

2023 ANNUAL REPORT





Mutual funds and other securities are offered through Aviso Wealth, a division of Aviso Financial Inc. Envision Financial Wealth Management, Valley First Wealth Management and Island Savings Wealth Management are divisions of FW Wealth Management Ltd. which is a wholly owned subsidiary of First West Credit Union. FW Wealth Management Ltd. is a licensed life insurance agency offering financial planning, life insurance and investments.

Unless otherwise stated, mutual fund securities and cash balances are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer that insures deposits in credit unions.

Aviso Wealth Inc. ('Aviso') is a wholly owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited. The following entities are subsidiaries of Aviso: Aviso Financial Inc. (including divisions Aviso Wealth, Qtrade Direct Investing, Qtrade Guided Portfolios, Aviso Correspondent Partners), Aviso Insurance Inc., Credential Insurance Services Inc., and Northwest & Ethical Investments L.P.



Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved. This document includes information and data provided by Sustainalytics and/or its content providers. Information provided by Sustainalytics is not directed to or intended for use or distribution to India-based clients or users and its distribution to Indian resident individuals or entities is not permitted. Morningstar/Sustainalytics accepts no responsibility or liability whatsoever for the actions of third parties in this respect. Use of such data is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers/>

CONTENTS

01 MANAGEMENT'S DISCUSSION AND ANALYSIS

- 01 Message from the Board Chair and the CEO
- 03 Management's Responsibility
- 04 Disclaimer on Forward-Looking Statements
- 06 Business Profile and Organizational Overview
- 14 Financial Highlights
- 19 Member, Employee and Community Highlights
- 24 Economic Review and Outlook
- 25 Financial Performance 2023 Overview and Line of Business Review
- 27 Discussion on Financial Performance
- 39 Internal Controls Over Financial Reporting and Disclosures
- 39 Critical Accounting Estimates
- 39 Future Changes to Accounting Policies
- 40 Risk Management
- 49 Rewards and Recognition at First West

53 CONSOLIDATED FINANCIAL STATEMENTS

119 GOVERNANCE REPORT

First West is grateful every day for the privilege of serving its members on the traditional and ancestral homelands of First Nations.

Our Envision Financial division operates on the territory of Coast Salish peoples, specifically the S'ólh Téméxw (Stó:lō), Nuxwsa'7aq (Nooksack), Kwantlen, šx^wməθk^wəy'əməʔt təməx^w (Musqueam), Stz'uminus, sq'əciy'aʔt təməx^w (Katzie), Nl'eʔkepmx Tmíx^w (Nlaka'pamux), Semiahmoo, scəwaθenaʔt təməx^w (Tsawwassen), Á,LENENEÇ ŁTE (WSÁNEĆ) and xà'isla wáwís (Haisla).

Our Valley First division operates on the territory of Secwepemcúl'ecw (Secwépemc), Syilx tmix^w (Okanagan), and Nl'eʔkepmx Tmíx^w (Nlaka'pamux) Peoples.

Our Island Savings division operates on the territory of Coast Salish peoples, specifically the Snuneymuxw, Semiahmoo, Quw'utsun (Cowichan), MÁLEXEŁ (Malahat), Xwsepsum (Esquimalt) and Lkwungen (Songhees), Pacheedaht, Scia'new, Á,LENENEÇ ŁTE (WSÁNEĆ), Stz'uminus, and scəwaθenaʔt təməx^w (Tsawwassen) Peoples.

Our purpose of helping people in our communities thrive includes showing respect for and building relationships with Indigenous communities, in accord with the Truth and Reconciliation Commission of Canada's *Calls to Action*.



Management's Discussion and Analysis

Management's Discussion and Analysis

1 » MESSAGE FROM BOARD CHAIR AND CEO

Handling today's challenges while building for tomorrow's

It's been said that culture eats strategy for breakfast. It's a provocative statement and though it's not downplaying strategic planning, it highlights a vital truth that great organizations and leaders know: success ultimately comes down to how your team members work together—what's often called "corporate culture."

We begin our message on this point because late in 2023, First West Credit Union received its first-ever award recognizing the excellence of our culture. We were counted among the few winners of Waterstone Human Capital's Canada's Most Admired Corporate Cultures™ for 2023. This award recognizes Canadian organizations that strive to build and enhance healthy cultures that drive high performance, especially during times of great economic challenge.

We're tremendously proud of this honour because it shines the spotlight on First West's team members, who are without a doubt, our most valuable asset in good times and bad. They are the ones that breathe life into our culture—the things we believe and value and expect from ourselves in showing up for members and our communities. Without our team living it out, our culture and strategy remain only ideas pondered or words on a page.

Learn more about First West's financial performance on pages 25 – 38 of Management's Discussion and Analysis.

Without a shadow of doubt, consistent year-over-year performance in a number of key financial measures in spite of 2023's challenging economic conditions is due to nothing other than our team members' commitment to

our purpose and how we work together to achieve it. Of particular note is how our advisors took special care and attention in coming alongside members experiencing new pressures due to central bank rate increases in 2023. Rate increases had immediate impact on members with variable rate products and loomed on the horizon for those with fixed rate products approaching renewal. Advisors reached out to these members to learn more about their situations and offer advice to help build their financial confidence. Showing up for members like this is truly second nature to us and it's a big part of what makes First West different from any other financial institution.

Our team members' expertise in managing the business through turbulence ensured that our financial fundamentals remained solid in 2023. Our stability was affirmed by our annual, independent credit rating from Morningstar DBRS, which maintained the same stable credit rating and trend we've had since our initial rating in 2017. Another financial high point worth mentioning was the successful close of our second capital markets deal of \$150 million in subordinated debt. This deal helps further strengthen our capital capacity to support the growth and sustainability of the credit union.

See pages 19 – 23 of Management's Discussion and Analysis for more detail on member highlights.

We also made progress against our commitment to improve members' digital banking and advice experiences. Those improvements include making it easier to open our flagship Simply Free Account® online, expanded online account opening offerings and new digital banking money management tools, such as balance alerts.

Advancing our reputation as a best employer

In addition to earning a reputation as one of Canada's Most Admired Corporate Cultures™, we were named as a winner of *Canadian Occupational Safety's* 5-Star Psychological Safety Award in the over 500 employee category. This award recognizes organizations that are on the forefront of addressing mental health issues in the workplace and have leading mental health benefits. We're thrilled with this award, as it demonstrates the insight, hard work and consistency that's gone into supporting our team members in developing a holistic approach to health and wellness. If these two awards weren't enough, we added yet another award, being named one of BC's Top 100 Employers by MediaCorp Canada Inc. Recipients of this award are some of the best in B.C. for working environments, benefits, communication practices and more—and we're honoured to join them. Altogether, these awards affirm our future-focused mindset that connects talent retention and attraction strategies to high organizational performance. They back our reputation as a leader in cultivating workplaces where everyone can grow their career, be their authentic selves and find a fulfilling sense of purpose.

Speaking about purpose and meaningful work—we hope that our members continue to feel extremely proud of First West's reputation as a forerunner in the B.C. financial sector's support for food banks. The rising cost of living has meant that B.C. food banks are struggling with an incredible jump in demand. That's why it means a lot to us at First West that we're regarded as a counted-on partner in the fight against food insecurity. In 2023, our signature causes—Feed the Valley and The Full Cupboard—raised \$354,472, putting the 13-year total at almost \$5,175,000 with 203,361 pounds of food collected for local food banks. 2023 was also the second year of a three-year, \$300,000 partnership with the BC Cancer Foundation



Shawn Neumann
Board Chair



Launi Skinner
Chief Executive Officer

(BCCF). As part of our support, First West team members completed 7,951 hours of physical movement to support BCCF's "Workout to Conquer Cancer" campaign and raised \$6,860 to support cancer research and patient care across British Columbia.

And while the housing crisis in our province and across Canada is a complex situation with multiple factors at play, we are still pleased to help advance much-needed housing starts in our communities. In 2023, we authorized a total of 46 construction loans providing a little more than 1,800 new units of for-purchase and rental housing in our communities.

Federal finish line in sight

First West made significant progress in its journey to become a federal credit union in 2023. However, late in the year, we learned that the process would extend beyond the originally anticipated date of Dec. 19, 2023. We've always held that continuing as a federal credit union was not an end in itself, but rather a thoughtful, future-focused strategic objective that's geared for long-term member benefit and First West's sustainability, and so we eagerly anticipate completing our federal continuance journey in the first part of 2024.

See pages 12 – 13 of Management's Discussion and Analysis to learn more about First West becoming a federal credit union.

Our most heartfelt thanks to our members, for their continued loyalty to First West as their trusted financial advisors. Your financial success and flourishing matters to us—we're here to help make it happen.

2» MANAGEMENT'S RESPONSIBILITY

The accompanying statements of First West Credit Union have been prepared by management, which is responsible for their integrity, objectivity, and reliability as well as for selecting appropriate accounting policies that are consistent with generally accepted accounting principles in Canada. The financial statements necessarily include some amounts that are based on estimates and judgments of Management with appropriate consideration to materiality.

The financial information presented elsewhere in this annual report is consistent with the information in the financial statements, unless otherwise noted.

The credit union's accounting and internal control systems and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete, reliable, and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, and accountability for performance. In addition, the systems include policies and standards of

business conducted that are communicated throughout the organization to prevent conflicts of interest and unauthorized disclosure of information.

The credit union's Board of Directors, acting through its Audit and Conduct Review Committee, and Risk, Investment and Loan Committee oversees management's responsibilities for the financial reporting and internal control systems. Our internal auditors review our systems and periodically are asked to undertake in-depth system reviews of specific functional operations. The British Columbia Financial Services Authority may conduct an examination and make such inquiries into the affairs of the credit union as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that the credit union is in sound financial condition.

KPMG LLP, the independent auditors appointed by the members, have examined our financial statements and issued their report, which follows. The auditors have full and complete access to, and meet periodically with, the Audit and Conduct Review Committee to discuss their audit and matters arising therefrom.



Launi Skinner
Chief Executive Officer



Mark Moreland
Chief Financial Officer

3 » DISCLAIMER ON FORWARD-LOOKING STATEMENTS

From time to time, First West Credit Union (First West) makes written and verbal forward-looking statements. Statements of this type are included in the annual report and reports to members and may be included in filings with regulators or in other communications such as press releases and corporate presentations. Forward-looking statements include, but are not limited to, statements about First West's objectives and strategies, targeted and expected financial results, and the outlook for First West's businesses or for the Canadian economy.

Forward-looking statements are typically identified by, but not limited to, the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact", "goal", "focus", "potential", "strive", "commit", "target", "proposed" and other similar expressions, or future or conditional verbs such as "will", "may", "should", "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that management's predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, that its assumptions may not be correct and that its strategic goals will not be achieved.

There is inherently more uncertainty associated with our assumptions as compared to prior periods, given the continuing impact of high inflation, rising interest rates, ongoing adverse developments in the U.S. banking sector (which adds pressure on liquidity and funding conditions for the financial services industry), and the impact of the war in Ukraine and the conflict in the Middle East on the global economy, financial markets, and our business, results of operations, reputation and financial condition.

A variety of factors, many of which are beyond First West's control, affect our operations, performance and results, and may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to: inflationary pressures; global supply-chain disruptions; geopolitical risk, including from the war in Ukraine and conflict in the Middle East, the occurrence, continuance

or intensification of public health emergencies, and any related government policies and actions; the possible impact on First West's business and operations of public health emergencies, outbreak of other diseases or illnesses and any related government policies that affect local, national or international economies, general business and economic conditions in Canada, including housing market conditions; the volatility and level of liquidity in financial markets; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions, and interest rate and liquidity regulatory guidance; changes to our credit ratings; fluctuations in interest rates and currency values; the volatility and level of various commodity prices; changes in monetary policy, economic and political conditions and developments, including changes relating to economic or trade matters; the possible effect on our business of international conflicts, such as the war in Ukraine and conflict in the Middle East, and terrorism; natural disasters, disruptions to public infrastructure and other catastrophic events; legislative and regulatory developments; regulatory compliance (which could lead to us being subject to various legal and regulatory proceedings, the potential outcome of which could include regulatory restrictions, penalties and fines); legal developments; the level of competition; changes in accounting standards and policies; potential disruptions to our information technology systems and services; reliance on third parties to provide components of our business infrastructure; potential disruptions to our information technology systems and services; increasing cybersecurity risks that may include theft or disclosure of assets, unauthorized access to sensitive information, or operational disruption; social media risk; losses incurred as a result of internal or external fraud; the accuracy and completeness of information First West receives about customers and counterparties; the failure of third parties to comply with their obligations to First West and its affiliates or associates; intensifying competition from established competitors and new entrants in the financial services industry including through Internet and mobile banking; technological change including the use of data and artificial intelligence in First West's business; the

ability to attract and retain key personnel; the ability to complete and integrate acquisitions; changes in tax laws; technological developments; unexpected changes in consumer spending and saving habits; timely development and introduction of new products; climate change and other environmental and social risks and management's ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of our forward-looking statements.

Additional information about these factors can be found in the Risk Management section of this MD&A. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements, as a number of important factors could cause First West's actual results to differ materially from the expectations expressed in such

forward-looking statements. Unless required by law, First West does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by it or on its behalf.

Assumptions about the performance of the Canadian economy over the forecast horizon and how it will affect First West's businesses are material factors considered when setting organizational objectives and targets. In determining expectations for economic growth, First West primarily considers economic data and forecasts provided by the Canadian government and its agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties that may be general or specific. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the outlook sections of this MD&A.

4 » BUSINESS PROFILE AND ORGANIZATIONAL OVERVIEW

First West is one of Canada's leading member-owned financial cooperatives. With \$18.6 billion in total assets and assets under administration, and more than 270,000 members, we are British Columbia's third-largest credit union. Our core business is traditional banking, the provision of personal daily banking and financial advice, and business banking services and business advice. Our more than 1,300 team members strive to create real value for our members through low or no-cost daily account products, competitive lending facilities, segment-tailored service and financial advice, and innovative online and digital experiences.

First West formed in 2010 through the merger of Envision Credit Union and Valley First Credit Union, but our roots date back to 1946. We have experienced considerable growth since 2010, as likeminded credit unions Enderby & District and Island Savings joined First West and we continued to bring new, innovative products and services to market through our locally known and trusted brands. Our collective size, strength and local expertise enables us to create greater value for our members and communities.

Find more information about First West and our multi-brand business model online at firstwestcu.ca.

Retail Financial Services

First West offers a full suite of personal banking services and products, including chequing and savings accounts, term deposits, loans, lines of credit, letters of credit, mortgages, credit cards and registered savings accounts. As part of our core banking offering, our members also enjoy a simple yet intuitive online and mobile banking experience, and a member advice call centre outfitted with robust banking service and financial advice.

For our members' diverse wealth management needs, First West has access to comprehensive investment advice and products, as well as life, disability, critical illness and long-term care insurance to protect wealth assets.

Commercial and Business Financial Services

We offer a full suite of banking services and products for small- and medium-sized businesses, including chequing and savings accounts, term deposits, loans, lines of credit, letters of credit, mortgages, credit cards, merchant services and payment solutions.

Our First West Capital subsidiary specializes in subordinated debt and mezzanine and equity financing solutions for mid-market businesses across Canada.

Advice-Centred Member Experience

We anchor competitive financial products and services with expert advice. Members' financial goals—in any stage of life or business—are our goals. Our advisors use their accredited knowledge and skills to create a holistic, advice-centred experience.

Our Strategy

As a maturing Agile enterprise, First West adopts an emergent approach to strategy, which is vital in a world where the pace of change is prevaillingly rapid. The emergent mindset enables the credit union to adapt quickly to changes in its marketplace while more readily fostering spontaneous innovation that can be harnessed to create member-centred products, services and advice.

Our strategy is fluid and flexible yet anchored by four critical themes, which we refer to as strategic pillars. These pillars help direct and define the scope of all strategic activities we undertake to build First West's strength and sustainability.

In 2023, we developed a new enterprise strategic vision that will guide us as we open a new chapter of growth. Developed through extensive consultation with members, employees, the Board of Directors and other role holders, the new vision will feel familiar, with sharpened focus on forward-looking aspects, such as specific goals and targets, all to build on the momentum we have generated over the past few years.

The enterprise vision has been built with our organization's purpose and values in mind.

PURPOSE	<p>TOGETHER, WE CREATE A FUTURE WHERE EVERYONE CAN FLOURISH.</p> <p>We're redefining what banking can do for people, our local communities and our world.</p> <p>We connect people to education, advice and tools so they have the opportunity and confidence to build a life they love. Through partnerships and collaboration, we make sure their successes are shared and amplified within our communities.</p>
----------------	---

STRATEGIC PILLARS	<p>People & Culture Advance an inclusive environment where everyone flourishes, contributes to the success of the organization, and makes a meaningful impact.</p>	<p>Member Value Redefine what is possible when people and technology intersect to deliver advice that improves financial health and confidence.</p>	<p>Financial Strength Deepen member relationships while building a resilient balance sheet to drive growth</p>	<p>Empowered by Technology Apply forward-looking solutions to deliver the best advice and experience to the most members</p>
--------------------------	---	--	---	---

AUDACIOUS GOAL	<p>BY 2028, WE WILL BE KNOWN AS THE LEADING FINANCIAL COOPERATIVE IN CANADA WHERE:</p> <ol style="list-style-type: none"> 1. Members' financial health outperforms the rest of Canada when it comes to planning, practices and confidence. 2. Team Members are equipped to face an increasingly complex world. 3. Communities are more resilient and have experienced the greatest economic growth in Canada 4. Partners see us as leader of change who is committed to making a difference.
-----------------------	---

We're Building a Portfolio of Strategies to Guide Growth



Executing our Strategy: First West Business Model Overview

Our structure enables our divisions to apply customized operational initiatives to meet the unique conditions of their local markets. Our four locally known and trusted brands are:

- » **Island Savings**
(serving Vancouver Island and Gulf Island communities)
- » **Envision Financial**
(serving the Lower Mainland, Fraser Valley and North Coast communities)
- » **Valley First**
(serving Southern Interior communities)
- » **Enderby & District Financial**
(serving North Okanagan communities)

These brands operate under the direction of three regional presidents. With strategic direction from the First West Leadership Team, the regional presidents and their local management teams direct and grow divisional business segments: retail banking, business and commercial banking, and wealth management. The following leaders comprise the First West Leadership Team:

- » **Launi Skinner** | Chief Executive Officer
- » **Mark Moreland** | Chief Financial Officer
- » **Liz Bailey-Connor** | Chief People & Culture Officer
- » **Shelley Besse** | Chief Credit Officer
- » **Paul Brodeur** | Chief Strategy & Market Growth Officer
- » **Leslie Castellani** | Chief Governance & Corporate Affairs Officer
- » **Susan Ewanick** | Chief Member Officer
- » **Darrell Jagers** | Chief Transformation Officer
- » **Carl Lamoureux** | Chief Risk Officer

First West supports its branch and channel network through the provision of corporate shared services and programs that build solutions for members and improve operational efficiency. These include treasury and financial management, information technology and cyber security, credit and credit recovery, risk management, human resources, operations, marketing and communications, and cross-functional, multi-disciplinary Agile squads. By providing operational support and strategic oversight, First West enables its network to deliver tailored financial services and advice that helps simplify our members' lives.

Strengthening our Commitment to Make Meaningful Impact

As First West continues to grow, the impacts we have in the world increases. Furthermore, the world in which we operate is diverse and increasingly complex, compelling businesses of all kinds to better understand and measure their operations in terms of financial performance, risk and impact on our local, regional and global communities. These impacts are usually of an environmental, social or (corporate) governance nature, often referred to as ESG. Typically, ESG frameworks categorize, measure, and evaluate an organization's environmental, social and governance practices and impacts. These frameworks are often designed to provide insight into an organization's ability to manage risk related to numerous issues associated with each of these categories. ESG, then, can be taken overall as an indication of an organization's sustainability.

As a framework, ESG aligns with First West's purpose and who we are as a values-based organization striving to helping our members and communities flourish. First West approaches ESG by aligning our strategy and actions to our purpose and to ESG issues where we can make meaningful impact. This approach is designed to create long-term value for members, communities, partners and role holders.

Managing our ESG Risk

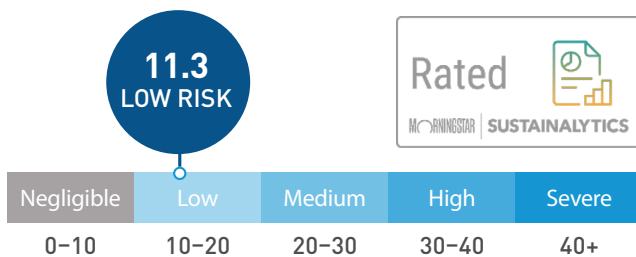
First West aims to establish greater accountability to members, communities and ourselves as we move forward in evaluating our ESG impacts and opportunities.

To guide and measure progress in certain aspects of our ESG efforts, we again engaged Sustainalytics, a leading ESG research, ratings and data firm, to conduct our third annual ESG rating in 2023. A low ESG rating is desirable as it suggests that an organization is:

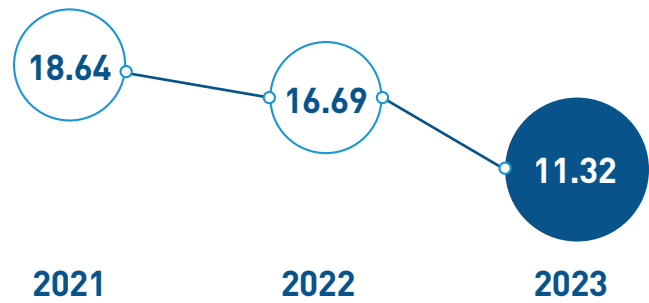
- » effectively managing ESG-related risk;
- » more inclined to long-term, strategic thinking; and
- » focused on prioritizing long-term value creation over short-term gain.

Studies show that companies that follow ESG principles are lower risk and more resilient over time.

Sustainalytics rated First West as 11.3 low risk, which improves upon the credit union's 2022 rating by 32% (lowering the score from 16.7). The improvement in the rating reflects First West's commitment to ensuring its stability and to integrating sustainable business practices to achieve growth. Key areas of ESG progress and impact included data privacy and security, corporate governance, human capital, equity, inclusion and diversity, and business ethics, as well as the credit union's commitment to the United Nations Principles of Responsible Banking (UN PRB). Overall, the improvement trend in First West's rating demonstrates our commitment to reducing risk while creating value for members, role holders and the communities in which we operate.



ESG RISK RATING HISTORY



First West will continue to leverage knowledge gained from our third rating and through conducting internal reviews to understand gaps and risks to our business, viewing them as potential opportunities for improvement.

Overall, our ESG risk rating provides an additional layer of thorough and honest assessment of our corporate environmental, social and governance responsibilities, along with guidance as to how the credit union can continue to improve in these areas.

Commitment to United Nations Principles of Responsible Banking

Progress starts with making measurable commitments. Ambition and action are urgently needed to address major planetary crises around climate change, risk mitigation and social issues. In 2022, we made a significant step in this direction by joining the UN PRB as a voluntary signatory. The PRB is a framework that helps us show and track our commitments that are core to our identity: putting people before profits, supporting our communities and caring for the planet. We believe the UN PRB aligns with our purpose and cooperative values and can help amplify our impact for the good of others.

As of the end of 2023, we have undertaken an analysis of current issues facing Canadians to help determine our areas of focus. In addition, we have also begun an impact analysis of our retail and business banking portfolios—which comprise the majority of our business—to determine significant impact areas. The data from this analysis, along with the guidance of the UN PRB, will provide a benchmark by which to evaluate the risks and opportunities related to our retail and business banking portfolios.

Adopting Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are 17 interconnected global goals developed by the global community to provide a holistic and ambitious roadmap for private, public and non-profit organizations to work together to address a multitude of global challenges including poverty, hunger, inequality, climate change, environmental degradation, and peace and justice.

We believe we can help make progress against certain SDGs based on our history, purpose and values. By engaging with various role holders, we have identified six SDGs, which best align to First West's core values:



End hunger, achieve food security and improved nutrition, and promote sustainable agriculture



Ensure healthy lives and promote well-being for everyone at all ages



Ensure inclusive and quality education for all and promote lifelong learning



Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all



Reduce inequality within and among countries



Taking urgent action to tackle climate change and its impacts

Aligning our decision-making practices to these six SDGs will help guide our actions and provide First West a consistent way to measure, manage and track our sustainability-focused impacts and progress.

ESG Engagement

We started our ESG journey in 2021 by obtaining our first ESG rating, which showed our commitment to ESG. In 2022, we developed a framework to embed ESG into our business practices to shift our focus to creating impact. The framework reflects our purpose, values and ideals, impact statements and the Sustainable Development Goals, and it helps us to make strategic decisions that consider ESG factors.

In 2023, First West began role holder engagement around our ESG approach. We conducted focus groups, surveys and interviews with members and team members to better understand their views on the environmental, social and governance challenges that First West faces today and to learn more about these challenges with respect to our strategic decision-making.

Investing for Greater Impact

First West created an Impact Investing team in 2023 to drive tighter alignment between our purpose and values and our investments. Impact investing empowers the credit union to create positive, measurable social and/or environmental impact and long-term value for members and the communities we serve, while building financial strength.

When considering potential investment opportunities, we look to invest in organizations that:

- » Align with our values and can demonstrate their impact
- » Demonstrate best practices in responsible investing and practice diversity, equity, and inclusion
- » Support us in achieving at least one of our priority United Nations Sustainable Development Goals

In 2023, First West committed \$2.75M to impact investments, with more to come in 2024.

Managing Risk Associated with Climate Change

In 2023, the Office of the Superintendent of Financial Institutions (OSFI) introduced a Climate Risk Management guideline (B-15) for federally regulated financial institutions (FRFI). The guideline recognizes that climate change holds inherent risks to the safety and soundness of financial institutions and the financial system more broadly.

The guideline states three outcomes expected of FRFIs:

- » Outcome 1: The FRFI understands and mitigates against potential impacts of climate-related risks to its business model and strategy.
- » Outcome 2: The FRFI has appropriate governance and risk management practices to manage identified climate-related risks.
- » Outcome 3: The FRFI remains financially and operationally resilient through severe, yet plausible, climate risk scenarios.

To address OSFI's requirements around the risk impacts of climate issues, First West created a climate action working group in 2023. The Climate Action Working Group is made up of experts from our Finance/Reporting, Risk, Credit, Strategy and Market Growth departments with focused efforts on creating a roadmap and systems to support regulatory requirements under OSFI's B15 Climate Risk Management guideline.

Keeping A Good Thing Growing

In January 2023, the BC Financial Services Authority (BCFSA)—First West’s provincial regulator—and the Credit Union Deposit Corporation (CUDIC) jointly issued their consent for First West to formally apply to become a federal credit union with the condition that First West receives Letters Patent to continue under the *Bank Act* by December 19, 2023.

Throughout 2023, First West made significant progress in its journey to become federally regulated, including closing gaps to meet the rigorous expectations set out by the Financial Consumer Agency of Canada (FCAC) and the Canada Deposit Insurance Corporation (CDIC), while also completing the in-depth reviews on First West’s business with the OSFI. However, in late 2023, First West became aware that the federal regulatory process would extend beyond the December 19 condition set by BCFSA. This administrative challenge was discussed in conversations with BCFSA throughout the fall, with a formal request for an extension issued by First West to BCFSA in December.

