

2024 ANNUAL REPORT



For more information on why First West is becoming federally regulated visit [keepgrowing.ca](https://www.keepgrowing.ca).



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.



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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'əmaʔ təməx^w (Musqueam), Stz'uminus, s'qəciy'aʔ təməx^w (Katzie), Nlɛʔkəpmx Tmíx^w (Nlaka'pamux), Semiahmoo, s'cəwaθenaʔ təməx^w (Tsawwassen), Á,LEŃENEŃ ŁTE WŚÁNEĆ and xà'isla w' áwís (Haisla).

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

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

Our purpose of helping people in our communities flourish 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 & Analysis

Management's Discussion and Analysis

1 2024 Board Chair & CEO message

LEADING WITH CERTAINTY AND PURPOSE

Today's business leaders champion corporate purpose as a greater calling. Regarded as the positive, lasting impact an organization can have on the world, an effective purpose can serve as a rallying cry, uniting team members in pursuit of a common goal.

At First West Credit Union our purpose—**together, we create a future where everyone can flourish**—is the heart and soul of our organization. We refreshed our purpose in 2024 to reflect our ongoing evolution in an ever-dynamic world. Yet at its core, it continues to resonate with what our founders set out to achieve nearly 80 years ago: financial wellbeing for everyone. This rock-solid foundation of knowing who we are and what we stand for has given us the stability to navigate external pressures with confidence and inspired thoughtful advancements in how we serve members, support our communities and help team members grow.

We also know that *how* we live out our purpose is equally important. To that end, in 2024 we unveiled three new core values: authentic connection, collective strength and courageous leadership. This expression of our compassionate, people-first culture helped earn First West the distinction of being among B.C.'s Top 100 Employers. We're proud of this recognition, earned for the second consecutive year from MediaCorp Canada Inc., which honours employers leading their industries in offering exceptional places to work. We were also honoured to be selected as a winner of the 2024 Canadian Workplace Well-Being Award. Presented by the Canadian Positive Psychology Association and Workplace Strategies for Mental Health, this award celebrates our programs and supports that foster psychological safety and belonging in our workplace, such as our team member-led network groups, equitable hiring practices and inclusive benefits.

Being there for members

Members, like all Canadians, continued to face challenging economic headwinds through 2024. An unstable interest rate environment, high inflation and housing unaffordability were among elements that heightened the need for financial confidence and optimism among members. Recognizing this, our advisors stepped up as trusted partners, offering members elevated advisory experiences centred on personalized advice, in person at our branch locations and remotely through our Member Advice Centre. Furthering member support, credit alerts were among the many updates we made last year to add more value to our members' banking experiences. These electronic notifications are automatically delivered when a member's line of credit falls below a certain threshold and are an extension of the account balance alerts we provided in 2023 to enhance members peace of mind. Complementing credit alerts are Collabria Credit Limit Alerts, which help members avoid unexpected fees or interest charges by notifying them when the available balance on their credit card is low.

We know members are looking to us for more flexible and convenient ways to bank. On this theme, we expanded the types of accounts members can open through online banking to include tax free savings accounts and registered term deposits—and introduced the ability for members to open our suite of accounts anytime, anywhere, through our mobile apps. We also launched new online functionality to empower members to book their own appointments with advisors. This small but mighty scheduling enhancement simplified our member experience and substantially reduced Member Advice Centre call wait times related to appointment booking. And members now have even more flexibility in contacting us through our new online live chat. Commercial members too gained considerable flexibility in their banking experience when we launched self-serve wire transactions through online banking, increasing their operational efficiency while strengthening their protection against wire transfer fraud.

Last but certainly not least, our implementation of Conquest in 2024 was also an important advancement for members and our team members who serve them. Considered one of the most effective financial planning software programs available, Conquest pairs the power of artificial intelligence (AI) with expert advisor insight to prepare financial plans tailored to members' unique goals.

Leading technology for members and teams

AI advancements propelled our transformative capabilities in other areas of our business as our teams began working with Microsoft's Copilot for specific scenarios. Our early adoption of tools like Copilot is a result of our seven-year strategic partnership with Microsoft, which has accelerated our technology strategy and positioned us as leaders in the banking industry.

