our three Young Leaders Community Councils (Metro Vancouver, Fraser Valley, Vancouver Island).
- Employed 20 Grade 11 and 12 students through our Youth Team program, which provides leadership opportunities and paid work experience, and encourages self-reliance and teamwork.
- Awarded 41 education awards totalling $145,000 to support youth entering post-secondary studies.
- Sponsored the Canadian Cancer Society's Cops for Cancer campaign since its inception 18 years ago and have raised over $2 million for pediatric cancer research and programs.
- For the third year, we were the presenting sponsor of Pink Shirt Day. This Provincial campaign helps raise awareness and funds in support of youth-focused bullying prevention initiatives. In 2015 we launched a social media campaign #PinkItForward - for each person who tweeted a positive/encouraging message to another person, we donated $1 to the CKNW Orphans' Fund.
- Participated as the presenting sponsor for the inaugural Richmond World Festival, the City of Richmond's first major multicultural festival. The event celebrated Richmond's significant cultural diversity.
- Proudly received the 2015 Giving Hearts Outstanding Corporation Award for leadership in philanthropy, and community investment, by the Vancouver chapter of the Association of Fundraising Professionals (AFP). The Giving Hearts Award program was created to acknowledge the true expression of philanthropy and to recognize and celebrate the individuals and organizations that are making a difference in the community. We were nominated by three community groups: the Canadian Cancer Society, the VGH & UBC Hospital Foundation, and the Canadian Red Cross.

A Great Place to Work

We are a proud employer in our local communities and provide more than 1,600 jobs in the Lower Mainland, Fraser Valley, and Vancouver Island regions. We strive to provide staff with a great place to work. Our employee promise is to change the way employees feel about work, forever. In 2015, a new Leaders Who Inspire program was launched to create career development opportunities for employees and help them be more effective leaders, and bring new inspiration to our teams to guide our success. In 2015, we were recognized as:

- A Platinum Club member of the Canada's Best Managed Companies program
- One of Canada's 10 Most Admired Corporate Cultures.

Our 2016 Goals

Our priorities in 2016 will be to:

1. Advance on providing a superior member experience by focusing on ways to improve members' financial well-being.
2. Build out an expanded digital service offering that will feature new services.
3. Streamline our end-to-end processes, including improved workflows and automation of account opening and credit decisions, which will mean faster service for our members.

Management's Discussion and Analysis

Economic Environment in 2015

Globally, weakness in emerging market economies during 2015, notably China, was offset by improved conditions and growth in the U.S. and other advanced economies. Canada's economy shrank in the first half of 2015, registering a mild recession, but improved in the second half of the year. Regionally, the B.C. economy was a bright spot for Canada.

Slowing growth in China and declines in its equity markets created concerns as to the global economic outlook and translated into volatility in global financial markets. The financial crisis in Greece added to global concerns in 2015. Throughout 2015 the U.S. economy was resilient, with forecast real GDP results at 2.5 per cent, up from 2.4 per cent in 2014. Despite solid domestic economic growth, poor growth in other economies and global market volatility prompted the U.S. to keep its interest rates low throughout 2015.

Canada's economy was impacted by the sharp decline in oil prices, which began in 2014 and persisted into 2015. Low oil prices were a major cause of negative economic growth in the first half of 2015. In response, the Bank of Canada lowered its key overnight lending rate twice in 2015 (January and July), 25 basis points (bps) each time, to 50 bps. Despite weakness in the energy sector, Canada's overall job and wage growth was positive. This, along with historically low interest rates stimulated household spending and demand for housing. A weak Canadian dollar combined with U.S. growth also supported demand for Canadian exports. Overall, the Canadian economy grew by a modest 1.2 per cent [real gross domestic product (GDP)] in 2015. Volatility in global financial markets was reflected in the Canadian market, with the TSX Composite Price Index finishing the year down 11.1 per cent.

The B.C. economy was relatively strong in 2015, with real GDP growth forecast at 2.3 per cent, the highest among the provinces. During 2015, B.C.'s unemployment rate remained consistent with 2014 levels, increasing by 0.1 per cent to 6.2 per cent, while retail sales increased by 6.8 per cent over 2014. Housing starts increased by 13.6 per cent over 2014, with housing demand and price increases supported by low interest rates. Housing affordability became a significant concern in some areas of the Lower Mainland, with no immediate abatement looking forward.

Impact to us

Relatively stable and favourable economic conditions in our B.C. market supported solid loan growth in both the personal and commercial divisions. Deposit growth was equally strong, facilitating statement of financial position growth and stable liquidity. The two Bank of Canada overnight rate decreases in 2015 translated into a 30 bps decline in the prime rate. While the lower interest rates contributed to loan portfolio growth, the resulting pressure on financial margins constrained net interest income growth for the organization. Low interest rates and stable economic conditions also translated into lower member loan delinquency rates during the year, reducing loan loss provisioning requirements.

Declines in the Canadian dollar exchange rate during the year reduced foreign currency transaction volumes and related revenue. Volatile equity markets in the second half of the year reduced member demand for mutual and segregated fund investments. Despite challenging markets, fund assets under administration grew 12.7 per cent in 2015, with new sales driving the majority of the increase.

Management's Discussion and Analysis

Economic Outlook for 2016

The slowdown in China's economy is expected to continue, with the biggest impact on other economies related to reduced commodity demand and prices. U.S. economic growth in 2016 is expected to remain in the 2.4–2.6 percent range, similar to 2015, based on sound fundamentals. Continued U.S. dollar strength and economic growth will fuel demand for Canadian exports.

Canada's economy is forecast to remain similar in 2016, with real GDP forecast growth at approximately 1.1 per cent. Interest rates are expected to be stable for most of 2016, with the slight possibility of an increase in the later part of the year. The Canadian/U.S. dollar exchange rate is expected to remain at similar levels to 2015, with a possible modest improvement in the value of the Canadian dollar in the second half of the year. Low interest rates will support business investment and consumption spending, while export demand will benefit from continued health of the U.S. economy and continuation of the low Canadian dollar.

The B.C. economy is forecast to grow at a similar pace in 2016, with real GDP in the range of 2.2 per cent, slightly below 2015. The unemployment rate is expected to experience a modest increase, and retail sales growth will be lower than 2015, but remain relatively strong. Housing starts are forecast slightly lower than 2015.

The 2016 economic forecast is challenging, although low interest rates and an active real estate market support continued retail and commercial business growth. The low interest rate environment benefits members with loans, but reduces the interest members earn on deposits while keeping our net interest margins tight. Foreign exchange volumes may be slightly higher than 2015 due to an improved exchange rate. Capital market movements are difficult to predict, but we take a long-term approach to investment advice and expect investment assets under administration to continue to grow in 2016, reflecting the continued importance of investment opportunities for our members.

Our Lines of Business

Retail Services

Retail banking services include:

- Personal lending such as residential mortgages, loans and lines of credit, credit cards and creditor protection insurance
- Deposit and transaction services, such as chequing and savings accounts, bank drafts, wire transfers
- Term deposits and registered deposits
- Other general banking activities such as foreign exchange and safety deposit boxes

Retail members also have access to mutual and segregated fund investments and life insurance products through our licensed sales staff. For members with more complex financial needs, we offer access to a highly accredited team of financial planners and life insurance and estate specialists.

Our retail services are available to members through multiple channels: branches, ATM network, online, mobile devices, telephone/contact centre and mobile service reps. Through all channels, our retail banking group is focused on providing Simple financial help. In 2015, we helped our members by:

- Engaging 27,000 members in Where You're At Money Chats. The Money Chat process is used with members to understand *where they're at* financially, and how Coast Capital can help them get ahead.
- Improving the member experience through the introduction of a relationship management approach, and investing in the education, accreditation and skills of our teams to better serve our members.
- Helping members with new and maturing mortgages plan for the future through the introduction of Help Extras – up to $1,000 provided for investment in a savings or investment vehicle that aligns with their financial goals. Through this program, over $4 million in Help Extras were given to members in 2015.
- Expanding our ability to deliver services when and where it is most convenient for our members through additions to our mobile mortgage and insurance teams, enhancements to our mobile banking app and extending branch hours in select locations.
- Joining other credit unions as the first to offer access to the new B.C. Training and Education Savings Grant, giving parents a head start in saving for their children's education.
- Relocating our Guildford branch with design improvements and added features to enhance member service.

Looking ahead to 2016

Our focus in 2016 will be to deepen the relationships we have with our existing members and continue our pursuit of improving our members' financial well-being through simple financial help.

In 2016 we plan to:

- Expand our branch network to include new locations in Kelowna and Courtenay – increasing both the total number of branches available to serve our members and bringing the Coast Capital help offer to new regions of the province.
- Deliver new digital banking services and increase access to our accredited people and great solutions through additions to our mobile teams.
- Continue to improve the financial well-being of our members through engaging them in financial discussions that help them both, today and tomorrow.
- Create opportunities to help build the financial literacy and confidence of all of our members.

Commercial Banking Group

Commercial banking is also core to our business activities, and an area within which we believe we can continue to expand our Simple financial help offer. We assist commercial members through a network of seven commercial banking centres in downtown Vancouver, Richmond, Langley, Surrey, and three in the Victoria area. Our newest commercial location, the Langley Business Centre, opened in the fall of 2014 to meet the needs of the growing number of businesses setting up shop in the Surrey, Langley, and Abbotsford regions.

Small Business Banking

Every small business needs a hand with understanding their needs. The Small Business Banking team is dedicated to helping small businesses with day-to-day transactions, deposit services and credit requirements. We have 20 Business Banking Officers embedded in our retail branches. The Business Banking Officers are the boots on the ground in terms of supporting business members and play a lead role in onboarding new business members in-branch or while visiting the member's place of business.

Management's Discussion and Analysis

Business Banking

The Business Banking team is dedicated to helping larger companies with their full banking needs. Requirements are generally more complicated and often include margined lines of credit or demand loans in excess of $1 million. Our Business Banking professionals focus on building long-lasting relationships with the member in order to service their needs now and in the future.

Commercial Real Estate

We offer a one-stop financial solution in Commercial Real Estate through a wide range of full-service construction and term lending products. We offer services for:

- Single detached and multi-family development and construction
- Retail, office, and industrial development and construction
- Land acquisitions where imminent development is scheduled

Coast Travelers Group

The Coast Travelers Group is our division that provides lease and loan financing on various types of commercial equipment (e.g., commercial trucks and trailers, construction equipment for commercial application) to owner-operators. Our services are offered in all provinces across Canada.

Payments and Cash Management

Payments and Cash Management provides services for online business accounts through Coast Online Business Banking, Coast Automated Funds Transfer, Merchant Services and online Bill Payments. These services are important to both borrowing and non-borrowing commercial members, such as property managers and societies.

In 2015, our commercial members grew to over 48,000, and our total commercial loan and lease financing assets grew to over $3.2 billion. During the year we:

- Welcomed over 2,800 new business members
- Added 6 new Business Banking Officers
- Provided over $292 million in new lending to local small and medium size business and $612 million in new real estate financing
- Expanded our leasing services to include Quebec and the Maritimes, while providing over $382 million in new lease funding to customers across Canada

Looking ahead to 2016

Our focus in 2016 is to improve the financial well-being of all members. The Commercial Banking Group will work to identify specific improvements that will help our commercial members achieve financial success. We will enhance and grow relationships with our commercial members and continue our mission of Simple financial help by expanding and improving digital business banking services, developing better products, and delivering a superior business banking experience. With nearly 80 per cent of our business members also dealing with us for their personal banking needs, collaboration between commercial and retail teams will increase to ensure we are meeting the total banking needs of our members.

Management's Discussion and Analysis

Financial Performance

Our performance is based on more than just our financial results. At the same time, sound financial results are fundamental to our ability to continuously improve the services we offer and the experience we deliver to our members. Maintaining a strong financial position also supports our ability to meet our employee commitments and to contribute to the communities we operate in. In 2015 our net income was $58.4 million, down 5.8 per cent from $62.0 million in 2014. While revenues from both net interest income and non-interest income sources were higher in 2015, this increase was more than offset by an increase in non-interest expenses. In addition to inflation and regulatory cost increases, higher costs in 2015 reflect spending related to our leasing business expansion, technology resource and infrastructure improvements, and head office and branch moves.

Net Interest Income

Net interest income is the difference between what we earn on loans and what we pay on deposits. In both areas, we manage the interest rates offered to ensure members have access to fair and competitive rates. In 2015, our net interest income was $264.5 million, compared with $252.6 million in 2014. This increase is attributed to both loan growth and improved margins. Net interest income as a percentage of average assets was 2.04 per cent for 2015, compared with 2.02 per cent in 2014. Loan yields were adversely impacted by two prime rate cuts in 2015. However, a shift in the overall lending portfolio towards higher yielding commercial loans and leases, along with lower deposit costs, supported by market rate reductions and a shift in deposits to lower rate demand and savings account liabilities, resulted in an increase to the net interest margin.

Interest expenses have also been managed by using other sources of funding such as securitizing mortgages. In 2015, we increased our participation in the Canada Mortgage Bond (CMB) Program, raising $403 million in new funding. This program allows us to obtain low-cost, long-term funding in an exceptionally low interest rate environment.

Year ended December 31 in thousands of dollars	2015				2014			
	Average balance	Mix %	Interest	Interest rate %	Average balance	Mix %	Interest	Interest rate %
Cash resources	$ 1,184,816	9.1	$ 20,276	1.71	$ 1,418,093	11.3	$ 21,942	1.55
Loans								
Residential	8,261,120	63.6	252,208	3.05	7,907,239	63.2	265,193	3.35
Commercial	3,116,372	24.0	131,579	4.22	2,771,850	22.1	122,100	4.41
Personal	67,439	0.5	4,550	6.75	75,412	0.6	5,248	6.96
Lines of credit	181,416	1.4	13,140	7.24	188,068	1.5	14,086	7.49
Total loans	$ 11,626,347	89.5	$ 401,477	3.45	$ 10,942,569	87.4	$ 406,627	3.72
Other assets	182,740	1.4	–	–	156,733	1.3	–	–
Total	$ 12,993,903	100.0	$ 421,753	3.25	$ 12,517,395	100.0	$ 428,569	3.42
Deposits								
Demand	5,117,493	39.4	27,085	0.53	4,687,447	37.4	32,018	0.68
Term	4,846,379	37.3	99,220	2.05	5,015,434	40.1	110,090	2.20
Registered plans	1,395,920	10.7	22,818	1.63	1,502,544	12.0	28,337	1.89
Total deposits	$ 11,359,792	87.4	$ 149,123	1.31	$ 11,205,425	89.5	$ 170,445	1.52
Borrowings	409,297	3.1	7,757	1.90	204,991	1.6	4,207	2.05
Derivatives	–	–	397	–	–	–	1,353	–
Total financial liabilities	$ 11,769,089	90.6	157,277	1.34	$ 11,410,416	91.1	176,005	1.55
Other liabilities	256,487	2.0	–	–	205,357	1.7	–	–
Class B shares	32,936	0.3	–	–	35,017	0.3	–	–
Accumulated other comprehensive income (AOCI)	10,828	0.1	–	–	426	–	–	–
Retained earnings	924,563	7.1	–	–	866,179	6.9	–	–
Total	$ 12,993,903	100.0	$ 157,277	1.21	$ 12,517,395	100.0	$ 176,005	1.41
Net interest income			$ 264,476	2.04			$ 252,564	2.02

Fees, Commission and Other Income

In addition to loans and deposits, we offer many products and services that generate non-interest revenue, including day-to-day banking services, credit cards, foreign exchange, life insurance, mutual and segregated fund investments. Revenue from these sources is less sensitive to fluctuations in the interest rate environment, providing income stability and diversification.

We price our products and services to provide excellent member value while seeking market competitive but fair returns. In 2015, total non-interest revenue was $76.7 million, compared with $72.4 million in 2014 (excluding gains on sale of assets and shares). Fees and commissions relating to day-to-day banking services in 2015 were $23.3 million, an increase of $0.7 million over 2014. Banking services fees are impacted by member growth and shifting transaction preferences. In 2015 we noted a significant increase in the popularity of e-Transfer activity, a service first launched in 2014, while revenue from insufficient funds (NSF) fees declined. 2015 was the first full year of production from our Coast Travelers leasing group (integrated mid-2014). In 2015, activities generated $6.8 million in leasing fee revenue, including referral fees for leases that we originate but are funded via third parties.

Mutual and segregated fund commission revenue in 2015 was $24.7 million, up 22 per cent from $20.3 million in 2014. Commission revenues benefited from growth in our total fund assets under administration, primarily through net member purchases. Our Low-fee, More-for-me Mutual Funds, launched in 2009, offer members some of the lowest mutual fund management expense ratios (MERs) in Canada. Member investments in Low-fee, More-for-me Mutual Funds grew to almost $1.4 billion at the end of 2015.

Non-Interest Expenses

Non-interest expenses are all costs that are not interest-related, excluding provisions for credit losses and income taxes. These include employee salaries and benefits, administration, occupancy, information technology, marketing, community contributions, and other costs. We continuously strive to manage our non-interest operating costs as effectively and fairly as possible. Our 2015 non-interest expenses were $260.5 million, up from $238.6 million in 2014. While diligent in the management of our non-interest expenses, we base our spending decisions on the long-term impact to our members and capital.

2015 Significant changes to non-interest expenses

- Employee costs, including salaries, benefits, and incentive compensation, increased 7.7 per cent to $133.5 million from $123.9 million in 2014. Factors driving this increase include:
  - Full-year impact in 2015 from Coast Travelers finance and leasing employees, compared to eight months impact in 2014
  - Growth in our employee workforce, including moving strategic positions from contract to in-house roles during the year
  - Market salary increases
- Administration expenses were $71.9 million, compared to $63.7 million in 2014, up 12.9 per cent. Notable increase areas include: loan processing costs, professional services, marketing, and regulatory. Regulatory costs, including our Credit Union Deposit Insurance Corporation (CUDIC) assessment, were $9.0 million, up from $8.2 million in 2014, due to growth of our deposit portfolio and an increase in the base CUDIC rate charged. Our CUDIC fee for 2015 was assessed at the base (lowest) level, reflecting our sound capital, liquidity, profitability, and credit risk position.
- Our technology expense was $12.2 million, up 20.9 per cent from $10.1 million in 2014. We applied these costs to improving and maintaining our technology infrastructure.
- Occupancy expense was $25.0 million, up 6.8 per cent from $23.4 million in 2014. The increase reflects general lease rate increases, additional costs related to our head office and Guildford branch relocations, plus full year occupancy costs for Coast Travelers Group compared to eight months impact in 2014.

2015 Capital Expenditures

Our 2015 capital expenditures focused on upgrading and maintaining the technology infrastructure we use to serve our members, while also upgrading our branch facilities and opening our new head office.

Construction of our new Help Headquarters head office location completed in October. Staff from the previous Guildford head office and Central City administration office now work and collaborate in the new location. 2015 was also a busy year for technology investments, including the relocation of one of our two data centre facilities, additional investments to complete our contact centre technology upgrade project (expected to deploy in 2016), banking database improvements, systems for electronic content management, and enhancements to our mobile banking app.