Following a fulsome response to a Request for Information and a further review by BCFSA, on February 23, 2024, BCFSA provided its consent with two conditions. First, First West must receive Letters Patent to continue under the *Bank Act* by December 31, 2024. Second, First West must undertake the following for three years, beginning on the date that First West receives Letters Patent to continue under the *Bank Act*, to: (i) Maintain the head office of First West Federal Credit Union in British Columbia, and (ii) Ensure that the majority of the Executive Officers of First West Federal Credit Union are B.C. residents. First West agreed to these two conditions, which are consistent with what the credit union submitted in its formal application to become federally regulated.

First West expects federal approval in the first part of 2024. In the meantime, the organization remains governed by British Columbia’s laws until the effective date of the Letters Patent issued by the federal Minister of Finance under the *Bank Act*.

An overview of the completed and remaining steps to federal continuance include:

- ✓ Board of Directors asks management to analyze the risks and opportunities of becoming federally regulated. (Completed)

- ✓ First West submits pre-application to OSFI. (Completed)

- ✓ OSFI reviews pre-application and engages in initial round of bi-weekly meetings with First West. (Completed)

- ✓ OSFI holds business plan review session with First West and issues Expectations Letter to First West Board of Directors. (Completed)

- ✓ Board of Directors considers Expectations Letter and decides whether to present special resolutions to membership. (Completed)

- ✓ Members vote on federal continuance. (Completed)

- ✓ First West submits application to BCFSA and CUDIC. (Completed)

- ✓ BCFSA undertakes public consultation. (Completed)

- ✓ BCFSA and CUDIC considers First West’s business case for continuance. First West requires BCFSA and CUDIC consent to proceed. (Completed)

- ✓ First West submits formal application to OSFI. (Completed)

If the application meets the requirements as per the *Bank Act* and all applicable regulations, guidelines, necessary capital, technology, policies and processes are in place, the federal Minister of Finance will review the application and render her or his decision on the issuance of the Order for Letters Patent of Continuance.

If the Minister approves the application, First West Credit Union will commence its operations as a federal credit union.

First West is well positioned to become federally regulated and has already realized important benefits during its federal continuance journey, including:

Funding growth

First West gained access to capital markets across Canada, which supports the credit union's growth goals and enables funding larger deals for business and commercial members.

Advancing a strong capital position

We adopted BASEL III Capital Measurements and implemented OSFI's Internal Capital Adequacy Assessment Process (ICAAP) early, bolstering a strong capital position that can help mitigate several challenges facing other financial institutions.

Reinforcing strong lending practices

OSFI B-20 residential mortgage practices were adopted in 2018, with full implementation in 2019. Since January 2019, First West has funded \$5.9 billion in new and refinanced residential mortgages, all B-20 compliant. First West's strong underwriting practices has resulted in low write-offs over time, in line with or below the industry average.

Enhancing member financial literacy

The credit union implemented robust FCAC consumer protection practices in 2023, including the new and rigorous complaints handling and management process, balance alerts and member discovery tool. Practices and tools such as these helps ensure members can access, understand and use appropriate financial products.

Advancing cybersecurity

First West adopted OSFI's cybersecurity risk standards, further strengthening our security practices.

Adding top talent

Since starting work to become a federal credit union, we have attracted a broader range of skilled applicants from across Canada in critical areas such as cybersecurity, risk management, commercial lending and digital services and technology, while providing compelling career paths for current employees. Since 2021, 80 percent of team members hired in member support roles specifically referenced First West becoming federally regulated as a reason they wanted to join the credit union.

For more information on the six benefits on why First West is becoming federally regulated, visit [keeptgrowing.ca](https://www.keeptgrowing.ca).

5» FINANCIAL HIGHLIGHTS

\$14.2B

↑ 7.0%

Assets

\$11.9B

↑ 6.1%

Loans

\$12.0B

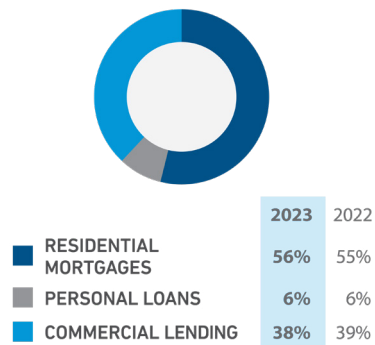
↑ 5.3%

Deposits

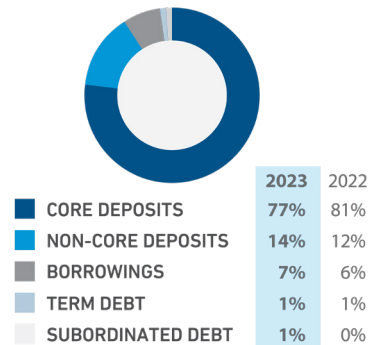
\$4.4B

↑ 7.5%

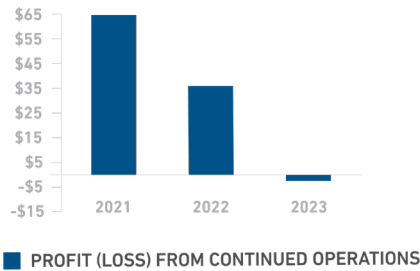
Wealth Assets Under Management



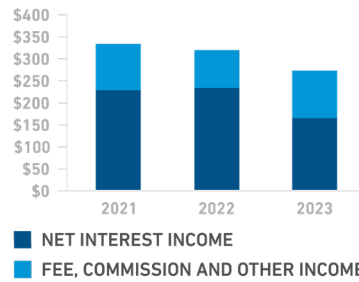
Loans by Lending Sector (%)



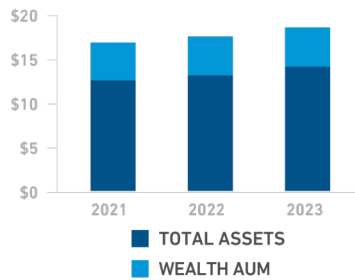
Total Funding Composition (%)



Profit (\$M)



Revenue Mix (\$M)



Total Assets and Wealth Under Management (\$B)

BBB (HIGH)

Trend: STABLE

Credit Rating | Long-Term

R-1 (LOW)

Trend: STABLE

Credit Rating | Short-Term

15.4%

Strong Regulatory Capital Ratio

Table 1 - Financial Highlights

(Expressed in thousands of dollars)	2023	2022	2021	2020	2019
Consolidated Statement of Financial Position					
Cash resources	476,910	278,119	449,807	1,386,162	260,852
Residential mortgages	6,629,387	6,134,272	5,492,331	4,909,328	4,925,583
Personal loans	740,474	770,645	742,317	789,581	904,661
Commercial loans	4,540,559	4,324,809	3,936,348	3,471,251	3,334,843
Accrued interest	26,230	22,546	14,782	16,181	17,101
Allowance for credit losses	(28,712)	(26,904)	(23,406)	(43,592)	(42,756)
Loans to members	11,907,938	11,225,368	10,162,372	9,142,749	9,139,432
Investments and other assets	1,676,795	1,612,107	1,865,994	1,532,472	1,522,891
Premises and equipment	172,176	188,629	194,533	127,506	111,659
Total assets	14,233,819	13,304,223	12,672,706	12,188,889	11,034,834
Demand deposits	4,738,562	4,876,501	5,297,094	4,380,913	3,384,991
Term deposits	5,618,949	5,121,219	4,383,518	4,713,083	4,868,948
Registered savings plans	1,465,849	1,314,767	1,279,707	1,386,317	1,328,718
Class A shares	5,383	5,416	5,538	5,659	5,706
Accrued interest and dividends	148,372	60,382	23,966	51,266	63,436
Deposits from members	11,977,115	11,378,285	10,989,823	10,537,238	9,651,799
Payables, accruals and others	147,474	193,528	200,485	208,652	203,305
Term debt	150,630	150,368	-	-	-
Borrowings	922,402	691,818	586,227	600,670	412,766
Subordinated debt	154,440	-	-	-	-
Liabilities	13,352,061	12,413,999	11,776,535	11,346,560	10,267,870
Equity shares	22,443	24,020	26,137	28,083	29,870
Accumulated and other comprehensive income	(41,451)	(37,432)	2,487	13,090	(3,157)
Contributed surplus	163,651	163,651	163,651	163,651	163,651
Retained earnings	737,115	739,985	703,896	637,505	576,600
Total liabilities and members' equity	14,233,819	13,304,223	12,672,706	12,188,889	11,034,834
Allowance for Credit Losses					
Opening balance	26,904	23,406	43,592	42,756	28,443
Less: write-offs	(2,801)	(1,671)	(12,042)	(24,580)	(2,435)
Plus: provision (recovery)	4,609	5,169	(8,144)	25,416	16,748
Closing balance	28,712	26,904	23,406	43,592	42,756

Table 1 - Financial Highlights (continued)

(Expressed in thousands of dollars)	2023	2022	2021	2020	2019
Consolidated Statement of Profit or Loss					
Interest income	578,881	407,030	319,322	341,917	363,940
Interest expense	405,004	165,759	88,210	145,428	167,120
Net interest income	173,877	241,271	231,112	196,489	196,820
Recovery (provision) for credit losses	(4,609)	(5,169)	8,144	(25,416)	(16,748)
Fee, commission and other income	101,450	82,360	104,285	120,355	104,042
Operating margin	270,718	318,462	343,541	291,428	284,114
Operating expenses	274,905	274,543	259,841	234,169	232,876
Profit (loss) before income taxes	(4,187)	43,919	83,700	57,259	51,238
Income taxes	(2,368)	6,954	16,811	8,461	8,521
Profit (loss) for the year from continuing operations	(1,819)	36,965	66,889	48,798	42,717
Profit for the year from discontinued operations	-	-	-	12,799	45,435
Profit (loss) for the year	(1,819)	36,965	66,889	61,597	88,152
Financial Statistics (expressed as %)					
Asset growth	7.0	5.0	4.0	10.5	7.3
Loan growth	6.1	10.5	11.2	0.0	6.5
Deposit growth	5.3	3.5	4.3	9.2	7.0
Operating efficiency	99.8	84.8	77.5	73.9	77.4
Dividends paid (\$000s)	1,301	1,055	611	858	1,151
Percent of Average Assets					
Net interest income	1.27	1.85	1.87	1.65	1.84
Fee, commission and other income	0.74	0.63	0.84	1.01	0.97
Operating expenses	2.01	2.10	2.10	1.97	2.18
Operating margin	1.98	2.44	2.78	2.45	2.65
Operating return on assets	(0.03)	0.34	0.68	0.48	0.48
Net (after-tax) return on average assets	(0.01)	0.28	0.54	0.52	0.82
Capital and Risk Weighted Assets					
Risk weighted assets (\$000s)	7,735,239	7,450,040	6,861,906	5,870,826	6,186,434
Total capital (\$000s)	1,191,103	1,027,527	999,207	930,568	876,097
Capital adequacy (%)	15.4	13.8	14.6	15.9	14.2
Return on capital (%)	(0.2)	3.6	6.7	6.6	10.1
Other Statistics					
Branches	45	45	45	45	50
Wealth assets under management (\$000s)	4,393,671	4,087,702	4,153,115	3,297,776	3,015,202
Loans under administration (\$000s)	7,758	8,521	42,082	69,054	95,571
Average assets (\$000s)	13,700,290	13,059,723	12,352,123	11,888,358	10,703,055

PROFIT FOR THE YEAR
\$1.8 MILLION LOSS

Loss for the year of \$1.8 million was \$38.8 million or 105%, lower in 2023, compared with \$37.0 million profit in 2022. The decrease in 2023 was primarily due to the expected temporary decline in net interest income from higher interest expense as the loan book takes longer to reprice to the higher interest rate environment.

ASSETS
\$14.2 BILLION

Assets grew \$0.9 billion or 7.0% in 2023, compared with 5.0% in 2022. This growth was primarily the result of an increase in loans, up \$0.7 billion or 6.1% due to strong lending activity.

LOANS TO MEMBERS
\$11.9 BILLION

Total loans to members demonstrated strong growth with a net increase of \$0.7 billion or 6.1% in 2023, compared with 10.5% in 2022. Residential mortgages and personal loans to members increased by \$495.1 million or 8.1%, while commercial lending grew by \$215.8 million or 5.0%.

DEPOSITS FROM MEMBERS
\$12.0 BILLION

Deposits from members increased by \$598.8 million or 5.3% in 2023, compared with 3.5% in 2022.

**WEALTH ASSETS UNDER
ADMINISTRATION**
\$4.4 BILLION

Wealth assets under administration increased by \$306.0 million or 7.5% in 2023, compared with a 1.6% decrease in 2022.

**MEMBERSHIP IN
2023**

Membership grew by 2.0% in 2023, compared with growth of 0.9% in 2022.

6 » MEMBER, EMPLOYEE AND COMMUNITY HIGHLIGHTS

MEMBER EXPERIENCE

In 2023, we introduced new features, products, tools and experiences to improve members' ability to bank when and where they want, and to better manage their finances and financial goals.

ADVANCING MEMBER FINANCIAL WELLBEING

Balance alerts

We introduced balance alerts as a powerful digital tool to make it easier for members to manage their account balances and prevent unwanted fees.

Savings First online opening

Building up savings is a key part of financial wellbeing—we made it easier for members to get started by making it possible to open our core interest-bearing deposit account, Savings First, online.

Tax-Free First Home Savings Account (FHSA)

Our FHSA is a new tax-free savings vehicle introduced in the 2022 federal budget to assist eligible Canadian residents in purchasing their first home.

Password strength indicator

Continual security of our members' information is paramount—we are always working to enhance protective measures. In 2023, we added a password strength indicator in online and mobile banking to help guide members in creating stronger login passwords.

Device binding

As part of our constant cybersecurity vigilance, we introduced this authentication method in online banking and mobile apps in 2023.

Helping members facing financial hardship

Through our expedited financial hardship program, we supported members who experienced unexpected financial impacts, such as those caused by the devastating wildfires in the Thompson-Okanagan region. First West is committed to being part of efforts to help members recover from extreme weather-related events and other situations in which members need immediate assistance.

In the case of the 2023 wildfires, we supported members whose employment and earning situations were disrupted by the fires. The financial hardship program helps these members stay on track with repayment to minimize potential impacts to their credit ratings.

Driving Better Banking Experiences

Our continuous progress mindset and Agile practice enables us to make consistent, timely changes that add up to better experiences for our members.

Download void cheque

We introduced the void cheque download capability for our PC and mobile app, becoming the first credit union in B.C. to release this digital banking feature.

Business cheque ordering at the touch of a button

We made it possible for business members to order cheques for their business account online.

Improved commercial online banking

We gave our commercial members an updated digital banking experience with an updated, modern look and feel, improved navigation and readability, and optimized display for screens on various digital devices.

Easier e-Transfers

For our small business members, we introduced the ability to send Interac e-Transfer® without needing an email address or mobile phone number. This improvement also included instant receipt and the option to include remittance details.

Better online account opening experiences

We added term deposit accounts and our High Interest Savings Account as options in our online account opening offerings making it easier to open our flagship Simply Free Account®.

New member complaint process and management software

Our member complaint process received an overhaul by adopting a new technology platform to help improve complaints management. These advances also help us better understand the root cause of member dissatisfaction and supports the discovery of solutions to prevent issues from reoccurring.

New online credit card account management platform

Members began enjoying secure and easy management of their Collabria credit cards with the launch of Collabria's new CardWise platform. For PCs and mobile devices, CardWise provides at-a-glance account overview, customizable controls and alerts, transaction detail/history, spending insights and more.

ADVANCING AN INCLUSIVE WORKPLACE CULTURE

First West is committed to creating a vibrant, inclusive, psychologically safe and healthy workplace culture where all team members can flourish and grow. We routinely gather feedback to help leadership understand how team members feel about working at First West and to guide our efforts to continuously advance our people practices.

In November 2022, we conducted an Organizational Health Index (OHI) survey to measure key areas that impact organizational health and performance. OHI survey results help inform our strategic and business plans, particularly those around creating a sustainable culture. Our survey results put First West in the top decile against global benchmarks, affirming our strong people practices. Feedback from the survey drove initiatives supporting team members throughout 2023.

This year we were delighted and honored to be selected as one of Canada's Most Admired Corporate Cultures™ by Waterstone Human Capital. This highly coveted award recognizes Canadian organizations who proudly represent a culture centered on team member engagement and inspiration to achieve performance excellence and competitive advantage. It takes every team member to

make the vision of a thriving culture a reality. The award showcases our dedication in nurturing a workplace where everyone can flourish and elevate their potential, while being their authentic selves.

First West also received the honour of being named among the best employers in British Columbia by Mediacorp Canada. In its 19th year, BC's Top Employers award recognizes British Columbian employers that lead their industries in offering exceptional places to work.

In addition to this coveted culture award, we were recognized by one of the leading insurance providers in Canada for our dedication to our team members' mental health. *Canadian Occupational Safety Magazine* also recognized First West with a 5-star Psychological Safety Award. This award recognizes organizations that are on the forefront of addressing mental health issues in the workplace and have leading mental health benefits.

Elevating Potential Through Talent Development

An ongoing global skills shortage and analysis of our OHI survey data led us to identify, talent development as an area for sharpened focus for 2023. The rapid pace of technological automation has implications for workforce skills over the next decade and creates a significant challenge to ensure our team members' skills are future ready. By focusing on talent development, we're enabling First West to continue to attract, develop, and retain employees who can grow their careers with us and feel more capable and confident in serving our members.

We have much to be proud of when it comes to talent development. This year we filled more than 50% of our vacant roles internally, which is well above external benchmarks (Gartner internal fill rate average is 25%). New and improved resources supporting career development planning, and refreshed mentorship resources were developed with team member insight and input. As a key objective in developing employee talent, all team members were encouraged to build career development plans and take opportunities to gain broader experience in other areas of the organization. Career coaching, internal training and LinkedIn Learning also supported team members' professional and

personal growth. By the end of November, 81% of active permanent team members had a development plan in place, surpassing our year-end stretch goal of 80%. Team members logged over 46,000 training hours in 2023.

We provided role-specific training to help team members understand, learn and prepare for serving members as a federal credit union. Protected time for learning was guaranteed for those team members requiring knowledge of federal legislation and practices. Both Member Advisor and Financial Advisor development programs were expanded and continue to evolve and be available as needed. Our Leadership in Practice series, designed to provide “bite-sized” refreshers and tips for leaders to practice in specific leadership areas, continued into 2023 with a focus on retention, recognition and quality development plans.

We launched a team member survey in November with a 90% response rate that measured progress on our talent development priority and to capture team member feedback and insights on important and emerging topics. Overall the results were very positive, with an average score of 4 out of 5 in all but two areas. This information will help identify ways First West can continue to support team members when planning programs and improvements in the coming months.

Prioritizing the mental and physical health of our team members

We continued to support the mental and physical health of our team members in 2023 through our Live Well program, which we launched in 2022. Live Well intentionally drives awareness on the importance of physical and mental health for all First West team members. The program now includes several tools and resources to help team members improve their mental and physical health, such as:

- » Headspace, a mindfulness and wellness smartphone/tablet app that provides content designed to help with sleep hygiene, physical movement and anxiety. Approximately 56% of team members have enrolled in the app with 80% of them utilizing it once daily.

- » In-house counselling sessions, giving team members access to a counselor on site, via secure video call or by phone. This offer was well received by team members: all available counselling sessions (approximately 40) were booked in less than 24 hours from the time they were made available.
- » Education and early intervention, which included quarterly speakers on health-related topics such as sleep, boosting your positive outlook and nutrition. Leaders also received education around psychological safety through our Leadership in Practice sessions and wellness huddles.
- » Continuing support through our Live Well Champions who help promote mental health seminars and workshops and encourage team member participation in various physical health challenges. Several of our champions have also taken the initiative to start their own health challenge with team members at their location (e.g., walking, hydration, etc.)

These activities have culminated into extremely positive feedback, and those teams who adopted the challenges, their team members expressed their gratitude for introducing these resources and supports. Since the implementation of the Live Well program, we have seen a 40% reduction in mental health claims and 70% reduction in short term disability (STD) claims going to long term disability (LTD) year-over-year. Other noted improvements are evidenced through our annual pulse check, indicating good improvements in both mental and physical health.

In addition to being named a 5-star Psychological Safety Award-winning workplace, First West was recognized by one of the leading insurance providers in Canada for our dedication to our team members mental health and was placed as a top three finalist for best mental health program based on the results of these positive outcomes.

A final note of achievement in 2023 was our approach to supporting team members during the devastating and unprecedented Thompson-Okanagan wildfires that occurred in the summer. Through our comprehensive emergency management program, we were able to support impacted team members. Support included

relocating team members to hotels (and other accommodations) ensuring they had basic necessities, such as meals and beverages. First West also provided a dedicated trauma counselor for two full days to ensure team members were able to access mental health support during this difficult time. We heard loud and clear that our team members appreciated First West's approach to their health and safety during these distressing events.

Our approach to support extended beyond team members as First West donated \$37,500 to agencies across the Central Okanagan Region to support wildfire evacuees and residents.

Advancing our Equity, Inclusion, and Diversity Journey

First West's commitment to Equity, Inclusion and Diversity (EID) continues to be one of cultural transformation and education to address systemic barriers and inequalities. This important work contributes to creating a safe, equitable and inclusive space where all team members feel their voice and true sense of self is heard, valued and celebrated. We believe wholeheartedly in a workplace where everyone belongs and has the opportunity to flourish.

In 2023, we launched our latest diversity survey to gain a better understanding of where we've made progress and where we need to continue focusing our attention. Participation in the survey increased to 88%, compared with 65% in 2021, improving representation for most equity deserving groups. Using survey results and findings from a recent Employment Systems Review (a comprehensive review of policies and practices to identify systemic and attitudinal barriers in an organization with the goal of reducing barriers and increasing employment opportunities for designated groups) we created a renewed EID strategy for 2023 - 2025. First West remains dedicated to advancing and infusing EID into its culture, continuously addressing systemic and attitudinal barriers for equity-deserving groups, inequity experiencing groups, and meeting federal credit union reporting requirements.

In May, our employee network groups increased to seven with the launch of the Black Employee Network (BEN).

BEN cultivates an inclusive and safe workplace for Black team members to help navigate unique challenges, with a goal to provide mentorship and explore professional development opportunities. BEN brings together Black team members and allies in an empowered community creating connections, sharing personal and cultural experiences, providing educational opportunities and promoting inclusion in ways that support Black team members at First West.

In 2023, First West enjoyed continued partnerships with university and college Indigenous student centres staying connected to Indigenous Scholarship & Bursary recipients to share information on mentorship opportunities, student hiring programs, and to explore employment opportunities.

Existing EID training was refined, providing team members with the opportunity to complete "4 Seasons of Reconciliation". This training is intended to promote a renewed relationship between Indigenous Peoples and Canadians through transformative learning and deepen understanding of Canada's treatment of Indigenous People throughout history, and the lasting impacts of that treatment. All team members were encouraged to embrace this learning as part of First West's commitment to Truth and Reconciliation and our EID journey.

Advancing our people practices remains a commitment whereby we create a more inclusive culture identifying and eliminating barriers and biases to equity, inclusion, and diversity ensuring no one is left behind.

MAKING MEANINGFUL IMPACT

First West is a leading employer in British Columbia and leveraging our organizational resources to help better our communities is an important way we make meaningful impact where we live and work. Our social vision, Lead Well, is a differentiating factor in our value proposition for employees and our community partners. Lead Well supports the development of individual leaders in our workplace, in our communities and in our world. Increased employee attraction, job satisfaction and employee retention are all key benefits of this strategy.

Boots on the ground and knowledge in the boardroom are resources essential to a strong social sector. In 2023, First West employees contributed 6,780 hours of community leadership to more than 242 non-profit and charitable organizations throughout British Columbia. First West employees supported their communities through a variety of roles, including:

- » Board appointments
- » Advisory councils
- » Youth involvement
- » Front line and operational support

Recognizing the efforts of our employees and the number of personal hours committed to serving in the community, our Lead Well Employee Recognition program funded 73 \$500-\$1,000 grants, totaling \$40,000 supporting non-profits selected by our employees.

In 2023, we proudly continued our three-year, \$300,000 partnership with the BC Cancer Foundation (BCCF). The partnership involves employee engagement and activation for several of BCCF's initiatives throughout the year, as well as dedicated funds to help advance research and innovative care in the greatest areas of need across the province.

First West employees completed 7,951 hours of physical movement to support BCCF's "Workout to Conquer Cancer" campaign and raised \$6,860 to support cancer research and patient care across British Columbia.

Our signature cause, supporting 32% of registered food banks across B.C., raised \$354,472, driven by employee-led fundraising and community partnerships. Since 2010, First West has raised nearly \$5,175,000 and collected 203,361 pounds of food for local food banks.

First West Foundation

Our grant-making charity has been working to help communities thrive since 1996. The foundation was established with a \$200,000 donation, and since First West was established in 2010, has grown from \$6 million to \$19 million, through the generosity of its donors. In partnership with local organizations, First West Foundation seeks to actively contribute to meaningful projects that make a positive and lasting impact upon community life. It enriches communities through effective grant-making, encourages philanthropy and reinforces First West's commitment to its communities.

HIGHLIGHTS OF THE FOUNDATION'S COMMUNITY SUPPORT IN 2023 INCLUDED:

- » A \$1,316,791 donation from First West
- » \$1,092,023 in grant funds through the foundation's annual grant cycle and giving programs
- » Advancement of its grant making programs through the principles and values of trust-based philanthropy. \$941,448 in grants was released as unrestricted funds to charities across B.C.
- » \$206,250 in grant funds to 20 local equity deserving charities through the SOAR grant program. SOAR launched in 2023 to support and partner with organizations committed to serving racialized groups, including and not limited to people who identify as Black, Brown, Indigenous and/or as a person of colour in communities served by First West
- » First West employee donations of \$85,816, to the Foundation's endowment funds which disperse money to causes in the community, our Feed the Valley and The Full Cupboard programs, and key community partners
- » Supported 104 local charities to deliver programs and services to help communities flourish
- » \$21,248 was distributed to Abbotsford Hospice Society and Kamloops Modern Man Family Project through the Keeping a Good Thing Growing Endowment, which is focused on capacity-building programs and initiatives

7 » ECONOMIC REVIEW AND OUTLOOK

Inflation trended back towards Bank of Canada target levels throughout 2023 and is expected to fully return to historical norms in 2024. The interest rate hikes by the Bank of Canada in 2022 and 2023, made in response to elevated inflation, have continued to slow economic growth. With continued pressure on the economy from higher interest rates, there is an expectation of little economic growth and a possible recession in 2024.

The Bank of Canada overnight rate increased to 5.0% during 2023 in continued response to elevated inflation. With increased interest rates, housing affordability has

declined and along with it, home sales volumes and prices. Due to slowing economic growth and potential for recession, a reduction in the Bank of Canada overnight rate is expected to occur in 2024.

British Columbia's economic performance compared poorly with the rest of Canada in 2023 due to higher interest rates and challenged affordability. This trend is expected to continue with downward pressure on household spending and residential investment as a result.