Included in our digital transformation was our upgrade to Windows 11, which was implemented in tandem with extensive device upgrades throughout our branch network and collaboration centres. This important investment helps to secure our digital tools against cybersecurity threats and equips team members with the right tools to support members in an increasingly complex world. Furthermore, the implementation of state-of-the-art teller cash recycler machines makes cash transactions more efficient in all our branches, enabling member-facing teams to focus more on having meaningful conversations with members.

We recognize security is fundamental to all our member service channels, and the need for thorough cybersecurity knowledge and rigorous best practice has never been more critical for all Canadians than it is today. To reinforce our teams' advanced cyber awareness, we increased the sophistication of our monthly phishing email simulations and hosted our second annual Cybersecurity Summit to share information on topics that impact members and the credit union. For members, we created a series of engaging, educational cyber- and fraud-awareness videos that were shared across our social channels and as part of our member email program and displayed fraud-awareness content on our in-branch digital screens.

Creating capacity as leaders in the community

We couldn't live out our purpose authentically without partnering with organizations that are working to put communities on a path to flourishing. With that in mind, we raised \$414,329 (equivalent to 828,658 meals) for local food banks in 2024 through our signature causes, Feed the Valley and The Full Cupboard, putting our 14-year total at \$5,595,806. With 195,925 visits to a local B.C. food bank each month, a number that has steadily grown in recent years, we know need is at a critical high and hope our members share deep pride in our unwavering dedication in the efforts to address food insecurity.

Another community investment highpoint was the doubling-down of our support for the BC Cancer Foundation—we announced the extension of our partnership through 2025 and a total investment of \$400,000 over four years. We also set an ambitious goal to record more than 10,000 hours of movement as part of our participation in the BC Cancer Foundation's Workout to Conquer Cancer. It's a target we smashed, achieving 11,128 hours through the involvement of 387 team members and raising \$11,212 in funds. Our commitment to the foundation became even more heartfelt and meaningful when two of our team members who have faced cancer courageously stepped up to be featured in the foundation's *Life Beyond Cancer* campaign, helping advance cancer research and care across our province.

We've shared here a glimpse of the many thoughtful advancements we made during another momentous year. To dive further into our support for members and communities, see pages 17-22 of Management's Discussion and Analysis.

To our members, we leave you with this: We are as committed as ever to supporting your financial well-being. Thank you for the privilege of your continued trust.



Shawn Neumann
Board Chair



Launi Skinner
Chief Executive Officer

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 & Strategy 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", "forecast", "predict", "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 inflation, changes in interest rates, uncertain political conditions in the U.S., 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; credit, market, strategic, insurance, operational, reputation, conduct and legal, regulatory and environmental risk; 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; our ability to attract and retain key employees and executives; 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 \$19.6 billion in total assets and assets under administration. We serve more than 283,000 members throughout British Columbia. Our core business is traditional banking, the provision of personal daily banking and financial advice, and business banking services and business advice. We employ more than 1,300 team members who 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.

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 prevalingly 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 2024, 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.

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

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 & Strategy Officer
- **Liz Bailey-Connor** | Chief People & Culture Officer
- **Shelley Besse** | Chief Credit Officer
- **Paul Brodeur** | Chief Operating Officer
- **Leslie Castellani** | Chief Governance & Corporate Affairs 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 cybersecurity, credit and credit recovery, risk management, human resources, operations, marketing, 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.

ADVANCING OUR SUSTAINABILITY AND COMMITMENT TO MEANINGFUL IMPACT

The environment in which First West operates is diverse and increasingly complex, requiring better understanding and measurement of our business in terms of financial performance, risk, and impact on local, regional, and global communities. It is crucial that we are well-positioned for a stronger and more sustainable future—for our members, employees, and communities.

First West aims to grow, innovate, and lead in the financial sector while staying true to cooperative principles and positively impacting communities and the environment. Our approach to impact focuses on sustainable growth, fostering innovation and maintaining leadership in the industry, all while ensuring that our actions benefit our members and the broader community.