In 2015, our capital expenditures totalled $28.9 million, compared with $15.0 million in 2014. We expect our 2016 capital expenditure to be lower compared to 2015.

Year ended December 31 in thousands of dollars	2015	2014
Leasehold improvements	$ 8,038	$ 1,534
Computer equipment	6,270	3,343
Software	10,509	8,810
Furniture and equipment	4,041	1,306
Total	$ 28,858	$ 14,993

Loan Portfolio

Total loans, including leases, increased $660 million, 6.0 per cent, during 2015. Growth was stronger than planned and a reversal of 2014 results, which saw the total loan portfolio decrease by $55 million. Favourable loan growth was driven by a continued strong retail housing market, positive demand for commercial construction financing, and leasing business expansion through our Coast Travelers Group, which began operations in mid-2014.

Retail mortgages, sourced through our branch network, contact centre, mobile mortgage team and external brokers, grew by 4.9 per cent in 2015. Growth and retention of these core assets was supported in 2015 by a newly launched Members Get It Mortgage offer, including Help Extras aligned to our focus on improving our members' financial well-being. Retail mortgages accounted for 70.2 per cent of our total loan portfolio at the end of 2015, down from 70.9 per cent at the end of 2014.

Commercial mortgages, loans, lines of credit and leases grew by $297 million and accounted for 27.8 per cent of our total loan portfolio at the end of 2015, up from 26.8 per cent at the end of 2014. Commercial lending, especially in the small business sector, is a natural extension of our capabilities and community focus. Backed by sound underwriting policies and practices, the commercial loan portfolio provides diversification to assist in managing overall portfolio risk, and also provides the potential for higher yields, improving financial performance and supporting long-term sustainability.

Loan portfolio

As at December 31	2015				2014			
	Number	Total in millions of dollars[1]	Mix %	Average in thousands of dollars	Number	Total in millions of dollars[1]	Mix %	Average in thousands of dollars
Retail								
Mortgages								
Conventional	30,996	$ 3,987	$ 34.3	$ 129	26,516	$ 3,677	$ 33.5	$ 139
Revenue	3,373	915	7.9	271	3,108	766	7.0	246
Progressive	119	40	0.3	336	74	17	0.2	230
Insured	5,670	1,127	9.7	199	4,494	1,240	11.3	276
High-ratio	4,230	1,170	10.0	277	4,336	1,091	9.9	252
Mortgage-secured lines of credit	17,983	926	8.0	51	17,893	989	9.0	55
Subtotal mortgages	62,371	8,165	70.2	131	56,421	7,780	70.9	138
Other								
Other lines of credit	136,390	169	1.5	1	135,305	182	1.7	1
Personal loans	14,317	58	0.5	4	12,260	67	0.6	5
Subtotal other	150,707	227	2.0	2	147,565	249	2.3	2
Subtotal retail	213,078	8,392	72.2	39	203,986	8,029	73.2	39
Commercial								
Commercial loans	17,522	2,654	22.8	152	17,758	2,525	23.0	142
Commercial leasing	5,462	582	5.0	107	4,143	414	3.8	100
Subtotal commercial	22,984	3,236	27.8	141	21,901	2,939	26.8	134
Subtotal individuals and commercial	236,062	11,628	100.0	49	225,887	10,968	100.0	49
Accrued interest		18				19		
Total loan portfolio	236,062	$ 11,646	100.0	$ 49	225,887	$ 10,987	100.0	$ 49

1 Before allowance for credit losses

Provision for Credit Losses

Our 2015 provision for credit losses was $5.0 million, compared with $5.4 million in 2014. The decrease was due primarily to an increase in loan loss recoveries in 2015 and a reduction in our collective allowance for credit losses by $0.9 million, relative to the 2014 reduction of $0.6 million. The 2015 collective allowance reduction amounts to 3.0 per cent, and is reflective of the reduction in the probability of default in our loan portfolio.

The total allowance for credit losses decreased from $37.6 million (0.34 per cent of total loans) at December 31, 2014 to $36.8 million (0.32 per cent of total loans) at December 31, 2015 and is reflective of very favourable credit conditions. Our specific allowance increased by $0.1 million (1.7 per cent) and impaired assets increased by $3.1 million, aligned to growth in our equipment finance business.

Asset quality coverage

As at December 31

in thousands of dollars	2015	2014
Total loans	$ 11,608,836	$ 10,949,852
Provision for credit losses	4,997	5,379
Loan write offs	7,203	7,853
Total allowance for credit losses	36,806	37,634
Impaired loans	26,596	23,515
Members' equity	995,278	935,677
in per cent		
Provision for credit losses as % of total loans	0.04	0.05
Loan write-offs as % of total loans	0.06	0.07
Impaired as % of total loans	0.23	0.21
Impaired as % of members' equity	2.67	2.51
Total allowance as % of impaired loans	138.39	160.04
Total allowance as % of total loans	0.32	0.34

Capital Management

Sustainable business growth and expansion of our help offer depends on our ability to maintain a healthy capital ratio. As we do not currently access capital markets to raise equity capital, retained earnings remain our primary source of capital. Retained earnings growth depends on strong financial performance, emphasizing the importance of pricing decisions to ensure we earn sufficient returns. Additionally, we seek opportunities to diversify our revenue sources and grow non-interest revenue while carefully managing operating expenses.

Regulatory Capital Requirements

The Financial Institutions Commission of British Columbia (FICOM) has set a supervisory minimum capital ratio of 10 per cent. Credit unions falling below this level are required to immediately improve their position to prevent supervisory intervention. Regulatory capital is measured based on the ratio of capital to risk-weighted assets. Growing risk-weighted assets, whether through overall portfolio growth or through a shift towards higher risk weighted assets, requires increased capital to maintain the regulatory capital ratio.

The regulatory capital formula identifies two types of capital, Tier 1 and Tier 2. FICOM requires that Tier 1 capital form at least 50 per cent of the capital base. Tier 1 capital is comprised of retained earnings, voting shares, qualifying investment shares, and contributed surplus (net of deferred income tax assets and intangible assets such as goodwill). Tier 2 capital includes subordinated notes and other investment shares. It also includes 50 per cent of our portion of retained earnings from Central 1 Credit Union ("Central 1"), CUDIC, and Stabilization Central Credit Union ("Stab Central").

Assets in the regulatory capital formula are risk-weighted based on FICOM's risk-weighting categories, which range from 0 to 150 per cent. For example, conventional uninsured residential mortgage loans, the largest portion of our assets, are weighted at 35 per cent, while commercial loans and leases, the second largest portion, are weighted at 100 per cent. Concentration risk factors, based on diversification within the portfolio, may also be applied to determine the risk-weighted asset amount.

The overall risk-weighting of our asset portfolio for 2015 is 45.7 per cent, down slightly from 47.2 per cent in 2014. The change reflects the proportional increase in zero risk-weighted cash and insured mortgages in our portfolio.

Maintaining a Sustainable Level of Regulatory Capital

In addition to the supervisory minimum capital ratio, FICOM requires that we establish an internal capital target above 10 per cent. The internal target provides a trigger to allow the Board and management time to resolve unexpected capital impacts before the supervisory minimum level is reached.

Further to this requirement, we completed an Internal Capital Adequacy Assessment Process (ICAAP) to assess our level of capital in relation to our risk appetite, risk profile and external conditions. Based on this we have set our minimum internal capital target at 13 per cent.

At December 31, 2015, our total capital ratio, including Tier 1 and Tier 2 capital, was 16.19 per cent, down from 16.39 per cent in 2014. The 2015 decrease reflects a 6.1 per cent increase in capital against a 7.2 per cent increase in risk weighted assets. Significant factors impacting our capital ratio in 2015 include:

- Capital growth through income earned from operations and added to retained earnings
- Investments in software upgrades increased capital deductions
- Strong overall asset growth increased risk-weighted assets, with the impact from strong commercial asset growth offset by growth of zero risk-weighted insured mortgages and cash

Tier 1 and 2 capital

As at December 31

in thousands of dollars	2015		2014
Tier 1 capital			
Class A shares	2,470	$	2,411
Class B shares	32,213		34,482
Retained earnings	952,949		895,983
Deferred income taxes[1]	3,097		(745)
	990,729		932,131
Less: Capital deductions	(68,555)		(59,468)
	922,174		872,663
Tier 2 capital			
Portion of equity in Central 1, CUDIC and Stab Central[2]	95,626		86,683
Total capital	1,017,800	$	959,346

1 Statutory inclusion of only credit union deferred income taxes
2 Portion of system-related equity multiplied by 50 per cent

Risk-weighted assets

As at December 31

in thousands of dollars	2015 Statement of financial position amount	2014 Statement of financial position amount	BIS risk-weight (%)	2015 Risk-weighted value	2014 Risk-weighted value
Cash resources	$ 1,653,770	$ 1,101,560	0	$ –	$ –
Commercial paper	288,652	190,062	0–150	29,147	16,380
Residential mortgages	5,245,297	5,336,650	35	1,836,380	1,868,835
Insured mortgages	1,689,012	1,346,379	0	–	–
High-ratio mortgages 75 to 80% LTV	1,066,349	967,716	75	799,762	725,787
High-ratio mortgages > 80% LTV	82,961	103,597	75	62,221	77,698
Personal loans	227,281	249,177	75	170,461	186,883
Commercial loans and leasing	3,296,186	2,944,153	100	3,167,563	2,793,642
Other assets and investments	186,585	161,008	100	186,585	161,008
Off-statement of financial position exposure			0–100	26,097	24,187
	$ 13,736,093	$ 12,400,302		$ 6,278,216	$ 5,854,420

	2015	2014
Risk-weighted assets as a percentage of total assets	45.7%	47.2%

in per cent	2015	2014
Ratio of capital to risk-weighted assets		
Primary capital to risk-weighted assets	14.69	14.91
Secondary capital to risk-weighted assets	1.52	1.48
Total capital ratio	16.21	16.39

	2015	2014
Total collective allowance for credit losses	$ 30,498	$ 31,432
As a percentage of risk-weighted assets	0.49%	0.54%

Monitoring Capital Adequacy Risk

We monitor our capital levels regularly. On a quarterly basis, the risks as identified in the ICAAP are assessed against Board-approved risk tolerance limits and reported to our Board's Risk Review Committee.

We also monitor and evaluate the impact of future changes to capital regulations, ranging from changes in the provincial, national or global capital regulatory landscape. More specifically, we have been monitoring the Office of the Superintendent of Financial Institution's (OSFI) leverage ratio. OSFI is the federal counterpart to FICOM. The leverage ratio compares Tier 1 capital to total assets. OSFI has set a minimum leverage ratio requirement of 3.0 per cent. Our ratio is 7.1 per cent, evidencing a strong capital position.

Risk Management

Risk is an unavoidable part of our activities. Failure to effectively manage risk can significantly affect our performance, goals, and long-term sustainability. Recognizing the importance of effective risk management, we use an Integrated Risk Management (IRM) framework based on three key principles:

- Risk Appetite aligned to our context, capacity and capabilities.
- Risk Culture of ethical, responsible, professional behaviour with open and transparent communication.

- Risk Governance structure with clearly defined the roles and responsibilities for employees, management and the Board.

Risk Appetite

Risk appetite is a statement of our desired business risk profile based on our culture, context, and capabilities. It articulates the aggregate level and types of risk that we are willing to accept, or wish to avoid, in order to achieve our objectives. We believe our risk appetite contains the right approach to managing our growth, both organically and through acquisitions.

Our risk appetite informs and helps to drive strategic planning, by ensuring alignment to our resources, skills, and capacity. It takes into account our economic, competitive, and regulatory environment and the impact that emerging risks will have on our strategy and risk profile. Our risk appetite framework has five specific components: (1) strategic; (2) reputational, legal and compliance; (3) capital and liquidity levels; (4) credit and asset quality; and (5) operational risk.

Risk Culture

Our risk culture is consistent with our risk appetite. It embodies the tone at the top, set by the Board and senior management, and is reflected in our mission, values, professional standards, and conduct. Central to this culture is our belief that the only risks taken are those that we understand and can manage. Moreover, we support the soundness and sustainability of our business by:

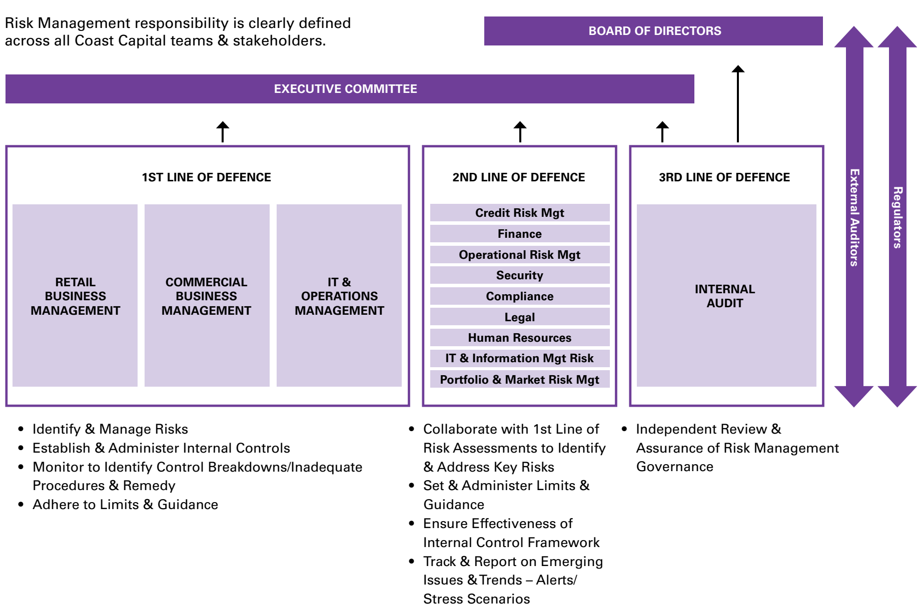
- Conducting all business in a legal, ethical, and prudent manner
- Conducting ourselves ethically and professionally
- Complying with all laws, regulations, policies, and guidelines
- Considering the long-term well-being of our members, employees, and broader communities

Risk Governance

We have established a governance structure that provides an appropriate level of risk management and oversight. It includes policies, processes, controls, and systems to support how we identify, measure, report, and manage risk. Our risk governance includes:

- Transparency in our policies and practices
- Accountability for ensuring compliance
- Clarity of risk ownership and understanding by employees

We anchor our risk governance structure in a "three lines of defence" approach, illustrated below:



While each area has clearly defined and specific responsibilities, risk management is a collaborative and shared activity. Key stakeholders beyond the Three Lines, discussed below, also play important roles in how the organization manages risk.

Board of Directors

In addition to approving the risk appetite statement, the Board plays a key oversight role in ensuring the organization has robust risk management practices in place. The Board ensures management appropriately handles escalated risk issues and advises Board committees on a timely basis. The Board has specific standing committees such as:

- *Risk Review Committee*: provides risk oversight for the Board, including monitoring and evaluating key risks, by ensuring the appropriate risk framework and policies are in place. The Chief Risk Officer has a reporting line to the committee.
- *Audit and Finance Committee*: provides oversight for the Board on financial and controls matters, including maintaining the integrity, reliability, accuracy and clarity of financial reporting. The Vice President of Internal Audit has a reporting line to the Chair of the committee. Annually, the committee reviews and approves a risk-based internal audit plan. The plan considers strategy, operations, reporting and compliance matters.

Executive

The executive management team makes decisions and develops actionable plans, under the direction of the Board, regarding significant issues and risks escalated to the top of the organization.

We maintain oversight and dialogue through a structured set of committees and forums to enable the establishment and regular review of our risk profile, policies, risk management performance, and operating results. These committees also provide suitable avenues to escalate issues to ensure appropriate and timely action to redress matters, and to adhere to agreed levels of risk.

- Executive Committee develops and executes our strategic direction by ensuring alignment between our overall risk appetite and strategic direction.
- Asset Liability Committee ensures that we are within our risk appetite in terms of capital management, liquidity and funding, interest rate and foreign exchange risk.

External Auditors/Regulators

These groups can provide information regarding the existence of significant issues or risks, but are not necessarily a line of defence against risk.

(Information below is an integral part of the audited financial statements.)

Credit and Counterparty Risk

Credit risk is the risk of losing money on:

- A loan – where the borrower is unwilling or unable to fulfill their financial obligations
- An investment – where a decrease in the credit quality of the issuer leads to a decline in market value

Counterparty risk is the risk that the other party to one of our contracts fails to meet its obligations. This risk extends beyond our loan portfolio and includes transactions with strategic partners, vendors or other financial intermediaries. We control these transactions subject to our counterparty risk rating limits that include portfolio, industry and single name caps. We then regularly monitor and report these caps to manage any potential issues.

Our system for controlling credit risk is founded upon strict adherence to clearly defined credit policies and approval procedures. We review lending practices and activities on a regular basis to ensure adherence to policy.

Maximum Exposure to Credit Risk

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

As at December 31, 2015 in thousands of dollars	Banking	Derivatives
On statement of financial position		
Cash held at Central 1	$ 168,781	
Investments held at Central 1	1,306,059	
Shares in Central 1	49,126	
Other investments	420,551	
Loans	11,608,836	
Derivative instruments		$ 2,217
Accounts receivable	16,797	
	13,570,150	2,217
Off statement of financial position		
Letters of credit	45,396	
Commitments to extend credit	3,275,063	
	3,320,459	–
Maximum exposure to credit risk	$ 16,890,609	$ 2,217

Concentration risk

Concentration risk arises through larger value exposures where a number of borrowers are engaged in similar economic activities or are located in the same geographic region. We primarily carry out our lending activities in the Metro Vancouver, Fraser Valley and Vancouver Island regions of B.C. The table below breaks down our lending activity by loan type and industry.

As at December 31, 2015 in thousands of dollars	Outstanding	Undrawn commitments	Letters of credit	Derivatives	Total exposure
Residential mortgages	$ 8,164,506	$ 1,350,880			$ 9,515,386
Personal loans	227,281	921,451			1,148,732
Commercial					
Construction	669,212	526,719	$ 29,033		1,224,964
Food services and accommodation	104,799	27,611	698		133,108
Agriculture	11,029	2,681	29		13,739
Finance and Insurance	6,857	3,801	2,388		13,046
Manufacturing	37,347	21,514	10		58,871
Professional	15,622	24,998	83		40,703
Real estate	1,462,826	226,832	1,898		1,691,556
Retail and Wholesale trade	100,474	55,644	2,052		158,170
Transportation	13,037	9,954	316		23,307
Other	814,656	102,978	8,889		926,523
	$ 11,627,646	$ 3,275,063	$ 45,396	$ –	$ 14,948,105

Market Risk

Market risk relates to interest rate and foreign exchange market fluctuations that can impact our profitability, capital and ability to achieve business objectives. The majority of our revenue is generated from the spread between the interest we earn on loans and the interest we pay on deposits. The mismatch between the timing and volume of loan and deposit maturities results in interest rate risk. If the maturity mismatch between loans and deposits results in deposit interest costs increasing at a faster pace than the interest earned from loans, our spreads will decline. We are additionally impacted by volume mismatches between variable rate loans and deposits. As our current statement of financial position profile has a larger proportion of variable rate assets versus variable rate liabilities, our income is compressed as interest rates decline.