8 » FINANCIAL PERFORMANCE 2023 OVERVIEW AND LINE OF BUSINESS REVIEW

Table 2 - Financial Performance

(Expressed in thousands of dollars)	2023	2022	2023 Change	
			\$	%
Net interest income	173,877	241,271	(67,394)	(27.9%)
Fee, commission and other income	101,450	82,360	19,090	23.2%
Total revenue	275,327	323,631	(48,304)	(14.9%)
Provision for credit losses	4,609	5,169	(560)	(10.8%)
Total operating expenses	274,905	274,543	362	0.1%
Operating income (loss)	(4,187)	43,919	(48,106)	(109.5%)
Income tax expense (recovery)	(2,368)	6,954	(9,322)	(134.1%)
Profit (loss) for the year	(1,819)	36,965	(38,784)	(104.9%)
Assets				
Cash resources	476,910	278,119	198,791	71.5%
Loans after allowance for credit losses	11,907,938	11,225,368	682,570	6.1%
Investments, premises and equipment, and other assets	1,848,971	1,800,736	48,235	2.7%
Total assets	14,233,819	13,304,223	929,596	7.0%
Liabilities				
Deposits	11,977,115	11,378,285	598,830	5.3%
Borrowings	922,402	691,818	230,584	33.3%
Term debt	150,630	150,368	262	0.2%
Subordinated debt	154,440	-	154,440	
Other liabilities	147,474	193,528	(46,054)	(23.8%)
Total liabilities	13,352,061	12,413,999	938,062	7.6%
Members' equity	881,758	890,224	(8,466)	(1.0%)
Total liabilities and members' equity	14,233,819	13,304,223	929,596	7.0%
Ratios				
Operating efficiency	99.8%	84.8%	15.0%	17.7%
Regulatory liquidity ratio	14.0%	12.8%	1.2%	9.4%
Regulatory capital ratio	15.4%	13.8%	1.6%	11.6%

The fundamentals of the business remain very strong with continued deposit and lending growth momentum in 2023 despite a slowing provincial economy. Significant increases in interest rates caused headwinds that challenged profitability in the form of increased deposit costs.

Profit for the year declined to a loss of \$1.8 million in 2023, from \$37.0 million profit in 2022 (Table 2), primarily due to the temporary decline in net interest income as a result of higher deposit costs. Despite inflation pressures, operating expenses remained largely flat from the previous year through prudent management of expenses in response to pressures on revenue.

Asset growth was \$929.6 million in 2023 with loan growth of \$682.6 million funded primarily by deposit growth from members of \$598.8 million and issuance of subordinated debt of \$150 million.

Our liquidity position increased during the year, with the regulatory liquidity ratio at 14.0% in 2023, compared to 12.8% in 2022.

Our capital position increased as a result of the issuance of subordinated debt in 2023, with a regulatory capital ratio for 2023 at 15.4%, compared to 13.8% in 2022.

Line of Business Highlights

Retail Banking

In 2023, our retail lending portfolio increased by \$464.9 million or 6.7%, to \$7.4 billion, driven by strong growth in residential mortgages, while our core retail deposit portfolio decreased slightly by \$128.3 million or 2.2%, to \$5.7 billion.

From a lending perspective, we maintained differential pricing for insured/insurable and non-insurable mortgages in order to meet the needs of our credit union while providing pricing flexibility for members.

The retail banking division is a key part of our core business and we ended the year with a retail membership base of approximately 249,000 members. We provide service and advice to our retail members through a multi-channel offering, including our physical branch network, a Member Advice Centre and a market-leading digital banking platform.

Retail membership increased in 2023 by 2.0% compared to 0.9% in 2022. We continue to hold a primary focus on fulfilling our new members' financial needs within the first 90 days of them becoming a member. Our "core banking offer" (including banking products and digital engagement) is a key component of this early engagement and spans to members' other life stages and related financial needs.

We continued building and maintaining meaningful relationships with members, working to meet their financial needs through our core business (banking, borrowing and investing), deep financial expertise and digital banking experiences. With continued economic volatility, helping members feel empowered and confident remained a key focus for us in 2023. To further develop this assistance for our members, we introduced balance alerts as a powerful digital tool to make it easier for members to manage their account balances and prevent unwanted fees. We also made it possible to open our core interest-bearing deposit account, Savings First, online, to help members work on building their savings. See page 19, "Member Experience," for more 2023 highlights.

Commercial and Business Banking

Our commercial division continued to build on the strategic partnerships and relationships we have developed within the communities in which we operate. Net membership growth in our commercial line of business was 1.7% in 2023, ending the year with just over 29,000 total commercial members.

Our commercial lending portfolio grew by \$215.8 million or 5.0% to \$4.5 billion in 2023. The growth was driven by strong performance in commercial mortgages, which saw growth of \$219.6 million, or 5.3%. Commercial lending remained strong throughout the year with continued growth despite a tighter economic environment in 2023.

Total commercial core deposits grew by \$204.1 million or 5.0%, to \$4.3 billion during the year, driven by commercial term deposits. Non-core deposits, which include municipality, university, school and hospital demand accounts and terms, increased in the amount of \$435.1 million.

A major banking experience highlight for commercial members in 2023 was the improved commercial online banking experience with an updated, modern look and feel, improved navigation and readability, and optimized display for screens on various digital devices. We also added functionality making it possible for business members to place orders for business account cheques online.

Wealth Management

As economic volatility persisted in 2023, our wealth management services continued to play an important role in our members' overall financial wellbeing. First West Wealth Management offers members a full range of wealth advisory services and a comprehensive choice of investments through our partnership with Aviso, a national integrated financial services company.

Wealth management revenues were \$37.9 million in 2023, a strong increase of \$1.6 million over 2022 despite volatile markets. Through a combination of strong net sales and positive market movement, our assets under administration increased by \$306.0 million or 7.5%, to reach a total of \$4.4 billion in assets under management.

In 2023, our specialized wealth roles continued to deliver high-quality advisory experiences, resulting in First West

leading the credit union industry in wealth management results. Our industry-standard learning pathways for Wealth Planning Specialists and Wealth Advisors drove First West's capability to offer wealth management and advice services tailored to our members' needs, financial goals and life journeys.

From a technology perspective, advancements in 2023 included an initial phase rollout of Conquest, a powerful, industry-leading financial planning platform and the deployment of a robust wealth management referral system that is fully compliant with federal regulatory standards.

For the fifth consecutive year, our wealth partner Aviso recognized us with their Practice Standards Award, an honour given to the top credit union in delivery of wealth management services.

First West Capital

Throughout 2023, we maintained our focus on stabilizing the First West Capital portfolio for the long term, keeping a steady balance between our allowance for credit losses and portfolio size. The total portfolio balance was \$42.6 million at the end of 2023, up from \$41.5 million in 2022. First West Capital funded \$10.2 million in disbursements in 2023.

9 » DISCUSSION ON FINANCIAL PERFORMANCE

Net interest income

Table 3 - Net Interest Income Volume and Rate Impacts

2023

(Expressed in thousands of dollars)	Increase (decrease) in net interest income due to changes in		
	Average balance	Average rate	Net change
Interest earnings assets	19,964	151,887	171,851
Interest bearing liabilities	(8,130)	(231,115)	(239,245)
Net Interest Income	11,834	(79,228)	(67,394)

Table 4 - Net Interest Analysis

(Expressed in thousands of dollars)	2023				2022			
	Average Balance	Mix %	Interest	Interest Rate %	Average Balance	Mix %	Interest	Interest Rate %
Cash resources and investments	1,799,225	13.1	56,821	3.2	1,973,691	15.1	25,168	1.3
Loans to members								
Residential mortgages	6,371,740	46.5	229,640	3.6	5,820,534	44.6	161,959	2.8
Personal loans	42,190	0.3	2,897	6.9	45,644	0.3	2,573	5.6
Retail LOC	714,362	5.2	60,390	8.5	720,499	5.5	38,650	5.4
Commercial mortgages	4,286,451	31.3	234,318	5.5	3,961,240	30.3	163,748	4.1
Commercial loans	86,091	0.6	8,636	10.0	92,646	0.7	8,352	9.0
Commercial lines of credit	106,983	0.8	4,704	4.4	95,755	0.7	2,945	3.1
Accrued interest	24,842	0.2	-	-	17,575	0.1	-	-
Allowance for credit losses	(26,870)	(0.2)	-	-	(23,200)	(0.2)	-	-
Loans to members	11,605,789	84.7	540,585	4.7	10,730,693	82.2	378,227	3.5
Derivatives	-	-	(18,525)	-	-	-	3,635	-
Other assets	295,276	2.2	-	-	355,339	2.7	-	-
Total assets	13,700,290	100.0	578,881	4.2	13,059,723	100.0	407,030	3.1
Deposits from members								
Retail demand deposits	2,377,297	17.4	13,318	0.6	2,636,472	20.2	5,800	0.2
Retail non-registered term deposits	2,641,645	19.3	106,723	4.0	2,320,657	17.8	40,914	1.8
Registered deposits	1,404,486	10.3	52,183	3.7	1,283,985	9.8	21,725	1.7
Commercial demand deposits	2,454,694	17.9	56,342	2.3	2,642,414	20.2	24,365	0.9
Commercial term deposits	2,766,821	20.2	133,383	4.8	2,380,942	18.2	51,561	2.2
Class A membership shares	5,591	0.0	-	-	5,592	0.0	-	-
Accrued interest and dividends	113,415	0.8	-	-	33,060	0.3	-	-
Deposits from members	11,763,949	85.9	361,949	3.1	11,303,122	86.5	144,365	1.3
Borrowings	671,708	4.9	24,468	3.6	642,658	4.9	17,820	2.8
Term debt	151,667	1.1	10,478	6.9	23,080	0.2	948	4.1
Subordinated debt	58,519	0.4	5,520	9.4	-	0.0	-	-
Other liabilities	159,501	1.2	2,589	1.6	196,771	1.5	2,626	1.3
Members' equity	894,946	6.5	-	-	894,092	6.8	-	-
Total liabilities and equity	13,700,290	100.0	405,004	3.0	13,059,723	100.0	165,759	1.3
Total assets / net interest income	13,700,290		173,877	1.3	13,059,723		241,271	1.8

In 2023, net interest income, defined as interest and investment income earned on assets less interest expense on deposits and borrowings, decreased \$67.4 million or 27.9%, to \$173.9 million from \$241.3 million (Table 3) in 2022 due to increased interest expense driven by the sharp and rapid increase in Bank of Canada overnight rates.

Net interest income as a percentage of average assets decreased year over year to 1.3% in 2023, from 1.8% in 2022.

Economic conditions in 2023 resulted in a further increase in interest rates. Due to a higher prime rate and higher

mortgage rates in the last half of 2022 and throughout 2023, yields on loans to members increased in 2023. Investment yields were also increased due to higher investment rates. Funding costs increased even more due to shorter terms on deposits resulting in the majority of deposits repricing at higher interest rates.

The compression of margin by increased interest expense will be temporary, as fixed rate loans which were taken when interest rates were exceptionally low will reprice over the next 36 months into the higher interest rate environment.

Non-Interest Income

Table 5 - Fee, Commission and Other Income

(Expressed in thousands of dollars)	2023	2022	2023 Change	
			\$	%
Fee and commission income:				
Insurance commissions and fees	1,909	2,006	(97)	(4.8%)
Account service fees	14,001	12,995	1,006	7.7%
Loan administration fees	21,730	21,752	(22)	(0.1%)
Fees from fiduciary activities and mutual funds	33,962	34,052	(90)	(0.3%)
Foreign exchange	5,225	5,518	(293)	(5.3%)
	76,827	76,323	504	0.7%
Other income:				
Leasing revenue	1,445	3,732	(2,287)	(61.3%)
Investment revenue	9,311	(11,271)	20,582	(182.6%)
Mastercard revenue	5,192	3,776	1,416	37.5%
Gain on disposal	-	887	(887)	(100.0%)
Property rental income	4,370	3,870	500	12.9%
Miscellaneous	4,305	5,043	(738)	(14.6%)
	24,623	6,037	18,586	307.9%
Total fee, commission and other income	101,450	82,360	19,090	23.2%

In 2023, fee, commission and other income increased year-over-year by \$19.1 million or 23.2%, to \$101.5 million (Table 5). Investment revenue also increased by \$20.6 million due to non-recurring net losses in the prior year on certain investments driven by the increase in interest rates in 2022.

As the commercial lending portfolio grew, loan fees from the portfolio increased while loan penalty fees continued the return to historical norms compared to the prior year where many members took advantage of refinancing their mortgages at a lower interest rate. Fees from fiduciary activities and mutual funds also saw healthy growth during the year, driven by growth in trailer commissions.

Our strategy includes diversifying fee, commission and other income—which comprises all income other than net interest income—and to serve more of our members' financial needs in becoming their primary financial services provider.

To support that strategy, we continue to invest in a new and improved suite of products, enhancing our ability to strategically offer non-traditional financing solutions through First West Capital, growing our advice force of wealth specialists and advisors, and leveraging our wealth management capabilities through our partnership with Aviso Wealth.

Operating Expenses and Efficiency Ratio

Table 6 — Operating Expenses

	2023	2022	2023 Change	
			\$	%
(Expressed in thousands of dollars)				
Personnel expenses				
Salaries	125,052	123,212	1,840	1.5%
Benefits	20,215	17,644	2,571	14.6%
Pension	9,621	9,368	253	2.7%
Other	7,477	7,543	(66)	(0.9%)
	162,365	157,767	4,598	2.9%
Depreciation and amortization	21,021	20,739	282	1.4%
Other expenses:				
Administration	45,940	50,059	(4,119)	(8.2%)
Data processing	30,243	30,791	(548)	(1.8%)
Occupancy	15,336	15,187	149	1.0%
	91,519	96,037	(4,518)	(4.7%)
Total operating expenses	274,905	274,543	362	0.1%
Efficiency ratio	99.8%	84.8%	15.0%	17.7%

Total operating expenses increased by \$0.4 million in 2023 to \$274.9 million (Table 6).

Key activities undertaken in 2023 included launching First West's new customer relationship management (CRM) system, ongoing work on the Forge banking platform and our products and pricing, and continued work toward becoming a federal credit union. Personnel expenses were prudently managed to support these initiatives with an increase of \$4.6 million or 2.9% in 2023. Administration expenses were tightly managed in 2023 with a decrease of \$4.1 million or 8.2%.

The depreciation and amortization expenses increased by \$0.3 million in 2023 due to the implementation of the new CRM system.

Overall, the operating efficiency ratio increased to 99.8%, from 84.8% in 2022, due to the temporary drop in revenue rather than increased expenses. Management will continue to focus on managing expenses prudently and sustainably, while ensuring the business has the capacity to grow and take advantage of opportunities as they arise.

Loan portfolio

Table 7 — Loan Portfolio

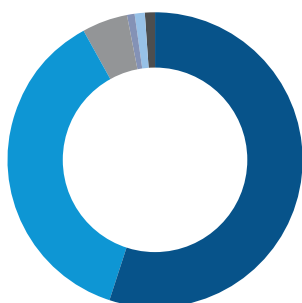
(Expressed in thousands of dollars)	2023	Portfolio%	2022	Portfolio%	2023 Change	
Residential mortgages	6,629,387	56%	6,134,272	55%	495,115	8.1%
Commercial lending	4,540,559	38%	4,324,809	39%	215,750	5.0%
Home equity lines of credit	576,533	5%	611,083	5%	(34,550)	(5.7%)
Personal loans and retail LOCs	163,941	1%	159,562	1%	4,379	2.7%
Total outstanding loans¹	11,910,420	100%	11,229,726	100%	680,694	6.1%

¹ Balances exclude accrued interest and allowance for credit losses

The loan portfolio ended 2023 at \$11.9 billion (excluding accrued interest and the allowance for credit losses), an increase of 6.1% or \$0.7 billion compared to 2022 (Table 7). Both commercial and residential lending had strong growth in 2023, with commercial lending growth of \$215.8 million in aggregate or 5.0% in 2023, and retail and residential lending growth of \$464.9 million or 6.7%.

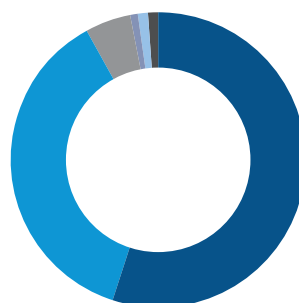
We expect to maintain momentum in lending growth in the overall portfolio in 2024, largely in residential and commercial mortgages. A laser focus is intended to drive retail growth reimagining personal lending, with growth aligned to our strategic priorities and product and channel capabilities. Commercial growth is anticipated to moderate somewhat in response to tighter economic conditions.

Chart 1 — 2023 Portfolio Breakdown



Residential mortgages	56%
Commercial mortgages	36%
Home equity lines of credit	5%
Retail LOC	1%
Commercial loans	1%
Commercial lines of credit	1%
Personal loans	0%

Chart 2 — 2022 Portfolio Breakdown



Residential mortgages	55%
Commercial mortgages	37%
Home equity lines of credit	5%
Retail LOC	1%
Commercial loans	1%
Commercial lines of credit	1%
Personal loans	0%

The product mix in our loan portfolio remained relatively constant in 2023 (Charts 1 and 2).

Commercial lending decreased by 1% to 38% of the portfolio in 2023 and residential mortgages remained consistent at 56% of the portfolio in 2023.

Credit quality / Allowance for credit losses

Table 8 — Credit Performance

(Expressed in thousands of dollars)	2023	2022	2021
Total loans ¹	11,936,650	11,252,272	10,185,778
Allowance for expected credit losses	28,712	26,904	23,406
Provision (recovery) for credit losses	4,609	5,169	(8,144)
Loan write-offs	2,801	1,671	12,042
Impaired loans (Stage 3 loans)	29,725	12,207	11,981
Members' equity	881,758	890,224	896,171

¹ Balances include accrued interest and exclude allowance for credit losses

	2023	2022	2021
Allowance for expected credit losses as % of total loans	0.24%	0.24%	0.23%
Provision (recovery) for credit losses as % of total loans	0.04%	0.05%	(0.08%)
Loan write offs as % of total loans	0.02%	0.01%	0.12%
Impaired loans (Stage 3 loans) as % of total loans	0.25%	0.11%	0.12%
Impaired loans (Stage 3 loans) as % of members' equity	3.37%	1.37%	1.34%

Our allowance for expected credit losses as of December 31, 2023, increased to \$28.7 million, compared to \$26.9 million in 2022, an increase of \$1.8 million or 6.7% (Table 8). The provision for credit losses expense decreased by \$0.6 million in 2023, with a provision for credit losses of \$4.6 million in 2023 compared to a provision of \$5.2 million in 2022. This continued caution on allowance for expected credit loss is not due to any negativity experienced but is a forward-looking, prudent approach taken by the credit union given the uncertainty in the economic outlook.

Chart 3 — Allowance for credit losses

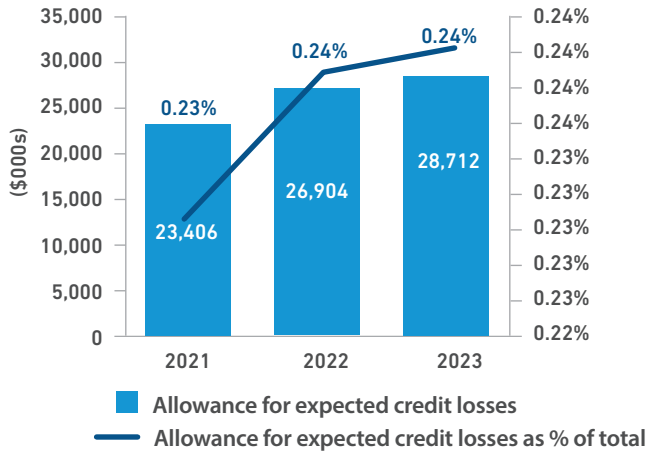


Chart 4 — Loan write-offs

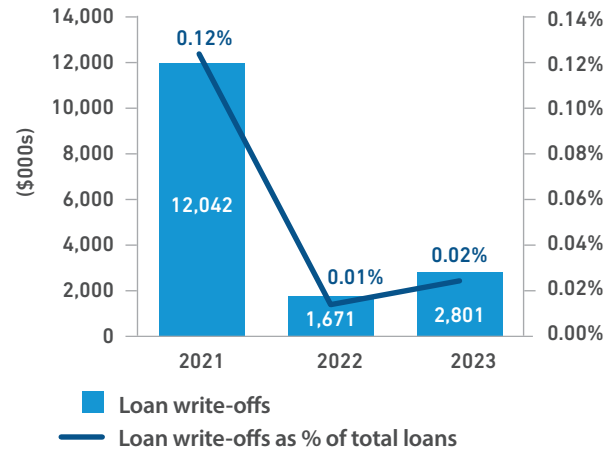


Chart 5 — Provision for Credit Losses

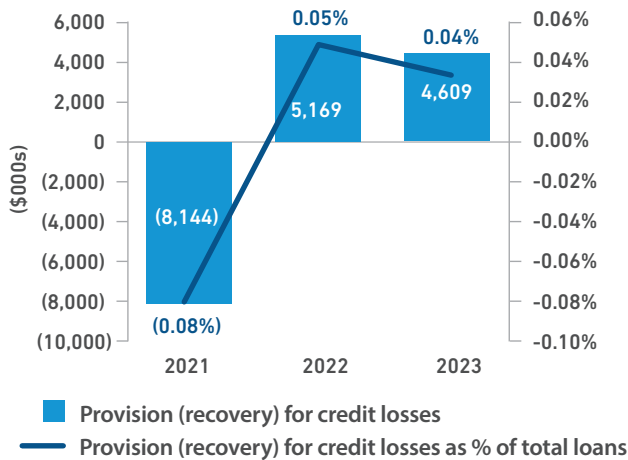
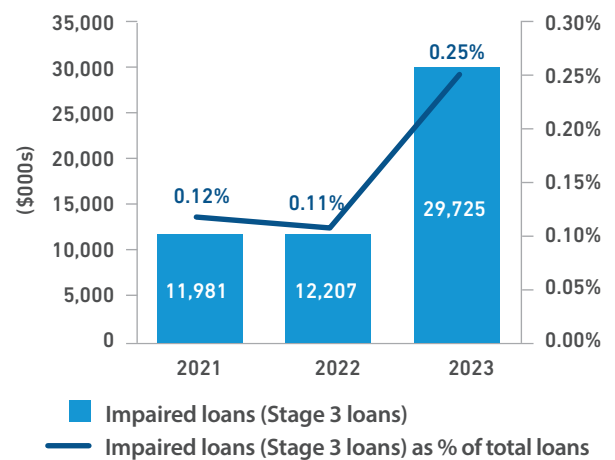


Chart 6 — Impaired Loans



The year-end allowance for credit losses represented 0.24% of total loans and accrued interest, consistent with the previous year's result (Chart 3).

Loan write-offs as a percentage of total loans increased to 0.02% in 2023, from 0.01% the previous year (Chart 4).

The provision for credit losses as a percentage of total loans decreased to 0.04% in 2023, from 0.05% in the previous year (Chart 5). The total provision for credit losses for the year was \$4.6 million, a decrease in the provision of \$0.6 million versus 2022.

The impaired loans as a percentage of total loans increased to 0.25% in 2023, from a 0.11% result in 2022 (Chart 6).

LIQUIDITY AND FUNDING

Liquidity and Funding Risk

Liquidity and funding risk is the risk of having insufficient funding resources to meet cash flow commitments and obligations as they fall due in a timely and cost-effective manner, leading to the potential for losses and the inability to survive specific or market-wide contingent stress events, impacting our ability to meet business objectives.

Governance

The Board of Directors is responsible for overseeing the management of liquidity and funding risk and has delegated responsibility for monitoring adherence to policy to the Risk, Investment and Loan Committee (RILC).

The Board approves the Risk Appetite Framework, which emphasizes liquidity as a strategic resource enabling it to provide the necessary funding for operation of the credit union and sets out the minimum acceptable levels for liquidity ratios, including Regulatory Liquidity Ratio and Liquidity Coverage Ratio (LCR).

The Board approves the Liquidity and Funding Policy and the Liquidity Contingency Plan (LCP) on an annual basis and, in conjunction with First West's strategic and financial plans, also reviews and approves the annual Liquidity Plan.

The RILC is responsible for reviewing the Liquidity and Funding Policy annually, considering changes in the industry, the First West operating model and risk management practices, identifying necessary amendments and making recommendations for such changes to the Board for its consideration.

First West's liquidity risk management approach is informed by its Risk Appetite Framework and strategic plan objectives and is designed to always ensure access to sufficient sources of liquidity, within a diversified and cost-effective investment strategy.

Liquidity Adequacy Requirements

Currently, First West adheres to the regulations set by the *Financial Institutions Act* (FIA) to manage its liquidity and is monitored and regulated by the British Columbia Financial Services Authority (BCFSA).

As we continue to work towards federal continuance, we are preparing to ensure that we meet the mandated regulatory liquidity requirements of The Office of the Superintendent of Financial Institutions (OSFI).

Under both regimes, the liquidity metrics are based on the Basel III Liquidity Framework, which includes key metrics such as the LCR and Net Cumulative Cash Flow (NCCF).

Further details of First West's approach to managing liquidity risk, including First West's LCP, can be found in the Risk Management section of this report.

Liquid assets

Table 9 — Liquid Assets

(Expressed in thousands of dollars)	2023	2022	2023 Change	
			\$	%
Cash and cash resources	476,910	278,119	198,791	71.5%
Investments:				
Debt investment securities at amortized cost	1,508,935	1,423,711	85,224	6.0%
Other	2,885	4,127	(1,242)	(30.1%)
Total liquid assets	1,988,730	1,705,957	282,773	16.6%
Total assets	14,233,819	13,304,223	929,596	7.0%
Encumbered liquid assets	49,745	65,379	(15,634)	(23.9%)
Unencumbered liquid assets	1,938,985	1,640,578	298,407	18.2%
Total liquid assets / total assets	14.0%	12.8%	1.2%	9.4%

First West holds liquid assets in cash and marketable debt securities (Table 9).

Most assets held within this portfolio are deemed high-quality liquid assets, which are defined as assets that can be easily and immediately converted into cash at little or no loss of value. As of December 31, 2023, liquid assets held totalled \$2.0 billion and represented 14.0% of total assets. This compares to \$1.7 billion and 12.8% in 2022.

Deposits and funding

Table 10 — Deposits and Funding

(Expressed in thousands of dollars)	2023	2022	2023 Change	
			\$	%
Core deposits				
Retail demand deposits	1,500,911	1,958,353	(457,442)	(23.4%)
Retail non-registered term deposits	2,716,101	2,538,058	178,043	7.0%
Registered deposits	1,465,849	1,314,767	151,082	11.5%
	5,682,861	5,811,178	(128,317)	(2.2%)
Commercial demand deposits	1,968,433	2,100,128	(131,695)	(6.3%)
Commercial term deposits	2,312,525	1,976,777	335,748	17.0%
	4,280,958	4,076,905	204,053	5.0%
Class A membership shares	5,383	5,416	(33)	(0.6%)
Accrued interest and dividends	148,372	60,382	87,990	145.7%
Core deposits	10,117,574	9,953,881	163,693	1.6%
Non-core deposits				
MUSH demand accounts	367,310	289,804	77,506	26.7%
Deposit agency	901,908	528,216	373,692	70.7%
MUSH terms	590,323	606,384	(16,061)	(2.6%)
Non-core deposits	1,859,541	1,424,404	435,137	30.5%
Deposits from members	11,977,115	11,378,285	598,830	5.3%

Our funding and liquidity profiles remain strong, with a balance sheet that is primarily deposit-funded (Table 10).

Leveraging our strong franchise position and close relationship with our members, we generate most of our deposits through our branch network.

In 2023, deposits totalled \$12.0 billion, an increase of 5.3% compared with the prior year. First West also has other alternative sources of funding available and has participated in securitizations through the CMHC-sponsored Canada Mortgage Bond and the NHA Mortgage-Backed Securities Programs. During 2023, we participated in securitization transactions as further described in Note 29 of the consolidated financial statements.

To expand and diversify our funding options, First West first obtained a Morningstar DBRS short-term issuer rating of R-1 (low) in January 2016 and subsequently a Morningstar DBRS long-term issuer rating of BBB (high) in October 2018. These ratings were confirmed by Morningstar DBRS, with stable outlooks, in September 2023. Based on our Morningstar DBRS rating, First West issued subordinated debt of \$150 million in August of 2023.