A separate Impact Report will be published in 2025 to detail our sustainability efforts and the positive impacts we have made. This report will highlight our ongoing commitment to creating meaningful change and driving progress towards a more sustainable future.

KEEPING A GOOD THING GROWING

First West's federal continuance journey continues forward, though in our conversations with the federal regulator, The Office of the Superintendent of Financial Institutions (OSFI), we expect the process to extend into 2026. This is largely due to the challenging economic headwinds faced by Canada and Canadians alike, including an unstable interest rate environment, the effects of high inflation on consumers and businesses, housing unaffordability, sustained weakness in real GDP, and broad economic uncertainty.

First West remains committed to becoming a federal credit union, and the work we've done to date has made First West stronger and even more rooted, for the good of our members and the cooperative movement.

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 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, 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 that may affect other financial institutions.

REINFORCING STRONG LENDING PRACTICES

OSFI B-20 residential mortgage practices were adopted in 2018, with full implementation in 2019. Since then, 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 [keepgrowing.ca](https://www.firstwest.ca/keepgrowing).

5 Financial Highlights

\$14.3B

↑0.2%

Assets

\$12.5B

↑5.0%

Loans

\$11.8B

↓-1.5%

Deposits

\$5.3B

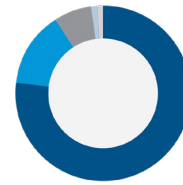
↑20.5%

Wealth Assets Under Management



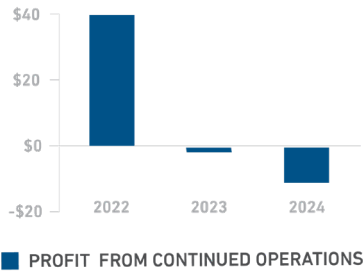
	2024	2023
RESIDENTIAL MORTGAGES	56%	56%
PERSONAL LOANS	6%	6%
COMMERCIAL LENDING	38%	38%

Loans by Lending Sector (%)

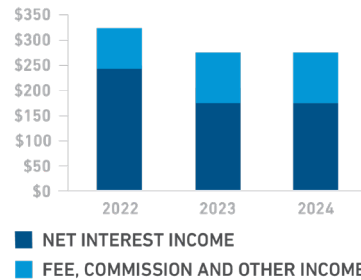


	2024	2023
CORE DEPOSITS	78%	77%
NON-CORE DEPOSITS	12%	14%
BORROWINGS	9%	7%
TERM DEBT	0%	1%
SUBORDINATED DEBT	1%	1%

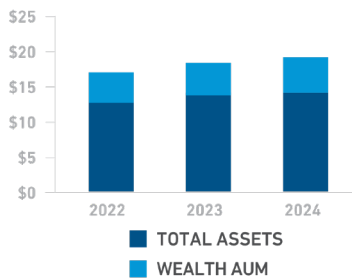
Total Funding Composition (%)



Profit / Loss (\$M)



Revenue Mix (\$M)



Total Assets and Wealth Under Management (\$B)

BBB (HIGH)

Trend: **NEGATIVE**

Credit Rating | Long-Term

R-1 (LOW)