Our treasury team uses strategies to manage the spread between deposit and loan rates for different maturities, while making sure to stay within risk appetite policy limits. The treasury team also provides recommendations to our Asset Liability Committee (ALCO). ALCO meets regularly to review our interest rate risk profile in conjunction with the current economic environment and sets direction for management to develop and implement.

Asset and Liability Maturities
As at December 31
in thousands of dollars

	2015			2014		
	Assets	Liabilities and equity	Differential	Assets	Liabilities and equity	Differential
Variable rate	$ 5,046,433	$ 4,684,769	$ 361,664	$ 4,165,801	$ 3,967,666	$ 198,135
Interest sensitive						
Maturing within 1 year	2,332,609	4,251,244	(1,918,635)	1,399,142	3,972,973	(2,573,831)
Maturing between						
1–2 years 2017	1,706,331	988,029	718,302	1,931,817	1,092,108	839,709
2–3 years 2018	1,101,855	613,997	487,858	1,657,776	786,262	871,514
3–4 years 2019	931,510	358,097	573,413	1,468,320	186,638	1,281,682
4+ years 2020+	2,182,989	484,338	1,698,651	1,506,284	332,565	1,173,719
Non-interest bearing items[1]	434,366	2,355,619	(1,921,253)	271,162	2,062,090	(1,790,928)
	$ 13,736,093	$ 13,736,093	$ –	$ 12,400,302	$ 12,400,302	$ –

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

Impact on net interest income

in thousands of dollars	2015	2014
1 per cent increase in rates	$ 7,427	$ 540
1 per cent decrease in rates	$ (2,689)	$ (6,887)

Liquidity and Funding Management Risk
Liquidity and funding risk relates to the ability to satisfy cash flow obligations in a timely and cost-effective manner. The *Financial Institutions Act* (FIA) requires us to maintain a minimum of 8.0 per cent of our total deposits and borrowings in a liquidity portfolio. As part of this regulation, we are also required to hold statutory liquidity with Central 1 equalling 1.5 per cent of the B.C. credit union system's assets. Presently, this amounts to approximately 8.0 per cent of our deposits and borrowings. These deposits provide yields similar to those of Government of Canada treasury bills or bonds. In addition to the liquidity portfolio held at Central 1, we hold other liquidity investments with a minimum credit rating of R-1 low (A-) or higher. Acceptable investments are identified in our liquidity and funding risk policy.

Our intention is to maintain a total liquidity portfolio at or above 10.0 per cent of total deposits and borrowings. This level provides us with an operating cushion relative to the FIA minimum in the event of rapid asset growth or sudden deposit declines. Our Liquidity Contingency Management Plan includes ongoing monitoring to determine the health of our liquidity, as well as the actions needed, should a liquidity event occur.

Operational Risk

This is risk that errors, inadequate activities or controls with regard to products, services, processes, vendors, partners, technology or projects could result in a loss or missed opportunity. In short, this is risk (and possible loss) stemming from failed internal processes, people or systems, or from external events.

We invest in our people and endeavour to have those with the right skills in the right job at the right time. This better enables the development of strong leaders and loyal employees while providing a safe workplace that continues helping us grow and maintain a healthy corporate culture. We also strive to conduct activities in a way that is consistent with our stated objectives. This requires a clear understanding of the relationship that we have with our members, and the appropriate training and licensing for our staff.

We have an operational risk management program in place to strengthen the organization's ability to identify, manage and mitigate risk. This program, in part, helps to inspire confidence in our members, employees and community regarding our ability to manage risk while maintaining a sound financial position.

Strategic Risk

Strategic risk is the risk that unsuccessful business strategy, inadequate execution, or the lack of responsiveness to changes in the general business environment adversely impact achievement of our business objectives. To help mitigate this risk, we perform a comprehensive analysis of our business as part of a three-year planning cycle. This analysis includes monitoring of progress against objectives and consideration of emerging business opportunities.

Legal and Regulatory Risk

Legal and regulatory risk relates to design or operation flaws, human error, oversight or indifference that may result in a failure to meet legal and/or regulatory requirements. To mitigate this risk, our General Counsel provides ongoing analysis of legal and/or regulatory changes.

Reputation Risk

This is the risk that our reputation is damaged with potential impacts to member growth, profitability, and the ability to compete and achieve business objectives. Our Code of Conduct and Business Ethics Corporate Policy ("Code of Conduct") explains the importance of corporate reputation. Annually, all employees are required to review, complete an online course, and sign off on the Code of Conduct as an indication of their understanding.

Internal Controls over Financial Reporting and Disclosures

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

Critical Accounting Estimates

This section describes areas in our financial statements where we have made judgments. Where possible, we indicate the impact to our estimate if our assumptions were changed. Our estimates are well documented and appropriate.

Allowance for Credit Losses

We maintain an allowance for credit losses that we consider our best estimate of probable credit-related losses existing in our portfolio. The allowance has both specific and collective components.

Specific allowance

Specific allowances reduce our loan asset value to realizable amounts for loans identified as impaired. We review all individual loans above a threshold that become delinquent and determine the realizable value of the loan by estimating future cash flows, which is often the value of the underlying security. We apply judgment on the realization period and on the valuation of the underlying security, although for significant loans, we obtain third-party valuation of the collateral.

Collective allowance

Collective allowances provide for credit losses that we believe may exist but have not yet been specifically identified. Our collective allowance model incorporates a number of factors, applied to each loan portfolio type, such as:

- Size of the portfolio
- Probability of default
- Loss given default
- Estimated lag period between loss event and identification

Additionally, we consider current observable factors that influence losses in our portfolio. Deterioration in these factors, such as changes in unemployment rates and provincial gross domestic product, will cause losses that we may not yet have detected in our model. We apply judgment in evaluating the severity of changes to these observable factors. While the performance of each of our portfolios drives the inputs to our model, we apply judgment when we have gaps in data or results are counterintuitive. A uniform 10 per cent increase in the probability of default across all portfolios causes the collective allowance to increase by approximately $3.0 million.

Financial Instruments Measured at Fair Value

We record all securities, derivatives and certain loans at their fair value. In the case of a derivative liability, fair value represents our estimate of what we would receive or pay in a transaction between two willing parties. The best evidence of fair value is quoted bid or ask price, as appropriate, in an active market.

Where bid and ask prices are unavailable, we use the closing price of the most recent transaction of that instrument. Where quoted prices are not available for a particular financial instrument, we estimate fair value using:

- Quoted price of a financial instrument with similar characteristics and risk profile, or
- Observable market-based inputs that drive internal or external valuation models.

Determining fair value for instruments that trade actively and have quoted market prices (Level 1) requires minimal subjectivity. We have to apply judgment to value other instruments. We value derivatives using readily available market information that can be input to internal models (Level 2). We validate the outputs by comparing our valuations with counterparties. When we use internal models without observable market information (Level 3), we use general assumptions such as internal pricing spreads over observable market inputs. All modelled valuations consider credit risk adjustments as appropriate. We disclose these valuations in Note 27.

We record changes in fair value to the income statement unless we have elected a security to be available for sale or we have designated a derivative as an effective cash flow hedge. At December 31, 2015, we carried $1.4 billion (or 10.7 per cent) of our financial assets, and $3.6 million of our financial liabilities (all derivative instruments) at fair value. Included in the financial assets is $30.6 million ($15.1 million at December 31, 2014) of loans where we have made a fair value option in order to match valuations of hedged and hedging items.

Asset Impairment (Goodwill and Intangible Assets)

At December 31, 2015, total goodwill was $15.2 million, identifiable intangible assets with a definite life were $6.6 million, and software was $61.3 million. These amounts increased from 2014 by $10.4 million, and offset by $5.9 million from amortization and $0.1 million from disposals of software.

At least annually, we are required to test these assets for impairment. These impairment tests consist of comparing the carrying value with the fair value of the reporting unit. We apply judgment in:

- Measuring fair value when estimating future cash flows expected to result from the use of the asset and its eventual disposition
- Determining the useful life of these intangible assets in order to determine annual amortization.

We had no impairment of goodwill during the year.

Contingent Liabilities

In the ordinary course of our business, we are party to a number of legal proceedings. In accordance with accounting standards, we accrue amounts if in our opinion, we believe that a future event will confirm existence of a liability at the date of the financial statements, and that we can reasonably estimate the amount of the loss.

At times, however, it is either not possible for us to determine existence of a liability or to reasonably estimate the amount until the case is closer to resolution. In this case, we will not accrue any amounts until that time. If the reasonable estimate of loss involves a range within which a particular amount appears to be a better estimate, we will accrue that amount. If we have no better estimate within a range, we accrue the minimum amount in the range.

It is inherently difficult to predict the outcome of such matters. For this reason, we regularly assess the adequacy of our contingent liability accrual and make adjustments to incorporate new information as it becomes available. Based on current knowledge and consultation with legal counsel, we do not expect the outcome of any of these matters (individually or in aggregate) to have a material adverse effect on our consolidated financial position. However, the outcome of any such matters, individually or in aggregate, may be material to our operating results for a particular year.

Income Taxes

We use sound judgment when estimating income taxes and deferred income tax assets and liabilities. We estimate our actual current tax exposure, together with assessing temporary differences that result from the different treatments of items for tax and accounting purposes, and any tax loss carry-forwards.

Depending on our ability to grow deposits, we have access to a credit union deduction that can reduce our effective tax rate. The federal government is phasing out its component of this deduction over the next four years, as announced within the 2013/2014 federal budget. The province is phasing out its component over five years, beginning in 2016.

When valuing our deferred income tax assets and liabilities, we estimate future reversing tax rates based on our forecast growth for deposits and income before taxes. If we estimate our future reversing rate to be 1 per cent higher, our net deferred income tax assets will be $0.2 million higher. This would consequently reduce our deferred income tax expense by $0.2 million. As of December 31, 2015, we had available deferred income tax assets of $23.5 million (2014 - $22.4 million), and deferred income tax liabilities of $17.7 million (2014 – $13.4 million).

We have to assess whether realizing our deferred income tax assets prior to their expiration is more likely than not. If we believe we will have future taxable profits that will allow us to claim deductible temporary differences, we recognize the full deferred income tax assets. The factors we use to assess this likelihood include:

- Past experience of income and capital gains
- Forecast of future net income before taxes
- Available tax planning strategies that could be implemented to realize the deferred income tax assets
- The remaining expiration period of tax loss carry-forwards

We believe, based on all available evidence, that we will realize the remaining deferred income tax assets prior to their expiration.

Consolidated Financial Statements

Table of Contents

Management's Responsibility for Financial Reporting

The consolidated financial statements and all other information contained in the annual report are the responsibility of management and have been approved by the Board of Directors (the "Board"). The consolidated financial statements have been prepared by management in accordance with the requirements of the *Credit Union Incorporation Act* and International Financial Reporting Standards, 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; and a continued program of extensive internal audits. These controls are designed to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets, and that assets are safeguarded against unauthorized use or disposition. The Board has appointed an Audit and Finance Committee, comprised of four directors, to review with management and auditors the annual financial statements prior to submission to the Board for final approval. KPMG LLP has been appointed by the membership as independent auditors to examine and report on the consolidated financial statements, and their report appears at right. They have full and free access to the internal audit staff and the Audit and Finance Committee of the Board.

Don Coulter, CA, CPA
President and Chief Executive Officer

David Gaskin, CA, CPA
Chief Financial Officer

Independent Auditors' Report

To the Members of Coast Capital Savings Credit Union

We have audited the accompanying consolidated financial statements of Coast Capital Savings Credit Union, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of income, members' equity, comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Coast Capital Savings Credit Union as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

February 24, 2016
Vancouver, Canada

Consolidated Statements of Financial Position

As at December 31, with comparative information for 2014

All amounts in thousands of dollars, unless otherwise stated	Notes	2015	2014
Assets			
Cash and cash resources	4	$ 585,502	$ 146,808
Financial investments	5	1,359,015	1,146,909
Loans	6–9	11,608,836	10,949,852
Premises and equipment	10	27,959	23,902
Goodwill and intangible assets	11	83,143	78,613
Deferred income tax assets	23	5,737	9,058
Income taxes receivable		4,546	1,281
Other assets	12	61,355	43,879
		$ 13,736,093	$ 12,400,302
Liabilities			
Deposits	13	$ 11,678,760	$ 11,220,637
Secured borrowings	9	570,329	167,378
Borrowings	15	400,000	–
Provisions	16	1,016	1,093
Other liabilities	17	90,710	75,517
		12,740,815	11,464,625
Members' equity			
Class B shares		$ 32,213	$ 34,482
Retained earnings		952,949	895,983
Accumulated other comprehensive income		10,116	5,212
		995,278	935,677
		$ 13,736,093	$ 12,400,302
Commitments and contingent liabilities	24		

On behalf of the Board of Directors:

Bill Cooke
Chair, Board of Directors

Chris Trumpy
Chair, Audit and Finance Committee

Consolidated Statements of Income

Year ended December 31, 2015, with comparative information for 2014

All amounts in thousands of dollars, unless otherwise stated	Notes	2015	2014
Interest income			
Loans	19	$ 401,477	$ 406,627
Cash and financial investments	19	20,276	21,942
		421,753	428,569
Interest expense			
Deposits	19	149,123	170,445
Borrowings	19	7,757	4,207
Derivatives	19	397	1,353
		157,277	176,005
Net interest income		264,476	252,564
Provision for credit losses	7	4,997	5,379
		259,479	247,185
Fee and commission income			
Insurance commissions		7,958	8,302
Mutual and segregated fund commissions		24,703	20,280
Foreign exchange		3,797	3,859
Other fees and commissions		23,260	22,541
		59,718	54,982
Other income	20	16,957	17,455
Gain on sale of assets		(1)	1,324
		336,153	320,946
Non-interest expenses			
Salaries and employee benefits	21	133,542	123,891
Administration	22	71,895	63,657
Technology		12,211	10,098
Occupancy		24,953	23,361
Depreciation and amortization		12,877	11,869
Community contributions		4,992	5,676
		260,470	238,552
Income before provision for income taxes		75,683	82,394
Provision for income taxes	23	17,314	20,373
Net income		$ 58,369	$ 62,021

Consolidated Statements of Members' Equity

Year ended December 31, 2015, with comparative information for 2014

All amounts in thousands of dollars, unless otherwise stated	2015	2014
Class B shares		
Balance at beginning of the year	$ 34,482	$ 36,454
Share dividends	597	719
Share redemptions	(2,866)	(2,691)
Balance at end of the year	32,213	34,482
Retained earnings		
Balance at beginning of the year	895,983	835,043
Net income	58,369	62,021
Actuarial gains (losses) on defined benefit plans	(194)	(76)
Share dividends	(597)	(719)
Cash dividends	(86)	(68)
Income tax deduction on dividends	155	203
Other equity adjustments	(681)	(421)
Balance at end of the year	952,949	895,983
Accumulated other comprehensive income – available for sale securities		
Balance at beginning of the year	5,212	1,239
Other comprehensive income	3,220	3,973
Balance at end of the year	8,432	5,212
Accumulated other comprehensive income – cash flow hedges		
Balance at beginning of the year	–	(415)
Other comprehensive income	1,684	415
Balance at end of the year	1,684	–
Total accumulated other comprehensive income	10,116	5,212
Total equity	$ 995,278	$ 935,677

Class B shares are not a membership requirement. These shares are non-transferable, non-cumulative and non-voting. Retraction and redemption of Class B shares including terms, conditions and dividends are set at the discretion of the Board of Directors. The dividend rate is a floating rate and is currently 1.91 per cent (2014 – 2.25 per cent). These shares have a par value of $1 each. Coast Capital has authorized an unlimited number of Class B shares and all issued shares are fully paid.

Consolidated Statements of Comprehensive Income

Year ended December 31, 2015, with comparative information for 2014

All amounts in thousands of dollars, unless otherwise stated	2015	2014
Net income	$ 58,369	$ 62,021
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Actuarial gains (losses) on defined benefit pension plans		
(net of income taxes of $(57) (2014 – $27))	(194)	(76)
	(194)	(76)
Items that may be reclassified to profit or loss where conditions are met:		
Unrealized gains (losses) on available for sale securities		
(net of income taxes of $1,018 (2014 – $(1,396)))	3,220	3,973
Gains on effective portion of cash flow hedges		
(net of income taxes of $533 (2014 – $146))	1,684	415
Other comprehensive income	4,710	4,312
Total comprehensive income	$ 63,079	$ 66,333

Consolidated Statements of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

All amounts in thousands of dollars, unless otherwise stated	2015	2014
Cash flows from operating activities		
Net income before provision for income taxes	$ 75,683	$ 82,394
Adjustments for:		
Depreciation and amortization	12,877	11,869
Provision for credit losses	4,997	5,379
Interest income	(421,542)	(427,155)
Interest expense	157,277	176,005
Dividend income	(211)	(1,414)
Changes in other non-cash operating items	1,731	8,828
Interest income received	419,199	426,629
Interest expense paid	(165,532)	(176,338)
Dividends received	3,123	1,809
Net income taxes paid	(17,258)	(39,922)
Cash flows from operating activities before undernoted	70,344	68,084
Net decrease (increase) in loans	(665,402)	46,629
Net increase (decrease) in deposits	466,319	(96,011)
Cash flows from operating activities	(128,739)	18,702
Cash flows used in investing activities		
Net proceeds from sale of assets	7	1,318
Net decrease (increase) in investments	(211,254)	104,755
Net (purchase) disposal of premises and equipment	(21,464)	(36,379)
Cash flows used in investing activities	(232,711)	69,694
Cash flows from financing activities		
Net increase (decrease) in borrowings	802,951	(91,086)
Net redemption of Class A and B shares	(2,807)	(2,623)
Cash flows from financing activities	800,144	(93,709)
Net increase in cash and cash equivalents	438,694	(5,313)
Cash and cash equivalents, beginning of year	146,808	152,121
Cash and cash equivalents, end of year	$ 585,502	$ 146,808

Notes to Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014
All amounts in thousands of dollars, unless otherwise stated

Coast Capital Savings Credit Union ("Coast Capital") is incorporated under the British Columbia *Credit Union Incorporation Act* and its subsidiaries are incorporated under the British Columbia *Company Act* or the *Canada Business Corporations Act*.

Coast Capital is located in Canada and its registered office is in Surrey, British Columbia. The operation of Coast Capital is regulated under the British Columbia *Financial Institutions Act*. Coast Capital provides financial services to members principally in the Metro Vancouver, Fraser Valley, and Vancouver Island regions of British Columbia.

The consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on February 24, 2016.