Our liquidity ratios remained healthy in 2023 and are comfortably above regulatory requirements. Total deposit growth in 2023 was \$598.8 million, of which \$163.7 million was from core retail and commercial sources, while non-core deposits from institutional and other sources increased by \$435.1 million.

The maturity profile of our deposits is as follows (Table 11):

Table 11 — Deposit Maturities

(Expressed in thousands of dollars)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
2023						
Demands	4,738,562	-	-	-	-	4,738,562
Terms ¹	393,650	683,183	3,408,385	1,131,906	150,197	5,767,321
Registered savings plans	265,333	144,651	593,669	420,448	41,748	1,465,849
Class A shares	5,383	-	-	-	-	5,383
Total deposits	5,402,928	827,834	4,002,054	1,552,354	191,945	11,977,115
2022						
Demands	4,876,501	-	-	-	-	4,876,501
Terms ¹	245,624	398,247	3,753,848	720,567	63,315	5,181,601
Registered savings plans	253,616	92,432	632,037	312,520	24,162	1,314,767
Class A shares	5,416	-	-	-	-	5,416
Total deposits	5,381,157	490,679	4,385,885	1,033,087	87,477	11,378,285
Change	21,771	337,155	(383,831)	519,267	104,468	598,830

¹ Terms include accrued interest and dividends

Capital Management

First West's capital is maintained in accordance with regulations prescribed by BCFSa based on the ratio of total capital to risk-weighted assets. The required regulatory level for the capital ratio is 8%, while a 10% threshold is the level at which before supervisory intervention will occur.

Governance

The Board is responsible for overseeing the management of capital and has delegated responsibility for monitoring adherence to this policy to the RILC. The Board approves the Risk Appetite Framework, which sets out the minimum buffer to regulatory minimum capital levels that should be maintained as First West pursues its strategic plan.

The Board approves the Capital Governance Policy and the Capital Management Contingency Plan (CMCP) on an annual basis and, in conjunction with First West's strategic and financial plans, also reviews and approves the annual Capital Plan, and any subsequent changes to the plan and the Internal Capital Adequacy Assessment Process (ICAAP).

The RILC is charged with reviewing the Capital Governance Policy annually, considering changes in the industry, the First West operating model and risk management

practices, identifying necessary amendments and making recommendations for such changes to the Board for its consideration.

Additionally, the RILC is also charged with reviewing the CMCP and the ICAAP annually and seeks assurances from management that the current capital levels are adequate.

The RILC's role is to provide effective challenge to management assumptions that underlie the capital management, planning and adequacy assessment, to seek assurances that the Capital Governance Policy is being adhered to, and on a quarterly basis review reporting of capital levels relative to the approved Risk Appetite and the Capital Plan.

First West's ICAAP is led by Risk Management and is supported by the ICAAP Working Group.

First West has enacted an ICAAP Working Group to facilitate adequate and comprehensive assessment of organizational risks. The working group is comprised of representatives from Risk, Finance & Treasury and Credit. The objective of the ICAAP is to assess capital requirements based upon First West's business and the prevailing and projected operating environment for the financial services sector.

The ICAAP:

- » identifies the material risks to which First West is exposed
- » provides the governance and risk management framework deployed to effectively manage material risks
- » provides an assessment of the projected capital position relative to our internal capital target

The ICAAP evaluates capital adequacy relative to First West's risk profile in both a normal and a stressed business environment and establishes the appropriate internal capital target level and tolerance thresholds for the ensuing year. The ICAAP in 2023 confirms that based on internal assessment of material risks and relative to the size and complexity of operations, First West has adequate capital reserves to withstand all severe but plausible stress conditions.

The ICAAP supplements the annual Capital Plan to ensure:

- » consideration is given to all aspects of risk that could potentially impact First West's capital base
- » stress testing of various risks under severe but plausible stress events is undertaken in order to identify and address potential related impacts

Table 12 — Regulatory Capital

(Expressed in thousands of dollars)	2023	2022	2023 Change	
			\$	%
Regulatory Capital				
Primary capital	936,063	927,477	8,586	0.9%
Secondary capital	282,230	123,702	158,528	128.2%
Deductions from capital	(27,190)	(23,652)	(3,538)	15.0%
Total capital	1,191,103	1,027,527	163,576	15.9%
Risk weighted assets	7,735,239	7,450,040	285,199	3.8%
Total capital ratio	15.4%	13.8%	1.6%	11.6%

As of December 31, 2023, First West had a total capital ratio of 15.4% on a risk-weighted basis (Table 12). The capital position of First West remains strong and compares favourably with the regulatory prescribed minimum ratio of 8.0% of total risk-weighted assets and the supervisory level of 10.0%.

Total regulatory capital consists of primary capital and secondary capital after taking into account specified deductions from capital. Primary capital includes First West's membership shares, contributed surplus and retained earnings, while secondary capital primarily consists of First West's allowable share of system retained earnings and other equity instruments. The capital ratio of 15.4% has increased from the 13.8% reported for 2022.

The largest contributor to growth in total regulatory capital is the subordinated debt issued in August of 2023, helping to build our capital buffer with total regulatory capital reaching \$1.2 billion in 2023, compared to \$1.0 billion in 2022. Of the \$0.3 billion increase in risk-weighted assets, the largest contributor is in risk-weighted loan balances, which increased by \$291.1 million.

As we work towards becoming federally regulated, we will be required to meet the regulatory capital adequacy requirements set by OSFI. OSFI regulations provide some differences to BCFSA's regulations with respect to the regulatory capital measurements and risk-weighting assignments.

10 » 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 consolidated financial statements for external purposes in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

However, because of its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis. We are always looking to adopt best practices in financial reporting and corporate governance. To this end, First West has a process in place to evaluate the design and operating effectiveness of its ICFR, striving to continually strengthen its system of internal controls over financial reporting.

11 » CRITICAL ACCOUNTING ESTIMATES

First West's material accounting policies are outlined in Note 4 to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying First West Credit Union's accounting policies.

Changes in assumptions may have a significant impact on the consolidated financial statements in the period in which the assumptions are changed. The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are listed below and described further in Note 3 to the consolidated financial statements.

Further relevant information

Item	Consolidated financial statements	MD&A
Expected credit losses on loans to members	Note 6(b),10	Loan Portfolio
Income taxes	Note 26	
Fair value of financial instruments	Note 31	

12 » FUTURE CHANGES TO ACCOUNTING POLICIES

The International Accounting Standards Board (IASB) has issued and amended accounting standards that are effective for First West after December 31, 2023. Refer to Note 5 in the Consolidated Financial Statements for further information on these changes.

13 » RISK MANAGEMENT

2023 was a transformational year for the risk management function at First West to support transition to a federal credit union enhancing several aspects of its risk management capabilities.

2023 Risk Highlights

- » Strengthened quantitative risk and stress-testing capabilities in liquidity, market and capital risk to better position the credit union to withstand stress events
- » Significantly strengthened and advanced model risk management processes, contributing to model enhancements in a number of key areas
- » Enhanced enterprise-wide Behavioral Modeling
- » Strengthened member protection by overseeing the implementation of consumer provisions administered by the Financial Consumer Agency of Canada (FCAC) including new guidance to support Canadians experiencing financial difficulty with paying their mortgage
- » Enhanced Anti-Money Laundering & Terrorist Financing program incorporating regulatory changes
- » Strengthened existing privacy governance and controls to meet federal privacy obligations
- » Updated the Credit Risk Framework and enhanced controls and management oversight over credit risk
- » Continual development of environmental and climate risk framework
- » Established a Culture and Conduct Risk Committee to oversee culture and conduct practices
- » Continued maturation of the Third-Party Risk Management program
- » Made additional enhancements to digital security features

Approach to Risk Management

First West has established an integrated and balanced approach to risk management. This will enable the credit union to achieve long-term sustainable growth, provide security and stewardship of our members' deposits, and deliver innovative products and services. Our risk management framework guides us in prudent, balanced and measured risk-taking that is aligned with our strategic growth objectives.

The risk management function develops and maintains our risk management framework. This framework encompasses risk culture, risk governance, risk appetite, risk policies and frameworks, and risk management processes. The framework also provides independent review and oversight across the enterprise on risk-related issues. First West's core strategic objectives include an effective balance of risk and reward.

First West consciously accepts risks to create long-term sustainable value for its members and to support the responsible and efficient delivery of products and services, provided those risks:

- » Align with First West's strategic objectives
- » Are thoroughly understood, measured and managed within the confines of well-communicated risk tolerances
- » Serve to benefit our members, their communities, our employees, our creditors and our regulators

Enterprise Risk Management

First West operates a distributed operation, with risk management processes designed to complement its overall size, level of complexity, risk profile, risk philosophy and appetite. Management recognizes that taking risk is required in operating a successful financial organization. First West's business activities expose the credit union to a

variety of risks throughout the organization and the ability to manage these risks is a key pillar in maintaining a strong credit union. In addition to First West's unique model with its locally known brands, we operate specialized subsidiary operations that require specific risk management. Furthermore, regulatory requirements continue to increase, which helps strengthen both First West and the industry.

Objectives and Principles

RISK MANAGEMENT OBJECTIVES

- Ensure all risk-taking activities and risk exposures are within the Board-approved risk appetite, risk limits and corresponding capital and liquidity needs
- Maintain and ensure continued enhancement of the enterprise risk management framework and practices
- Provide independent and objective oversight of the management of risks arising from our operations and, when necessary, challenge decisions that give rise to material risks
- Maintain an effective enterprise-wide risk management process by working in partnership with all areas of First West

RISK MANAGEMENT PRINCIPLES

- Create value
- Be an integral part of organizational processes
- Clearly and directly address uncertainty and assumptions
- Be a systematic and structured process
- Provide recommendations that are data driven and empirical
- Take human factors into account
- Be agile
- Balance costs and benefits of risk management activities

Governance of Risk Management

At the highest level, oversight and awareness of significant risks is a key accountability of the Board of Directors. The Board undertakes the following:

- » Defines First West's risk appetite
- » Understands the key risks to which First West is exposed, including emerging risks
- » Establishes prudent risk management governance
- » Reviews and approves the Enterprise Risk Governing Framework and other related risk frameworks and policies on an annual basis

- » Gains assurance that First West has an effective risk management process and relevant policies in place
- » Validates that risk management policies and processes are adhered to
- » Monitors the level of risk and control over the risks through receipt of reports from management, the regulator and others (including internal and external auditors), and by making enquiries in order to determine if risk levels are appropriate
- » Gains assurance that First West has established appropriate risk tolerance and appetite thresholds

Risk Management

First West maintains a risk management department that is led by the Chief Risk Officer (CRO). The CRO reports to the CEO and to the Risk, Investment and Loan Committee of the Board. The department is independent from other business units and is responsible for reporting and aggregating risks and keeping Management and the Board informed. The Risk Management team supports management in the areas of enterprise risk, financial risk and regulatory compliance. It is also used as a resource to the Board and senior management team in the development of policies, frameworks and risk monitoring.

The Risk Management team provides the following services:

- » Independent oversight of risk-taking activities
- » Supporting the Board and Executive Risk Committee in governance oversight of the internal control framework, Enterprise Risk Governance Framework, Risk Appetite Framework and risk strategy setting
- » Identification of key enterprise risks, including emerging risks and assistance with the development of effective risk management strategies

- » Oversight of operational risk management activities, including methodology, models and tools, as well as challenging business strategy
- » Independent validation of risk measurement, risk assessments, design of controls and assessment of risk mitigation effectiveness
- » Monitoring and reporting risk exposures to the Executive Risk Committee and the Board

Risk Management Governance Structure

First West's approach to risk governance serves as the foundation of First West's enterprise risk management framework (ERM), which is consistent with the regulatory guidelines. This framework requires a robust committee structure, a comprehensive set of corporate policies and limits approved by the Board and supporting management policies and operating procedures. The risk management framework is governed through a hierarchy of committees and individual responsibilities, as outlined in Figure 1:



Figure 1: Risk Management Governance Structure

Board of Directors

The Board is responsible for the stewardship of the credit union and overseeing the management of the credit union's business and affairs. The Board may discharge its responsibilities by delegating certain duties to committees of the Board (each a "committee") and to Management. The specific duties delegated to each committee are outlined in the charters for those committees.

Risk, Investment and Loan Committee

The Risk, Investment and Loan Committee is responsible for overseeing the identification, measurement, monitoring and control of the credit union's principal risks; defining, recommending Board approval of, and overseeing the credit union's risk appetite and enterprise risk governance framework; and fulfilling the legislated duties related to investments and lending of financial institutions detailed in the *Financial Institutions Act*. The committee is also responsible for reviewing and recommending to the Board, for its approval, written investment policies and any other documents for the credit union and its subsidiaries, which the committee considers consistent with the *Financial Institutions Act*, other applicable legislation and regulation, prudent standards and within the credit union's investment and loan strategy.

Audit and Conduct Review Committee

The Audit and Conduct Review Committee is responsible for fulfilling the credit union's statutory duty to maintain an audit committee and conduct review committee as per provincial legislation. The committee assists the Board in fulfilling its obligations and oversight responsibilities related to the audit process and financial reporting, ensures the requirements for dealing with related-party transactions set out in the *Financial Institutions Act* are met and appropriate procedures are in place, oversees the process for reviewing directors' conduct and oversees procedures for resolving conflicts of interest, restricting the use of confidential information and handling member complaints.

Chief Risk Officer

The CRO is the head of risk management and is responsible for providing leadership on risk issues, providing independent review and oversight of enterprise-wide risks, and developing and maintaining a risk management framework (which includes key risk metrics and risk policies), as well as fostering a strong risk culture across the enterprise. The CRO reports functionally to the Board Risk Investment and Loan Committee.

Executive Risk Committee

The Executive Risk Committee provides risk oversight and governance at the highest levels of management. This senior leadership committee reviews and discusses significant risk issues and action plans that arise in executing the enterprise-wide strategy, including regulatory risk and reputational risk. The committee is chaired by the CRO and its membership includes the First West Senior Leadership Team.

Sub-committees of the Executive Risk Committee

The various sub-committees oversee the processes whereby the risks assumed across the credit union are identified, measured, monitored, held within delegated limits and reported in accordance with policy guidelines. The four sub-committees are as follows:

Credit Management Committee

The committee is responsible for ensuring that appropriate credit policies are in place, approving loans within delegated limits and monitoring credit portfolio limits, concentration limits and credit stress testing. An additional sub-committee—the Executive Credit Committee—focuses on adjudication only.

Asset Liability Committee (ALCO)

ALCO reviews and approves operational guidelines and programs for liquidity management and control, funding sources, investments, foreign exchange risk, structural interest rate risk and derivatives risk. The committee also oversees capital adequacy, First West's regulatory capital plan, ICAAP and stress testing.

IT Risk Committee

The IT (Information Technology) Risk Committee reviews and approves the IT and cyber risk management framework, incident management, disaster recovery plan, and technology and cybersecurity policies. The committee also reviews action plans for improving management of IT and cyber risk.

Culture and Conduct Risk Committee

This newly established committee provides oversight on culture and employee conduct risks. It also provides oversight on compliance to First West's market conduct obligations.

Operational Risk Committee

This committee reviews the operational risk management framework and oversees changes to operating policies and procedures, project governance, information security and business continuity plans. The Operational Risk Committee also reviews action plans for mitigating risk and improving the management of operational risk.

Risk Culture

First West's risk culture is embedded within the organization. Employees at all levels of the organization share a common philosophy on risk. Every employee is accountable for achieving the best results for their business unit and for First West as a whole. Business decisions are made at all levels of the organization and each team member has a role in managing risk, including identification, communication and escalation of risk concerns. Risk management is aligned with the organization's vision and strategy and embedded within the credit union's management practices.

Risk Philosophy

First West's risk philosophy is based on the premise that First West is in the business of accepting risks for appropriate return. In conducting its business activities, First West—driven by sustainable growth, member expectations and its marketplace positioning—will take on those risks that meet the strategic objectives of the organization.

First West's enterprise risk management framework and risk appetite statement are the primary mechanisms for operationalizing the risk philosophy.

Risk Strategy

First West's ERM is linked to the credit union's overall vision and business objectives. Internal (strengths/weaknesses) and external (opportunities/risks) factors should be considered in the formation of the credit union's risk appetite. The use of these factors reflects the belief that risk appetite and business strategy need to be fully aligned and mutually reinforcing.

First West seeks to allocate its risk-taking capacity in a manner that generates sufficient return on capital to provide member benefits and profitable growth. This implies that higher levels of risk appetite can be allotted to those risks most closely aligned with the credit union's vision, risk management capabilities, member value creation and other risk preferences.

Stakeholder Interests & Risk Appetite

First West's risk appetite needs to consider the respective interests of several key stakeholder groups, including members, employees, communities and regulators. It should appropriately balance the various needs, expectations, risk and reward perspectives, and investment horizons of these stakeholders.

Risk Management Framework

An effective risk management framework seeks to protect an organization's capital base and earnings without hindering growth. To that end, a risk management framework ensures that the outcomes of risk-taking are consistent with our overall risk appetite and our balanced growth and strategic objectives.

Enterprise Risk Management Framework

The enterprise risk management framework is comprised of the Board governance structure, the risk appetite statement, principal risk categories, management frameworks and oversight committees, and management level policies, processes, procedures and internal controls. The principal risk categories within our risk universe include:

- » Strategic risk
- » Capital risk
- » Operational risk
- » Credit risk
- » Legal and regulatory risk
- » Market, liquidity and funding risk
- » IT and cyber risk

Reputational risk arises as a consequence of not managing other risks effectively and is thus evaluated as a potential impact from the above-specified risks.

Each risk category has an established risk profile to assess risk levels and their related trends and is reported to the Board on a quarterly basis. This framework includes appropriate tolerances, risk reporting, and Board and Management risk policies to effectively manage and monitor risk.

Significant risks affecting First West are monitored, assessed and managed by the management team, with oversight provided by the Executive Risk Committee and risk positions, and reported to the Board on a quarterly basis. Areas of significant risk are subject to internal, external and regulatory audits.

Strategic Risk

Strategic risk includes risks related to business strategy execution, the credit union system, business continuity (or disruption) and the external environment in which the credit union operates. Strategic risk arises from inability to implement appropriate business strategies or the inability to adapt to changes in the business or economic environment, or both.

Capital Risk

Capital risk is the potential misalignment between the risk taken by the credit union and capital that is needed to be held to protect against that risk. If the capital available exceeds what is actually required to protect against the risk, the credit union may reduce its return on equity, whereas, if the capital available is short of what is actually required to protect against the risk taken, the credit union would not have a sufficient buffer against the unexpected losses.

Operational Risk

Operational risk is inherent in all business activities. It is the risk of loss or missed opportunity resulting from inadequate or failed activities with regard to internal processes, people, systems, third-party disruptions or external events. This risk may impact our earnings, reputation, competitive position or result in regulatory penalties.

Operational resilience is built on a strong foundation of effective operational risk management. An organization that is operationally resilient can withstand, adapt to and recover from disruptive events while continuing to deliver its critical operations.

Credit Risk

Credit risk is the risk that a financial loss will be incurred due to the failure of a party or counterparty to discharge its contractual commitment or obligation to the credit union. Credit risk arises principally from lending activities as well as derivative contracts.

Please refer to Note 6(b) of the consolidated financial statements for more information on credit risk.

Market, Liquidity and Funding Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rate risk arises when the values of assets and liabilities do not change by the same amount when interest rates change. Where portfolios are matched in terms of maturities, interest rate risk is reduced. This category also includes yield curve risk, basis risk and optionality risk. Market risk also incorporates price risk and foreign exchange risk.

Please refer to Note 6(d) of the consolidated financial statements for more information on market risk.

Liquidity and funding risk is the risk that insufficient access to or inappropriate management of funds and capital threatens the credit union's capacity to grow. The exposure to loss as a result of a poor investment or the inability to satisfy cash flow obligations in a timely and cost-effective manner impacts our ability to achieve our business objectives.

The liquidity and funding policy of the credit union addresses liquidity and funding risks on both an operational and strategic level. The desired liquidity level above the statutory requirement is determined by considering the balance between the cost of liquidity and the yield achieved. Contingency liquidity is managed by having a plan in place that can be invoked quickly and provides access to a diverse range of funding sources when needed.

Legal and Regulatory Risk

Legal and regulatory risk is the risk of failing to comply with laws, rules, regulations and prescribed practices of the jurisdictions within which First West operates. First West manages this risk through the Regulatory Compliance Management (RCM) Governance Framework.

IT and Cyber Risk

IT risk is the risk arising from the inadequacy, disruption, failure, loss or malicious use of information technology systems, infrastructure, people or processes that enable and support business needs

It includes the risk that confidentiality, integrity and availability of information is not maintained and is inclusive of both internal and external threats.

Risk Appetite Statements

The Risk Appetite Statement (RAS) defines the type and maximum level of risk within our risk capacity that First West is willing to assume in pursuit of its objectives.

The RAS provides a description of risks First West has a general preference to accept and the ones it generally avoids. We use the RAS as a foundation that provides the aggregate level of risk First West may assume across multiple risk areas.

Three Lines Of Defence

First West has adopted the Three Lines of Defence model to help provide a consistent, transparent and clearly documented allocation of accountabilities and segregation of functional responsibilities.

This segregation of responsibility helps to establish a robust internal control framework that improves the understanding and adoption of risk management within the credit union.



Figure 2: Three Lines of Defence

First Line Responsibilities

In general, some of the key First Line of Defence risk-related responsibilities include:

- » Conducting business and taking various risks to meet strategic objectives and performance goals within the risk appetite
- » Identifying, managing and optimizing risks in day-to-day business operations
- » Designing and implementing controls and ensuring the ongoing effectiveness of controls
- » Operating within risk tolerance limits, rules, laws, regulations and policies

Second Line Responsibilities

In general, some of the key Second Line of Defence risk-related responsibilities include independent challenge, independent assessment, coordination and risk monitoring, as well as providing risk management advice. These activities manifest themselves in the following ways:

- » Supporting the Board and Executive Risk Committee in developing the Enterprise Risk Framework, Risk Appetite Framework and various risk management policies
- » Providing continuous oversight of First Line of Defence, defining risk measurement methodology, developing risk models and tools, and challenging business strategy, emerging risk trends and risk identification
- » Independently validating risk measurement and risk assessments
- » Monitoring and reporting risk exposures to the Risk, Investment and Loan Committee and the Board
- » Providing advice on mitigation, framework, appetite and assessment/quantification risk approaches

Third Line Responsibilities

The internal audit function is the Third Line of Defence. Third Line of Defence responsibilities are distinct from First and Second Line of defence responsibilities:

- » Providing independent assurance to the Audit and Conduct Review Committee as to the effectiveness and appropriateness of, and the adherence to, company policies by means of independent auditing of both First and Second Lines of Defence
- » Providing updates to the Executive Risk Committee on its risk-related interactions with the regulators as the Third Line of Defence
- » Reviewing adherence to controls, policies, rules and regulations
- » Identifying operational weaknesses and recommending improvements, as well as tracking remediation actions

Privacy Policy

First West is committed to ensuring the confidentiality, privacy and protection of the personal information of all members and other individuals whose personal information is held or controlled by the credit union.

The credit union has a designated Chief Privacy Officer to oversee the protection of personal information in compliance with the *BC Financial Institutions Act*, the *BC Personal Information Act* and the credit union's privacy policies and practices.

Anti-Money Laundering, Anti-Terrorist Financing Policy

First West is committed to preventing criminals from using the credit union to launder the proceeds of crime or for the purposes of financing terrorist activities. First West has a designated Chief Anti-Money Laundering Officer (CAMLO) who oversees the organization's anti-money laundering, anti-terrorist financing and sanctions program. In addition, the CAMLO ensures compliance with:

- » *The Proceeds of Crime Money Laundering and Terrorist Financing Act* and associated regulations and guidance

- » First West's Anti-Money Laundering, Anti-Terrorist Financing and Sanctions policy

First West is committed to its obligations to report suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), in line with legislated requirements for all financial institutions in Canada.

Regulatory Compliance Management Policy

First West is committed to ensuring compliance with all laws, rules, regulations and prescribed practices in any jurisdiction it operates in. Regulatory requirements are in place to ensure the stability, integrity and security of financial institutions, to protect consumers and to inhibit criminal organizations from gaining access to financial systems. Understanding applicable regulatory requirements and ensuring there is a process in place to meet them protects First West's members, employees and the credit union as a whole.

To manage and oversee compliance with all applicable laws and regulatory requirements, First West has established a governance framework and policy for managing regulatory compliance risk, which establishes the foundation and infrastructure for regulatory compliance management at First West.

First West has a designated Chief Compliance Officer who oversees the organization's regulatory compliance risk and ensures compliance with the framework and the associated Regulatory Compliance Management Policy.

Whistleblower Policy

The Board and Management are committed to maintaining a healthy work environment that is free of workplace harassment and empowers employees to report any suspected wrongdoing or employee misconducts without fear of retribution. Our Whistleblower Policy encourages and enables employees to raise concerns. First West is proud of its reputation and our Whistleblower Policy ensures that all reported incidents or suspected wrongdoings are investigated.

14 » REWARDS AND RECOGNITION AT FIRST WEST

Rewards Philosophy

First West recognizes that rewards are key to attracting, motivating and retaining high-performing team members, and is fundamental to achieving our goals as an organization. Like everything at First West, our rewards philosophy is designed with our team members and members at the centre and based on the premise of “pay-for-performance,” as we believe rewards should be directly tied to achieving business strategy and driving desired behaviours, while keeping team members engaged. First West cultivates a culture that fosters innovation and motivates our team members to strive for excellence.

The rewards guiding principles are:

- » Align with First West’s enterprise strategy and values
- » Attract, motivate, and retain team members who share the same values
- » Support internal equity, fairness and transparency
- » Keep things simple to communicate and understand
- » Connect pay to performance on organizational and individual objectives
- » Be attractive, competitive and aligned with practices in comparable organizations and across the industry

Rewards & Recognition Practices

Rewards are a vital part of First West’s employee value proposition. We pride ourselves on offering a comprehensive package that includes a range of rewards from base salary, incentives, perquisites, recognition programs, career development opportunities and a highly competitive flexible benefits program. We ensure our programs are up to current standards based on survey data from regional and national financial market comparisons, salary trends and projection surveys. Our rewards and recognition policies and practices are aligned with the *Financial Stability Board Principles for Sound Compensation Practices*, and the *Financial Consumer Agency of Canada* regulations.

Competitive Positioning

To remain competitive within the industry, we aim to compensate at the 50th percentile of the market for base salary. There is the ability to earn more for sustained high performance or for niche, specialized roles. Even though First West attracts talent from a wide variety of industries, we directly compare ourselves to other large credit unions and financial institutions and general industry where appropriate.

Appreciating that the financial services industry is highly competitive and high performers are invaluable, our rewards approach is designed to reflect this and integrates the following elements:

- » Base pay considers the responsibilities of the role and the individual’s expertise, experience, and performance.
- » Our variable incentive programs provide opportunities for individuals to earn more than their base salary by exhibiting behaviours consistent with our organizational values and by exceeding individual and team goals.
- » Our flexible benefits program is fully customizable to fit team member’s individual and family needs, and provides assistance in regard to physical and mental health, wellbeing, additional time off and retirement savings.

Compensation Policy

First West’s Compensation Policy ensures our remuneration programs are aligned with applicable legislation including the *Federal Pay Equity Act*, *BC’s Pay Transparency*, *Financial Stability Board Principles for Sound Compensation Practices* and the *Financial Consumer Agency of Canada regulations*. This policy ensures our programs, and any associated compensation, is achieved within our approved risk appetite.

Pay Equality

At First West, we are committed to the UN Sustainable Development Goal of Reduced Inequality. We aim to pay team members equitably for the work they do regardless of their gender, race, ethnicity or other characteristics not relevant to an individual's role or performance. As part of our pay equality journey, First West is looking beyond minimum regulatory requirements and striving to implement processes, programs and practices that support and advance pay equity as it aligns with our organization's deep-seated values.