Trend: **NEGATIVE**

Credit Rating | Short-Term

15.1%

Strong Regulatory Capital Ratio

Table 1 - Financial Highlights

(Expressed in thousands of dollars)	2024	2023	2022	2021	2020
Consolidated Statement of Financial Position					
Cash resources	297,124	476,910	278,119	449,807	1,386,162
Residential mortgages	6,947,761	6,629,387	6,134,272	5,492,331	4,909,328
Personal loans	739,865	740,474	770,645	742,317	789,581
Commercial loans	4,809,682	4,540,559	4,324,809	3,936,348	3,471,251
Accrued interest	26,900	26,230	22,546	14,782	16,181
Allowance for credit losses	(25,262)	(28,712)	(26,904)	(23,406)	(43,592)
Loans to members	12,498,946	11,907,938	11,225,368	10,162,372	9,142,749
Investments and other assets	1,290,201	1,676,795	1,612,107	1,865,994	1,532,472
Premises and equipment	176,569	172,176	188,629	194,533	127,506
Total assets	14,262,840	14,233,819	13,304,223	12,672,706	12,188,889
Demand deposits	4,929,985	4,738,562	4,876,501	5,297,094	4,380,913
Term deposits	5,159,355	5,618,949	5,121,219	4,383,518	4,713,083
Registered savings plans	1,568,211	1,465,849	1,314,767	1,279,707	1,386,317
Class A shares	5,392	5,383	5,416	5,538	5,659
Accrued interest and dividends	139,133	148,372	60,382	23,966	51,266
Deposits from members	11,802,076	11,977,115	11,378,285	10,989,823	10,537,238
Payables, accruals and others	198,521	147,474	193,528	200,485	208,652
Term debt	-	150,630	150,368	-	-
Borrowings	1,226,564	922,402	691,818	586,227	600,670
Subordinated debt	154,650	154,440	-	-	-
Liabilities	13,381,811	13,352,061	12,413,999	11,776,535	11,346,560
Equity shares	20,762	22,443	24,020	26,137	28,083
Accumulated and other comprehensive income	(27,559)	(41,451)	(37,432)	2,487	13,090
Contributed surplus	163,651	163,651	163,651	163,651	163,651
Retained earnings	724,175	737,115	739,985	703,896	637,505
Total liabilities and members' equity	14,262,840	14,233,819	13,304,223	12,672,706	12,188,889
Allowance for Credit Losses					
Opening balance	28,712	26,904	23,406	43,592	42,756
Less: write-offs	(8,102)	(2,801)	(1,671)	(12,042)	(24,580)
Plus: provision (recovery)	4,652	4,609	5,169	(8,144)	25,416
Closing balance	25,262	28,712	26,904	23,406	43,592

Table 1 - Financial Highlights (continued)

(Expressed in thousands of dollars)	2024	2023	2022	2021	2020
Consolidated Statement of Profit or Loss					
Interest income	649,354	578,881	407,030	319,322	341,917
Interest expense	473,954	405,004	165,759	88,210	145,428
Net interest income	175,400	173,877	241,271	231,112	196,489
Recovery (provision) for credit losses	(4,652)	(4,609)	(5,169)	8,144	(25,416)
Fee, commission and other income	99,576	101,450	82,360	104,285	120,355
Operating margin	270,324	270,718	318,462	343,541	291,428
Operating expenses	285,880	274,905	274,543	259,841	234,169
Profit (loss) before income taxes	(15,556)	(4,187)	43,919	83,700	57,259
Income taxes	(3,587)	(2,368)	6,954	16,811	8,461
Profit (loss) for the year from continuing operations	(11,969)	(1,819)	36,965	66,889	48,798
Profit for the year from discontinued operations	-	-	-	-	12,799
Profit (loss) for the year	(11,969)	(1,819)	36,965	66,889	61,597
Financial Statistics (expressed as %)					
Asset growth	0.2	7.0	5.0	4.0	10.5
Loan growth	5.0	6.1	10.5	11.2	0.0
Deposit growth	(1.5)	5.3	3.5	4.3	9.2
Operating efficiency	104.0	99.8	84.8	77.5	73.9
Dividends paid (\$000s)	1,169	1,301	1,055	611	858
Percent of Average Assets					
Net interest income	1.23	1.27	1.85	1.87	1.65
Fee, commission and other income	0.70	0.74	0.63	0.84	1.01
Operating expenses	2.01	2.01	2.10	2.10	1.97
Operating margin	1.90	1.98	2.44	2.78	2.45
Operating return on assets	(0.11)	(0.03)	0.34	0.68	0.48
Net (after-tax) return on average assets	(0.08)	(0.01)	0.28	0.54	0.52
Capital and Risk Weighted Assets					
Risk weighted assets (\$000s)	7,881,001	7,735,239	7,450,040	6,861,906	5,870,826
Total capital (\$000s)	1,187,786	1,191,103	1,027,527	999,207	930,568
Capital adequacy (%)	15.1	15.4	13.8	14.6	15.9
Return on capital (%)	(1.0)	(0.2)	3.6	6.7	6.6
Other Statistics					
Branches	45	45	45	45	45
Wealth assets under management (\$000s)	5,292,573	4,393,671	4,087,702	4,153,115	3,297,776
Loans under administration (\$000s)	(0)	7,758	8,521	42,082	69,054
Average assets (\$000s)	14,224,275	13,700,290	13,059,723	12,352,123	11,888,358