1. Basis of presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for available for sale financial assets, financial assets and financial liabilities accounted for at fair value through profit or loss and derivative financial instruments, which are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency.

c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates and judgments include the measurement of the allowance for credit losses, income taxes, goodwill and intangible assets. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

2. Significant accounting policies

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

a) Basis of consolidation

The financial position, operating results and cash flows of other entities are included in these consolidated financial statements if Coast Capital controls these investees. Coast Capital controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accordingly, these consolidated financial statements include the financial position, operating results and cash flows of Coast Capital, its wholly-owned active subsidiary Coast Capital Financial Management Ltd. (CCFM), and Coast Capital Equipment Finance Ltd (CCEFL), Travelers Leasing Ltd (TLL), and Travelers Finance Ltd (TFL). All inter-company transactions and balances have been eliminated. The consolidated financial statements have been prepared using consistent accounting and valuation policies for similar transactions and events under similar circumstances.

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

A Special Purpose Entity (SPE) is created to accomplish a narrow and well-defined objective.

An SPE is consolidated if, based on an evaluation of the substance of its relationship with Coast Capital and the SPE's risks and rewards, Coast Capital concludes that it controls the SPE. The following circumstances may indicate a relationship that, in substance, Coast Capital controls and consequently consolidates an SPE:

i) The activities of the SPE are being conducted on behalf of Coast Capital according to its specific business needs so that Coast Capital obtains benefits from the SPE's operation.

2. Significant accounting policies (continued)

a) Basis of consolidation (continued)

ii) Coast Capital has the decision-making powers to obtain the majority of the benefits of the activities of the SPE.

iii) Coast Capital has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.

iv) Coast Capital retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Based on the assessments performed, Coast Capital determined that it does not control any SPEs for which the results are not already included in its consolidated financial statements.

b) Cash and cash resources

For the purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition, including cash and deposits with Central 1 Credit Union ("Central 1"), treasury bills and other eligible bills, amounts due from other banks and cheques and other items in transit.

c) Non-derivative financial instruments

All non-derivative financial instruments, with certain exceptions, are classified as one of the following: held to maturity (HTM), loans and receivables, financial assets or liabilities at fair value through profit or loss (FVTPL), available for sale (AFS) or other financial liabilities. All financial instruments are recorded at fair value on initial recognition and are subsequently accounted for based on their classification. Classification depends on the purpose for which the financial instruments were acquired and their characteristics. Interest income and interest expense on all non-derivative financial instruments are recognized in Net Interest Income using the effective interest method in the Consolidated Statement of Income. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, which an entity has the positive intention and ability to hold to maturity. These financial assets are accounted for at amortized cost. Coast Capital has not classified any financial assets as HTM financial assets.

Financial assets are required to be classified as FVTPL if they are acquired principally for the purpose of selling in the near term, or if they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial assets may also be designated as FVTPL when the designation eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or from recognizing gains and losses on them, on different bases. The fair value designation, once made, is irrevocable. Gains and losses on assets classified as FVTPL are recorded in Other Income in the Consolidated Statement of Income. At December 31, 2015, Coast Capital has designated select commercial loans and an investment in a euro denominated bond as FVTPL. The objective of these designations is to significantly reduce a measurement inconsistency that would have otherwise occurred from measuring associated derivative instruments that were obtained to structure an economic hedge against interest rate risk in these financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that are classified or designated as FVTPL or as AFS. They are accounted for at amortized cost using the effective interest method. Coast Capital's loans and receivables principally consist of loans and advances to members and other amounts receivable.

2. Significant accounting policies (continued)

c) Non-derivative financial instruments (continued)

AFS financial assets are those non-derivative financial assets that are designated as AFS or that are not designated or classified as FVTPL, loans and receivables or HTM. AFS instruments are carried at fair value whereby the unrealized gains and losses are included in Accumulated Other Comprehensive Income until sale or identification of impairment, at which time the cumulative gain or loss is transferred to the Consolidated Statement of Income. Realized gains and loss, impairment losses, and foreign exchange gains and losses are recognized immediately in Other Income. Interest income on monetary AFS assets is calculated using the effective interest method and is recognized in the Consolidated Statement of Income. Dividends on AFS equity instruments are recognized in the Consolidated Statement of Income when Coast Capital's right to receive payment is established. Coast Capital's AFS assets consist of statutory deposits and certain investments with Central 1 and certain holdings of bankers' acceptances, bonds and equity investments.

Financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than liabilities designated as FVTPL. A financial liability is required to be classified as FVTPL if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial liabilities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Coast Capital has not designated or classified any financial liabilities as FVTPL at December 31, 2015. Financial liabilities consist of accounts payable, deposits and member shares.

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

d) Financial investments

Investments are accounted for on a trade date basis and are classified as HTM, FVTPL, or AFS.

e) Impairment of financial assets

Coast Capital assesses, at each Consolidated Statement of Financial Position date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets not carried at FVTPL is considered impaired if there is objective evidence of impairment as a result of the occurrence of a loss event and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced by the amount of the impairment loss and recognized in the Consolidated Statement of Income. However, if the impairment pertains to an AFS financial asset, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is reclassified from accumulated other comprehensive income and recognized in the Consolidated Statement of Income.

For financial assets measured at amortized cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. For equity instruments classified as AFS, impairment losses are not reversed through the Consolidated Statement of Income. For other AFS financial assets, the impairment loss is reversed through the Consolidated Statement of Income.

f) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which Coast Capital has access at that date. The fair value of a liability reflects its non-performance risk.

When available, Coast Capital measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then Coast Capital uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received.

2. Significant accounting policies (continued)

f) Fair value of financial instruments (continued)

If an asset or a liability at fair value has a bid price and an ask price, then Coast Capital measures assets and long positions at a bid price and liabilities, and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Coast Capital recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

g) Loans

Loans are recorded at amortized cost using the effective interest method net of the allowance for credit losses.

Interest income is recorded on the accrual basis using the effective interest rate method. Uncollected interest continues to be accrued at the effective interest rate whenever loans are determined to be impaired, but Coast Capital will review these loans individually to assess whether a specific allowance is required. Coast Capital 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 categorized as impaired, 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.

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

i) Allowance for credit losses

Coast Capital assesses, at each Consolidated Statement of Financial Position date, whether there is objective evidence that a loan or group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recorded only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event(s) has (have) an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

For the purposes of a specific evaluation of impairment, the amount of the impairment loss on a fixed rate loan is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Consolidated Statement of Income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, for which specific allowances cannot be determined, financial assets are categorized on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group, taking into account resolution rates, work out costs and discount factors.

2. Significant accounting policies (continued)

i) Allowance for credit losses (continued)

Coast Capital adjusts its collective allowance methodology, taking into account factors such as historical loss experience, and adjusting for current observable data that did not impact the period on which the historical loss experience was based. Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, real estate prices, payment status or other factors indicative of changes in the probability of losses by Coast Capital and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by Coast Capital to reduce any differences between loss estimates and actual loss experience. The collective allowance is adjusted through the use of an allowance account and the amount of the adjustment in the collective provision is recognized in Consolidated Statement of Income.

When a loan is uncollectible, it is written off after all the necessary procedures, such as restructuring or collection activities, have been completed and the amount of the loss has been determined.

j) Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or transferred and either all of the risks and rewards of ownership have been substantially transferred; or the risks and rewards of ownership have not been retained nor substantially transferred but control has not been retained. Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, is cancelled or is expired.

k) Derivative instruments and hedges

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

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

Coast Capital 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 in the Consolidated Statement of Financial Position or to specific firm commitments or forecasted transactions. Coast Capital also formally assesses, at the hedge's inception, retrospectively and prospectively 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 attributed to hedged risks. Hedges are designated as either fair value or cash flow hedges and are carried in the Consolidated Statement of Financial Position at fair value, either as assets or liabilities depending on whether they have a positive or negative fair value.

In a cash flow hedging relationship, the effective portion of the change in fair value of the derivative is recorded in Other Comprehensive Income (OCI). The ineffective portion is recognized in Other Income. The amounts recognized in Accumulated Other Comprehensive Income are reclassified to net income in the same period that the hedged cash flows affect Net Income. For cash flow hedges that are discontinued prior to the end of the original hedge term, the unrealized gain or loss in OCI is amortized to interest income in the Consolidated Statement of Income as the hedged item impacts earnings. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in Interest Income in the Consolidated Statement of Income.

In a fair value hedging relationship, the change in the fair value of the hedged item attributable to the hedged risk is recorded in the Consolidated Statement of Income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the hedging derivative. If the derivative expires or is sold, terminated or exercised, no longer meets the criteria for fair value hedge accounting or the designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest rate is used is amortized to the Consolidated Statement of Income as part of the recalculated effective interest rate of the item over its remaining life.

Non-hedging 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, with a corresponding asset or liability in the Consolidated Statement of Financial Position.

2. Significant accounting policies (continued)

l) Finance and operating leases

Agreements that transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When Coast Capital is a lessor under finance leases, the amounts due under the leases are included as Loans in the Consolidated Statement of Financial Position. The finance income receivable is recognized in Net Interest Income over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

All other leases are operating leases. When Coast Capital is the lessee, leased assets are not recognized in the Consolidated Statement of Financial Position. Lease amounts payable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in Non-Interest Expenses in the Consolidated Statement of Income.

m) Premises and equipment

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

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

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

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

Gains and losses on disposal are recorded separately in the Consolidated Statement of Income.

n) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost less accumulated depreciation and when the use of a property changes such that it is reclassified as premises and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, being 40 to 50 years.

Investment properties are reviewed for impairment in the same manner as premises and equipment.

o) Business combinations, goodwill and other intangible assets

Business combinations are accounted for using the acquisition method. Identifiable intangible assets are recognized under Other Intangible Assets.

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

2. Significant accounting policies (continued)

o) Business combinations, goodwill and other intangible assets (continued)

Other intangibles assets include computer software, customer lists, trademarks, and other intangible assets. The intangible assets have definite lives and are measured at cost and amortized using the straight-line method over their estimated useful lives as follows:

Computer software	2 to 15 years
Customer lists	10 years
Trademarks	10 years
Other	5 to 10 years

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

p) Income taxes

Coast Capital's income taxes are comprised of current and deferred income taxes.

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

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

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities against current income tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their income tax assets and liabilities will be realized simultaneously.

q) Employee benefits

Coast Capital participates in a number of post-retirement benefit plans, including defined benefit and defined contribution plans as well as a multi-employer pension plan.

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

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

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

2. Significant accounting policies (continued)

q) Employee benefits (continued)

Coast Capital is a participating member of the British Columbia Credit Union Employees' Pension Plan ("the Plan"), a multi-employer defined benefit plan. Each member credit union is exposed to the actuarial risks of the other employers with the result that, in Coast Capital's opinion, there is no reasonable way to allocate any defined benefit obligations. The Plan has informed Coast Capital that they are not able to provide defined benefit information on a discrete employer basis as the investment records are not tracked by individual employer and each employer is exposed to the actuarial risks of the Plan as a whole.

Accordingly, Coast Capital's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis.

r) Provisions

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

s) Foreign currency translation

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

t) Comparative figures

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

3. Significant accounting changes

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of Coast Capital, except as discussed below.

a) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single principles-based five-step model for revenue recognition to be applied to all contracts with customers. IFRS 15 will be effective for us on January 1, 2018. Management is in the process of assessing the impact of the new standard.

b) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – "Financial Instruments" (IFRS 9) which will replace IAS 39 "Financial Instruments: Recognition and Measurement". The final version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The main changes to the requirements are summarized below:

All financial assets that are currently in the scope of IAS 39 will be classified as either amortized cost, fair value through profit or loss or other comprehensive income. The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist. Classification of financial assets is based on an entity's business model for managing the financial assets and their contractual cash flow characteristics. Reclassifications between the categories are prohibited unless there is a change in the entity's business model.

The accounting for financial liabilities remains consistent with the requirements of IAS 39.

3. Significant accounting changes (continued)

b) IFRS 9 – Financial Instruments (continued)

IFRS 9 requires the use of the expected loss impairment model for financial assets. The expected loss model requires entities to recognize 12-month expected credit losses from the date a financial instrument is first recognized and to recognize lifetime expected credit losses when the credit risk of an instrument has increased significantly.

Finally, IFRS 9 introduces hedge accounting requirements, which have been changed to better align accounting treatment more closely with risk management practices. Management is in the process of assessing the impact of the new standard.

c) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which sets out a new model for lease accounting, replacing IAS 17 Leases. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Early adoption will be permitted, provided that Coast Capital has adopted IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. Management has not yet determined the impact of the new standard.

4. Cash and cash resources

	2015	2014
Cash	$ 196,664	$ 103,624
Short-term financial investments, classified as AFS	$ 249,965	$ 43,184
Short-term deposits with Central 1, classified as loans and receivables	$ 138,836	-
Accrued interest	37	-
	$ 585,502	$ 146,808

Deposits with Central 1 earn interest at short-term market rates. The long-term portion is classified as financial investments. These funds are not available to finance Coast Capital's day-to-day operations and as such, are excluded from cash and cash equivalents.

5. Financial investments

	2015	2014
Financial investments, designated at FVTPL	$ 24,952	$ 24,229
Financial investments, classified as AFS	1,187,160	1,069,974
Long-term financial investments, classified as loans and receivables	136,610	43,180
Accrued interest	10,293	9,526
	$ 1,359,015	$ 1,146,909

AFS financial investments are primarily comprised of statutory deposits and investments with Central 1, deposit notes and bankers' acceptances with Canadian chartered banks, corporate, provincial and municipal bonds rated AA or higher and commercial paper rated R1 low or higher.

Coast Capital is also required to hold a specified number of membership shares in Central 1 as a condition of membership. The amount of the required equity investment in Central 1 is determined based on Coast Capital's membership and assets. Coast Capital also has equity investments in other affiliated co-operative entities that complement and support the credit union system. All such shares are classified as AFS. Typically, the Central 1 shares are not available for trade in an active market; therefore, market values are not readily available.

In addition, the variability in the range of fair value estimates based on valuation models is significant. Therefore Coast Capital's equity investments in Central 1 are reported at their original cost, $47,250 (2014 – $45,434) because their fair value cannot be measured reliably. Investments in the other affiliated co-operative organizations have been measured at fair value, estimated using valuation models.

In accordance with provincial legislation, credit unions are required to maintain liquid investments at a minimum of 8 per cent of their deposit and debt liabilities; as at December 31, 2015 this was $1,012,117 (2014 – $911,367). Within this 8 per cent, credit unions are required to hold with Central 1, the greater of:

- 1.5 per cent of all British Columbia credit union assets; or
- 6.0 per cent of their deposits plus borrowings.

6. Loans

December 31, 2015	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Loan principal	$ 8,164,506	$ 227,281	$ 3,235,532	$ 11,627,319
Fair value adjustment for loans at FVTPL	-	-	327	327
Accrued interest	7,957	1,776	8,263	17,996
Total loans	8,172,463	229,057	3,244,122	11,645,642
Allowances for credit losses	4,213	6,039	26,554	36,806
	8,168,250	223,018	3,217,568	11,608,836
Impaired loans	6,914	535	19,147	26,596
Less amounts where loss not expected	6,120	336	13,832	20,288
Specific allowances	794	199	5,315	6,308
Collective allowances				30,498
Total allowances for credit losses				$ 36,806

December 31, 2014	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Loan principal	$ 7,779,794	$ 249,177	$ 2,938,831	$ 10,967,802
Fair value adjustment for loans at FVTPL	-	-	266	266
Accrued interest	8,579	2,068	8,771	19,418
Total loans	7,788,373	251,245	2,947,868	10,987,486
Allowances for credit losses	6,992	5,868	24,774	37,634
	7,781,381	245,377	2,923,094	10,949,852
Impaired loans	8,920	770	13,825	23,515
Less amounts where loss not expected	7,708	228	9,377	17,313
Specific allowances	1,212	542	4,448	6,202
Collective allowances				31,432
Total allowances for credit losses				$ 37,634

Substantially all of Coast Capital's loans are written on properties and businesses located in the Metro Vancouver and Vancouver Island regions of British Columbia. Of the amounts reported above, $7,050,313 (2014 – $8,613,983) is expected to be received more than 12 months after the reporting date.

6. Loans (continued)

Commercial loans also include finance lease receivables for leases of certain property and equipment where Coast Capital and CCEFL are the lessors:

	2015			2014		
	Gross investment in finance leases receivable	Unearned finance income	Net investment in finance leases receivable	Gross investment in finance leases receivable	Unearned finance income	Net investment in finance leases receivable
Less than one year	$ 17,049	$ (2,663)	$ 14,386	$ 14,341	$ (2,438)	$ 11,903
Between one and five years	600,454	(76,821)	523,633	429,452	(53,424)	376,028
More than five years	50,637	(8,399)	42,238	30,657	(4,983)	25,674
	$ 668,140	$ (87,883)	$ 580,257	$ 474,450	$ (60,845)	$ 413,605

7. Allowances for credit losses

2015	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Balance, beginning of year	$ 6,992	$ 5,868	$ 24,774	$ 37,634
Provision for credit losses	(1,858)	3,626	3,229	4,997
Loans written off	(1,023)	(3,788)	(2,392)	(7,203)
Recoveries of loans written off	102	333	943	1,378
Balance, end of year	$ 4,213	$ 6,039	$ 26,554	$ 36,806
Percentage of total loans	0.05%	2.71%	0.83%	0.32%
2014	**Residential mortgages**	**Personal loans**	**Commercial mortgages and loans**	**Total**
Balance, beginning of year	$ 6,167	$ 5,800	$ 26,895	$ 38,862
Provision for credit losses	2,340	3,983	(944)	5,379
Loans written off	(1,618)	(4,281)	(1,954)	(7,853)
Recoveries of loans written off	103	366	777	1,246
Balance, end of year	$ 6,992	$ 5,868	$ 24,774	$ 37,634
Percentage of total loans	0.09%	2.39%	0.85%	0.34%

The allowance for credit losses adjusts the value of loans to reflect their estimated realizable value. In assessing their estimated realizable value, Coast Capital must rely on estimates and exercise judgment as they relate to economic factors, historical loss experience and specific issues with respect to single borrowers. Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

8. Credit quality

2015	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Grades				
1 to 3 – satisfactory risk			$ 3,151,790	$ 3,151,790
4 – watch list			64,922	64,922
5 – sub-standard but not impaired			–	–
Commercial mortgages and loans not impaired			3,216,712	3,216,712
Residential mortgages and personal loans not impaired	$ 8,157,592	$ 226,746		$ 8,384,338
Loans not impaired	8,157,592	226,746	3,216,712	11,601,050
Impaired	6,914	535	19,147	26,596
	8,164,506	227,281	3,235,859	11,627,646
Loans past due				
Past due up to 29 days	67,776	5,018	9,635	82,429
Past due 30 – 89 days	9,005	905	19,169	29,079
Past due 90 – 179 days	4,092	340	2,796	7,228
Past due over 180 days	6,190	497	12,824	19,511
	87,063	6,760	44,424	138,247
Loans past due but not impaired				
Past due up to 29 days	67,437	4,983	7,113	79,533
Past due 30 – 89 days	9,005	902	17,889	27,796
Past due 90 – 179 days	3,707	340	275	4,322
Past due over 180 days	–	–	–	–
	80,149	6,225	25,277	111,651
Loans impaired				
Past due up to 29 days	339	35	2,522	2,896
Past due 30 – 89 days	–	3	1,280	1,283
Past due 90 – 179 days	385	–	2,521	2,906
Past due over 180 days	6,190	497	12,824	19,511
	$ 6,914	$ 535	$ 19,147	$ 26,596

8. Credit quality (continued)

2014	Residential mortgages	Personal loans	Commercial mortgages and loans	Total
Grades				
1 to 3 – satisfactory risk			$ 2,775,952	$ 2,775,952
4 – watch list			149,313	149,313
5 – sub-standard but not impaired			7	7
Commercial mortgages and loans not impaired			2,925,272	2,925,272
Residential mortgages and personal loans not impaired	$ 7,770,874	$ 248,407		8,019,281
Loans not impaired	7,770,874	248,407	2,925,272	10,944,553
Impaired	8,920	770	13,825	23,515
	7,779,794	249,177	2,939,097	10,968,068
Loans past due				
Past due up to 29 days	71,014	3,649	22,243	96,906
Past due 30 – 89 days	17,882	1,989	9,268	29,139
Past due 90 – 179 days	7,159	686	819	8,664
Past due over 180 days	7,894	616	11,384	19,894
	103,949	6,940	43,714	154,603
Loans past due but not impaired				
Past due up to 29 days	70,528	3,547	20,842	94,917
Past due 30 – 89 days	17,848	1,953	8,705	28,506
Past due 90 – 179 days	6,653	671	343	7,667
Past due over 180 days	–	–	–	–
	95,029	6,171	29,890	131,090
Loans impaired				
Past due up to 29 days	486	102	1,401	1,989
Past due 30 – 89 days	34	36	564	634
Past due 90 – 179 days	506	16	476	998
Past due over 180 days	7,894	616	11,384	19,894
	$ 8,920	$ 770	$ 13,825	$ 23,515

Credit grades are formally applied to commercial mortgages and loans and comply with provincial regulations. Residential mortgages and personal loans are tested for impairment on an ongoing basis. If a residential mortgage or personal loan is 14 days past due but determined to not be impaired, management has a formalized process that queues loans by age for regular monitoring.