We pride ourselves on pay transparency and are committed to the ongoing work of learning, evolving and implementing practices that promote equity. In 2023, we advanced our pay transparency practices by aligning with the BC Pay Transparency Act to include expected salary ranges on external job postings. In 2024, we will continue this work with further pay equity analysis and reporting related to Federal Pay Equity and Employment Equity.

Managing Risk in Compensation

Managing risk is important in all aspects of an organization including compensation. We ensure our compensation programs are reviewed from a risk management lens and that the risks associated with our programs are within our risk appetite. First West's Board of Directors actively oversees the compensation system and monitors and reviews it on an ongoing basis to ensure it is operating as intended.

We incorporate risk management objectives and expectations in our performance management process, which are tied directly to our incentive programs. All team members have a responsibility to mitigate risk and are evaluated as such based on the premise that how they achieve their goals is just as important as what is achieved.

Compensation Elements

Base Pay

Our base pay structure is divided into grades. Each grade is comprised of jobs with similar levels of work and accountability. To determine a job grade, we utilize a job evaluation point factor system that adheres to federal pay equity requirements and evaluates the skill, effort, responsibility and working conditions of each job. Each grade has a specific salary range with a progressive, market and premium range:

- » The progressive range is where new team members are typically placed and their time within this range will depend on their level of experience, skills, performance and tenure in role.
- » The market range is where most team members spend the majority of their careers and is for those who are fully competent in their role with years of experience to validate.
- » The premium range is reserved for high performers consistently exceeding expectations or those with specialized skills.

We use the data from salary surveys to support our salary structure review, which typically takes place every two to three years. The most recent review was carried out in 2023.

Base pay growth is dependent upon the change in market rates, individual performance and affordability within the annual budget.

Variable Incentive Plans

First West offers a short-term incentive plan (STIP) annually to eligible team members and executives.

Performance, including demonstrated behaviours relates to our values, will influence the size of the individual's bonus payout. The maximum STIP payout for team members and executives, including the CEO, is 2x their target payout percentage. Target percentages vary depending on job grade and form part of employment contracts. There is no automatic entitlement of guarantee

of payout on any bonus plan and final approval is always at the discretion of the Board of Directors. For the performance year 2023, the Board approved an 80% multiplier that reflected the negative impact of interest rate adjustments, inflation and the wider economic impacts on our members and team. In addition to STIP, executives reporting directly to the CEO may also be eligible for a long-term incentive program (LTIP).

To stay competitive in the market and ensure team members are appropriately compensated, some roles have custom designed incentive plans. These plans are designed to attract, motivate and retain team members with specialized skill sets and may be calculated and paid out more frequently than annually.

Additional Rewards

As stated previously, First West offers a comprehensive employee rewards package. This includes a group registered retirement savings plan (RRSP) with an optional matching program. First West contributes a percentage of a team member's base salary, which increases with tenure, to a maximum of 10%. Certain long-term team members continue to participate in a legacy defined benefit (DB) pension plan.

First West also provides an extensive flexible benefits program allowing team members to select the level of coverage that works for them and their family according to their allocated credits. The program includes:

- » Extended health and dental coverage
- » Mental health support
- » Various insurance options
- » Access to chronic illness and elder care management programs
- » Employee and family assistance program
- » Health care spending account, option to purchase additional vacation days and ability to make charitable donations

Our flexible benefits program is designed to provide a minimum level of core coverage for each team member and their family and ensures flexibility to select coverage that meets their health and wellbeing needs.

Additional aspects of our rewards package include several different time-off options ranging from annual entitlement, a "bonus vacation day" paid volunteer days and an unassigned number of personal days that can be used in the event of an illness or an unplanned personal situation. We also offer employee banking advantages on several financial products, internal and external educational assistance, an electric vehicle rebates matching program, parental leave income top-up support, numerous recognition programs, and everyday savings and discounts through our Venngo group discount partnership.

CEO and Executive Team Compensation Structure

Consistent with our overarching reward and recognition structure and philosophy, we believe our executive and CEO compensation should be designed to attract, retain and motivate key talent while aligning with First West's business strategy and tied to meaningful performance measures. It should also be effective in driving business results, managing risks and be reasonable and transparent in the eyes of members and other stakeholders. As such, we target base salary at the 50th percentile and total direct compensation between the 50th and 75th percentile with flexibility to earn more for exceptional performance and contributions to the credit union.

The competitive market for our CEO and executive roles is blended between our financial services peer group, which includes some of the largest Canadian credit unions and other financial services organizations of comparable size and scope, as well as general industry.

The Board of Directors approved the above philosophy and competitive positioning for our CEO and executives.

CEO compensation package

BASE SALARY

The base salary for First West's CEO is reviewed annually, as it is for all team members, during the merit cycle. Any increases are based on the CEO's performance rating and the approval of the annual merit and/or salary adjustment budget. The CEO's base salary increased to \$687,872 effective January 1, 2024.

SHORT-TERM INCENTIVE PLAN (STIP)

The CEO participates in the same short-term incentive plan (STIP) that is available to eligible team members. The plan is designed to payout annually if defined targets are reached. The targets are performance-based and use both organizational and individual objectives.

The organizational performance measures are established by executive management and the Board of Directors. In fiscal 2023, the core performance areas and weightings were financial (50%), process improvement (25%) and member experience (25%).

The 2023 achievement of pre-defined metrics produces a target payout of 70% of base salary with a maximum of 2x target. The plan specifies that payouts are contingent on corporate performance and sufficient financial stability each year, with Board of Directors' oversight and approval of any payouts under the plan.

LONG-TERM INCENTIVE PLAN (LTIP)

The CEO also participates in our long-term incentive plan (LTIP), intended to align performance with First West's long-term goals and objectives. Each year, a new plan starts with a rolling three-year cycle and performance is tracked over this period. Any payments are contingent on the achievement of the established three-year goals and no payments are made until the end of the three-year cycle. Future payments depend on continued organizational and individual performance, and continued employment in the CEO role.

Performance measures for LTIP are approved by the Human Resources Committee (HRC) on behalf of the Board of Directors and may change. The Board of Directors or the HRC can amend the term, vesting, final payout or any provision of a payment under the plan. The plan is reviewed each year or as deemed necessary by the HRC.

Payouts under the plan are calculated on the CEO's base salary in place at year 1 of each plan and on both organizational and individual performance achievement. Payout for organizational achievement at target and an individual performance level of "proficient and demonstrates full competence with all goals being met at a level of professionalism and service that is expected for the role" is set at 80% of base salary, as prescribed by the LTIP plan for 2021-2023. The maximum potential is set at 144% of base salary for "significant overachievement of pre-defined metrics."

RRSP AND SERP

The same group RRSP matching program available to team members is available to the CEO with the employer contribution being vested immediately. In addition, the CEO participates in a supplemental executive retirement plan (SERP) that restores retirement benefits capped by the income tax maximum limits.

GROUP BENEFITS & PERQUISITE PLAN

The CEO participates in the First West Flexible Benefits Program with the same benefits available to team members. Additional benefits and a flexible perquisite account are also provided.

SEVERANCE

The CEO employment contract provides a severance package of 12 months' salary if employment is terminated.

2023 PERFORMANCE YEAR

For fiscal 2023, the target cash compensation for First West's CEO was \$1,658,154, which reflects the annual base salary (\$666,220) as of January 1, 2023, and target STIP and LTIP eligibility. In addition, the CEO receives an executive perquisites payment of \$50,000.

Actual total cash compensation for First West's CEO in 2023 was \$2,124,755, which included salary earnings (\$666,220), STIP (\$559,625) and LTIP (\$848,910) paid based on achievements for fiscal 2023 (Note amounts were paid in the first quarter of 2024). The actual total cash compensation also includes \$50,000 from the executive perquisites plan.



Consolidated Financial Statements

Independent Auditor's Report

To the Members of First West Credit Union

Opinion

We have audited the consolidated financial statements of First West Credit Union (the Entity), which comprise:

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

(hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- » Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, sans-serif font, with 'LLP' in a smaller font to the right. A horizontal line is drawn underneath the text.

Chartered Professional Accountants
Vancouver, Canada

March 7, 2024

First West Credit Union

Consolidated Statement of Financial Position (Expressed in thousands of dollars)

December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Assets			
Cash resources	8	\$ 476,910	\$ 278,119
Derivative assets	9	11,545	11,274
Loans to members	10	11,907,938	11,225,368
Investments	11	1,564,843	1,476,544
Premises and equipment	12	172,176	188,629
Intangible assets	13	27,364	23,825
Deferred tax assets	26	21,176	24,299
Other assets	14	51,867	76,165
		<u>\$ 14,233,819</u>	<u>\$ 13,304,223</u>
Liabilities and Members' Equity			
Deposits from members	15	\$ 11,977,115	\$ 11,378,285
Borrowings	16	922,402	691,818
Term debt	17	150,630	150,368
Subordinated debt	17	154,440	-
Derivative liabilities	9	18,293	45,536
Deferred tax liabilities	26	17,378	24,875
Other liabilities	18	111,803	123,117
		<u>13,352,061</u>	<u>12,413,999</u>
Members' equity		881,758	890,224
		<u>\$ 14,233,819</u>	<u>\$ 13,304,223</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

First West Credit Union

Consolidated Statement of Profit or Loss (Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Interest income:			
Loans		\$ 540,585	\$ 378,227
Cash resources and investments		38,296	28,803
		578,881	407,030
Interest expense:			
Deposits		361,949	144,365
Borrowings		24,468	17,820
Debt		15,998	948
Lease liabilities		2,589	2,626
		405,004	165,759
Net interest income	21	173,877	241,271
Provision for credit losses	10	4,609	5,169
		169,268	236,102
Fee and commission income	22	76,827	76,323
Other income	23	24,623	6,037
		270,718	318,462
Personnel expenses	24	162,365	157,767
Depreciation and amortization		21,021	20,739
Other expenses	25	91,519	96,037
		274,905	274,543
Profit (loss) before income tax expense from operations		(4,187)	43,919
Income tax expense (recovery)	26	(2,368)	6,954
Profit (loss) for the year		\$ (1,819)	\$ 36,965

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Comprehensive Income (Loss) (Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Profit (loss) for the year	\$ (1,819)	\$ 36,965
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified to consolidated profit or loss:		
Hedging reserve (cash flow hedges):		
Net unrealized loss		
(net of income taxes of (\$944) (2022 - \$8,156))	(3,973)	(39,820)
Fair value reserve:		
Net change in fair value		
(net of income taxes of (\$11) (2022 - \$20))	(46)	(99)
Total other comprehensive loss, net of income taxes	(4,019)	(39,919)
Comprehensive loss	\$ (5,838)	\$ (2,954)

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Changes in Members' Equity
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Equity shares	AOCI		Contributed surplus	Retained earnings	2023 Total
		Hedging reserve	Fair value reserve			
Balance at December 31, 2022	\$ 24,020	\$ (37,025)	\$ (407)	\$ 163,651	\$ 739,985	\$ 890,224
Loss for the year	-	-	-	-	(1,819)	(1,819)
Other comprehensive income, net of income taxes:						
Changes in fair value	-	(3,973)	(46)	-	-	(4,019)
Total other comprehensive income (loss)	-	(3,973)	(46)	-	-	(4,019)
Comprehensive income (loss)	-	(3,973)	(46)	-	(1,819)	(5,838)
Contributions by and distribution to members:						
Dividends, net of related tax savings	-	-	-	-	(1,051)	(1,051)
Redemptions of equity shares	(1,577)	-	-	-	-	(1,577)
Total distribution to members	(1,577)	-	-	-	(1,051)	(2,628)
Balance at December 31, 2023	\$ 22,443	\$ (40,998)	\$ (453)	\$ 163,651	\$ 737,115	\$ 881,758
	Equity shares	AOCI		Contributed surplus	Retained earnings	2022 Total
		Hedging reserve	Fair value reserve			
Balance at December 31, 2021	\$ 26,137	\$ 2,795	\$ (308)	\$ 163,651	\$ 703,896	\$ 896,171
Profit for the year	-	-	-	-	36,965	36,965
Other comprehensive income, net of income taxes:						
Changes in fair value	-	(39,820)	(99)	-	-	(39,919)
Total other comprehensive income (loss)	-	(39,820)	(99)	-	-	(39,919)
Comprehensive income (loss)	-	(39,820)	(99)	-	36,965	(2,954)
Contributions by and distribution to members:						
Dividends, net of related tax savings	-	-	-	-	(876)	(876)
Redemptions of equity shares	(2,117)	-	-	-	-	(2,117)
Total distribution to members	(2,117)	-	-	-	(876)	(2,993)
Balance at December 31, 2022	\$ 24,020	\$ (37,025)	\$ (407)	\$ 163,651	\$ 739,985	\$ 890,224

See accompanying notes to consolidated financial statements.

First West Credit Union

Consolidated Statement of Cash Flows (Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Cash provided by (used in):			
Cash flows from operating activities:			
Profit (loss) for the year		\$ (1,819)	\$ 36,965
Adjustments for:			
Provision for credit losses		4,609	5,169
Depreciation and amortization		21,021	20,739
Net interest income		(173,877)	(241,271)
Income tax expense (recovery)		(2,368)	6,954
Gain on sale of asset held-for-sale		-	(887)
Changes in:			
Derivative assets and liabilities		(27,856)	2,031
Loans to members		(683,495)	(1,060,401)
Other assets		16,397	37,547
Deposits from members		510,840	352,046
Other liabilities		(3,568)	(44,275)
Interest received		575,539	402,809
Interest paid		(308,860)	(125,736)
Dividends paid		(1,301)	(1,055)
Income tax received (paid)		2,123	(547)
Net cash flows used in operating activities		(72,615)	(609,912)
Cash flows from investing activities:			
Acquisition of investments		(631,107)	(454,732)
Disposal of investments		542,761	657,999
Proceeds from sale of asset held-for-sale		-	1,785
Acquisition of:			
Premises and equipment, net		(2,722)	(7,355)
Intangible assets, net		(8,057)	(4,821)
Net cash flows provided by (used in) investing activities		(99,125)	192,876
Cash flows from financing activities:			
Proceeds from borrowings		473,498	724,405
Repayment of borrowings		(243,058)	(618,873)
Proceeds from debt		149,283	149,446
Repayment of lease liabilities		(7,615)	(7,513)
Redemption of equity shares		(1,577)	(2,117)
Net cash flows provided by (used in) financing activities		370,531	245,348
Net increase (decrease) in cash resources		198,791	(171,688)
Cash resources, beginning of year		278,119	449,807
Cash resources, end of year	8	\$ 476,910	\$ 278,119

See accompanying notes to consolidated financial statements.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

1. Reporting entity:

First West Credit Union (the “Credit Union”) is domiciled in Canada and its head office is located at 19933 - 88th Avenue, Langley, British Columbia. The Credit Union is governed by the Credit Union Incorporation Act (British Columbia) and is also subject to the provisions of the Financial Institutions Act (British Columbia) (the “Act”). The consolidated financial statements of the Credit Union, as at and for the year ended December 31, 2023, comprise the Credit Union and its subsidiaries (hereinafter together referred to as the “Credit Union” and individually as “Credit Union entities”). The Credit Union primarily is involved in retail and commercial banking, insurance brokerage, leasing services, asset management services, and other integrated financial products and services.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

The consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2024.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- (i) financial instruments measured at fair value; and
- (ii) the liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

(c) Functional currency:

The consolidated financial statements are presented in Canadian dollars, which is the Credit Union’s functional currency.

3. Use of estimates and judgments:

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union’s accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

3. Use of estimates and judgments (continued):

The principal areas involving a higher degree of judgment or complexity and/or areas which require significant estimates are described below:

(a) Expected credit losses on loans to members:

The Credit Union regularly reviews its loan portfolio to assess for impairment using the “expected credit loss” (“ECL”) model under IFRS 9. The ECL model requires the recognition of credit losses based on 12-months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired loans require recognition of lifetime losses (Stage 3). The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment, which requires experienced credit judgment.

The calculation of 12-month expected losses for Stage 1 loans and lifetime expected losses for Stage 2 loans and credit-impaired loans for Stage 3 loans requires management to make estimates of the probabilities of default, current collateral values and resulting loss given default, exposure at default, impacts of forward looking information and forecasts of macroeconomic conditions to the Credit Union’s ECLs and expected remaining lives of the loans. Changes in any one of the inputs to the ECL calculation can significantly affect the amount of loss allowance recognized in the consolidated financial statements.

(b) Income taxes:

The Credit Union computes an effective tax rate which includes an evaluation of the small business tax rate available to eligible credit unions under the relevant provincial tax statutes. In general, the amount of taxable income eligible for the provincial small business rate is limited by the credit union’s cumulative taxable income that was taxed at the provincial small business rate as a proportion of amounts owing to members, including deposits and shares. An estimate of deposit, share and income growth based on the modeling of the Credit Union’s business plan inclusive of economic indicators provides the basis in determining the provincial small business tax rate for the Credit Union.

This rate forms the effective tax rate used in computing the income tax provision. However, the actual amounts of income tax expense do not become final until the filing and acceptance of the income tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. To the extent that estimates differ from the final tax returns, profit or loss would be affected in the subsequent year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

3. Use of estimates and judgments (continued):

(c) Fair value of financial instruments:

The fair value of financial instruments, where no active market exists or where quoted prices are not otherwise available, is determined by using specific valuation techniques with observable data of similar financial instruments. Where market observable data is not available, in areas such as credit risk and correlations, the Credit Union uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except as otherwise noted. Certain prior year amounts in the note disclosures have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the Consolidated Statement of Comprehensive Income (Loss) and Consolidated Statement of Financial Position.

(a) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Credit Union and its subsidiaries: First West Insurance Services Ltd.; FW Wealth Management Ltd.; First West Leasing Ltd.; FWCU Capital Corp.; and 619547 BC Ltd. All inter-corporate transactions and balances have been eliminated in preparing the consolidated financial statements.

(i) Business combinations:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Credit Union. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Credit Union takes into consideration potential voting rights that currently are exercisable.

The Credit Union measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the Consolidated Statement of Profit or Loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(a) Basis of consolidation (continued):

(i) Business combinations (continued):

The Credit Union elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Credit Union incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Credit Union. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(b) Foreign currency:

Transactions in foreign currencies are translated to the functional currency of the Credit Union at the exchange rates at 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 exchange rate at that date. The foreign currency gain or loss on monetary items 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 exchange rate at the end of the reporting period. 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.

(c) Interest:

Interest income and expense are recognized in the Consolidated Statement of Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and basis points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(c) Interest (continued):

Interest income and expense presented in the Consolidated Statement of Profit or Loss include:

- (i) interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- (ii) interest on investment securities measured at FVOCI calculated on an effective interest basis;
- (iii) the ineffective portion of fair value changes in qualifying hedging derivatives designated as cash flow hedges of variability in interest cash flows; and
- (iv) interest and expense on settlement of derivative contracts.

(d) Fees and commissions:

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized in the period the related performance obligations are satisfied.

For performance obligations that are satisfied over time, revenue is recognized over the period that the services are performed. For performance obligations that are satisfied at a point in time, revenue is recognized when the member obtains control of the promised good or service.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Dividends:

Dividend income is recognized when the right to receive income is established. Dividends are reflected as other income based on the classification of the underlying equity investment.

(f) Leases:

(i) Lease definition:

At the inception of a contract, the Credit Union assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(f) Leases (continued):

(ii) Recognition and measurement as a lessee:

The Credit Union recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: (i) in the lease term; (ii) the Credit Union's assessment of whether it will exercise a purchase option; (iii) a change in an index or a change in the rate used to determine the payments; and (iv) amounts expected to be payable under residual value guarantees.

(iii) Recognition and measurement as a lessor:

Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The leased assets are classified in premises and equipment and are carried at cost less accumulated depreciation, which takes into account their estimated residual value. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term based on contracts and is included in other income.

(g) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in the Consolidated Statement of Profit or Loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

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

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(g) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred 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 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.

(h) Financial assets and financial liabilities:

(i) Recognition:

The Credit Union initially recognizes loans, deposits, and borrowings on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Credit Union commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification:

Financial assets:

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); or
- fair value through profit or loss ("FVTPL").

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial assets (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity instrument that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in Consolidated Statement of Comprehensive Income (Loss) ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial assets (continued):

Business model assessment:

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Credit Union's management;
- the strategy of how the risks that affect the performance model are managed; and
- frequency, volume and timing of sales in prior periods and the expectations about future sales activities are considered as part of the overall assessment of how the Credit Union's stated objective for managing the financial assets is achieved.

Assessment of whether contractual cash flows are SPPI:

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- terms that may adjust the contractual coupon rate.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union's business models during 2023 or 2022.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(ii) Classification (continued):

Financial liabilities:

The Credit Union classifies its financial liabilities, other than financial guarantees and loan commitments, measured at amortized cost or fair value through profit or loss. See notes 4(k) and (r).

(iii) Derecognition:

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If the Credit Union has neither transferred nor retained substantially all the risks and rewards of the transferred financial asset, it assesses whether it has retained control over the transferred asset. If control has been retained, the Credit Union recognizes the transferred asset to the extent of its continuing involvement. If control has not been retained, the Credit Union derecognizes the transferred asset.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

The Credit Union periodically transfers loans to Special Purpose Entities (“SPE’s”) through securitizations or through transfers to independent third parties. In instances where the Credit Union’s securitizations and other transfers of receivables do not result in a transfer of contractual cash flows of the receivables or an assumption of an obligation to pay the cash flows of the receivables to a transferee, the Credit Union fails de-recognition of the transferred receivables and records a secured borrowing with respect to any consideration received.

(iv) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Credit Union has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(v) Amortized cost measurement:

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 repayments, 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.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(vi) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date.

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Assumptions used in valuation techniques include risk free and benchmark interest rates, credit spreads and discount rates.

The Credit Union uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps and equity linked options that use only observable market data and require little management judgment and estimation. Availability of observable market prices and model inputs reduces the uncertainty associated with determining fair values.

For more complex instruments, the Credit Union uses proprietary valuation models, which are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Instruments involving significant unobservable inputs include certain mortgage investments and shares for which there is no active market and retained interest in securitizations. Management judgment and estimation are required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Financial instruments classified at FVTPL are measured at fair value, with fair value changes recognized immediately in the Consolidated Statement of Profit or Loss.

For financial assets classified as measured at FVOCI, or an irrevocable election has been made, changes in fair value is recognized in OCI. For equity investments measured at FVOCI, the amounts recognized in OCI are never reclassified to the Consolidated Statement of Profit and Loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment:

The Credit Union recognizes a loss allowance for ECL at each reporting date for all financial assets that are measured at amortized cost and debt instruments measured at FVOCI.

Loss allowances are measured on either of the following bases:

- 12-month ECL: these are losses that result from possible default events within the 12-months after the reporting date; and
- lifetime ECL: these are losses that result from all possible default events over the expected life of a financial instrument.

ECL is measured as 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition.

Assessment of significant increase in credit risk:

The assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. Factors considered in the assessment include macroeconomic outlook, delinquency and borrower credit conditions. The importance and relevance of each specific macroeconomic factor depends on the portfolio, characteristics of the financial instruments, and the borrower. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

In determining the amount of loss allowance for ECLs to recognize, the Credit Union assesses at each reporting date whether there has been a significant increase in credit risk ("SICR"). In assessing whether a SICR has occurred, the Credit Union considers quantitative factors, qualitative factors and a rebuttable presumption.

A SICR is considered to have occurred when any of three conditions are met. The conditions include a change in the probability of default in excess of predetermined thresholds, the backstop criterion based on delinquency has been met, or other portfolio specific considerations.

The predetermined thresholds are specific to each portfolio and the initial credit quality of the account. Generally, accounts with higher credit quality would require relatively larger changes in the probability of default to trigger a SICR, while lower credit quality accounts would require relatively smaller changes to trigger a SICR.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment (continued):

Assessment of significant increase in credit risk (continued):

For all loans to members, the backstop criterion is met when an account is 30 days past due and will be transferred to Stage 2.

Loans to members are assessed and measured on a collective basis in groups of financial assets that share credit risk characteristics. For this purpose, the Credit Union has grouped its financial assets into segments on the basis of shared credit risk characteristics for each component of the ECL calculation.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default and the borrower has the ability to fulfill their contractual obligations both in the short and long term, including periods of adverse changes in the economic or business environment.

Measurement of ECL:

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows due in accordance with the contract and the cash flows expected to be received. The measurement of ECL is based primarily on the product of the following variables: probability of default ("PD"); loss given default ("LGD"); and exposure at default ("EAD").

The PD is an estimate of the likelihood that a loan will not be repaid and will go into default in either a 12-month or lifetime horizon. The LGD is an estimate of the amount that may not be recovered in the event of default. The EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur. These estimates are modelled based on historic data, current market conditions, and reasonable and supportable information about future economic conditions, where appropriate.

Probability of default:

ECLs for Stage 1 assets and lifetime ECLs for Stage 2 and Stage 3 assets are calculated using the 12-month PDs and lifetime PDs, respectively and are determined as follows:

- Residential mortgages, personal loans and lines of credit - based on credit scores, and the average historical annual default rate for the relevant PD segment.
- Commercial mortgages, loans and lines of credit - based on the current internal risk ratings assigned to the assets and the historical bond default rates provided by Moody's Investors Service, Inc., mapped to the relevant PD segment.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment

(continued): Probability of default (continued):

The lifetime PDs for all loans to members are calculated based on the 12-month PDs for the assets and the expected remaining life of the assets, assuming a constant default rate during the lifetime of the assets.

Loss given default:

The LGD reflects the Credit Union's estimate of cash shortfalls in the event of default. The LGD input, expressed as a percentage of EAD, is primarily estimated based on the shortfall in the current collateral values of the financial assets compared to the current book value of the financial asset discounted for the time to obtain and collect on the collateral upon default and the estimated costs to obtain and collect on the collateral.

Forward looking information and macroeconomic factors:

The forward looking information ("FLI") component represents management's estimate of the impacts on the ECLs of FLI and forecasts of macroeconomic conditions to the Credit Union's ECLs. These macroeconomic factors are based on the credit risk management assessments and are consistent with industry guidelines on typical factors that are relevant to different types of lending products. Management makes forecasts of multiple forward looking and macroeconomic scenarios (base, upside and downside) and their estimated impacts to the ECLs.

The forward looking and macroeconomic factors considered in determining the FLI inputs to the ECL calculation are GDP, interest rates, debt ratio, house pricing index and unemployment rate.

Exposure at default:

The EAD is an estimate of a loan exposure amount at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and payments of interest, prepayments, expected drawdowns on committed facilities or any other terms that may alter the cash flow characteristics of the loan.

The starting point for determining EAD is the amortization schedule (principal and interest payments) of each loan within the portfolio as set out in the contractual terms of the financial asset. The EAD is adjusted by the expected prepayments (partial or full) prior to maturity on a portfolio basis. For lines of credit, the EAD is determined based on the Credit Union's expectations of drawdowns and repayments on the outstanding loan commitments on a portfolio basis.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(h) Financial assets and financial liabilities (continued):

(vii) Identification and measurement of impairment (continued):

Time value of money:

The 12-month and lifetime ECLs at the reporting date represent the present value of the expected cash shortfalls resulting from the probability of defaults occurring over the relevant period after the reporting date. The cash shortfalls have been discounted to the reporting date using the effective interest rate of the underlying loans.