Loss for the year

\$12.0 million loss

Loss for the year of \$12.0 million was \$10.2 million higher in 2024, compared with \$1.8 million loss in 2023. The decrease in 2024 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

\$14.3 billion

Assets growth was \$29.0 million or 0.2% in 2024, compared with 7.0% in 2023. Loans continued to show growth, up \$0.6 billion or 5.0% due to strong lending activity.

Loans to members

\$12.5 billion

Total loans to members demonstrated strong growth with a net increase of \$0.6 billion or 5.0% in 2024, compared with 6.1% in 2023. Residential mortgages and personal loans to members increased by \$317.8 million or 4.3%, while commercial lending grew by \$269.1 million or 5.9%.

Deposits from members

\$11.8 billion

Deposits from members decreased by \$175.0 million or 1.5% in 2024, compared with an increase of 5.3% in 2023.

Wealth assets under administration

\$5.3 billion

Wealth assets under administration increased by \$898.9 million or 20.5% in 2024, compared with a 7.5% increase in 2023.

Membership in 2024

Membership grew by 2.0%, consistent with growth of 2.0% in 2023.

6 Member, Employee and Community Highlights

Member Experience

Our purpose is to create a future where our members and communities flourish. We live out our purpose by connecting our members and communities to financial education, advice and tools that build their financial confidence. In 2024 we continued to elevate the member experience at First West through several advancements in our advice and digital capabilities.

BUILDING BETTER ADVICE EXPERIENCES

Powered by our Agile approach to business growth and digital transformation, we made several enhancements to our customer relationship management (CRM) system in 2024, our first full year with the Microsoft-developed platform. The system continues to empower First West to take strides forward in providing financial advice due to its growing capabilities in helping advisors gain deeper understanding of members' circumstances and financial goals. This in turn enables our advisors to have truly authentic conversations with members about what they need their money to do for them.

Member Discovery was one of the key enhancements made to our CRM system in 2024. This tool was designed to help our advisors get to know members so that advice and product recommendations are appropriate for members' circumstances, life goals and plans.

Access to expertise is key when it comes to planning to achieve financial goals. With this in mind, we focused on connecting more members to valuable advice in 2024 by assigning them a dedicated advisor. Our CRM platform, mentioned above, played a pivotal role in this effort because of its ability to help advisors provide advice suited to a member's life stage and financial situation, goals and other considerations.

We also made it possible for members to schedule an appointment directly with an advisor, from our websites. Members can now easily book an in-person, phone or video appointment whenever they choose, for any type of financial advice.

DOING MORE DIGITALLY

Alongside our Agile practices, a "digital first" mindset helps us to continually generate value for our members. We are focused on using digital technology to give members flexibility in everyday banking and payments, and in managing their financial goals and plans.

Building on this commitment, we made numerous account opening advancements for online and mobile app banking in 2024, giving members the flexibility to build and manage savings and/or investments, from home or on the go:

- Savings First Account
- High Interest Savings Account
- 12-month cashable and long-term non-redeemable term deposits
- StepUp® series term deposits
- StepUp® series TFSA term deposits
- 1 – 5 year long-term non-redeemable TFSA term deposit
- 12-month cashable TFSA term deposit
- Long-term non-redeemable TFSA term deposit
- StepUp® series RRSP term deposits
- 1 – 5 year long-term non-redeemable RRSP term deposit
- 12-month cashable RRSP term deposit

Following the successful launch of balance alerts last year, we rolled out credit alerts in online banking in 2024. Like balance alerts, these alerts are real-time notifications sent to members by email or text message when the available amount on their line of credit falls below a specific threshold.