Accrued interest of $1,120 (2014 – $1,481) has been accrued on the impaired loans, but a specific provision of $1,110 (2014 – $1,214) has been established to reduce the carrying value of this accrual to its estimated net realizable value.

The fair value of the collateral held by Coast Capital as security for impaired loans was $18,152 (2014 – $19,946). Coast Capital has estimated the fair value of collateral based on an updated assessment of the respective security appraisal undertaken at the original funding assessment and management's knowledge of current local economic conditions.

The collateral and other credit enhancements held by Coast Capital as security for loans include: (i) insurance, mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to the commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities.

9. Transfers of mortgage receivables

As part of its program of liquidity, capital and interest rate risk management, Coast Capital enters into arrangements to fund mortgage growth by selling loans to unrelated third parties. Coast Capital reviews these securitization arrangements in order to determine whether they should result in all or a portion of the transferred mortgages being derecognized from the Consolidated Statement of Financial Position. The derecognition requirements include an assessment of whether Coast Capital's rights to contractual cash flows have expired or have been transferred or whether an obligation has been undertaken by Coast Capital to pay the cash flows collected on the underlying transferred assets over to a third party. The derecognition standards also include an assessment of whether substantially all the risks and rewards of ownership have been transferred.

The amount of residential mortgages, including accrued interest, that were transferred but that were not derecognized at December 31 was $559,938 (2014 – $184,564). Coast Capital has also recognized $570,329 (2014 – $167,378) of secured borrowing relating to securitization transactions as Coast Capital did not transfer substantially all of the risks and rewards of ownership, principally because it did not transfer prepayment, interest and credit risk of the mortgages in the securitization. The residential mortgages are categorized as Loans and they are held as security for this secured borrowing. The average weighted average interest rate on the secured borrowing was 1.74 per cent (2014 – 2.07 per cent) and mature at the same rate as the underlying mortgages.

As a result of the transactions, Coast Capital receives the net differential between the monthly interest receipts of the mortgages and the interest expense on the borrowings.

The following table summarizes quantitative information about mortgages securitized by Coast Capital as at December 31, 2015:

Type of loan	Total principal amount of mortgages	Principal amount of loans over 60 days past due	Average balances
Residential	$ 559,849	–	$ 452,827

Coast Capital has no obligation to repurchase the securitized mortgages. The mortgages and the secured borrowing mature as follows:

	Mortgages	Secured Borrowings
2016	$ 482	$ 491
2017	84,243	85,820
2018	97,281	99,102
2019	140,961	143,600
2020	236,882	241,316

10. Premises and equipment

Original cost	Land	Buildings	Furniture and equipment	Leasehold improvements	Total
Balance at January 1, 2014	$ 125	$ 1,732	$ 34,351	$ 29,013	$ 65,221
Additions during the year	–	–	4,712	1,553	6,265
Disposals during the year	68	157	119	13	357
Balance at December 31, 2014	57	1,575	38,944	30,553	71,129
Additions during the year	–	6	9,067	1,998	11,071
Disposals during the year	–	–	516	10	526
Balance at December 31, 2015	$ 57	$ 1,581	$ 47,495	$ 32,541	$ 81,674

Accumulated depreciation	Land	Buildings	Furniture and equipment	Leasehold improvements	Total
Balance at January 1, 2014	$ –	$ 1,061	$ 23,014	$ 16,712	$ 40,787
Depreciation during the year	–	51	4,179	2,427	6,657
Disposals during the year	–	96	121	–	217
Balance at December 31, 2014	–	1,016	27,072	19,139	47,227
Depreciation during the year	–	47	4,527	2,427	7,001
Disposals during the year	–	–	503	10	513
Balance at December 31, 2015	$ –	$ 1,063	$ 31,096	$ 21,556	$ 53,715

Net book value, at December 31, 2014	57	559	11,872	11,414	23,902
Net book value, at December 31, 2015	$ 57	$ 518	$ 16,399	$ 10,985	$ 27,959

11. Goodwill and intangible assets

Original cost		Software		Goodwill		Other intangible assets		Total
Balance at January 1, 2014	$	63,209	$	632	$	935	$	64,776
Additions during the year		8,850		14,573		8,000		31,423
Disposals during the year		139		–		–		139
Balance at December 31, 2014		71,920		15,205		8,935		96,060
Additions during the year		10,423		–		–		10,423
Disposals during the year		138		–		–		138
Balance at December 31, 2015	$	82,205	$	15,205	$	8,935	$	106,345

Accumulated depreciation		Software		Goodwill		Other intangible assets		Total
Balance at January 1, 2014	$	11,309	$	–	$	926	$	12,235
Amortization during the year		4,632		–		580		5,212
Disposals during the year		–		–		–		–
Balance at December 31, 2014		15,941		–		1,506		17,447
Amortization during the year		5,074		–		802		5,876
Disposals during the year		121		–		–		121
Balance at December 31, 2015	$	20,894	$	–	$	2,308	$	23,202

Net book value, December 31, 2014		55,979		15,205		7,429		78,613
Net book value, December 31, 2015	$	61,311	$	15,205	$	6,627	$	83,143

As at December 31, 2015, other intangible assets are comprised of purchased customer lists. Amortization of computer software and customer lists is recognized in Depreciation and Amortization in the Consolidated Statement of Income.

12. Other assets

		2015		2014
Accounts receivable	$	16,798	$	12,422
Prepaid expenses		21,353		13,099
Derivatives (note 27)		2,217		1,702
Other		20,987		16,656
	$	61,355	$	43,879

13. Deposits

	2015	2014
Demand	$ 5,257,179	$ 4,742,835
Term	5,117,971	5,062,631
Registered plans	1,247,358	1,350,703
Class A membership shares	2,470	2,411
Class P non-equity shares	115	135
Accrued interest	53,667	61,922
	$ 11,678,760	$ 11,220,637

Of the amounts reported above, $1,874,118 (2014 – $2,230,194) is expected to be recovered or settled more than 12 months after the reporting date.

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. Coast Capital has authorized an unlimited number of Class A shares. All issued shares are fully paid.

Amounts contributed by members for Class P shares can be withdrawn on demand or redeemed at any time by Coast Capital 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. Coast Capital has authorized an unlimited number of Class P shares, each with a par value of $1. All issued shares are fully paid.

	Class A membership shares	Class P non-equity shares
Balance at January 1, 2014	$ 2,344	$ 144
Issued during the year	290	–
Redeemed during the year	223	9
Balance at December 31, 2014	2,411	135
Issued during the year	227	–
Redeemed during the year	168	20
Balance at December 31, 2015	$ 2,470	$ 115

14. Assets pledged as collateral

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

Assets that are pledged as collateral are related to proceeds from securitizations and other borrowings. Coast Capital has pledged its assets to Central 1 through a general security agreement in relation to its borrowing line. As at December 31, 2015, Coast Capital has also pledged $695,329 (2014 – $167,378) of residential mortgages in relation to its Secured borrowings.

15. Borrowings

Maturity date	Interest rate	2015
January 15, 2016	1.26%	50,000
January 18, 2016	1.36%	100,000
January 25, 2016	1.33%	25,000
January 25, 2016	1.37%	75,000
January 28, 2016	1.37%	100,000
January 29, 2016	1.27%	50,000
		400,000

Maturity date	Interest rate	2014
–	n/a	–

Borrowings are secured by a debenture in favour of Central 1, creating a floating charge on the assets and undertakings of Coast Capital, and an assignment of book debts.

16. Provisions

	Total
Balance at December 31, 2014	$ 1,093
Provisions made during the period	18
Provisions used during the period	117
Provisions reversed during the period	(22)
Balance at December 31, 2015	$ 1,016

Provisions generally relate to various items arising in the normal course of operations based on management's best estimate of the future obligations. Coast Capital expects to incur most of the liabilities over the next five years.

17. Other liabilities

	2015	2014
Accounts payable and accruals	$ 85,011	$ 71,720
Derivatives (note 26)	3,616	2,439
Deferred fee income	2,083	1,358
	$ 90,710	$ 75,517

18. Capital management

IAS 1, *Presentation of Financial Statements*, requires Coast Capital to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

a) Objectives, policies and processes

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

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

18. Capital management (continued)

a) Objectives, policies and processes (continued)

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

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

b) Regulatory capital

Total capital comprises both primary and secondary capital. Capital requirements are regulated by the Financial Institutions Commission of British Columbia (FICOM) using the risk-weighted approach developed by the Bank for International Settlements (BIS). FICOM established a minimum regulatory capital standard based on a ratio of capital to risk-weighted assets of 8 per cent or $502,257 (2014 – $468,354). In addition, FICOM has now set a supervisory target of 10 per cent and also requires a credit union to set its own internal capital target above this limit, which Coast Capital has set at 13 per cent. At least 50 per cent of a credit union's capital base, for the purpose of meeting the standard, must consist of primary capital, known as Tier 1.

Tier 1 capital is the permanent capital of Coast Capital, comprised primarily of retained earnings but also voting shares, qualifying investment shares, and contributed surplus. It is offset by deferred income tax assets and various capital deductions such as goodwill as prescribed by FICOM. Investment share redemption is subject to limitations, reviewed at least annually, ensuring adequate capital for both regulatory and operational purposes.

Secondary capital, also known as Tier 2 capital, includes subordinated debentures, other investment shares, and 50 per cent of a credit union's portion of retained earnings in the Credit Union Deposit Insurance Corporation (CUDIC), Central 1 and Stabilization Central Credit Union ("Stab Central").

A credit union's assets are weighted according to six categories of relative risk ranging from 0 per cent to 200 per cent. Residential mortgages, the largest portion of Coast Capital's assets, are risk-weighted on average at 35 per cent, while commercial loans, the second-largest portion, are risk-weighted at 100 per cent.

As at December 31, 2015 and 2014, Coast Capital's capital ratio was greater than the minimum requirement and Coast Capital reported the following components of regulatory capital:

	2015	2014
Tier 1 capital	$ 922,174	$ 872,663
Tier 2 capital	95,626	86,683
Total regulatory capital	$ 1,017,800	$ 959,346

19. Net interest income

Interest income	2015	2014
Loans	$ 401,477	$ 406,627
Financial investments, classified as AFS	18,507	20,060
Financial assets, designated at FVTPL	628	659
Deposits with Central 1, classified as loans and receivables	1,141	1,223
	$ 421,753	$ 428,569
Interest expense		
Deposits	$ 149,123	$ 170,445
Borrowings	1,481	2,149
Secured borrowings	6,276	2,058
Derivatives	397	1,353
	157,277	176,005
Net interest income	$ 264,476	$ 252,564

Notes to Consolidated Financial Statements

20. Other income

	2015	2014
Credit card revenues	$ 6,225	$ 5,486
Safety deposit box rental income	1,479	1,520
Gains (losses) on financial investments measured at FVTPL	50	470
Other	9,203	9,979
	$ 16,957	$ 17,455

21. Salaries and employee benefits

	2015	2014
Salaries	$ 111,045	$ 100,155
Benefits	12,735	13,100
Post-employment benefits	7,768	7,377
Termination benefits	1,938	3,207
Other	56	52
	$ 133,542	$ 123,891

22. Administration expenses

	2015	2014
ATM/POS operations	$ 12,256	$ 12,404
CUDIC assessments	8,980	8,209
Central 1 and FICOM assessments	3,342	3,290
Chequing service charges	3,699	3,506
Marketing	5,789	4,866
Bonding and other insurance	2,209	2,216
Professional services	13,964	9,542
Stationery, telephone and postage	6,198	5,635
Travel, meals and entertainment	3,193	2,534
Loan processing	3,299	2,146
Courier	962	963
Training and recruitment	689	478
Other	7,315	7,868
	$ 71,895	$ 63,657

23. Provision for income taxes

	2015	2014
Current income taxes		
Current year	$ 13,993	$ 20,058
	$ 13,993	$ 20,058
Deferred income taxes		
Origination and reversal of temporary differences	3,427	124
Change in estimate of tax rate	(106)	191
	3,321	315
Total income taxes	$ 17,314	$ 20,373

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 26 per cent (2014 – 26 per cent) to income before income taxes. The reasons for the differences are as follows:

	2015		2014	
	Amount	% of pre-tax income	Amount	% of pre-tax income
Combined federal and provincial statutory income taxes	$ 19,655	26.0%	$ 21,423	26.0%
Reduction applicable to credit unions	(1,193)	(1.6%)	–	–
Change in estimate of tax rates	(106)	(0.1%)	190	0.2%
Change in estimate of tax reversals	(515)	(0.7%)	(410)	(0.5%)
Other	(527)	(0.7%)	(830)	(1.0%)
Effective income tax rate	$ 17,314	22.9%	$ 20,373	24.7%

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

	2015	2014
Allowance for credit losses	$ 7,213	$ 7,488
Deferred revenue/prepaid expense	(2,567)	(1,651)
Restructuring costs	276	557
Employee future benefits	1,215	1,210
Capital and intangible assets	(2,745)	926
Loss carry-forwards	2,237	–
Other	108	528
	$ 5,737	$ 9,058

24. Commitments and contingent liabilities

a) Commitments

Lease commitments

Coast Capital occupies premises under long-term leases extending to 2030. Aggregate basic annual lease payments are as follows:

	2015	2014
Not later than 1 year	$ 13,761	$ 12,916
Later than 1 year and less than 5 years	41,297	44,920
Later than 5 years	48,778	57,539
	$ 103,836	$ 115,375

During the year ended December 31, 2015, an amount of $20,474 was recognized as an expense in the Statement of Income in respect of operating leases for minimum lease payments (2014 – $19,204) and $196 was recognized as an expense in the Statement of Income in respect of operating leases for sublease payments (2014 – $184).

Coast Capital leases a number of premises for its administrative functions and for its branch operations. The leases typically run for a period of 5 to 15 years and most agreements have an option to renew the leases for an additional 5 to 10 years after that date at rates which reflect prevailing market prices. Also, at two branch locations, Coast Capital has the right of first refusal to purchase the leased premises from the lessors.

Credit instruments

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

	2015	2014
Lines of credit, unfunded	$ 2,061,090	$ 1,897,039
Letters of credit	$ 45,396	$ 44,815

Coast Capital, as part of its commercial lending services program, issues letters of credit and guarantees. These are issued in the normal course of business. Coast Capital issues guarantees that commercial clients will perform certain work or services on behalf of third parties. Additionally, Coast Capital may issue guarantees to facilitate commercial trade of goods and services between clients and third parties. Coast Capital's policy for requiring collateral security with respect to these instruments held is generally the same as for loans. As at December 31, 2015, all but $31,028 (2014 – $27,346) of the total letters of credit and guarantees issued were secured by deposits by the borrower with Coast Capital. Management estimates that there will be no losses under these obligations that require an allowance for credit losses.

b) Contingencies

Coast Capital is involved in various claims arising in the normal course of business and provisions for these claims have been included in liabilities where management has considered this to be appropriate. We do not expect the outcome of any of these proceedings, in aggregate, to have a material effect on our consolidated financial position or our results of operations.

25. 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 Statement of Financial Position. The resultant mismatch, or gap, as it is commonly called, may produce favourable or unfavourable variances on interest margins depending on the direction of the gap, the direction of interest rate movements and/or the volatility of those interest rates. The maturity or repricing profiles change daily in the ordinary course of business as members select different terms of mortgages, member loans and deposits.