Credit-impaired financial assets:

At each reporting date, the Credit Union assesses whether financial assets measured at amortized cost or FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When identifying loans to members that are credit-impaired for which the loss allowance for ECLs is calculated individually, as the difference between the gross carrying amount of the financial assets and the present value of estimated future cash flows, the Credit Union determines whether indicators of a borrower's unlikeliness to pay exist.

In addition to qualitative considerations, the Credit Union applies the following quantitative thresholds for identifying loans to members that are credit-impaired:

- commercial mortgages, loans and lines of credit with an internal risk rating of R9 - R10 (risk rated poor); or
- the borrower is more than 90-days past due on any credit obligation.

Write-off policy:

When a financial asset is credit-impaired and the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof, the carrying amount of the unrecoverable portion is written off, constituting a derecognition event.

(i) Cash resources:

Cash resources comprise balances held with Central 1 Credit Union ("Central 1") and highly liquid financial assets with original maturities of less than three months from the acquisition date, which are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. The Credit Union is required to maintain balances with certain counterparties and such balances are considered as restricted.

Cash resources are carried at amortized cost in the Consolidated Statement of Financial Position.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(j) Derivatives and hedge accounting:

Derivative instruments are financial contracts whose value changes in response to a change in a specified interest rate, exchange rate or other indices. In the ordinary course of business, the Credit Union enters into various derivative contracts, including interest rate swaps, caps and options. Derivative contracts are either exchange-traded contracts or negotiated over-the-counter contracts. The Credit Union enters into such contracts principally to manage its exposures to interest rate fluctuations as part of its asset and liability management program.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into. They are subsequently re-measured at their fair value and reported as assets where they have a positive fair value or as liabilities where they have a negative fair value.

The Credit Union designates certain derivatives as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Credit Union formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Credit Union makes qualitative and quantitative assessments, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument is effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. The Credit Union makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect consolidated profit or loss.

(i) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect consolidated profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in consolidated profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction, the amount recognized in accumulated other comprehensive income is reclassified through OCI to consolidated profit or loss as a reclassification adjustment in the same period the previously hedged cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in OCI is reclassified immediately to consolidated profit or loss as a reclassification adjustment.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(k) Loans to members:

Loans to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are classified as loans to members.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, less any impairment.

(l) Investments:

Investments are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification.

(m) Premises and equipment:

Premises and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in consolidated profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Buildings	25 to 40 years
Other equipment	3 to 10 years
Leasehold improvements	Lease term

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

(n) Intangible assets:

Intangible assets consist of computer software and goodwill. Goodwill and ICBC licenses arose from the acquisition of the Credit Union's subsidiaries. Intangible assets are initially recorded at cost. Intangible assets with finite lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in consolidated profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Goodwill	Indefinite
Computer software	3 to 10 years

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(n) Intangible assets (continued):

Indefinite life intangible assets, including goodwill, are assessed for impairment at least annually. All other intangible assets are assessed for impairment when impairment indicators are identified. When an impairment-triggering event has occurred, any excess of carrying value over fair value is charged to consolidated profit or loss in the period in which impairment is determined.

(o) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating-unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(p) Deposits from members, debt and borrowings:

Deposits from members and borrowings are the Credit Union's sources of primary funding.

The Credit Union classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits from members and borrowings are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

Term and subordinated debt in issue is the Credit Union's source of debt funding. Debt is initially measured at fair value less incremental direct transaction costs. Subsequently, it is measured at their amortized cost using the effective interest method.

(q) Provisions:

A provision is recognized if, as a result of a past event, the Credit Union 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.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

4. Material accounting policies (continued):

(q) Provisions (continued):

A provision for onerous contracts is recognized when the expected benefits to be derived by the Credit Union from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Credit Union recognizes any impairment loss on the assets associated with that contract.

(r) Employee benefits:

The Credit Union operates various benefit and pension plans. The plans are generally funded through contributions to trustee-administered funds determined by periodic actuarial calculations.

(i) Post-employment health care benefits:

The Credit Union operates a number of post-employment health care benefit plans. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension plans.

(ii) Defined contribution pension plans:

For defined contribution plans, the Credit Union pays a specified flat rate for employer contributions. The Credit Union 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.

(iii) Participation in multi-employer pension plans:

The Credit Union provides defined retirement benefits to certain employees through a multi-employer plan administered by Central 1. Each member Credit Union is exposed to the actuarial risks of the other employers with the result that, in the Credit Union's opinion, there is no reasonable way to allocate any defined benefit obligations. The Plan has informed the Credit Union 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, the Credit Union's participation in the Plan is accounted for as a defined contribution plan with contributions recorded on an accrual basis. The Credit Union has provided additional disclosure on the overall funding status of the multi-employer plan and future contribution levels in note 27.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

5. New accounting standards and interpretations:

Accounting standards adopted - Amendments to IAS 1, Presentation of Financial Statements:

The Credit Union adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in line with the amendments.

Accounting standards adopted – Amendments to IAS 12, Income Taxes:

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes). The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, there is recognition of a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Credit Union adopted the amendments effective for the fiscal year beginning January 1, 2023 and there was no significant impact upon adoption.

Other standards:

There are a number of standards which are issued but not yet effective as of December 31, 2023, which are not expected to materially impact the Credit Union's consolidated financial statements.

6. Financial risk management:

(a) Introduction and overview:

The Credit Union is exposed to the following risks from holding financial instruments: credit risk, liquidity risk, market risk, operational risk and capital adequacy risk. The following is a description of those risks and how the Credit Union manages them.

(b) Credit risk:

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Credit Union. Credit risk arises principally in lending activities that result in loans to members as described in note 10; but also from derivatives as described in note 9.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(b) Credit risk (continued):

Management of credit risk:

Concentration of credit risk may arise when the ability of a number of borrowers or counterparties to meet their contractual obligations are similarly affected by external factors. Examples of concentration risk would include related entities risk, geographic and industry factors.

Credit risk is managed in accordance with the Credit and Counterparty Risk Governing policy approved by the Board of Directors. Risk limits and credit authorities are delegated to the Management Credit Risk Committee, comprised of executive and senior credit management staff, which in turn delegates appropriate limits to lending staff. Credit exposures in excess of certain levels require approval from the Management Credit Risk Committee.

The Risk, Investment and Loan Committee (“RIL”) of the Board meets quarterly to review portfolio credit quality, industry and member concentrations, and adequacy of loan allowances. Policies relating to single member limits and industry and geographic concentration are approved by the Board.

The Credit Union’s Credit Department reviews and adjudicates credit risk outside of branch managers’ delegated lending limits and reviews branch credit decisions to ensure compliance to policy. The Credit Department may approve credits not meeting our lending guidelines on an exception basis with appropriate risk mitigation and reward considerations.

Loan exposures are managed and monitored through facility limits for individual borrowers, credit type, industry exposure and a credit review process. These reviews ensure the borrower complies with internal policy and underwriting standards. The Credit Union relies on collateral security typically in the form of a fixed and floating charge over the assets of its borrowers. Credit risk is also managed through regular analysis of the ability of members to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Credit risk for counterparties in other financial instruments, such as investments and derivatives, is assessed through published credit ratings.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure:

The following tables set out information about the credit quality of the Credit Union's loans to members measured at amortized cost, by category of loss allowance at December 31, 2023 and 2022. The amounts in the table represent the carrying amounts of loans to members.

At December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Credit score > 800 (excellent)	\$ 2,954,723	\$ 94	\$ -	\$ 2,954,817
Credit score 710 - 799 (good - very good)	2,460,094	686	873	2,461,653
Credit score 650 - 709 (fair - good)	747,455	24,159	157	771,771
Credit score 600 - 649 (poor)	132,259	104,445	248	236,952
Credit score < 600 (less than satisfactory)	33,068	147,240	4,770	185,078
Deferred fees	18,299	800	17	19,116
Loss allowance	(1,727)	(3,044)	(574)	(5,345)
	\$ 6,344,171	\$ 274,380	\$ 5,491	\$ 6,624,042
Personal:				
Credit score > 800 (excellent)	\$ 338,725	\$ 155	\$ 408	\$ 339,288
Credit score 710 - 799 (good - very good)	274,033	323	33	274,389
Credit score 650 - 709 (fair - good)	79,676	3,697	93	83,466
Credit score 600 - 649 (poor)	13,431	12,717	-	26,148
Credit score < 600 (less than satisfactory)	2,143	14,765	275	17,183
Deferred fees	-	-	-	-
Loss allowance	(4,390)	(5,918)	(268)	(10,576)
	\$ 703,618	\$ 25,739	\$ 541	\$ 729,898
Commercial:				
R1 - R2 (excellent - good)	\$ 195,079	\$ -	\$ -	\$ 195,079
R3 (satisfactory)	3,565,293	731	55	3,566,079
R4 - R6 (less than satisfactory)	632,243	98,257	40	730,540
R7 - R8 (Unsatisfactory)	-	28,442	2,944	31,386
R9 - R10 (credit-impaired)	-	-	19,824	19,824
Deferred fees	(2,271)	(66)	(12)	(2,349)
Loss allowance	(2,824)	(5,055)	(4,912)	(12,791)
	\$ 4,387,520	\$ 122,309	\$ 17,939	\$ 4,527,768

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure (continued):

At December 31, 2022	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Credit score > 800 (excellent)	\$ 2,655,218	\$ -	\$ 113	\$ 2,655,331
Credit score 710 - 799 (good - very good)	2,358,976	1,102	927	2,361,005
Credit score 650 - 709 (fair - good)	689,356	21,364	222	710,942
Credit score 600 - 649 (poor)	145,558	89,178	565	235,301
Credit score < 600 (less than satisfactory)	27,574	124,766	1,886	154,226
Deferred fees	16,781	675	11	17,467
Loss allowance	(2,009)	(4,437)	(301)	(6,747)
	\$ 5,891,454	\$ 232,648	\$ 3,423	\$ 6,127,525
Personal:				
Credit score > 800 (excellent)	\$ 368,585	\$ 207	\$ 526	\$ 369,318
Credit score 710 - 799 (good - very good)	276,494	45	295	276,834
Credit score 650 - 709 (fair - good)	78,421	1,924	-	80,345
Credit score 600 - 649 (poor)	16,787	12,750	-	29,537
Credit score < 600 (less than satisfactory)	2,127	12,362	121	14,610
Deferred fees	-	-	-	-
Loss allowance	(2,917)	(7,691)	(186)	(10,794)
	\$ 739,497	\$ 19,597	\$ 756	\$ 759,850
Commercial:				
R1 - R2 (excellent - good)	\$ 225,292	\$ 386	\$ -	\$ 225,678
R3 (satisfactory)	3,359,042	265	16	3,359,323
R4 - R6 (less than satisfactory)	606,203	100,544	-	706,747
R7 - R8 (Unsatisfactory)	-	28,502	29	28,531
R9 - R10 (credit-impaired)	-	-	7,501	7,501
Deferred fees	(2,876)	(89)	(5)	(2,970)
Loss allowance	(2,369)	(3,630)	(3,364)	(9,363)
	\$ 4,185,292	\$ 125,978	\$ 4,177	\$ 4,315,447

The following table presents the maximum exposure to credit risk on the Consolidated Statement of Financial Position and off-balance sheet financial instruments. For financial assets recognized on the Consolidated Statement of Financial Position, the maximum exposure to credit risk without taking account of any collateral held, equals their carrying amount. For loan commitments and other credit-related commitments that are irrevocable, the maximum exposure to credit risk without taking account of any collateral held, is the full amount of the committed facilities.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure (continued):

	2023	2022
Exposure recognized on the consolidated statement of financial position:		
Loans and accrued interest	\$ 11,936,650	\$ 11,252,272
Derivatives (net)	11,545	11,274
Term deposits and other securities	1,969,576	1,635,846
Accounts receivable	23,455	46,224
	13,941,226	12,945,616
Exposure not recognized on the consolidated statement of financial position:		
Letters of credit	91,138	82,634
Unadvanced loans and lines of credit	2,630,252	2,566,961
	2,721,390	2,649,595
Maximum exposure	\$ 16,662,616	\$ 15,595,211

Collateral and other credit enhancements:

It is our lending policy to assess the member's capacity to repay, rather than rely excessively on the underlying collateral security. Depending on the member's standing and the type of product, facilities may be unsecured. Nevertheless, collateral can be an important mitigant of credit risk.

Concentrations of credit risk:

Concentrations of credit risk exist if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, or otherwise related. This risk may indicate the relative sensitivity of the Credit Union's performance to developments affecting a particular segment of borrowers or geographic region.

Geographic credit risk is mitigated through the Credit Union's diversified geographic service area including the Lower Mainland, Fraser Valley, Thompson-Okanagan, Okanagan-Similkameen, Southern Vancouver Island and North Western British Columbia areas of British Columbia. To reduce any impact of the geographic credit risk the Credit Union has 22% (2022 - 26%) of its residential mortgages insured against credit loss.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk of the Credit Union being unable to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets with the appropriate duration and cost, as well as the risk of not being able to meet unexpected cash needs.

Liquidity risk is managed in accordance with our liquidity policy approved by the Board of Directors. The liquidity policy of the Credit Union is that liquidity is managed on both an operational and strategic level on a total basis. The desired liquidity level above the statutory requirement is determined by taking into account the balance between the cost of liquidity and the yield achieved. Contingency liquidity is managed by having a plan in place that can be invoked very quickly, as well as having a diversity of funding sources arranged that can be accessed when needed. The Credit Union will at all times maintain statutory liquidity levels as required by regulations. Immediate corrective action will be taken if the ratio approaches the regulatory minimum. The statutory liquidity ratio is 8.0% of deposits from members and borrowings as at the reporting date. Based on total deposits and borrowings as at December 31, 2023 the Credit Union's liquidity exceeds minimum statutory requirements by \$1,046.9 million (2022 - \$598.3 million).

(d) Market risk:

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), the correlations between them and their levels of volatility. The principal market risk to which the Credit Union is exposed to is the risk of loss from fluctuations in the future cash flows of a financial instrument because of changes in interest rates.

Interest rate risk arises when the market values of assets and liabilities do not change by the same amount when interest rates change. Where portfolios are matched in terms of maturities, interest rate risk is reduced. This interest rate risk includes yield curve risk, basis risk, optionality risk and interest rate path risk.

The primary objectives of the Credit Union's market risk management process include: maximize earnings and return on capital within acceptable and controllable levels of the above risks; provide for growth that is sound, profitable and balanced without sacrificing the quality of service; and manage and maintain policies and procedures that are consistent with the short and long term strategic goals of the Board of Directors.

Risk measurement:

The Credit Union's risk position is measured based upon the potential impact of changes in market conditions. The ALCO is a committee comprised of senior management that meets at least quarterly and ad-hoc as required.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(d) Market risk (continued):

Risk measurement (continued):

Responsibilities include:

- approval and review of pricing, investment, liquidity, derivative, foreign exchange and asset-liability policies;
- review of deviations between actual performance and projected plans;
- review of the management of interest rate sensitivity and financial margin including investing, liquidity management, hedging and securitization activities;
- approval of Asset-Liability and hedging strategies to manage interest rate risk in order to achieve policies;
- evaluation of the current interest rate risk position and the potential effect on its Asset Liability Management ("ALM") strategy; and
- review and monitoring of key risk modeling assumptions.

The Credit Union utilizes earnings tests to produce monthly forecasts of net interest income for the upcoming 12-months based on:

- the current asset and liability structure;
- scheduled maturity and re-pricing of the assets and liabilities;
- several hundred randomly generated interest rate paths composed around a base rate forecast;
- a volatility % of randomly generated key rates; and
- assumptions regarding member behaviour and changes in composition of assets and liabilities.

Growth assumptions are based on business plans. Member behaviour assumptions to assess embedded options in deposit and loan portfolios are based on analysis of trend information and management judgment.

The Credit Union will assess the results of the monthly forecast simulations. The maximum allowable risk exposure will be as follows:

Earnings at risk:

Earnings at risk is defined as the percentage of the reduction in the financial margin given a 1% increase and decrease in interest rates. A reduction in financial margin is not to exceed 10% of the next 12-months' financial margin resulting from this test.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(d) Market risk (continued):

Duration of equity:

The effective duration of equity is defined as the percentage change in the market value of equity (retained earnings, equity shares and derivatives) given a 1% range change in interest rates. The 1% change will consist of a 50-bp shock up and a 50-bp shock down. Given this 1% change, the effective duration of equity will not exceed a maximum of 10%.

The following table shows the results of these forecast simulations as at December 31, 2023 and 2022:

	Policy limit	2023	Impact	2022	Impact
Earnings at risk	10%	0.93%	\$ 1,535	2.97%	\$ 5,516
Duration of equity	+/-10%	2.45%		4.03%	-

As at December 31, 2023, and 2022, the Credit Union was within policy limits.

(e) Capital management:

The Credit Union is regulated under the Act and is required to maintain a capital level at a minimum of 8% of risk-weighted assets.

When determining the sufficiency of capital, the Credit Union includes in its calculation amounts permitted by the Act including:

- retained earnings and contributed surplus;
- equity shares;
- system capital; and
- other forms of capital as determined from time to time by the Board of Directors and approved as capital by the regulatory authority.

Total capital above is reduced by:

- goodwill and other intangible assets;
- investments with banks/trusts and other;
- securitization deferred payment accounts; and
- investment in Venture Capital Corporations.

As at December 31, 2023, and 2022, the Credit Union has met its minimum regulatory requirements.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(e) Capital management (continued):

Capital Adequacy calculation as defined by the Act:

	2023	2022
Primary capital	\$ 936,063	\$ 927,477
Secondary capital	282,230	123,702
Deductions from capital	(27,190)	(23,652)
	\$ 1,191,103	\$ 1,027,527

The Credit Union management ensures compliance with capital adequacy through the following:

- identifying the capital needed to support the current and planned operations of the Credit Union, including operations conducted or to be conducted through subsidiaries;
- developing and submitting to the Board of Directors for its consideration and approval appropriate and prudent capital management policies, including policies on the quantity and quality of capital needed to support the current and planned operations that reflect both the risks to which the Credit Union is exposed and its regulatory capital requirements;
- regularly measuring and monitoring capital requirements and capital position, and ensuring the Credit Union meets and will continue to meet its capital requirements;
- managing the capital in accordance with the capital management policies;
- establishing appropriate and effective procedures and controls for managing the capital, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain effective;
- providing the Board of Directors with appropriate reports on the capital position and on the procedures and controls for managing the capital; and
- providing the Board of Directors with appropriate reports that will enable it to assess whether the institution has an ongoing effective capital management process.

Stress testing of the capital level is performed at minimum on an annual basis. The tests include a variety of scenarios that vary the growth and income assumptions. They include a test for the current year as well as for the plan period. A sufficient number of scenarios are performed to ensure that sensitivity levels can be reasonably assessed and planned for.

A three year capital plan is reviewed and approved by the Board of Directors annually.

Distributions of capital, such as share dividends, are only made after targets in the capital plan have been met. Each distribution must be approved by the Board of Directors.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(e) Capital management (continued):

The RIL is responsible for developing and conducting an annual review of capital management procedures relative to the policy requirements established. The RIL reports its findings and recommends any corrective actions to the Board of Directors. The Board of Directors, which may be assisted by the RIL, reviews any written correspondence from the British Columbia Financial Services Authority (“BCFSA”) regarding capital management matters, and investigates and responds as appropriate.

(f) Interest rate benchmark reform:

In December 2021, the Canadian Alternative Reference Rate working group (“CARR”) recommended to CDOR’s administrator that the Canadian Dollar Offered Rate (CDOR) should also cease calculation and publication. On May 16, 2022, the CDOR administrator, Refinitiv Benchmark Services (UK) Limited (Refinitiv), announced the cessation of CDOR by June 28, 2024 with a two-stage plan for the adoption of Canadian Overnight Repo Rate Average (“CORRA”) as the replacement benchmark. In the first stage, all new derivative contracts and securities would transition to alternative rates by June 30, 2023, with no new CDOR exposure being booked after that date, with limited permitted exceptions. In the second stage, all other financial instruments must be transitioned to alternative benchmark rates by June 28, 2024. In July 2023, CARR announced that no new CDOR or bankers’ acceptance (“BA”) loans are to be originated after November 1, 2023, and OSFI supported this “no new CDOR or BA” milestone in October 2023. On September 5, 2023, one-month and two-month Term CORRA were launched.

The IASB issued amendments to accounting standards in response to interest rate benchmark reform, which will apply to CDOR-based instruments as they transition to the CORRA benchmark. The Credit Union has applied the IASB’s Phase 1 and 2 amendments to IFRS 9, *Financial instruments: recognition and measurement*; IAS 39, *Financial instruments: recognition and measurement*; and IFRS 7, *Financial instruments: Disclosures*.

Phase 1 of the adoption modified certain hedge accounting requirements to provide relief from the changes arising from replacement of benchmarks. The Credit Union expects the selection of an economically equivalent benchmark rate from the industry, applicable to the interest rate swaps.

Phase 2 of the adoption addresses issues arising from implementation of benchmark replacements. The amendment provides practical expedient for modification of a financial contract and allows for relief from hedge discontinuation, with additional disclosures on the nature and extent of risk arising from the replacement benchmarks and the management of interest rate risk.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

6. Financial risk management (continued):

(f) Interest rate benchmark reform (continued):

The Credit Union has been preparing for the CDOR cessation by transitioning legacy CDOR-based contracts to CORRA or alternative rates, incorporating appropriate contract fallback language. The Credit Union management has also been preparing systems, processes, and communications to ensure overall operational readiness. In addition, management continuously monitors recommendations from industry groups and regulatory bodies and engages with industry associations and counterparties regarding CDOR cessation. Periodic updates to senior management, ALCO, and RIL regarding the status of transition plans.

The following table presents the carrying amounts of the non-derivative financial assets, and notional amounts of the derivatives that are indexed to CDOR as at December 31, 2023 and 2022, which were due to mature after the announced CDOR cessation dates. In the normal course of business, our exposures may continue to fluctuate.

	December 31, 2023 maturing after June 2024	December 31, 2022 maturing after June 2024
Non-derivative financial assets:		
Debt investments	\$ 242,557	\$ 241,927
Derivative financial instruments	\$ 150,000	\$ 950,000

7. Financial assets and liabilities:

The tables below set out the classifications and carrying amounts of the Credit Union's financial assets and liabilities as at December 31, 2023 and 2022:

2023	FVTPL	Amortized cost	FVOCI- debt instruments	FVOCI- equity instruments	Total
Cash resources	\$ -	\$ 476,910	\$ -	\$ -	\$ 476,910
Derivative assets	11,545	-	-	-	11,545
Loans to members	-	11,907,938	-	-	11,907,938
Other assets	-	23,455	-	-	23,455
Debt investment securities and other	54,454	1,508,935	-	1,328	1,564,717
Derivative liabilities	18,293	-	-	-	18,293
Deposits from members	-	11,977,115	-	-	11,977,115
Borrowings	-	922,402	-	-	922,402
Debt	-	305,070	-	-	305,070
Other liabilities	-	110,210	-	-	110,210

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

7. Financial assets and liabilities (continued):

2022	FVTPL	Amortized cost	FVOCI-debt instruments	FVOCI-equity instruments	Total
Cash resources	\$ -	\$ 278,119	\$ -	\$ -	\$ 278,119
Derivative assets	11,274	-	-	-	11,274
Loans to members	-	11,255,368	-	-	11,255,368
Other assets	-	46,224	-	-	46,224
Debt investment securities and other	57,434	1,415,131	3,572	55	1,476,192
Derivative liabilities	45,536	-	-	-	45,536
Deposits from members	-	11,378,285	-	-	11,378,285
Borrowings	-	691,818	-	-	691,818
Term debt	-	150,368	-	-	150,368
Other liabilities	-	120,119	-	-	120,119

8. Cash resources:

	2023	2022
Cash and current accounts	\$ 72,051	\$ 118,465
Term deposits and accrued interest	404,859	159,654
	\$ 476,910	\$ 278,119

The Credit Union is required to maintain collateral balances with certain counterparties and these amounted to \$503 as at December 31, 2023 in cash and current accounts above (2022 - \$20,730).

9. Derivatives:

	Fair value			
	2023		2022	
	Asset	Liability	Asset	Liability
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 84	\$ 1,681	\$ -	\$ 45,536
Pay fixed swaps	-	16,612	-	-
Other derivatives:				
Equity linked options	11,461	-	11,274	-
Total fair value	\$ 11,545	\$ 18,293	\$ 11,274	\$ 45,536

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

9. Derivatives (continued):

The fair value of derivatives includes net accrued interest payable of \$342 in 2023 (2022 -receivable of \$2,393).