		Fixed-rate terms							
2015	Variable rate	0–3 months	4–6 months	7–12 months	1–3 years	3 + years	Non-interest sensitive	Total	%
Asset									
Cash and investments	–	577,967	90,236	343,662	251,451	411,306	269,895	1,944,517	1.10
Loans	5,046,433	301,721	319,930	699,093	2,556,735	2,703,193	(18,269)	11,608,836	3.33
Other assets	–	–	–	–	–	–	182,740	182,740	–
	5,046,433	879,688	410,166	1,042,755	2,808,186	3,114,499	434,366	13,736,093	
Asset yield	2.92%	1.32%	2.86%	2.45%	3.21%	3.23%	0.00%	–	2.97
Liabilities									
Deposits	4,252,556	1,308,492	935,695	2,007,057	1,602,026	272,106	1,300,828	11,678,760	1.67
Borrowings	400,000	–	–	–	–	–	–	400,000	1.70
Secured borrowings	–	–	–	–	219,370	350,959	–	570,329	1.54
Other Liabilities	–	–	–	–	–	–	91,726	91,726	–
	4,652,556	1,308,492	935,695	2,007,057	1,821,396	623,065	1,392,554	12,740,815	
Total liability cost	0.68%	1.60%	1.63%	1.52%	1.81%	1.74%	0.00%	–	1.12
Members' equity									
Class B shares	32,213	–	–	–	–	–	–	32,213	–
Retained earnings							952,949	952,949	–
Accumulated other comprehensive income	–	–	–	–	–	–	10,116	10,116	–
	32,213	–	–	–	–	–	963,065	995,278	–
Statement of financial position mismatch	361,664	(428,804)	(525,529)	(964,302)	986,790	2,491,434	(1,921,253)	–	–
Derivatives									
Asset	–	51,052	–	–	–	180,000	–	231,052	1.34
Liabilities	–	180,000	–	14,266	20,895	15,891	–	231,052	0.61
	–	(128,948)	–	(14,266)	(20,895)	164,109	–	–	–
Net mismatch	361,664	(557,752)	(525,529)	(978,568)	965,895	2,655,543	(1,921,253)	–	–

25. Interest rate sensitivity position (continued)

2014	Variable rate	Fixed-rate terms 0–3 months	4–6 months	7–12 months	1–3 years	3 + years	Non-interest sensitive	Total	%
Asset									
Cash and investments	–	75,009	19,936	80,122	399,155	578,535	140,960	1,293,717	1.35
Loans	4,165,801	225,658	339,568	658,849	3,190,438	2,396,069	(26,531)	10,949,852	3.46
Other assets	–	–	–	–	–	–	156,733	156,733	–
	4,165,801	300,667	359,504	738,971	3,589,593	2,974,604	271,162	12,400,302	
Asset yield	3.43%	3.28%	3.85%	3.63%	3.26%	2.88%	0.00%	–	3.20
Liabilities									
Deposits	3,933,184	1,427,877	757,112	1,787,984	1,878,370	351,825	1,084,285	11,220,637	1.84
Borrowings	–	–	–	–	–	–	–	–	–
Borrowings secured by loans	–	–	–	–	–	167,378	–	167,378	2.00
Other liabilities	–	–	–	–	–	–	76,610	76,610	–
	3,933,184	1,427,877	757,112	1,787,984	1,878,370	519,203	1,160,895	11,464,625	
Total liability cost	0.89%	1.89%	1.92%	1.79%	1.99%	1.51%	0.00%	–	1.34
Members' equity									
Class B shares	34,482	–	–	–	–	–	–	34,482	–
Retained earnings							895,983	895,983	–
Accumulated other comprehensive income	–	–	–	–	–	–	5,212	5,212	–
	34,482	–	–	–	–	–	901,195	935,677	–
Statement of financial position mismatch	198,135	(1,127,210)	(397,608)	(1,049,013)	1,711,223	2,455,401	(1,790,928)	–	–
Derivatives									
Asset	–	97,145	–	–	–	–	–	97,145	1.27
Liabilities	–	–	–	61,500	14,750	20,895	–	97,145	2.92
	–	97,145	–	(61,500)	(14,750)	(20,895)	–	–	–
Net mismatch	198,135	(1,030,065)	(397,608)	(1,110,513)	1,696,473	2,434,506	(1,790,928)	–	–

In managing interest rate risk, Coast Capital relies primarily upon its contractual interest rate sensitivity position adjusted for certain assumptions regarding customer behaviour preferences, which are based upon historical trends. Adjustments made include assumptions relating to early repayment of loans and customer preferences for demand, notice and redeemable deposits.

26. Derivative instruments

All derivative instruments, including hedging derivatives, are recorded at their fair value in the Consolidated Statement of Financial Position.

Types of derivatives

Coast Capital enters into the following types of derivatives:

- Interest rate swaps: these are contractual agreements between two parties to exchange a series of cash flows and are tools that Coast Capital uses to manage interest rate risk. Generally, counterparties exchange fixed and floating rate interest payments on a notional value. These contracts are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction or a specific pool of transactions with similar risk characteristics. Notional amounts are not exchanged.
- Options: these are contractual agreements that convey to the buyer the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest rate sensitive financial instrument or security at a fixed future date or at any time within a fixed future period.

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

Trading derivatives

Trading derivatives are transacted to generate trading income or include interest rate swaps that do not qualify as hedges for accounting purposes. Realized and unrealized gains and losses are recorded in Other Income in the Consolidated Statement of Income. Unrealized gains on trading derivatives are recorded as Other Assets and unrealized losses on trading derivatives are recorded as Other Liabilities in the Consolidated Statement of Financial Position.

Hedging derivatives

A derivative will qualify as a hedge if the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge, the specific asset, liability or cash flow being hedged, as well as how effectiveness will be assessed.

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. Cash flows or changes in the fair value of the derivative must be highly effective in offsetting either cash flows or changes in the fair value, respectively, of on-statement of financial position items. Changes in the fair value of hedging derivatives, to the extent that they are effective, are either offset in the Consolidated Statement of Income against the changes in the fair value of the risk being hedged, or recorded in OCI, in the case of unrealized gains (losses) on cash flow hedges. During the year, Coast Capital recognized a loss of $0 (2014 – loss of nil) for ineffectiveness in cash flow hedges, which is recognized in interest expense in the Consolidated Statement of Income as it arises.

Cash flow hedges are a type of hedging derivative used to modify exposure to variability in cash flows for variable rate interest bearing instruments or the forecasted issuance of fixed-rate liabilities. Coast Capital records interest receivable or payable on the derivative as an adjustment to interest in the Consolidated Statement of Income.

For cash flow hedges that are discontinued prior to the end of the original hedge term, the unrealized gain or loss in OCI is amortized to interest in the Consolidated Statement of Income as the hedged item impacts earnings. If the hedged item is sold or settled, the entire unrealized gain or loss is recognized in interest in the Consolidated Statement of Income.

26. Derivative instruments (continued)

Coast Capital has the following derivatives:

	Notional amounts Maturities of derivatives 0–12 months	1–3 years	3–5 years	Total 2015	Total 2014	Fair values 2015	Fair values 2014
Interest rate swaps							
Pay fixed	$ 14,266	$ 20,895	$ 15,891	$ 51,052	$ 97,145	$ (3,616)	$ (2,439)
Receive fixed	–	–	180,000	180,000	–	2,217	–
Total interest rate swaps	14,266	20,895	195,891	231,052	97,145	(1,399)	(2,439)
Options							
Forward contracts	–	–	–	–	85,000	–	1,702
Total options	–	–	–	–	85,000	–	1,702
Total derivative contracts	$ 14,266	$ 20,895	$ 195,891	$ 231,052	$ 182,145	$ (1,399)	$ (737)

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.

The following tables indicate the periods in which the hedged cash flows associated with cash flow hedges are expected to occur and affect profit or loss:

2015	Expected Cash Flows	Less than 1 year	1–5 years	More than 5 years
Assets	$ 11,482	$ 2,517	$ 8,965	$ –
Liabilities	9,234	1,832	7,402	–
Net cash inflow (outflow)	$ 2,248	$ 685	$ 1,563	$ –

2014	Expected Cash Flows	Less than 1 year	1–5 years	More than 5 years
Assets	$ –	$ –	$ –	$ –
Liabilities	–	–	–	–
Net cash inflow (outflow)	$ –	$ –	$ –	$ –

27. Fair value of financial instruments

The following table represents the fair values of Coast Capital's financial instruments, including derivatives.

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

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

27. Fair value of financial instruments (continued)

	2015			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Cash and short-term investments	$ 585,502	$ 585,502	$ –	$ 146,808	$ 146,808	$ –
Financial investments at FVTPL	25,935	25,935	–	25,147	25,147	–
Financial investments, AFS	1,196,016	1,196,016	–	1,078,265	1,078,265	–
Loans	11,608,836	11,670,210	61,374	10,949,852	10,993,954	44,102
Other	37,785	37,785	–	29,088	29,088	–
	$13,454,074	$13,515,448	$ 61,374	$12,229,160	$12,273,262	$ 44,102
Liabilities						
Deposits	$ 11,678,760	$ 11,709,803	$ 31,043	$ 11,220,637	$ 11,245,885	$ 25,248
Secured borrowings	570,329	577,508	7,179	167,378	169,028	1,650
Borrowings	400,000	400,184	184	–	–	–
Other	89,643	89,643	–	75,252	75,252	–
	$12,738,732	$ 12,777,138	$ 38,406	$ 11,463,267	$ 11,490,165	$ 26,898
Derivatives	$ (1,399)	$ (1,399)	$ –	$ (737)	$ (737)	$ –

Derivatives are comprised of instruments in an asset position, with a carrying value as at December 31, 2015 of $2,217 (2014 – $1,702) and instruments in a liability position, with a carrying value as at December 31, 2015 of $3,616 (2014 – $2,439). The change in the fair value of the derivatives is comprised of changes in market conditions and changes in counterparty credit risk. Coast Capital measures credit risk at each reporting date by incorporating a quantitative measure of credit risk, which is based on each counterparty's credit rating as determined by credit rating agencies, into its valuations of financial instruments.

Coast Capital follows a fair value hierarchy to categorize the inputs used to measure fair value. The fair value hierarchy is based on quoted prices in active markets (Level 1), models based on observable inputs (Level 2), or models using significant inputs that are not based on observable market data (Level 3).

2015	Available for Sale Securities	Trading Securities	Financial Asset designated as FVTPL	Derivative Instruments Asset	Derivative Instruments Liability	Financial Assets Disclosed at FV	Financial Liabilities Disclosed at FV
Level 1 – Valued using quoted market prices	$ 204,076	$ 25,935	$ –	$ –	$ –		
Level 2 – Valued using internal models (with observable inputs)	1,190,767	–	–	2,217	(3,616)		
Level 3 – Valued using internal models (without observable inputs)	–	–	30,566	–	–	11,707,995	(12,777,138)
Total	$ 1,394,843	$ 25,935	$ 30,566	$ 2,217	$ (3,616)	$ 11,707,995	$ (12,777,138)

27. Fair value of financial instruments (continued)

2014

	Available for Sale Securities	Trading Securities	Financial Asset designated as FVTPL	Derivative Instruments Asset	Derivative Instruments Liability	Financial Assets Disclosed at FV	Financial Liabilities Disclosed at FV
Level 1 – Valued using quoted market prices	$ 109,913	$ 25,147	$ –	$ –	$ –		
Level 2 – Valued using internal models (with observable inputs)	960,555	–	–	1,702	(2,439)		
Level 3 – Valued using internal models (without observable inputs)	–	–	15,101	–	–	11,023,043	(11,491,788)
Total	$ 1,070,468	$ 25,147	$ 15,101	$ 1,702	$ (2,439)	$ 11,023,043	$ (11,491,788)

During the year, there were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

Level 2 financial instruments consist of AFS securities, which are comprised of statutory deposits and investments with Central 1, other fixed income securities and money market instruments, and derivative instruments. Discounted cash flow valuation models are used to determine the present value of the securities. Discount rates are based on observable market inputs, other than quoted prices, which include relevant interest rates pertaining to the value of the assets.

Level 3 financial instruments consist of two (2014 – one) commercial loans that have been designated at FVTPL. A market comparison model is used to determine the current market price of a comparable commercial asset. The current market price is based on commercial lending rates in accordance with internal pricing guidelines and these rates are not entirely based on observable market inputs. As at December 31, a comparable commercial asset would have been quoted a rate of 2.8 per cent and would have an estimated value of $30,566. During the year, there were no transfers of financial instruments either in or out of Level 3 of the fair value hierarchy. The following table reconciles the opening and closing totals:

Valued using internal models (without observable inputs)	2015
Balance, beginning of year	$ 15,101
Purchases	16,342
Redemptions	–
Issues	–
Settlements	(1,946)
Interest/Dividends	1,008
Fair Value Adjustments	61
Balance, ending of year	$ 30,566

Fair value adjustments are included in Other Income in the Statement of Comprehensive Income.

Holding other assumptions constant, changing the current market rate used in the model to reasonably possible alternative assumptions would change the fair value of the commercial loan as follows:

	1% increase	1% decrease
Change in fair value	$ (857)	$ 905

28. Classification of financial instruments

2015	FVTPL	AFS	HTM	Hedging	Loans and receivables	Financial Liabilities	Non-Financial Instruments	Total
Financial assets								
Cash	$ –	$ –	$ –	$ –	$ 196,664	$ –	$ –	$ 196,664
Short-term investments	–	249,965	–	–	–	–	–	249,965
Short-term deposits with Central 1	–	–	–	–	138,836	–	–	138,836
Long-term deposits with Central 1	–	–	–	–	136,610	–	–	136,610
Other investments	24,952	1,187,160	–	–	–	–	–	1,212,112
Accrued interest	983	8,872	–	–	475	–	–	10,330
Loans	–	–	–	–	11,608,836	–	–	11,608,836
Derivatives	–	–	–	2,217	–	–	–	2,217
Premises and equipment	–	–	–	–	–	–	27,959	27,959
Investment property	–	–	–	–	–	–	–	–
Deferred income tax assets	–	–	–	–	–	–	5,737	5,737
Other assets	–	–	–	–	33,651	–	113,176	146,827
	$ 25,935	$ 1,445,997	$ –	$ 2,217	$ 12,115,072	$ –	$ 146,872	$ 13,736,093
Financial liabilities and equity								
Deposits	$ –	$ –	$ –	$ –	$ –	$ 11,678,760	$ –	$ 11,678,760
Borrowings secured by loans	–	–	–	–	–	570,329	–	570,329
Borrowings	–	–	–	–	–	400,000	–	400,000
Derivatives	3,616	–	–	–	–	–	–	3,616
Provisions	–	–	–	–	–	1,016	–	1,016
Income taxes payable	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	87,094	–	87,094
Equity		–	–	–	–	–	995,278	995,278
	$ 3,616	$ –	$ –	$ –	$ –	$ 12,737,199	$ 995,278	$13,736,093

28. Classification of financial instruments (continued)

2014	FVTPL	AFS	HTM	Hedging	Loans and receivables	Financial liabilities	Non-financial instruments	Total
Financial assets								
Cash	$ –	$ –	$ –	$ –	$ 103,624	$ –	$ –	$ 103,624
Short-term investments	–	43,184	–	–	–	–	–	43,184
Short-term deposits with Central 1	–	–	–	–	–	–	–	–
Long-term deposits with Central 1	–	–	–	–	43,180	–	–	43,180
Other investments	24,229	1,069,974	–	–	–	–	–	1,094,203
Accrued interest	918	8,291	–	–	317	–	–	9,526
Loans	–	–	–	–	10,949,852	–	–	10,949,852
Derivatives	1,702	–	–	–	–	–	–	1,702
Premises and equipment	–	–	–	–	–	–	23,902	23,902
Investment property	–	–	–	–	–	–	–	–
Deferred income tax assets	–	–	–	–	–	–	9,058	9,058
Other assets	–	–	–	–	28,016	–	94,055	122,071
	$ 26,849	$ 1,121,449	$ –	$ –	$11,124,989	$ –	$ 127,015	$12,400,302
Financial liabilities and equity								
Deposits	$ –	$ –	$ –	$ –	$ –	$ 11,220,637	$ –	$ 11,220,637
Borrowings secured by loans	–	–	–	–	–	167,378	–	167,378
Borrowings	–	–	–	–	–	–	–	–
Derivatives	2,439	–	–	–	–	–	–	2,439
Provisions	–	–	–	–	–	1,093	–	1,093
Income taxes payable	–	–	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	73,078	–	73,078
Equity		–	–	–	–	–	935,677	935,677
	$ 2,439	$ –	$ –	$ –	$ –	$ 11,462,186	$ 935,677	$12,400,302

29. Related-party transactions

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

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

Outstanding loans to:	2015	2014
Key management personnel	$ 1,169	$ 1,258
Other employees	325,564	320,693
	$ 326,733	$ 321,951

Loans are advanced to employees at interest rates that range from market rates to preferred rates, but directors are not eligible for this employee benefit. No individual allowances for credit losses have been recognized with respect to these loans (2014 – nil). Employee loans are recorded at their fair value in the Consolidated Statement of Financial Position, with the difference between market values and carrying values being recognized as Salaries and employee benefits in the Consolidated Statement of Income.

Outstanding deposits from:	2015	2014
Key management personnel	$ 598	$ 521
Other employees	67,927	40,685
	$ 68,525	$ 41,206

The deposits possess the same terms and conditions as those extended to unrelated parties.

During the year, the following compensation was charged to Salaries and Employee Benefits in the Consolidated Statement of Income for key management personnel who are managers of Coast Capital and who have the authority and responsibility for planning, directing and controlling the activities of the Coast Capital, directly or indirectly. These key management personnel are comprised of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer, Chief Marketing & Public Relations Officer, Chief Transformation Officer, Chief Risk Officer, and Chief Information Officer.

	2015	2014
Short-term employee benefits	$ 4,729	$ 3,632
Post-employment benefits	412	425
Other long-term benefits	687	673
	5,828	4,730
Termination benefits	225	2,000
	$ 6,053	$ 6,730

Employee benefits include amounts earned in that year. Short-term employee benefits are employee benefits that are payable within 12 months after December 31 of each year. This includes gross wages, incentive payments, all taxable/company-paid benefits, and perquisite allowances. Post-employment benefits are employee benefits which are payable after the completion of employment and this includes compensation made to retirement and pension plans. Other long-term employee benefits are employee benefits that are payable more than 12 months after December 31 of each year. This includes compensation under the long-term incentive plan. Termination benefits are employee benefits payable as a result of an employee's employment being terminated and include severance payments and accruals for pending severance offers.

During the year, members of the Board of Directors, who are also considered key management personnel under IFRS, received remuneration of $622 (2014 – $721). Directors do not receive or pay preferred rates on products and services offered by the credit union and are only compensated with short-term Directors' fees and related statutory benefits.

30. Pension plan

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

Under IFRS, an employer is required to account for its participation in a multi-employer plan in respect of its proportionate share of assets, liabilities and costs in the same fashion as for any other defined benefit plan except in the circumstances where the information is not available to the employer, as follows:

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

The Plan has informed Coast Capital that insufficient information is available to enable defined benefit accounting for the Plan. In particular, the investments made from contributions are not tracked on an individual employer basis to enable an apportionment of Plan assets to the respective member employers. Furthermore, the Plan exposes each of the employers to common actuarial risks of all of the members with the consequence that, in management's opinion, there is no reasonable and consistent basis of allocation of the actuarial assets (liabilities).

An actuarial valuation of the overall Plan was carried out as at December 31, 2012, and it was determined that the overall Plan was 87 per cent funded on a going concern basis. The next actuarial review is scheduled for the period ending December 31, 2015, and should be available in September 2016. Pension expense of $3,959 (2014 – $3,697) in respect of contributions paid into the Plan in 2015 has been charged to Salaries and Employee Benefits in the Consolidated Statement of Income. Contributions to the plan in 2016 are expected to be $4,676.

In addition to the Plan, Coast Capital also provides a group RRSP to its employees, whereby all of the contributions are funded by Coast Capital. Pension expense of $3,088 (2014 – $3,079) in respect of contributions paid into this plan in 2015 has been charged to Salaries and Employee Benefits in the Consolidated Statement of Income.

Coast Capital also provides other post-retirement benefits to its eligible employees. The obligations are comprised of the amount of future benefits that employees have earned in return for their service in the current and prior periods and the benefits are discounted to determine its present value. The health care plans ("Health Care Plans") obtain an actuarial valuation once every three years. The latest actuarial valuation was performed as at December 31, 2013 and the next valuation will be completed as at December 31, 2016.

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

The weighted-average duration of the defined benefit obligation is 9 years at December 31, 2015.

	2015	2014
Benefit obligation – beginning of year	$ 4,830	$ 4,893
Current service costs	237	276
Interest costs	139	144
Benefit payments	(581)	(586)
Actuarial (gain) loss, due to:		
Experience adjustments	251	(212)
Changes in demographic assumptions	–	3
Changes in financial assumptions	–	312
Benefit obligation – end of year	$ 4,876	$ 4,830

Pension expense of $376 (2014 – $420) has been charged to Salaries and Employee Benefits in the Consolidated Statement of Income. Any actuarial gains and losses are recognized in OCI in the period in which they arise.

30. Pension plan (continued)

	2015	2014
Cumulative actuarial losses at January 1	$ (904)	$ (801)
Actuarial gains (losses) in the year	(251)	(103)
Cumulative actuarial losses at December 31	$ (1,155)	$ (904)

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

Assumptions	2015	2014
Discount rate	3.5%	3.5%
Rate of compensation increase	5.0%	5.0%
Inflation for 10 years	2.3%	2.3%
Provincial medical services plan trend rate for 10 years	4.0%	4.0%
Dental benefits trend rate for 10 years	5.0%	5.0%
Extended health benefits trend rate for 10 years	7.5%	7.8%

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

The following table shows how the defined benefit obligation as at December 31, 2015 would have been affected by changes that were reasonably possible at that date, in each of the actuarial assumptions that were considered significant to the valuation of the benefit obligation.

Assumptions	2015
Discount rate (1% increase)	$ 428
Trend rates (1% increase)	$ 282

Corporate Governance – Board of Directors

The member-elected Board of Directors (the "Board") must bring the skills, experience and competencies required to effectively guide and oversee one of Canada's largest co-operative financial institutions. Both the Board and Management Team of Coast Capital Savings Credit Union ("Coast Capital") are committed to excellence in sound business practices and the achievement of responsible economic, social, and environmental objectives. The Board is responsible for managing Coast Capital's business and affairs. It has the statutory authority and obligation to protect and enhance the assets of the credit union. The Board reviews and approves Coast Capital's strategic direction and risk appetite, sets and monitors corporate policies, and is responsible for overseeing management and ensuring that Coast Capital complies with regulatory and statutory requirements.

Coast Capital meets the principles and standards set out in the 2013 *BC Financial Institutions Commission Governance Guideline*, which is designed to ensure strong governance and risk management practices within the credit union system. We also use the Corporate Governance Guidelines for Building High Performance Boards published by the Canadian Coalition for Good Governance as a baseline of best practices and as they would apply to a non-public company and member-controlled financial co-operative. These include:

A high-performance board is accountable and independent		
Guideline 1	Facilitate shareholder (member) democracy	✓
Guideline 2	Ensure at least two-thirds of directors are independent of management	✓
Guideline 3	Separate roles of Chair and Chief Executive Officer	✓
A high-performance board has experienced, knowledgeable and effective directors and committees, and the highest level of integrity		
Guideline 4	Ensure that directors are competent and knowledgeable	✓
Guideline 5	Ensure the goal of every director is to make integrity the hallmark of the company	✓
Guideline 6	Establish reasonable compensation and share ownership guidelines for directors	✓
Guideline 7	Evaluate board, committee and individual director performance	✓
A high-performance board has clear roles and responsibilities		
Guideline 8	Establish mandates for board committees and ensure committee independence	✓
Guideline 9	Adopt well defined board processes and procedures that support board independence	✓
Guideline 10	Oversee strategy	✓
Guideline 11	Oversee risk management	✓
Guideline 12	Assess the Chief Executive Officer and plan for succession	✓
Guideline 13	Develop and oversee executive compensation plans	✓
A high-performance board engages with shareholders (members)		
Guideline 14	Report governance policies and initiatives to shareholders (members)	✓
Guideline 15	Engage with shareholders (members) within and outside the annual meeting	✓

Board Committees and Meetings

The Board of Directors meets a minimum of eight times a year for regular board meetings and holds two two-day strategy sessions with management. The Board delegates specific governance responsibilities to five standing committees: Audit and Finance, Governance and Member Relations, Human Resources, Nominations, and Risk Review. The Committees are populated by a minimum of three directors and meet throughout the year and as required to fulfill their responsibilities. The Committees draw upon management resources as appropriate and are authorized by the Board to engage outside advisors as required. The Board determines the authority and responsibilities of each committee and approves the charter and committee membership annually immediately following the Annual General Meeting (AGM). Committees meet in camera as a matter of routine, make recommendations to the Board and, with the exception of the Nominations Committee, report regularly to the Board. The Nominations Committee is accountable to and reports directly to the membership.

Corporate Governance – Board of Directors

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

Governance and Member Relations Committee: ensures the Board's governance practices are consistent with leading practices and the needs of Coast Capital. The Committee recommends to the Board an annual evaluation process for individual directors, the Board as a whole, committees, and the Board and committee Chairs. The Committee oversees the relationship of Coast Capital and the Board with members and the community as well as Coast Capital's Community Giving policy and program.

Human Resources Committee: ensures human resources policies are in place, implemented, and maintained. The Committee reviews and recommends policy and strategy with respect to employee salaries, benefits and incentive compensation, and succession planning. It engages an independent outside advisor to assist in the determination and approval of executive compensation and directs the annual evaluation process for Chief Executive Officer (CEO) performance. The Committee is responsible for overseeing the conduct of Coast Capital's directors, officers, and employees.

Nominations Committee: under the Coast Capital Rules, operates independently from the Board to ensure there are qualified candidates recommended for election to fill all upcoming vacancies on the Board. The Committee ensures the integrity of the election process for directors to the Board and reports the results of the election to the members at the AGM.

Risk Review Committee: identifies and monitors the key risks at Coast Capital and evaluates the management of risks. The Committee approves risk management policies, ensures policies and related internal controls are in place, and assesses Coast Capital's business strategies and plans from a risk perspective. The Committee reviews and monitors adherence to and the effectiveness of policies and internal controls, and ensures Coast Capital is in compliance with legal and regulatory requirements. It provides a forum for macro analysis of future risks, which includes considering emerging risks, significant events, and trends.

In addition to the five standing committees, the Board may establish ad hoc special purpose committees that are disbanded upon completion of their purpose.

Nine board meetings (including two, two-day meetings) were held in 2015. A portion of each regularly scheduled board meeting is set aside for a directors-only session with and without the CEO. The Chair, as the presiding board member, ensures the relationships between the Board, the CEO, and the Executive Committee and the membership are effective, efficient, and further the best interests of Coast Capital. The Board (led by the Governance and Member Relations Committee) undertakes a regular process of identifying and reviewing the overall skills and experience required amongst directors to strengthen the Board and to meet the needs of Coast Capital's governance, both now and for the future.

The Board of Directors represents the membership and is held accountable by law to act in the best interest of Coast Capital and oversee the processes required to ensure the safety of the organization and the members' money. The Board oversees the management of Coast Capital and holds the Chief Executive Officer accountable for achieving specific short- and long-term performance goals.

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

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

Corporate Governance – Board of Directors

Current and Past Directors for 2015

All directors, including the Chair, are independent. A "non-independent director" is any person who derives more than 5 per cent of their commercial business income from their relationship with Coast Capital. As of December 31, 2015, Coast Capital's directors are:

Bill Cooke

Background/Experience:	Mr. Cooke retired in 2006 as CEO of MD Investment Management, a national, member-based investment and wealth management firm. Mr. Cooke has held senior management positions in public companies, financial institutions, and provincial government.
Director Since:	2007
Current Term Expires:	2016
Committees:	Board Chair
Other Current Boards:	Central 1 Credit Union: 2013 to present

Doug Brownridge

Background/Experience:	Mr. Brownridge is a senior executive and entrepreneur with extensive experience from global technology and consumer organizations. He is President of Sherpaquest Consulting Ltd. and co-owner and COO of It's Just Lunch Canada. Mr. Brownridge has held strategic executive leadership positions at ACL, Intrawest, PMC-Sierra, Motorola, Rogers Wireless, and Cadbury.
Position:	Chair, Human Resources Committee Member, Risk Review Committee
Director Since:	2010
Current Term Expires:	2016
Other Current Boards:	Aprio Inc.: 2014 to present Canlan Ice Sports: 2015 to present Polar Windows Inc.: 2012 to present

Robin Chakrabarti

Background/Experience:	Mr. Chakrabarti is a founding partner of Empresario Capital Partners, which has investment holdings and operational involvement in the food service, retail, and automotive industries. Mr. Chakrabarti brings significant executive operational, commercial banking, and corporate finance expertise, as well as experience in developing and leading strategy.
Position:	Member, Governance Committee Member, Nominations Committee Member, Risk Review Committee
Director Since:	2011
Current Term Expires:	2017
Other Current Boards:	Empresario Capital Partners Ltd.: 2008 to present RAMMP Hospitality Brands Inc.: 2009 to present TransLink (South Coast British Columbia Transportation Authority): 2013 to December 2015 Valley Lube Holdings Ltd.: 2010 to present

Corporate Governance – Board of Directors

Christian Findlay

Background/Experience:	Ms. Findlay is a former Senior Vice President of RBC Financial Group with 26 years of experience in financial services across Canada, including roles as CEO & President, Royal Bank Mortgage Corporation; Chairman, RBC Action Direct; and Vice President Personal Markets, Lower Mainland, B.C. She has also served on the boards of Interac, Acxsys, Moneris and NYO Canada.
Position:	Chair, Risk Review Committee Member, Human Resources Committee Member, Nominations Committee
Director Since:	2009
Current Term Expires:	2018
Other Current Boards:	n/a

Mary Jordan

Background/Experience:	Ms. Jordan has held senior executive positions with American Airlines, Canadian Airlines, and Air Canada. She served as Provincial Executive Director of the B.C. Centre for Disease Control and was Executive Vice President, Human Resources and Communications at Laidlaw International.
Position:	Member, Governance Committee Chair, Nominations Committee
Director Since:	2008
Current Term Expires:	2017
Other Current Boards:	Insurance Council of BC: 2009 to 2015 Superior Plus: 2014 to present Timberwest Forest Products: 2013 to present Vancouver Airport Authority: 2004 to present Vancouver Opera: 2009 to present Vantage Airport Group: 2010 to 2015

Shauna Turner

Background/Experience:	Ms. Turner is the Chief Innovation Officer for Providence Health Care and the Executive Vice President for Providence Health Care Research Institute. She is an experienced CEO who has led enterprise technology transformation in Fortune 500 companies in Canada and the U.S., including implementing secure private cloud solutions for U.S. F500 global media firms, financial institutions and government. Ms. Turner has also served the Province of B.C. as CEO of BCIIF / BCRCF, an infrastructure and venture capital investment fund with over $2.5B in shared assets under management, and she served as Assistant Deputy Minister with oversight for innovation, investment capital and small business.
Position:	Member, Audit & Finance Committee Member, Risk Review Committee
Director Since:	2015
Current Term Expires:	2018
Other Current Boards:	Grand NCE: November 2012 to present Commercialization Advisory Board Life Sciences Institute, UBC

Corporate Governance – Board of Directors

Chris Trumpy

Background/Experience:	Mr. Trumpy has an accounting designation and is a former Deputy Minister of Finance for the Province of B.C. As Deputy Minister, he held responsibility for the legislation and government policies related to the Financial Institutions Commission and the Credit Union Deposit Insurance Corporation.
Position:	Chair, Audit & Finance Committee Member, Human Resources Committee
Director Since:	2012
Current Term Expires:	2018
Other Current Boards:	Coast Opportunities Fund: 2010 to present Pacific Sport Victoria: 2012 to present Puget Sound Energy: 2009 to present

Bill Wellburn

Background/Experience:	Mr. Wellburn is a Chartered Professional Accountant and the past Board Chair of Coast Capital Savings and two of its heritage credit unions. He is a Chartered Director and served as Board Chair of the Greater Victoria Harbour Authority and the Provincial Capital Commission.
Position:	Member, Audit & Finance Committee
Director Since:	1992
Current Term Expires:	2016
Other Current Boards:	Greater Victoria Harbour Authority: 2012 to present

Faye Wightman

Background/Experience:	Ms. Wightman is the former President & CEO of the Vancouver Foundation and BC Children's Hospital Foundation. Ms. Wightman serves or has served on the boards of BC Housing, Emily Carr University of Art and Design, UBC Alumni Association, Imagine Canada and Community Foundations of Canada.
Position:	Member, Governance Committee Member, Human Resources Committee Member, Nominations Committee
Director Since:	2014
Current Term Expires:	2017
Other Current Boards:	BC Housing: 2012 to present UBC Alumni Association: 2012 to present Vancouver Public Library Campaign Board 2015 to present Governor Generals QEII Diamond Jubilee Scholarship Awards Council

Glenn Wong

Background/Experience:	Mr. Wong is the founder of strategy consulting company, Catalyst Solutions Ltd. Mr. Wong has served as President/CEO of Electronic Arts Canada, Rogers Cable TV BC and BC Hot House and serves or has served on the Boards of the Canadian Media Fund and LIFT Philanthropy, Vancouver Police Board, Ecomm911, the BC Cancer Foundation and S.U.C.C.E.S.S.
Position:	Member, Audit & Finance Committee Chair, Governance Committee
Director Since:	2007
Current Term Expires:	2016
Other Current Boards:	Canada Media Fund: 2010 to present LIFT Philanthropy Partners: 2014 to present KCTS 9: 2015 to present

More detailed biographies available at https://coastcapitalsavings.com/BoardofDirectors

Interlocking Board Service

Interlocking Boards occur when directors sit on the same boards. No Coast Capital Directors sit on interlocking boards.

2015 Past Directors:

Daniel Burns stepped down from the Board as of the 2015 AGM (April 28, 2015).

Daniel Burns

Background/Experience:	Mr. Burns is a lawyer, accountant, and entrepreneur. He is the CEO of BNW Travel Management Ltd. Mr. Burns is a member of the Law Society of British Columbia, the Certified Management Accountants of Ontario and the Chartered Professional Accountants of Ontario.
Position:	Chair, Audit & Finance Committee Member, M&A and Strategic Relationships Committee (ad hoc)
Director Since:	1994
Current Term Expired:	2015

Corporate Governance – Board of Directors

Director Compensation

Coast Capital director remuneration is set in accordance with a member-approved remuneration philosophy.

In 2015 the Governance and Member Relations Committee established a Member Panel to review Director Compensation as part of the Triennial Review Process. The Member Panel recommended increases to various components of Director Remuneration; however, the Board of Directors deferred any increase. The next review of Director Remuneration will take place in the next scheduled Triennial Review (2019). The following table sets out Director Remuneration:

Board of Directors Remuneration

Annual Board Chair Retainer	$65,000
Annual Director Retainer	$25,500
Annual Committee Chair Retainers	$5,000
Board and Committee Meeting Fee	$1,000

Total remuneration paid to directors in 2015 was $578,488 (2014 – $720,988) including matching Canada Pension Plan contributions as required by law. Directors do not receive any product or service preferences that are not available to the general membership. The following table provides the total remuneration paid for the year to each director for attendance at all Board and committee meetings and at other designated meetings and events deemed eligible for payment.

Corporate Governance – Board of Directors

Director	Board Meetings Attended	Board Meetings Percentage	Assigned Committees of the Board Meetings Attended	Assigned Committees of the Board Percentage	Percentage of all Meetings Attended	Total Remuneration Paid for Year
Doug Brownridge	9 of 9	100%	Human Resources (Chair from April 28) Nominations (Chair to April 28) Risk Review	4 of 4 2 of 2 4 of 5	95%	$57,498
Daniel Burns (to April 28)	1 of 1	100%	Audit & Finance (Chair to April 28)	1 of 1	100%	$12,166
Robin Chakrabarti	8 of 9	89%	Governance (from April 28) Human Resources (to April 28) Nominations (from April 28) Risk Review	4 of 5 4 of 4 6 of 6 4 of 5	90%	$53,500
Bill Cooke (Board Chair)	8 of 9	89%	Governance (to April 28) Human Resources (to April 28)	1 of 2 0 of 2	70%	$85,415
Christian Findlay	9 of 9	100%	Human Resources Nominations (from April 28) Risk Review (Chair)	6 of 6 6 of 6 5 of 5	100%	$65,498
Mary Jordan	9 of 9	100%	Audit & Finance (to April 28) Governance (from April 28) Human Resources (Chair to April 28) Nominations (Chair from April 28)	1 of 1 5 of 5 2 of 2 6 of 6	100%	$61,498
Shauna Turner (from April 28)	7 of 8	88%	Audit & Finance (from April 28) Risk Review (from April 28)	3 of 3 3 of 3	93%	$31,000
Chris Trumpy	7 of 9	78%	Audit & Finance (Chair from April 28) Governance (to April 28) Human Resources (from April 28)	4 of 4 2 of 2 3 of 4	84%	$46,832
Bill Wellburn	8 of 9	89%	Audit & Finance (from April 28) Governance (to April 28) Nominations (to April 28)	3 of 3 2 of 2 2 of 2	94%	$44,500
Fay Wightman	9 of 9	100%	Audit & Finance (to April 28) Governance (from April 28) Human Resources (from April 28) Nominations (from April 28) Risk Review (to April 28)	1 of 1 5 of 5 4 of 4 6 of 6 2 of 2	100%	$57,500
Glenn Wong	9 of 9	100%	Audit & Finance (from April 28) Governance (Chair) Nominations (to April 28)	3 of 3 6 of 6 1 of 2	95%	$63,081

Corporate Governance – Board of Directors

Director Education

Directors are required to engage in learning activities that will expand their knowledge in areas of corporate governance, financial literacy, risk management, the financial services sector generally, and the company's impact on members/customers, employees, and other stakeholder groups. Coast Capital provides funding of up to $20,000 per director for each three-year term (Director Development & Continuous Learning allotment) to facilitate active participation in individual continuous learning.

The Governance Committee determines and facilitates periodic learning opportunities for all directors by way of special presentations made by topical experts at Board meetings and planning sessions. Other committees can suggest education sessions for Board meetings, or provide committee specific education sessions during their meetings.

In 2015 the Board of Directors held the following education sessions:

- Member & Staff Engagement and Coast Capital
- The Credit Union System Overview
- Social Media
- Cyber Security (sponsored by the Risk Review Committee)

Corporate Governance – Board of Directors

Director Expenses

Directors are reimbursed for all reasonable expenses incurred in carrying out their duties and responsibilities as a director of Coast Capital. Reasonable expenses can include:

- Meals and entertainment while carrying out their duties as a director
- Travel expenses such as airfare, ferry, rental car, tolls, taxi and parking or mileage expense from the director's place of principal residence to regularly scheduled meetings
- Technology expenses may include a laptop or tablet that meets Coast Capital's specifications, purchased as necessary to access the online Board portal on which all Board & Committee meeting packages are posted. The cost of the laptop or tablet will be reimbursed, up to $3,000 per 3-year term, and will be deducted from the director's individual Director Development & Continuous Learning allotment

Directors are expected to use restraint and good judgment to ensure consistency and equity in spending. Expenses are reviewed by the Board Chair prior to reimbursement, or in the case of the Board Chair, expenses are reviewed by the Governance Chair.