	Notional amount			
	Within 1-year	Over 1-year	2023	2022
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 700,000	\$ -	\$ 700,000	\$ 1,250,000
Pay fixed swaps	-	1,150,000	1,150,000	-
	700,000	1,150,000	1,850,000	1,250,000
Other derivatives:				
Equity linked options	49,583	88,947	138,530	167,541
Total notional amount	\$ 749,583	\$ 1,238,947	\$ 1,988,530	\$ 1,417,541

The following table summarizes the time periods in which the hedged cash flows are expected to occur and affect profit or loss:

2023	Expected cash flows	Less than 1-year	1 to 5 years	Greater than 5-years
Assets	\$ 34,635	\$ 34,635	\$ -	\$ -
Liabilities	(74,028)	(30,385)	(43,643)	-
Total cash inflow	\$ (39,393)	\$ 4,250	\$ (43,643)	\$ -

2022	Expected cash flows	Less than 1-year	1 to 5 years	Greater than 5-years
Assets	\$ 185,179	\$ 73,647	\$ 11,532	\$ -
Liabilities	-	-	-	-
Total cash inflow	\$ 185,179	\$ 73,647	\$ 11,532	\$ -

During the year, the Credit Union recognized a loss of \$1,029 (2022 - gain of \$525) for ineffectiveness in cash flow hedges, which is recognized in net interest income.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

10. Loans to members:

(a) Loans to members measured at amortized cost as at December 31:

	2023	2022
Residential mortgages	\$ 6,629,387	\$ 6,134,272
Personal:		
Personal loans	39,964	42,869
Personal lines of credit	700,510	727,776
Commercial:		
Commercial mortgages	4,353,778	4,134,179
Commercial loans	75,048	90,353
Commercial lines of credit	111,733	100,277
Accrued interest	26,230	22,546
	11,936,650	11,252,272
Allowance for expected credit losses	(28,712)	(26,904)
	<u>\$ 11,907,938</u>	<u>\$ 11,225,368</u>

(b) Reconciliation of allowance for ECL for the year ended December 31:

2023	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, December 31, 2022	\$ 2,009	\$ 4,437	\$ 301	\$ 6,747
Net remeasurement	1,205	(2,561)	133	(1,223)
Originations	280	318	118	716
Derecognitions and maturities	(213)	(435)	(239)	(887)
Transfers to (from):				
Stage 1	(1,554)	-	-	(1,554)
Stage 2	-	1,288	-	1,288
Stage 3	-	-	266	266
Gross write-offs	-	(3)	(5)	(8)
Balance, December 31, 2023	\$ 1,727	\$ 3,044	\$ 574	\$ 5,345
Personal:				
Balance, December 31, 2022	\$ 2,917	\$ 7,691	\$ 186	\$ 10,794
Net remeasurement	4,391	(3,510)	352	1,233
Originations	564	407	-	971
Derecognitions and maturities	(182)	(372)	(90)	(644)
Transfers to (from):				
Stage 1	(2,869)	-	-	(2,869)
Stage 2	-	2,606	-	2,606
Stage 3	-	-	263	263
Gross write-offs	(431)	(904)	(443)	(1,778)
Balance, December 31, 2023	\$ 4,390	\$ 5,918	\$ 268	\$ 10,576

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

10. Loans to members:

(b) Reconciliation of allowance for ECL for the year ended December 31 (continued):

2023	Stage 1	Stage 2	Stage 3	Total
Commercial:				
Balance, December 31, 2022	\$ 2,369	\$ 3,630	\$ 3,364	\$ 9,363
Net remeasurement	2,505	1,759	419	4,683
Originations	628	133	40	801
Derecognitions and maturities	(366)	(568)	(107)	(1,041)
Transfers to (from):				
Stage 1	(2,191)	-	-	(2,191)
Stage 2	-	168	-	168
Stage 3	-	-	2,023	2,023
Gross write-offs	(121)	(67)	(827)	(1,015)
Balance, December 31, 2023	\$ 2,824	\$ 5,055	\$ 4,912	\$ 12,791
Total loans to members:				
Balance, December 31, 2022	\$ 7,295	\$ 15,758	\$ 3,851	\$ 26,904
Net remeasurement	8,101	(4,312)	904	4,693
Originations	1,472	858	158	2,488
Derecognitions and maturities	(761)	(1,375)	(436)	(2,572)
Transfers to (from):				
Stage 1	(6,614)	-	-	(6,614)
Stage 2	-	4,062	-	4,062
Stage 3	-	-	2,552	2,552
Gross write-offs	(552)	(974)	(1,275)	(2,801)
Balance, December 31, 2023	\$ 8,941	\$ 14,017	\$ 5,754	\$ 28,712

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

10. Loans to members (continued):

(b) Reconciliation of allowance for ECL for the year ended December 31 (continued):

2022	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, December 31, 2021	\$ 1,574	\$ 3,407	\$ 103	\$ 5,084
Net remeasurement	1,593	(248)	(11)	1,334
Originations	611	504	-	1,115
Derecognitions and maturities	(209)	(545)	(17)	(771)
Transfers to (from):				
Stage 1	(1,556)	-	-	(1,556)
Stage 2	-	1,319	-	1,319
Stage 3	-	-	238	238
Gross write-offs	(4)	-	(12)	(16)
Balance, December 31, 2022	\$ 2,009	\$ 4,437	\$ 301	\$ 6,747
Personal:				
Balance, December 31, 2021	\$ 2,356	\$ 6,198	\$ 134	\$ 8,688
Net remeasurement	2,482	88	167	2,737
Originations	467	437	30	934
Derecognitions and maturities	(172)	(466)	(54)	(692)
Transfers to (from):				
Stage 1	(1,973)	-	-	(1,973)
Stage 2	-	1,824	-	1,824
Stage 3	-	-	148	148
Gross write-offs	(243)	(390)	(239)	(872)
Balance, December 31, 2022	\$ 2,917	\$ 7,691	\$ 186	\$ 10,794
Commercial:				
Balance, December 31, 2021	\$ 1,975	\$ 3,207	\$ 4,452	\$ 9,634
Net remeasurement	2,262	28	(622)	1,668
Originations	612	5	-	617
Derecognitions and maturities	(461)	(1,287)	(25)	(1,773)
Transfers to (from):				
Stage 1	(1,998)	-	-	(1,998)
Stage 2	-	1,705	-	1,705
Stage 3	-	-	293	293
Gross write-offs	(21)	(28)	(734)	(783)
Balance, December 31, 2022	\$ 2,369	\$ 3,630	\$ 3,364	\$ 9,363
Total loans to members:				
Balance, December 31, 2021	\$ 5,905	\$ 12,812	\$ 4,689	\$ 23,406
Net remeasurement	6,337	(132)	(466)	5,739
Originations	1,690	946	30	2,666
Derecognitions and maturities	(842)	(2,298)	(96)	(3,236)
Transfers to (from):				
Stage 1	(5,527)	-	-	(5,527)
Stage 2	-	4,848	-	4,848
Stage 3	-	-	679	679
Gross write-offs	(268)	(418)	(985)	(1,671)
Balance, December 31, 2022	\$ 7,295	\$ 15,758	\$ 3,851	\$ 26,904

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

10. Loans to members (continued):

(c) Forecasting forward-looking information:

Forward-looking information is incorporated into both the assessment of whether a loan has experienced a SICR since its initial recognition and the estimation of ECL. The models used to estimate ECL consider macroeconomic factors that are most closely correlated with credit risk in the relevant portfolios.

The forward-looking macroeconomic scenario described below reflects our best estimate as at December 31, 2023. The rapidly evolving nature of this pandemic and its impacts on the economy, along with government relief and stimulus, has led to continuously changing macroeconomic assumptions. Hindsight cannot be used, so while these evolving assumptions may result in future forecasts that differ from those used in the ECL estimation as at December 31, 2023, those changes will be reflected in future years.

The primary macroeconomic variables impacting ECL for the residential mortgage, personal and commercial portfolios are the unemployment rate in B.C., change in house pricing index in B.C., change in real GDP, the 3-month Bankers' Acceptance Rate, the 3-month Government of Canada bond rate, and change in debt ratio. These primary macroeconomic variables for the next 12-months and for the remaining forecast period thereafter, used to estimate ECL, are as follows:

	Base-case scenario	
	Net 12-months (%)	Remaining forecast period (%)
Unemployment Rate - B.C. (average %)	6.1	5.4
Change in house pricing Index - B.C.	(3.4)	10.4
Change in real GDP	1.3	7.3
3-month Bankers' Acceptance Rate (average %)	4.4	2.8
3-month Government of Canada Bond Rate (average %)	4.0	2.5
Change in debt ratio	(0.0)	0.7

The Credit Union forecasts multiple forward looking and macroeconomic scenarios (base, upside and downside) to evaluate their estimated impacts to the ECLs. Multiple scenarios are forecasted to ensure that estimates of ECLs are unbiased.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

10. Loans to members (continued):

(c) Forecasting forward-looking information (continued):

The following table presents a comparison of the Credit Union's ECL using only the base-case scenario, downside scenario, and upside scenario instead of the probability-weighted scenarios for performing loans:

	2023	2022
ECL - Three probability-weighted (actual)	\$ 28,712	\$ 26,904
ECL - Base-case scenario only	27,043	26,735
ECL - Downside scenario only	32,617	31,966
ECL - Upside scenario only	24,922	23,192
Difference - Actual versus base-case scenario	\$ 1,669	\$ 169
Difference - Actual versus downside scenario	(3,905)	(5,062)
Difference - Actual versus upside scenario	3,790	3,711

(d) Collateral held as security for credit-impaired loans:

The fair value of the collateral held by the Credit Union as security for credit-impaired loans as at December 31, 2023 was \$35,852 (2022 - \$8,940). The Credit Union has estimated the fair value of the 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.

As at December 31, 2023, accrued interest of \$565 (2022 - \$1,316) has been accrued on the credit-impaired loans but an allowance for ECL of \$565 (2022 - \$1,316) has been established to reduce the carrying value of this accrual to its estimated net realizable value.

11. Investments:

	2023	2022
Central 1 Credit Union shares	\$ 3,655	\$ 3,705
Debt investment securities at amortized cost	1,508,935	1,423,711
Leased vehicles net of accumulated amortization of \$188 (2022 - \$297)	126	352
Principal and interest reinvestment accounts	49,242	44,649
Other	2,885	4,127
	\$ 1,564,843	\$ 1,476,544

Investments in shares of Central 1 Credit Union are required by governing legislation and are a condition of membership in Central 1 Credit Union.

Amortization, for the year, in respect to leased vehicles amounted to \$48 (2022 - \$108).

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

11. Investments (continued):

(a) Debt investment securities at amortized cost:

As at December 31, 2023 and 2022, the balances of debt investment securities at amortized cost are net of allowance, which is insignificant. The credit ratings of these securities fall mainly in AA+ and AAA categories as designated by well-known rating agencies (Morningstar DBRS, Standard & Poor's, and Moody's).

	2023	2022
Securities issued or guaranteed by:		
Federal governments ⁽¹⁾	\$ 619,302	\$ 683,134
Provinces	441,077	354,046
Municipalities	48,034	118,986
Other debt securities	400,522	267,545
	<u>\$ 1,508,935</u>	<u>\$ 1,423,711</u>

⁽¹⁾ Including mortgage-backed securities that are fully guaranteed by the Canada Mortgage and Housing Corporation pursuant to the National Housing Act.

During the year ended 2023, the Credit Union sold certain debt investment securities measured at amortized cost for liquidity portfolio management purpose within the applicable regulatory framework. The carrying value of these securities, consisting of treasury bills and securities issued or guaranteed by government, was \$29,380 upon disposal in 2023 (2022 - \$98,571). The Credit Union recognized a net gain of \$82 in 2023 (2022 - \$54) from these disposals.

12. Premises and equipment:

Premises and equipment comprise owned and leased assets:

	2023	2022
Premises and equipment owned	\$ 132,909	\$ 140,765
Right-of-use assets	39,297	47,864
	<u>\$ 172,206</u>	<u>\$ 188,629</u>

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

12. Premises and equipment (continued):

Premises and equipment owned 2023	Land	Buildings	Leasehold improvements	Other equipment	Total
Cost:					
Balance, December 31, 2022	\$ 20,603	\$ 112,684	\$ 36,458	\$ 23,164	\$ 192,909
Acquisitions	-	741	295	2,196	3,232
Disposals	-	-	(563)	(73)	(636)
Balance, December 31, 2023	\$ 20,603	\$ 113,425	\$ 36,190	\$ 25,287	\$ 195,505
Accumulated depreciation and impairment losses:					
Balance, December 31, 2022	\$ -	\$ 15,578	\$ 22,397	\$ 14,169	\$ 52,144
Disposals	-	-	-	(67)	(67)
Depreciation	-	4,410	2,962	3,147	10,519
Balance, December 31, 2023	\$ -	\$ 19,988	\$ 25,359	\$ 17,249	\$ 62,596
Carrying amounts:					
Balance, December 31, 2023	\$ 20,603	\$ 93,437	\$ 10,831	\$ 8,038	\$ 132,909
Premises and equipment owned 2022					
	Land	Buildings	Leasehold improvements	Other equipment	Total
Cost:					
Balance, December 31, 2021	\$ 20,603	\$ 110,218	\$ 32,404	\$ 22,453	\$ 185,678
Acquisitions	-	2,466	4,054	778	7,298
Disposals	-	-	-	(67)	(67)
Balance, December 31, 2022	\$ 20,603	\$ 112,684	\$ 36,458	\$ 23,164	\$ 192,909
Accumulated depreciation and impairment losses:					
Balance, December 31, 2021	\$ -	\$ 11,154	\$ 19,460	\$ 10,985	\$ 41,599
Disposals	-	-	-	(25)	(25)
Depreciation	-	4,424	2,937	3,209	10,570
Balance, December 31, 2022	\$ -	\$ 15,578	\$ 22,397	\$ 14,169	\$ 52,144
Carrying amounts:					
Balance, December 31, 2022	\$ 20,603	\$ 97,106	\$ 14,061	\$ 8,995	\$ 140,765
Right-of-use assets 2023					
		Buildings	Other equipment	Total	
Balance, December 31, 2022		\$ 47,599	\$ 265	\$ 47,864	
Additions/lease modifications		2,126	-	2,126	
Disposals		(4,787)	-	(4,787)	
Depreciation		(5,725)	(211)	(5,936)	
Balance, December 31, 2023		\$ 39,213	\$ 54	\$ 39,267	
Right-of-use assets 2022					
		Buildings	Other equipment	Total	
Balance, December 31, 2021		\$ 49,978	\$ 476	\$ 50,454	
Additions/lease modifications		4,360	-	4,360	
Disposals		(953)	-	(953)	
Depreciation		(5,786)	(211)	(5,997)	
Balance, December 31, 2022		\$ 47,599	\$ 265	\$ 47,864	

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

13. Intangible assets:

2023	Goodwill	Software	Total
Cost:			
Balance, December 31, 2022	\$ 173	\$ 38,271	\$ 38,444
Acquisitions	-	8,057	8,057
Balance, December 31, 2023	\$ 173	\$ 46,328	\$ 46,501
Accumulated amortization and impairment losses:			
Balance, December 31, 2022	\$ -	\$ 14,619	\$ 14,619
Amortization	-	4,518	4,518
Balance, December 31, 2023	\$ -	\$ 19,137	\$ 19,137
Carrying amounts:			
Balance, December 31, 2023	\$ 173	\$ 27,191	\$ 27,364
2022			
Cost:			
Balance, December 31, 2021	\$ 173	\$ 33,450	\$ 33,623
Acquisitions	-	4,821	4,821
Balance, December 31, 2022	\$ 173	\$ 38,271	\$ 38,444
Accumulated amortization and impairment losses:			
Balance, December 31, 2021	\$ -	\$ 10,555	\$ 10,555
Amortization	-	4,064	4,064
Balance, December 31, 2022	\$ -	\$ 14,619	\$ 14,619
Carrying amounts:			
Balance, December 31, 2022	\$ 173	\$ 23,652	\$ 23,825

14. Other assets:

	2023	2022
Accounts receivable	\$ 11,784	\$ 10,700
Financing lease receivables	11,671	35,524
Prepaid expenses	28,412	29,941
	\$ 51,867	\$ 76,165

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

15. Deposits from members:

	2023	2022
Demand	\$ 4,738,562	\$ 4,876,501
Term	5,618,949	5,121,219
Registered savings plans	1,465,849	1,314,767
Class A membership shares	5,383	5,416
Accrued interest and dividends	148,372	60,382
	<u>\$ 11,977,115</u>	<u>\$ 11,378,285</u>

Credit Union Deposit Insurance Corporation (“CUDIC”) guarantees all credit union deposits, with the exception of Class A shares which are not guaranteed.

Under agreements with trustees of the registered savings plans, members' contributions to the plans are deposited with the Credit Union at rates of interest determined by the Credit Union.

Class A membership shares are preferred and redeemable, and accordingly are classified as deposits. An unlimited number of Class A voting shares are authorized with a par value of \$1.

Class A shares shall be entitled to dividends at such rate, payable at such time or times, and either cumulative or non-cumulative, as the Board of Directors, in their discretion may determine.

The following table summarizes the time periods in which deposits from members are contractually payable by the Credit Union:

	Up to 1-month	1 to 3 months	3 to 12 months	1 to 3 years	Greater than 3-years	Total
2023	\$ 5,402,928	\$ 827,834	\$ 4,002,054	\$ 1,552,354	\$ 191,945	\$ 11,977,115
2022	5,381,157	490,679	4,385,885	1,033,087	87,477	11,378,285

16. Borrowings:

	2023	2022
Revolving facilities	\$ 100,000	\$ 150,000
Obligation under CMB program (note 29)	821,990	541,550
Accrued interest	412	268
	<u>\$ 922,402</u>	<u>\$ 691,818</u>

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

16. Borrowings (continued):

The Credit Union has three approved lines of credit totaling \$787 million as at December 31, 2023 and 2022.

Security for the first line of credit is an assignment of loans to members, accounts receivable and a demand debenture to the lender. The line of credit bears interest at the lender prime rate minus 1.30% to lender prime rate plus 1.00% (2022 - lender prime rate minus 1.30% to lender prime rate plus 1.00%).

For the second line of credit, security is provided by a first charge against specific CMHC or Genworth insured realty mortgages to a minimum of 105% of the approved credit facility. The line of credit bears interest at CORRA plus 1.20% (2022 - CDOR plus 0.95%).

For the third line of credit, security is provided by a first charge against specific CMHC or Genworth insured realty mortgages to a minimum of 110% of the approved credit facility. The line of credit bears interest at CDOR plus 0.45% to CDOR plus 0.75% (2022 - CDOR plus 0.45% to CDOR plus 0.75%).

Changes in borrowings arising from financing activities:

The following table summarizes the changes in borrowings arising from financing activities for the year ended December 31, 2023:

	December 31, 2022	Cash flow changes	Non-cash changes Accrued interest	December 31, 2023
Revolving facilities	\$ 150,268	\$ (50,000)	\$ 144	\$ 100,412
Obligations under the CMB Program	541,550	280,443	-	821,993
	\$ 691,818	\$ 230,443	\$ 144	\$ 922,405

17. Debt:

(a) Term Debt

The Credit Union issued a two-year fixed rate senior deposit note of \$150 million in November 2022. The coupon rate of the note is 6.797% and the interest is payable semi-annually. The debt is measured at amortized cost and the carrying amounts at year ends are set out below:

	2023	2022
Term debt, fixed-rate	\$ 149,724	\$ 149,446
Accrued interest	906	923
	\$ 150,631	\$ 150,368

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

17. Debt (continued):

(b) Subordinated debt:

The Credit Union issued subordinated debt which has a 10-year term maturing on August 9, 2033, at a par value of \$150 million. The Credit Union has the option to redeem the subordinated debt from August 9, 2028, until maturity at par plus accrued interest, subject to regulatory approval. The subordinated debt bears interest at 9.186% per annum, payable semi-annually in arrears up to August 9, 2028. From August 10, 2028, the subordinated debentures bear interest at a daily compounded CORRA plus 5.12% payable quarterly in arrears. The debt is measured at amortized cost and the carrying amounts at period ends are set out below:

	2023	2022
Series 1	\$ 149,005	\$ -
Accrued interest	5,435	-
	\$ 154,440	\$ -

The Credit Union is fully compliant of all covenants with respect to its debt securities during the year ended December 31, 2023 and the year ended December 31, 2022.

18. Other liabilities:

	2023	2022
Accounts payable and accrued liabilities	\$ 65,297	\$ 67,460
Lease liabilities (note 19)	44,913	52,659
Deferred revenue	1,593	2,998
	\$ 111,803	\$ 123,117

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

19. Lease liabilities:

The following table presents the contractual undiscounted cash flows for lease obligations as at year end:

	2023	2022
Maturity analysis:		
Less than one year	\$ 7,423	\$ 7,564
Between one and five years	29,381	31,551
More than five years	27,626	31,110
Total undiscounted lease liabilities	\$ 64,430	\$ 70,225
Lease liabilities included in other liabilities:		
Less than one year	\$ 4,596	\$ 5,108
More than one year	40,317	47,551
Total	\$ 44,913	\$ 52,659

The Credit Union use incremental borrowing rates ranging from 6.06% to 6.62% (2022 - 4.21% to 6.16%) to discount its lease liabilities.

The following table presents amounts recognized in the Consolidated Statement of Profit or Loss not already disclosed elsewhere in the consolidated financial statements:

	2023	2022
Income from sub-leasing right-of-use assets	\$ 1,016	\$ 907
Expenses relating to short-term leases	2,387	2,482

During the year ended December 31, 2023, the total cash outflow for leases was \$7,615 (2022 - \$7,513).

20. Equity shares:

The Credit Union has authorized unlimited number of non-voting Class B equity shares, which have a par value and redemption value of \$1 each.

The rules of the Credit Union state that the annual redemption of Class B shares may, at the discretion of the Board of Directors, be limited to 10% of the total issued and outstanding shares.

Class B shares shall be entitled to dividends at such rate, payable at such time or times and either cumulative or non-cumulative, as the Board of Directors, in their discretion may determine before the first issue of the class of shares.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

20. Equity shares (continued):

Class B equity shares are not guaranteed by CUDIC.

	Issued and outstanding	
	2023	2022
Class B non-voting investment equity shares	\$ 22,443	\$ 24,020

21. Net interest income:

	2023	2022
Interest income:		
Cash resources and investments	\$ 56,821	\$ 25,166
Financial assets:		
Derivatives, net	(18,525)	3,637
Loans to members	526,267	365,283
Assets pledged as collateral	14,318	12,944
	578,881	407,030
Interest expense:		
Deposits from members	361,949	144,365
Secured borrowings	15,870	12,394
Wholesale borrowings	8,598	5,426
Term debt	15,998	948
Lease liabilities	2,589	2,626
	405,004	165,759
Net interest income	\$ 173,877	\$ 241,271

22. Fee and commission income:

	2023	2022
Insurance commissions and fees	\$ 1,909	\$ 2,006
Account service fees	14,001	12,995
Loan administration fees	21,730	21,752
Fees from fiduciary activities and mutual funds	33,962	34,052
Foreign exchange	5,225	5,518
	\$ 76,827	\$ 76,323

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

23. Other income:

	2023	2022
Leasing revenue	\$ 1,445	\$ 3,732
Investment revenue (losses)	9,311	(11,271)
Other	13,867	13,576
	<u>\$ 24,623</u>	<u>\$ 6,037</u>

The Credit Union leases out portions of the head office locations to tenants. The following table shows minimum lease payments receivable from lessees under these non-cancellable operating leases.

	2023
Receivable within 1 year	\$ 3,609
Receivable within 1 to 5 years	15,621
Receivable over 5 years	30,575
	<u>\$ 49,804</u>

24. Personnel expenses:

	2023	2022
Salaries	\$ 125,052	\$ 123,212
Benefits	20,215	17,644
Pension	9,621	9,368
Other	7,477	7,543
	<u>\$ 162,365</u>	<u>\$ 157,767</u>

25. Other expenses:

	2023	2022
Administration	\$ 45,940	\$ 50,059
Data processing	30,243	30,791
Occupancy	15,336	15,187
	<u>\$ 91,519</u>	<u>\$ 96,037</u>

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

26. Income taxes:

	2023	2022
Current income tax	\$ 2,008	\$ 9,353
Deferred income tax	(4,374)	(2,399)
	\$ (2,368)	\$ 6,954

Reconciliation of effective tax rate:

The effective tax rate is based on the amount of expense or recovery over the amount of income or loss. The reconciliation of effective tax (recovery) rate is as follows:

	2023 %	2022 %
Combined federal and provincial statutory tax rate	(27.0)	27.0
Credit Union preferred rate reduction	(13.5)	(9.3)
Under (over) provided in prior years	0.1	(1.5)
Other	(16.1)	(0.4)
	(56.5)	15.8

The tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

	2023	2022
Deferred tax assets:		
Allowance for impairment of loans	\$ 4,369	\$ 5,211
Other accrued expenses	14,249	13,329
Deferred revenue	678	882
Other	1,880	4,877
	\$ 21,176	\$ 24,299
Deferred tax liabilities:		
Investments and other	\$ 4,032	\$ 4,329
Premises, equipment, and leases	13,346	20,546
	\$ 17,378	\$ 24,875

Deferred tax that is expected to reverse to the year 2033 has been measured using the effective rate that will apply for the period. The blended applicable tax rate was 17.98% (2022 - 21.71%).

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

27. Pension and post-retirement benefits:

The Credit Union provides pension benefits to employees through defined contribution, and supplemental retirement and multi-employer defined benefit plans. Other post-retirement benefits including life insurance, health care, dental benefits or cash alternatives are provided to eligible Credit Union employees upon or after retirement.

The Credit Union funds pension plans based on actuarially prescribed amounts. The unfunded supplemental retirement and non-pension benefit plans are paid directly by the Credit Union at the time of entitlement. Contributions for the defined contribution plan are paid by the Credit Union on an annual basis.

Supplemental retirement plans:

The accrued benefit obligation and plan assets were actuarially measured for accounting purposes as of December 31, 2023 (prior period was measured at December 31, 2022). The effective date of the last actuarial valuation report for funding purposes was December 31, 2023 and the effective date of the next required actuarial valuation report will be December 31, 2024.

Participation in multi-employer plan (the "Plan"):

The Credit Union is one of several employers that participates in the BC Credit Union Employees' Pension Plan. The Credit Union is one of several employers participating in the 1.75% Defined Benefit Division of the BC Credit Union Employees' Pension Plan ("Plan Division"). The BC Credit Union Employees' Pension Plan is a contributory, multi-employer, multidivisional registered pension plan governed by a Board of Trustees which is responsible for overseeing the management of the Plan, including the investment of the assets and administration of the benefits. Based on the fourth quarter's information for 2023, this Plan Division covers about 3,400 active members, 2,100 inactive members, and approximately 1,600 retired plan members, with reported assets estimated at \$1.068 billion as of November 2023. The assets under this multi-employer plan are pooled amongst the participating employers. The Plan does not track assets separately for each employer. All cash flows (including investment income, expenses and outgoing benefit payments) are applied and tracked at the aggregate Plan level rather than at the individual employer level. Each employer under the Plan shares the actuarial risks associated with the current and former employees of other participating employers.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

27. Pension and post-retirement benefits (continued):

Participation in multi-employer plan (the "Plan") (continued):

Under IFRS Accounting Standards, an employer is required to account for its participation in a multi-employer plan in respect of the 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:

- The entity does not have sufficient information 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 the entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to the individual entities participating in the Plan.

At least once every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the funding levels. The most recent actuarial valuation of the Plan Division was conducted as at December 31, 2021. This latest actuarial valuation indicated a going concern surplus of \$112.5M and a solvency deficiency of \$10.4M. The next formally scheduled actuarial valuation date will be performed no later than December 31, 2024. Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuary. Any employer contribution changes from the December 31, 2021 valuation will be effective January 1, 2024.

The Credit Union paid \$1,558 for employer contributions to the plan in fiscal year 2023 (2022 - \$1,950).

28. Commitments and contingencies:

(a) Computer service contracts:

The Credit Union has computer service contracts through to 2028 and thereafter.

The following table summarizes the approximate computer service contract payments over the next 5-years:

2024	\$	23,880
2025		14,381
2026		7,975
2027		2,374
2028		58
Thereafter		-

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

28. Commitments and contingencies (continued):

(b) Legal proceedings:

The Credit Union has claims and legal proceedings brought against it that arise from usual business activities. The Credit Union contests the validity of these claims and proceedings. While the outcome of outstanding actions cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material effect on the Credit Union's financial position.

(c) Contingent liability:

As at December 31, 2023 and 2022, the Credit Union has considered contingent liabilities arising from its operations, as well as potential penalties, and determined that no amount needs be accrued in respect of such amounts.

29. Securitizations:

The Credit Union periodically enters into agreements with Central 1 and other third parties which may include securitization of residential mortgages into SPE's which issue bonds to third party investors at specified interest rates.

The Credit Union reviews transfer agreements in order to determine whether the transfers of financial assets should result in all or a portion of the transferred mortgages being derecognized from its Consolidated Statement of Financial Position. The derecognition requirements include an assessment of whether the Credit Union's rights to contractual cash flows have expired or have been transferred or whether an obligation has been undertaken by the Credit Union 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 which were not derecognized for the period was \$373,498 (2022 - \$259,405). The credit union also has recognized \$373,498 (2022 - \$259,405) of secured borrowing relating to securitization transactions as the Credit Union 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 to members and they are pledged as security for this secured borrowing. The weighted average interest rate on the secured borrowing is 2.19% (2022 - 1.73%) and the borrowing matures at the same rate as the underlying mortgages or at maturity of the underlying mortgages. CMB pools are at maturity with bullet payment.

First West Credit Union

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

29. Securitizations (continued):

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

Type of loan	Total principal	Principal amount over 60-days past due
Residential mortgages	\$ 1,006,159	\$ -

The secured borrowings mature as follows:

Maturity	% Rate	Secured borrowings
June 1 2024	0.49	4,531
July 1 2024	0.95	1,256
September 1 2024	1.07	2,648
September 1 2024	1.25	4,026
September 1 2024	1.05	6,925
October 1 2024	1.07	6,834
November 1 2024	0.95	6,508
December 1 2024	1.10	10,791
December 1 2024	0.60	2,452
January 1 2025	0.95	4,687
January 1 2025	0.95	9,643
February 1 2025	1.06	7,041
March 1 2025	1.38	10,214
March 1 2025	1.25	11,360
March 1 2025	1.16	10,873
March 1 2025	2.19	7,303
April 1 2025	0.72	3,195
April 1 2025	1.13	11,461
June 1 2025	1.28	6,489
September 1 2025	1.25	16,670
September 1 2025	1.24	27,285
October 1 2025	4.59	8,015
March 1 2026	3.64	6,260
July 1 2026	1.55	77,396
September 1 2026	3.80	94,873
February 1 2027	1.09	33,056
March 1 2027	0.84	53,186
March 1 2027	0.94	17,595
September 1 2027	1.74	40,651
September 1 2027	1.69	79,433
November 1 2027	2.56	13,554
November 1 2027	2.61	10,084
December 1 2027	3.51	6,210
October 1 2028	3.23	209,484
		\$ 821,989

30. Interest rate sensitivity:

Interest rate risk is the sensitivity of the Credit Union's financial position to movements in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps and other derivative financial instruments used to manage interest rate risk are presented below in the periods in which they next reprice to market rates and are summed to show the interest rate sensitivity gap (mismatch).

First West Credit Union

Notes to Consolidated Financial Statements

(Expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

30. Interest rate sensitivity (continued):

	Within 3-months		4 - 12-months		Over 1-year		Not-interest sensitive	Total
	Principal	%Rate	Principal	%Rate	Principal	%Rate		
Assets:								
Cash resources	\$ 435,062	4.53	\$ -	-	-	-	\$ 41,848	\$ 476,910
Loans	3,749,049	7.72	1,593,045	4.28	6,564,559	4.27	1,285	11,907,938
Other	429,352	4.92	359,524	3.00	919,187	2.85	140,909	1,848,971
	4,613,462	7.16	1,952,569	4.04	7,483,746	4.09	184,042	14,233,819
Liabilities:								
Member deposits	3,976,165	4.82	3,579,696	4.95	1,008,739	5.03	3,412,515	11,977,115
Borrowings and other	113,251	5.62	269,101	4.65	839,707	3.24	152,889	1,374,948
	4,089,415	4.85	3,848,797	4.93	1,848,446	4.22	3,565,404	13,352,063
Balance sheet mismatch	524,047		(1,896,228)		5,635,300		(3,381,362)	881,758
Derivatives, notional value:								
Asset	450,000	4.86	650,000	4.44	-	-	-	1,100,000
Liability	(700,000)	5.23	-	-	(400,000)	3.91	-	(1,100,000)
	(250,000)		650,000		(400,000)		-	-
Net mismatch	\$ 274,047		\$ (1,246,228)		\$ 5,235,300		\$ (3,381,362)	\$ 881,758
2022								
	Within 3-months		4 - 12-months		Over 1-year		Not-interest sensitive	Total
	Principal	%Rate	Principal	%Rate	Principal	%Rate		
Assets:								
Cash resources	\$ 231,390	4.27	\$ -	-	-	-	\$ 46,729	\$ 278,119
Loans	3,741,759	6.89	940,100	3.50	6,547,867	3.40	(4,358)	11,225,368
Other	586,195	3.50	292,690	2.17	586,743	2.15	335,108	1,800,736
	4,559,344	6.32	1,232,790	3.18	7,134,610	3.30	377,479	13,304,223
Liabilities:								
Member deposits	2,897,850	3.83	4,149,544	3.87	579,899	3.70	3,750,992	11,378,285
Borrowings and other	191,363	3.10	120,065	0.98	529,955	2.63	194,331	1,035,714
	3,089,213	3.78	4,269,609	3.79	1,109,854	3.19	3,945,323	12,413,999
Balance sheet mismatch	1,470,131		(3,036,819)		6,024,756		(3,567,844)	890,224
Derivatives, notional value:								
Asset	-	-	150,000	2.72	600,000	2.53	-	750,000
Liability	(750,000)	4.68	-	-	-	-	-	(750,000)
	(750,000)		150,000		600,000		-	-
Net mismatch	\$ 720,131		\$ (2,886,819)		\$ 6,624,756		\$ (3,567,844)	\$ 890,224

First West Credit Union

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

31. Fair values of financial instruments:

The following table presents approximate fair values of the Credit Union's financial instruments, including derivatives. The fair values of financial assets and liabilities with fixed interest rates have been determined using discounted cash flow techniques based on interest rates being offered for similar types of assets and liabilities with similar terms and risks as at the Consolidated Statement of Financial Position date. Fair values of other financial assets and liabilities are assumed to approximate their carrying value, principally due to their short-term nature. Fair values of derivative financial instruments have been determined based on market price quotations.

These fair values, presented for information only, reflect conditions that existed at the date of the Consolidated Statement of Financial Position.

	2023			2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
Cash resources	\$ 476,910	\$ 477,155	\$ 245	\$ 278,119	\$ 278,076	\$ (43)
Derivatives	11,545	11,545	-	11,274	11,274	-
Loans	11,907,938	11,466,103	(441,835)	11,225,368	10,698,950	(526,418)
Investments	1,564,717	1,544,542	(20,175)	1,476,544	1,433,767	(42,777)
Other	23,455	23,455	-	46,225	45,679	(546)
			(461,765)			(569,784)
Liabilities:						
Deposits	11,977,115	12,001,251	(24,136)	11,378,285	11,363,983	14,302
Borrowing	922,401	897,214	25,187	691,818	655,191	36,627
Debt	305,070	319,290	(14,220)	150,368	155,097	(4,729)
Derivatives	18,293	18,293	-	45,536	45,536	-
Other	110,210	110,210	-	120,119	120,119	-
			(13,169)			46,200
Fair value difference			\$ (474,934)			\$ (523,584)

The fair value measurements are analyzed according to a fair value hierarchy with three levels as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

No transfer has been made into or out of Level 1, Level 2 or Level 3 during the year.

First West Credit Union

Notes to Consolidated Financial Statements

(Expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

31. Fair values of financial instruments (continued):

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash resources	\$ 72,051	\$ 405,104	\$ -	\$ 477,155
Derivative assets	-	11,545	-	11,545
Loans to members	-	-	11,466,103	11,466,103
Investments	-	1,544,542	-	1,544,542
Other assets	-	23,445	-	23,445
	\$ 72,051	\$ 1,984,636	\$ 11,466,103	\$ 13,522,790
Financial Liabilities:				
Deposits from members	\$ -	\$ 12,001,251	\$ -	\$ 12,001,251
Borrowings	-	897,214	-	897,214
Debt	-	319,290	-	319,290
Derivative liabilities	-	18,293	-	18,293
Other liabilities	-	110,210	-	110,210
	\$ -	\$ 13,346,258	\$ -	\$ 13,346,258
As at December 31, 2022				
Financial Assets				
Cash resources	\$ 118,465	\$ 159,611	\$ -	\$ 278,076
Derivative assets	-	11,274	-	11,274
Loans to members	-	-	10,698,950	10,698,950
Investments	-	1,433,767	-	1,433,767
Other assets	-	45,679	-	45,679
	\$ 118,465	\$ 1,650,331	\$ 10,698,950	\$ 12,467,746
Financial Liabilities:				
Deposits from members	\$ -	\$ 11,363,983	\$ -	\$ 11,363,983
Borrowings	-	655,191	-	655,191
Debt	-	155,097	-	155,097
Derivative liabilities	-	45,536	-	45,536
Other liabilities	-	120,119	-	120,119
	\$ -	\$ 12,339,926	\$ -	\$ 12,339,926

First West Credit Union

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

32. Related party information:

Related parties of the Credit Union include subsidiaries, associates, joint ventures, post-employment benefit plans, key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union including the Chief Executive Officer, Chief Financial Officer, Chief Treasury and Investments Officer, Chief Member Officer, Chief Transformation Officer, Chief People and Culture Officer, Chief Credit Officer, Chief Risk Officer, Chief Governance and Corporate Affairs Officer, Chief Strategy and Market Growth Officer, President Envision Financial, President Valley First and the President Island Savings

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

(a) Loans and deposits:

The Credit Union provides banking services to key management personnel and persons connected to them. Balances outstanding at December 31, 2023 were loans of \$8,586 (2022 - \$8,225) and deposits of \$4,932 (2022 - \$3,733). No Stage 2 or Stage 3 allowances for credit losses have been recognized with respect to these loans (2022 - nil).

At December 31, 2023, outstanding loans to directors, officers and employees of the Credit Union amounted to \$361,314 (2022 - \$347,016). All such loans were granted in accordance with normal lending terms. 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 personnel expenses in the Consolidated Statement of Profit or Loss.

(b) Key management compensation:

	2023	2022
Salaries and short-term employee benefits	\$ 4,340	\$ 4,623
Variable pay – short term	1,813	3,053
Variable pay – long term	1,887	1,851
Post-retirement and termination benefits	250	345
	\$ 8,290	\$ 9,872

The aggregate remuneration earned by directors of the Credit Union during 2023 was \$670 (2022 - \$622).

The Credit Union has included in accounts payable and other expenses a donation of \$625 (2022 - \$1,500) to the Credit Union's charitable foundation, First West Foundation ("Foundation"). Certain directors of the Credit Union are directors of the Foundation.

First West Credit Union

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2023

32. Related party information (continued):

(c) Subsidiaries and joint operations:

	<u>% ownership of common shares outstanding</u>	
	2023	2022
First West Insurance Services Ltd.	100	100
FW Wealth Management Ltd.	100	100
First West Leasing Ltd.	100	100
FWCU Capital Corp.	100	100
619547 BC Ltd.	100	100



Governance Report

Governance Report

As a member-owned, democratic co-operative financial institution, First West is governed by a Board of Directors elected by the credit union's members.

The Board bears fiduciary responsibility for the credit union, protecting members' interests and financial assets. It shapes the organization's strategic direction, establishes the credit union's overall risk appetite, and ensures appropriate processes and controls are in place to identify, manage and monitor applicable risks.

The Board appoints the Chief Executive Officer (CEO), establishes the CEO's accountabilities, and evaluates the CEO's performance. The Board also communicates with members, clients, and other external audiences by reporting its activities through the annual report, the Annual General Meeting (AGM) and other channels, and by being accessible by email and in person at credit union or community events.

SIGNIFICANT ACTIVITIES IN 2023

- » The AGM was held in Penticton, with members and guests having the option to attend in person or via an online platform
- » Four incumbent directors were elected by acclamation to the First West Board to serve three-year terms
- » One incumbent director was elected by acclamation to the First West Board to serve a one-year term
- » First West received its third Environmental, Social and Governance rating
- » The Board completed its first annual diversity survey and considered material revisions to its Equity, Diversity and Inclusion Policy

Given positive member feedback on First West's 2022 AGM being hosted in a hybrid format, First West elected to host a hybrid AGM in 2023. Members were able to attend the 2023 AGM in person at the Penticton Trade and

Convention Centre, and via an online platform. Members provided positive feedback on the in-person event, while members online shared their appreciation for the option to attend virtually.

The terms of five directors expired at the conclusion of the 2023 AGM. Following the nomination period and the Nominations Task Force's endorsement meeting, five candidates were endorsed—incumbents Shawn Neumann, Cathy McIntyre, Darryl Kropp, Jeff Dyck and Tom Knoepfel—and were declared elected by acclamation. Directors Shawn Neumann, Cathy McIntyre, Darryl Kropp and Jeff Dyck were elected to serve three-year terms, respectively. Director Tom Knoepfel was selected to serve a one-year term (being the period remaining on the term of a Director who resigned in 2022).

In June 2023, First West received its third comprehensive Environmental, Social and Governance (ESG) rating from Morningstar Sustainalytics, a leading independent ESG and corporate governance firm. Research shows that companies that adhere to ESG principles are lower risk and more resilient over time. Months of reporting and interviewing took place across First West in order for Morningstar Sustainalytics to produce an accurate rating. Ultimately, First West received a rating of *11.3 – low risk* of experiencing material financial impacts caused by ESG factors in 2023. First West's 2023 ESG rating is a 32% improvement from First West's 2022 rating of *16.7 – low risk* and highlights First West's operational strength in managing material risks relevant to the financial services industry. This rating reaffirms First West's standing as a leader in the financial services industry. For additional information and details on ESG and First West's ESG rating, see "**Strengthening Our Commitment to Make Meaningful Impact**" in the Business Profile and Organizational Overview section of the annual report.

In December 2023, the Board completed its first annual Board diversity survey (Survey). The Survey provides the Board and its Governance and Nominations Committee with information needed to report annually on the diversity of the Board and its committees. Survey

information is used by the Board to better understand Board dynamics, identify barriers, and develop strategies to enhance Board diversity. Survey information with respect to optimal Board composition is provided in the table below under the "Current Composition" section. The Board recognizes that equity, diversity and inclusion are of great significance with respect to ensuring its directors possess the qualities, attributes, experience and skills required to effectively oversee First West's strategic direction. Further, the Board recognizes the benefits of having a diverse composition and has identified equity, diversity and inclusion as essential elements in attracting

high-calibre directors and maintaining a high functioning Board and business. To the extent possible through the democratic process, the Board is committed to taking the necessary steps to ensure its composition is balanced appropriately and representative of First West's members, employees, and communities served.

The following table outlines the optimal composition of the Board with respect to the diversity dimensions the Board has identified as material to its success, measurable objectives for achieving the optimal composition, and the Board's composition as of December 31, 2023.

DIMENSION	WHY IT MATTERS	OPTIMAL COMPOSITION	CURRENT COMPOSITION
Representation of Women	Historically, women have been unfairly underrepresented on boards. Studies show that boards which are composed of at least one-third women make better decisions, consider issues differently and operate more effectively.	At least one-third female directors.	The Board's composition with respect to the representation of women does not meet the optimal composition. Currently, three of the Board's 12 directors are women.
Equity Deserving Groups	Studies show that equitable, diverse and inclusive boards make better decisions, consider issues differently and operate more effectively. The Board recognizes that the people who call the credit union's communities home come from varied backgrounds and have varied experiences. It is important to ensure that the Board reflects the make-up of the credit union's communities.	The optimal composition of the Board is one in which equity deserving groups are treated fairly in order to ensure inherent diversity, experiential diversity and diversity of thought.	The Board's composition with respect to the representation of equity deserving groups does not meet the optimal composition. Currently, two of the Board's 12 directors are from equity deserving groups.
Age	Each generation approaches problems and issues differently; as the credit union serves members in all life stages, it is important to include a good mix of ages on the Board.	<ul style="list-style-type: none"> No more than one-third of directors in each age bracket: Under 50 50 – 60 60 and over. 	The Board's composition with respect to age does not meet the optimal composition. Currently, six of the Board's directors are over the age of 60 and six of the Board's directors are in the 50 – 60 age bracket.
Geography	Local economies, local Indigenous Peoples, politics and needs in the credit union's service areas differ broadly; these points of view should be represented at the Board table.	Representation from each of the credit union's regions.	Each of the credit union's regions are represented in the composition of the Board.

In December 2023, the Board requested management make several material revisions to the Board's Equity, Diversity, and Inclusion Policy (Policy) to advance its diversity objectives and commitment to equity, diversity and inclusion. Of note, the Board requested that the optimal composition of the Board with respect to the representation of women be increased to at least 50% female directors (from 1/3) and that at least 30% of directors be from equity deserving and/or inequity experiencing groups. These revisions will be brought to the Board for review and approval in March 2024.

The Board recognizes further work and learning is required to achieve the optimal composition sought by the Board and is committed to continuous learning and removing barriers for all individuals.

For more information on the Policy and the Board's commitment to ensuring equity, diversity and inclusion with respect to its composition, please visit firstwestcu.ca/governance.

BOARD STRUCTURE AND DIRECTORS

First West's Rules allow for a Board of 12 directors, rising to as many as 15 to accommodate a merger. Directors are normally elected to three-year terms, with four directors' terms ending each year.

Directors are responsible for stewarding the organization in the best interests of the credit union as a whole and for all First West's members, regardless of region. Directors protect and uphold the credit union's values, exercising judgment with honesty and integrity. They offer a broad range of knowledge and depth of experience, as well as an understanding of the principles and values of the credit union and its communities. Additionally, directors demonstrate business, financial and social acumen, and provide diverse views.

Directors must be independent from the credit union and the financial services industry in general, and must not have an interest or relationship with First West that could be seen to interfere with their ability to act in the best interest of the credit union and its members.

The Board's Audit and Conduct Review Committee reviews compliance with this requirement.

For a listing of each director's Board service history, tenure, roles, education and remuneration, go to Appendix 1. More information about directors, including their background and experience, can be found at firstwestcu.ca/our-leadership/board-of-directors/.

BOARD EFFECTIVENESS AND RENEWAL

To ensure they continue to provide an appropriate level of oversight and stewardship, directors conduct regular Board and peer performance evaluations. These evaluations assess the Board's ability to work as a whole, as well as each director's skills, experience and contributions in a number of key areas, including digital leadership, corporate governance, environmental, social and governance, real estate lending and development, law and more. The evaluations help the Board identify gaps it may address by recruiting new directors or through its ongoing director education program.

DIRECTOR EDUCATION

Directors are encouraged to pursue educational opportunities and professional development to improve their contributions to governing the credit union. New directors are required to complete Level A of the Credit Union Director Achievement program within 12 months of their appointment and all directors are required to apply for and complete their ICD.D or C.Dir designation. Per the Board's Director Orientation, Education and Development Policy, 50% of the cost of the ICD.D program is borne by each director, respectively. Director Darryl Kropp completed the ICD.D program and received his ICD.D designation in 2023.

Recognizing that director education is directly linked to improvements in governance and oversight, the credit union provides each director with an education allowance that can be used towards paying for registration, travel and accommodation related to courses and/or educational conferences. The education allowance totals \$15,000 for a director's first three-year term and \$12,000 for each subsequent three-year term.

A listing of the educational opportunities pursued by each director in 2023 is included in Appendix 1.

GOVERNANCE STANDARDS

First West's governance practices guide how the Board functions, makes decisions and holds itself accountable. The Board is guided, in part, by the BCFSa Governance Guideline for B.C. Credit Unions¹, which specifies standards related to:

- » Risk governance, including the implementation of a risk governance framework
- » Board competence with respect to strategy and oversight of operations
- » An expectation that boards will be proactive in identifying best practices related to corporate governance and in adopting evolving best practices as they apply to their institutions
- » Greater accountability and transparency, including detailing CEO and individual director pay in the credit union's annual report

As part of the federal continuance process and the submission to BCFSa of its application to continue as a federal credit union, First West has also evaluated its governance practices against the OSFI Corporate Governance Guideline.² First West will continue to enhance its governance practices as a provincial credit union and as it works to become federally regulated.

MEMBER INVOLVEMENT

By participating in the democratic process, members shape and direct First West's future. The Board encourages members to attend First West's AGM and vote in director elections and on special resolutions. Unless they are First West employees, family of First West employees, employees of other financial institutions, or disqualified under First West's Rules, First West members in good standing may also stand for election to the First West Board.

BOARD COMPENSATION

First West's directors are expected to devote considerable time and energy to fulfilling their obligation to oversee the credit union on behalf of members. Each year, directors attend approximately 15 days of meetings, including

quarterly Board meetings, a budget meeting, a planning session and a number of other planned and unplanned special meetings; participation is mandatory for the AGM and annual planning session. In addition, each director is required to serve on at least two Board committees, to travel as necessary to and from meetings, and to prepare fully for Board and committee meetings. Thorough preparation and regular attendance at Board and committee meetings is required for acceptable director performance, and directors have shared that they spend approximately three hours of preparation time for every one hour of meeting time.

To attract and retain the best directors possible and pay them at a level that reflects the level of risk they accept, the professional expertise they offer, and the level of contribution expected of them, compensation is set at a rate comparable with other large credit unions, regional financial institutions and publicly traded companies of similar size.

First West's policies require the Board to regularly seek the input and advice of an independent panel of members to determine its compensation. Recommendations were made by an independent panel in early 2022. The Board considered the recommendations, and the increased workload related to federal continuance and regulatory oversight, and agreed to an increase of 5% in April 2022 and to consider an additional increase of up to 5% in 2023. In June 2023, the Board considered the additional increase and approved an additional 4% increase to director compensation. An independent panel of members will again be put together in 2024 to provide input and advice on the Board's compensation.

In 2023, director compensation included annual retainers of \$42,151 for directors and \$84,302 for the Board Chair; the Chairs of the Audit and Conduct Review Committee and the Risk, Investment and Loan Committee receive an additional retainer of \$11,466, the Board Vice Chair receives an additional retainer of \$5,734, and the Chairs of other committees receive additional retainers of \$5,734.

Total Board compensation for 2023 was \$674,566.01, which includes \$31,600.00 for travel fees and \$52,554.82 for expenses. The amounts paid to each individual director are included with each director profile in Appendix 1.

¹ <https://www.bcfsa.ca/media/91/download>

² <https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/corporate-governance-guideline-2018>

DIRECTOR EXPENSES

Beyond the honorariums and travel fees they receive, directors are reimbursed at the same level as the Credit Union's Management for reasonable expenses incurred in connection with authorized work performed on behalf of the credit union. Like Management, directors are required to supply receipts for all expenses they incur which are reviewed for accuracy and approved by the Corporate Secretary.

Expenses directors may be reimbursed for include mileage, flights, accommodations and meals.

The total expenses paid to each director in 2023 is included with each director profile in Appendix 1.

COMMITTEES OF THE BOARD AS AT DECEMBER 31, 2023

» Audit and Conduct Review

The Audit and Conduct Review Committee is responsible for fulfilling the Credit Union's statutory duty to maintain an audit committee and conduct review committee as per Section 39.56 of the *Credit Union Incorporation Act* and Section 112 of the *Financial Institutions Act* respectively. The committee assists the Board in fulfilling its obligations and oversight responsibilities related to the audit process and financial reporting, ensures the requirements for dealing with related-party transactions set out in the *Financial Institutions Act* are met and appropriate procedures are in place, and oversees the process for reviewing directors' conduct and procedures for resolving conflicts of interest, restricting the use of confidential information and handling member complaints. The committee consists of a minimum of three members elected by the Board on the recommendation of the Board Chair.

» Risk, Investment and Loan

The Risk, Investment and Loan Committee is responsible for fulfilling the statutory duties related to investments and lending of financial institutions detailed in Section 135 of the

Financial Institutions Act. The committee recommends Board approval of and oversees the credit union's risk appetite and enterprise risk management framework. It reviews and recommends to the Board for approval and filing with BCFSAs written investment and loan policies for the credit union and its subsidiaries, which the committee considers consistent with the *Financial Institutions Act* prudent standards and within the credit union's investment and loan strategy. The committee consists of a minimum of three members elected by the Board on the recommendation of the Board Chair. At least one member of the committee shall be an officer of the credit union.

» Governance and Nominations

The Governance and Nominations Committee oversees key elements of the First West Board of Directors' operations, including corporate governance principles, practices and oversight, Board assessment, evaluation and renewal, director recruitment, nominations and elections and director orientation, and education and development. The committee consists of a minimum of five members elected by the Board on the recommendation of the Board Chair. Ideally each committee member will also be a member of at least one other committee to ensure informed governance discussions.

The Nominations Task Force (Task Force), a sub-committee of the Governance and Nominations Committee, is constituted annually following the Board reorganization meeting and consists of not less than three members of the credit union who may but need not be directors. No director whose term of office is expiring at the AGM meeting next following the appointment of the Task Force may serve as a member of the Task Force, except where that director is not seeking re-election. The Task Force's main responsibilities include leading a search for eligible director candidates, approving the Call for Nominations package, participating in director candidate interviews and endorsing candidates who would bring the most overall value to the Board if elected.

» **Government Relations and Partnership**

The Government Relations and Partnership Committee guides management in advancing First West's multi-brand operating model. The committee reviews and counsels management on First West's successful business model, monitors government relations activities and advocates for favourable legislative and regulatory environments that will allow First West to achieve its strategic goals. The committee also represents the Board in discussions with credit unions interested in First West's model. The committee consists of the Board Chair, Board Vice-Chair and two other directors appointed annually on the recommendation of the Board Chair.

» **Human Resources**

The Human Resources Committee is responsible for assisting the Board with respect to all matters relating to human resources, ensuring sound human resources policies and practices are in place and are consistent with First West's values, vision, risk appetite and strategic plan. The committee consists of not less than three and not more than five members. Committee members and the committee chair are appointed by the Board on the recommendation of the Board Chair.

BOARD AND COMMITTEE ATTENDANCE

Reporting attendance is widely defined as a governance best practice and required by the BCFSA Governance Guideline for B.C. Credit Unions. Meeting attendance and profiles for each First West director is listed in Appendix 1.

In addition to director attendance, First West believes effective directorship should be measured by directors being thoroughly prepared to be engaged in meetings and to make sustained, positive contributions to the credit union's success.

APPENDIX 1

2023 DIRECTORS

	Shawn Neumann (Chair)	Deborah Buszard	Paul Challinor	Meryle Corbett	Jeff Dyck	Richard Hill	Waheed Hirji	Tom Knoepfel	Darryl Kropp	David Letkemann (Vice-Chair)	Balraj Mann	Cathy McIntyre
SERVING AS A DIRECTOR SINCE	1998	2021	2019	2019	2017	2006	2022	2022	2018	2006	2021	2017
TERM EXPIRES	2026	2024	2025	2025	2026	2025	2025	2024	2026	2024	2024	2026
TOTAL NUMBER OF YEARS SERVED (AS OF DEC. 31, 2023)	25	2	4	4	6	17	1	1	5	17	2	6
MEETING ATTENDANCE												
Board (9)	9	8	9	9	9	9	9	8	9	9	9	8
COMMITTEES JAN. 1 – MAY 10, 2022 (UP TO AGM)												
Audit and Conduct Review (2)	-	2	2	2	2	-	2	2	-	-	-	2
Governance and Nominations (1)	1	1	-	-	1	-	-	-	1	1	-	-
Government Relations and Partnership (1)	1	-	-	1	-	1	1	-	-	1	-	-
Human Resources (2)	2	2	-	-	2	2	-	-	2	-	2	2
Nominations Task Force (2)	-	2	-	2	-	-	-	-	-	2	-	-
Risk, Investment and Loan (1)	-	-	1	1	-	-	1	1	1	1	1	-
COMMITTEES MAY 10 (POST AGM) – DEC 31, 2023												
Audit and Conduct Review (3)	-	3	3	3	3	3	3	-	-	-	-	3
Governance and Nominations (3)	3	-	-	-	3	-	3	-	3	3	-	3
Government Relations and Partnership (3)	2	3	-	2	-	3	-	-	-	3	-	-
Human Resources (3)	3	3	-	-	3	-	-	2	3	-	3	3
Nominations Task Force (1)	-	-	-	-	1	-	1	-	-	-	-	1
Risk, Investment and Loan (3)	-	-	3	3	-	-	3	3	-	3	3	-
REMUNERATION AND EXPENSES												
Total Honorarium	82,951	45,273	52,758	56,433	42,431	41,476	41,476	41,476	45,153	52,392	41,476	47,118
Total Travel fees	4,800	2,000	1,000	6,200	1,000	2,000	1,000	500	500	4,000	1,000	4,000
Total Expenses	3,020	4,372	2,288	14,856	1,584	2,495	2,048	1,182	4,185	5,552	987	9,809

2023 REMUNERATION AND EXPENSES PAID TO NOMINATIONS TASK FORCE MEMBERS AT-LARGE:

Meeting + travel fees: \$5,600 | Expenses: \$176

Education

Shawn Neumann
 Deborah Buszard
 Paul Challinor
 Meryle Corbett
 Jeff Dyck
 Richard Hill
 Waheed Hirji
 Tom Knoepfel
 Darryl Kropp
 David Letkemann
 Balraj Mann
 Cathy McIntyre

CCUA ESG Oversight and Climate Competency for Boards												✓
CCUA Reconciliation Education Indigenous Awareness									✓			
ESG Virtual Symposium CPA Canada Conference				✓								
Governance Professionals of Canada – Cyber Risk & Governance												✓
ICD - Audit Committee Effectiveness				✓								
ICD - Board's Role in the Future of Work												✓
ICD.D									✓			