Director	Total Expenses	Description of 2015 Expenses
Bill Cooke (Board Chair)	Total: $11,120.95	Includes travel to and from principal residence (Magna Bay, B.C.), and attendance at Board-related events (Surrey and Victoria), attendance as Coast Capital's representative at the Large Credit Union Conference (Ottawa), Director Development & Continuous Learning and technology expenses.
Doug Brownridge Chair, Human Resources Committee	Total: $2,160.20	Includes travel, and attendance at Board-related events (Surrey and Victoria) and Director Development & Continuous Learning.
Dan Burns Chair, Audit & Finance Committee (to April 28)	Total: $573.18	Includes travel, and attendance at Board-related events (Surrey and Victoria).
Robin Chakrabarti	Total: $2,743.99	Includes technology expenses.
Christian Findlay Chair, Risk Review Committee	Total: $1,197.35	Includes travel, and attendance at Board-related events (Surrey and Victoria) and Director Development & Continuous Learning.
Mary Jordan Chair, Nominations Committee	Total: $503.49	Includes travel, and attendance at Board-related events (Surrey and Victoria).
Shauna Turner	No expenses claimed or paid in 2015	
Chris Trumpy Chair of Audit & Finance Committee (from April 28)	Total: $13,678.76	Includes travel to and from principal residence (Victoria, B.C.), and attendance at Board-related events and Director Development & Continuous Learning.
Bill Wellburn	Total: $7,717.58	Includes travel to and from principal residence (Victoria, B.C.), and attendance at Board-related events and Director Development & Continuous Learning.
Faye Wightman	Total: $2,983.30	Includes travel, and attendance at Board-related events (Surrey and Victoria) and representing Coast Capital at the Canada's 10 Most Admired Corporate Cultures awards in Toronto.
Glenn Wong Chair, Governance Committee	Total: $3,808.38	Includes travel, and attendance at Board-related events (Surrey, Victoria and Toronto), representing Coast Capital at the Canada's 10 Most Admired Corporate Cultures awards in Toronto and Director Development & Continuous Learning.

Corporate Governance – Board of Directors

Board Performance Reviews

Each year the Board reviews the position descriptions for directors, the Board Chair, Committee Chairs, and the CEO. A director's job is to use their skills and experience to work with the Board in providing strategic advice and business oversight of Coast Capital's operations. This includes critiquing and giving approval to Coast Capital's three-year strategic plan and annual operating capital expenditure plans. Directors are required to act honestly, in good faith and in Coast Capital's best interests. In doing so, they must take into account the interests of the members, depositors, employees, and other stakeholders.

The Board undertakes annual evaluations to review the effectiveness of the Board's governance and performance. This review process is based on the duties and responsibilities of the Board, individual directors, and the Board Chair as described in their respective charters. Annually, the Governance Committee recommends to the Board a process for the evaluation. The evaluation is administered by an external governance consultant and involves the elements listed below.

- Structured individual interviews are conducted by the consultant with members of senior management to obtain input on the performance of the Board, the Board's committees, and the Board and Committee Chairs.
- Structured interviews are conducted by the consultant with each director to discuss self-performance as a Coast Capital director and obtain input on peer performance, the performance of the Board, the Board's committees, and the Board Chair. Each director is provided with the consultant's findings in respect of their performance.
- An in-depth governance review and debriefing session on Board performance is held with the consultant and all directors. Board goals for the next 12 months are determined and the responsibility for achieving each goal is assigned.
- The Board Chair meets privately with each director to discuss their peer evaluation results with a view to determining how the director could contribute more effectively to the Board.

CEO Evaluation and Compensation

The Board's responsibilities include choosing and evaluating the CEO, along with determining the CEO's compensation plan. Our executives make a significant and important contribution to Coast Capital's performance and long-term growth and success. The Board of Directors recognize that a competitive compensation and benefits package is a fundamental tool in attracting, motivating, and retaining high-performing executive leadership with the requisite skills and dedication. Accordingly, Coast Capital's executive compensation and benefit programs are designed to:

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

Our CEO compensation disclosure meets or exceeds legislative and regulatory requirements.

Industry Positioning and Comparator Groups

The Board retains an independent compensation consulting firm to provide advice on the total compensation elements of the executive compensation program: base salary, variable pay, benefits, vacation, perquisites, and retirement savings. We design our pay programs to be competitive with comparable types of organizations from which we recruit qualified executives.

The peer group is made up of organizations from across the financial services sector including large credit unions, banks, and other financial service organizations. It also includes organizations outside of the financial services sector for certain jobs that are specific to our industry. Pay is targeted at the median of the peer group and adjusted for our relative size.

Chief Executive Officer Performance and Compensation Reviews

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

Our corporate performance is based on financial, member-related, employee-related, and risk-management metrics that are measured on a predetermined frequency and presented quarterly to the Human Resources Committee and the Board for review. Individual performance, evaluated semi-annually, is based on progressive achievement of Coast Capital's strategic plan. Under the leadership of the CEO, we are preparing for the next phase of its evolution: Superior Member Experience, Innovation and Growth, Operational Excellence and Community Leadership. Our 2015 results are keeping the credit union aligned and on track to achieve its long-term strategy and goals. The CEO has successfully achieved corporate and individual performance metrics.

Components of CEO Compensation and Summary

For the fiscal year ending December 31, 2015, our CEO position earned the following total cash compensation.

	Year	Base Salary Earnings	Short-term (Annual) Incentive	Long-term Incentive (Grant Estimate)	Total Cash Compensation
Chief Executive Officer	2015	$ 440,308	$ 255,973	$ 84,479	$ 780,760

Base Salary

Base salary for the CEO takes into consideration scope of responsibilities, experience and past performance, as well as comparison to the targeted primary comparator group. The CEO salary is reviewed annually and, if appropriate, adjusted accordingly. Base Salary Earnings, per IFRS, reflect the number of days' pay earned over the course of the fiscal year.

Short-term Incentive Program ("STIP")

The annual incentive plan links compensation to the achievement of performance objectives set in our annual business plan. Effective 2015 we set the target 2015 CEO STIP at 50 per cent (formerly 60 per cent) of base salary (weighted at 30 per cent for individual performance and 70 per cent for corporate performance), with an opportunity to earn up to a maximum of 75 per cent of base salary for exceptional performance. The reduction in target STIP is offset with an eventual increase in LTIP to balance the focus on short-term and long-term efforts for our members. If the CEO does not meet threshold performance, we do not make a payout. The 2015 CEO corporate STIP measures, notated to the right, are to create a balance between supporting members and providing prudent fiscal and operational management.

Measures

Financial

- Normalized Operating Income
- Cost/Income Ratio

Member

- Products per Retail Member
- Net Promoter Score

Employees

- Employee Engagement

Risk Management

- Commercial Asset Quality
- Retail Asset Quality
- Core Liquidity

Long-term Incentive Plan (LTIP)

The long-term incentive plan links eligible compensation to the actual achievement of performance objectives that support our long-term strategy and vision and create value for members. We provide the LTIP to the CEO and senior executives to serve as an attraction and retention tool. The goals of the LTIP are to:

- Ensure Coast Capital's long-term health and growth so we can continue to serve our members.
- Increase the depth of member relationships through innovative products and services.
- Build upon our community contributions with a goal of building a richer future for youth in our communities.

We measure the LTIP over a three-year performance period. At the start of each year, we establish specific metrics and targets for the new three-year performance period with an established target payout ("grant") percentage of current base salary if these metrics are successfully achieved. The LTIP is a variable pay program, with target payout at 40 per cent of base salary and maximum 80 per cent. Effective LTIP performance period 2015–2017, the LTIP target payout will increase to 50 per cent to a maximum of 100 per cent for exceptional performance, thus providing equal balance between short-term and long-term focus for our members. If threshold performance targets are not met, there is no payout. 2015 performance is measured within three rolling LTIP performance periods: 2013–2015, 2014–2016, and 2015–2017. The payment for 2013–2015 would not be made until July 2016. To allow for transparent comparison to peer credit unions, the LTIP amount reported in the Compensation Summary is the 2013–2015 grant level. LTIP paid in 2015 for the 2012–2014 performance period was $89,801. The CEO 2013–2015 LTIP measures are:

Measures

Financial

- Return on Risk-Weighted Assets

Member

- Revenue Per Member

Community

- Community Brand Awareness

Benefits and Perquisites

We believe in investing in the health and well-being of our employees. As such, a competitive flexible benefit program protects employees and their families through the following components: health, dental, disability, life, critical illness and accidental death and dismemberment insurance, employee and family assistance, vacation and personal leave, and tuition and educational assistance. In addition, an annual physical (optional) is provided to the CEO and executives. Total contributions towards the CEO's benefits for 2015 were 4.1 per cent of base salary. The CEO is also provided a perquisite allowance of 9.1 per cent of base salary to cover costs for out-of-pocket expenses such as car allowances and memberships.

Retirement Income Programs

We provide a Defined Benefit Pension (DBP) plan or a Group RRSP program to all employees who meet the eligibility criteria. The CEO has elected to participate in the Group RRSP program and also participates in a Supplemental Executive Retirement Plan (SERP). Both programs are based on salary and STIP paid in 2015. Coast Capital contributed 16.5 per cent of base salary for 2015 towards the CEO's retirement savings.

Termination and Change in Control Benefits

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

Compensation Policies and Practices

Eligible employees, like the CEO, participate in comprehensive compensation and benefits programs.

In addition to a compensation philosophy for executive roles, we have a non-executive employee-specific compensation philosophy that includes the following guiding principles:

- Market Competitive
- Fair
- Performance Linked
- Easily Understood by Employees
- Cost Conscious
- Scalable

Base Salary

We believe in providing wages that are not only market-competitive, but also ensure a reasonable standard of living for all employees. Nationally recognized compensation surveys are used to evaluate the competitiveness of our salary ranges. We target above the median for base salary ranges, with individual differences based on performance and tenure. In addition to market comparison, we obtain cost of living data to ensure our starting salary ranges are sufficient to provide a reasonable standard of living to employees.

Variable Incentive Pay

Eligible front-line, administrative, and management staff also participate in an annual short-term incentive program based on a combination of overall achievement against predefined corporate metrics, team metrics, and individual metrics; executives are measured on predefined corporate and individual metrics. Payout potential varies per level of role and payments are contingent on board approval, which is based on the results achieved, overall financial health and stability of the organization.

Benefits – Health & Wellness

We provide the same competitive flexible benefit program to all our benefit-eligible employees that we provide to the executive team and CEO. Employees select their benefit coverage level, within allocated credit amounts, according to personal need. The program, named FlexWise, is flexible and encourages wise decisions by the employees in choice of coverage and in usage. FlexWise components include: health, dental, disability, life, critical illness and accidental death & dismemberment insurance, employee and family assistance, and sick and personal leave. Employees also receive vacation to support work-life balance and tuition and educational assistance to help grow their skills and careers with us.

Retirement Savings Programs

We provide pension plan programs to all employees who meet the eligibility criteria to support their retirement savings goals. Under the DBP, both the employee and employer contribute as per a predefined age-graded table. The DBP is administered by Morneau Sheppell as a multi-employer plan with oversight by the Pension and Benefits Trustees. Under the Group RRSP program effective July 1, 2014, employees are not required to contribute to the plan but if they wish to make voluntary contributions, we will make further contributions, as a match to a maximum.

Perquisites

Employees are offered additional perquisites that include an employee loan program and on-site fitness centres at the administrative offices. We also provide paid volunteer time through our Good Karma Crew program, and charitable donations of up to $1,000 per year on behalf of individual employees through our Coast Volunteer Fund program.

Corporate Governance – Board of Directors

Nomination of Directors

Each year, three or four vacancies occur on Coast Capital's 10-member Board for three-year terms. Immediately after the Annual General Meeting (the "AGM"), the Board appoints a Nominations Committee (the "Committee") whose responsibility is to recommend qualified candidates in the following year for election to the Board. The Committee reports directly to the membership, not to the Board. The composition of the Committee is restricted to directors who will not be standing for re-election in the ensuing year. The Committee seeks qualified candidates from the membership and retains the services of an expert governance consultant to assist in seeking out and screening for highly qualified nominees. In keeping with its charter and adhering to corporate governance best practices, the Committee carries out a due diligence review of all nominees, including a structured full-committee interview of new nominees whose stated skills and experience most closely match the current year's Ideal Director Candidate Description.

Following the interviews and at the completion of all the due diligence reviews, the Committee determines those candidates it will recommend for election to the Board. The Committee is responsible for:

- Approving an updated Ideal Director Candidate Description for the current year based on a gap analysis of the required skills and experience required within the Board to guide and oversee the implementation of Coast Capital's strategic plan
- Sourcing candidates for election to the Board who best match the skills and experience set out in the Ideal Director Candidate Description
- Recommending qualified candidates for election to the Board equal to the number of upcoming vacancies
- Providing information to all Coast Capital members in a standard format for all candidates seeking election to the Board to ensure fairness
- Recommending to the Board the appointment of an independent returning officer to supervise the election
- Receiving certified election results from the returning officer

The results of each year's Directors election are announced at the AGM by the Chair of the Nominations Committee.

Ethical Business Conduct

The Board embraces and promotes a culture of ethical behaviour at Coast Capital and is accountable for ensuring Coast Capital meets public, regulatory, member, and member expectations in complying with existing laws. The Board has a Code of Conduct and Conflict of Interest (the "Director's Code") that establishes the standards that govern the manner in which directors conduct themselves and in particular how they consider the interests of members, employees, and other stakeholders. Annually, each director is required to formally adopt and agree to the Director's Code. Coast Capital also has a Code of Conduct and Business Ethics Corporate Policy ("The Code") that applies to the Board, officers, and employees. The Code states the values upheld by Coast Capital and the standards of behaviour expected. Every director, officer, and employee at Coast Capital is required to acknowledge and sign The Code each year. The Board's Human Resources Committee is responsible for reviewing The Code and the Director's Code at least annually, reviewing any incidents of non-compliance and the resulting consequences, and reporting to the Board.

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

Notes

Glossary

Actuarial gains (or losses) on defined benefit plans: gains (or losses) resulting from differences between the assumptions used to value defined benefit pension plans and what actually occurred and the effects of changes in the assumptions.

Allowance for credit losses: equals the difference between outstanding loan balances and their estimated net realizable value, and consists of a specific allowance and a collective allowance. The allowances are increased by the provision for credit losses and decreased by writeoffs, net of recoveries. The allowance for credit losses is maintained at a level that management considers adequate to absorb all credit-related losses in its loan portfolio.

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

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

Available for sale (AFS) financial instruments: designated non-derivative financial instruments that are not designated or classified as financial instruments at fair value through profit or loss, loans and receivables, or held to maturity financial instruments.

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

Cash flow hedges: derivatives used to hedge exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss.

- ***Effective portion of cash flow hedges***: degree to which a cash flow hedge is effective in achieving offsetting changes in cash flows attributable to the hedged risk.

Central 1 Credit Union (“Central 1”): the financial facility and trade association for the B.C. and Ontario credit union systems. Owned and funded by the credit unions, Central 1 represents member-owned retail financial institutions that serve 3.3 million members and collectively hold $106.3 billion in assets.

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

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

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

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

Fair value: amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction. Adjusting to fair value is referred to as “mark-to-market”.

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

Financial Institutions Commission of British Columbia (FICOM): regulatory agency of the provincial Ministry of Finance responsible for regulating B.C. credit unions under the *Financial Institutions Act* and the *Credit Union Incorporation Act*.

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

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

Glossary

Held to maturity (HTM) financial instruments: designated non-derivative financial instruments with fixed or determinable payments and a fixed maturity, other than loans and receivables, which an entity has the positive intention and ability to hold to maturity.

Impairment: where the present value of estimated future cash flows of a financial instrument is less than its carrying amount as a result of the occurrence of a loss event.

Net interest income: difference between revenues generated by interest-bearing assets, primarily loans, and the cost of servicing interest-bearing liabilities, primarily deposits.

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

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

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

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

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

Other comprehensive income (OCI): fair value adjustments of financial instruments that in accordance with International Financial Reporting Standards are not recognized in the Consolidated Statement of Income but affect Members' Equity directly.

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

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

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

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

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

Securitization: arrangement where loans are sold to unrelated third parties to raise liquidity or fund additional mortgage growth.

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

Tier 1 capital: permanent capital comprised primarily of retained earnings but also voting shares, qualifying investment shares and contributed surplus. It is offset by deferred income tax assets and various capital deductions such as goodwill as prescribed by FICOM.

Tier 2 capital: secondary capital, which includes subordinated debentures, other investment shares and 50 per cent of a credit union's portion of retained earnings in the Credit Union Deposit Insurance Corporation, Central 1 and Stabilization Central Credit Union.

Total capital: comprises both Tier 1 (primary) and Tier 2 (secondary) capital. Capital requirements are regulated by FICOM and a minimum capital standard based on a ratio of capital to risk-weighted assets of 8.0 per cent is required. At least 50 per cent of the capital base must consist of Tier 1 capital.

Trailer fee revenues: revenues earned from mutual fund managers for selling their fund(s) and providing advice to investors. The fee is applied to the market value of the assets held by investors.

Corporate Information

Board of Directors (as of December 31, 2015)

Bill Cooke, *Board Chair*

Doug Brownridge, *Chair, Human Resources Committee*

Robin Chakrabarti

Christian Findlay, *Chair, Risk Review Committee*

Mary Jordan, *Chair, Nominations Committee*

Chris Trumpy, *Chair, Audit and Finance Committee*

Shauna Turner

Bill Wellburn

Faye Wightman

Glenn Wong, *Chair, Governance and Member Relations Committee*

Executive Committee (As of March 28, 2016)

Don Coulter
President and
Chief Executive Officer

Wayne Berg
Chief Commercial Officer

Helen Blackburn
Chief Strategy and
Innovation Officer

Lawrie Ferguson
Chief Marketing Officer

David Gaskin
Chief Financial Officer

Kathy McGarrigle
Chief Operating Officer

Bruce Schouten
Chief Risk Officer

Jeff Wong
Chief Business
Transformation Officer

Biographies of our Board of Directors and Executive Committee are available at coastcapitalsavings.com/governance.

Contact Information

Help Headquarters
9900 King George Blvd.
Surrey, B.C. V3T 0K7
T: 604.517.7400
F: 604.517.7405

Contact Centre
604.517.7000 (Metro Vancouver)
250.483.7000 (Greater Victoria)
1.888.517.7000 (Toll-free)

Victoria Administration Office
400, 645 Tyee Road
Victoria, B.C. V9A 6X5

Website
coastcapitalsavings.com

Twitter
@Coast_Capital

Facebook
facebook.com/coastcapitalsavings

Annual General Meeting

Thursday, May 5, 2016 at 5:00 pm (PT)
Coast Capital Savings' Help Headquarters
9900 King George Blvd., Surrey

The meeting will also be available by webcast at coastcapitalsavings.com/AGM.