Similarly, credit limit alerts were unveiled for our Collabria Mastercard holders. These near-real-time notifications let members know when the available balance on their Collabria card account falls below a certain threshold, helping them avoid unexpected fees or interest charges.

In 2024, we also focused on expanding our support for commercial members. Our efforts included the launch of a self-serve wire transfer capability. Our Digital Banking Agile squad worked with a group of select commercial members to test this capability and get their feedback on its performance and receive suggestions on how it can be improved. The downstream effect of this tool is greater flexibility and less friction for commercial members in the day-to-day running of their businesses.

We also added a premium business card to our line-up of credit cards for business members. In addition to rewards points, the World Elite® Business Mastercard also offers access to Navan travel and expense management, legal assistance and other Mastercard services that can help business owners reduce expenses.

To help streamline routine tasks and enable team members to focus on higher-value member support activities, we introduced Copilot, Microsoft's AI companion, to our Microsoft 365 suite of products. A select group of team members who perform a mix of distinct functions have helped us to responsibly test the capabilities of this powerful tool and identify use cases which we're continuing to evolve today.

Advancing an Inclusive Workplace Culture

At First West, we are committed to creating a vibrant, inclusive, psychologically safe and healthy workplace culture where team members can flourish and grow. Regular feedback helps leadership understand how team members feel about working at First West. Feedback also guides our efforts to continuously advance our people practices and elevate our culture.

We are proud to be recognized for our strong commitment to fostering an exceptional workplace culture. Our Organization Health Index (OHI) survey in late 2022 placed First West in the top decile against global benchmarks, underscoring our dedication to setting a high standard in employee well-being and engagement. To ensure we stay on the right path, in between OHI surveys, we launch a regular employee pulse check survey which provides timely feedback to validate our progress and confirm that we are trending in the right direction in our key focus areas.

In early 2024, we were delighted and honored to attend the award ceremony and receive recognition for being awarded 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.

Our commitment to inclusivity and engagement was further emphasized when our Chief People & Culture Officer was named one of the Top 10 Chief Human Resources Officers and Chief People Officers of 2024 by *DiversityCan Magazine*, acknowledging her outstanding contribution to building a positive, empowering, and inclusive work environment.

This year, we were also honoured to be named among the Best Employers in British Columbia for 2024 by *Mediacorp Canada Inc.* This designation celebrates employers across the province who lead their industries in offering exceptional places to work, reinforcing our dedication to creating an inclusive and supportive workplace where every team member's uniqueness and strengths are valued and celebrated.

ELEVATING POTENTIAL THROUGH TALENT DEVELOPMENT

In an era of rapid change and technological evolution, developing our team members' skills has become more essential than ever. With a global emphasis on future-focused skills, First West has prioritized talent development to ensure our team members are equipped to meet tomorrow's challenges. Our updated talent development initiatives are designed to attract, retain, and continuously upskill team members, helping them thrive in a workplace shaped by automation, digital transformation and evolving member needs.

This commitment to growth is evident in the significant engagement with our learning programs. Our team members logged 34,364 hours, showcasing their commitment to professional development. In addition to core technical skills, we placed a strong emphasis on building adaptability and resilience by providing team members with access to a variety of on-demand learning platforms and resources. These platforms offered flexible, self-paced learning opportunities that enabled team members to acquire specialized skills critical to their roles, such as advanced data analytics, financial modeling, digital transformation and cybersecurity awareness. By integrating these resources alongside our existing external education policy, we supported team members with specialized training that addressed their unique business needs in a way that is inclusive of their learning preferences and schedules. This also ensured that team members had access to training aligned with their career goals, while empowering them to remain agile and responsive to the rapidly evolving demands of the financial services industry, driving both individual growth and organizational success.

Our approach to leadership development is evolving to address emerging trends, including a focus on leadership competencies such as emotional intelligence and innovation. Recognizing the importance of inclusivity and belonging, we continue to develop our training, preparing future leaders to create inclusive environments where every team member feels valued and supported. We also continued to refine our internal leadership learning offerings that address specific challenges leaders face, with a strong focus on coaching skills to support leaders to grow and develop their respective talents within the team.

ENHANCING OUR LIVE WELL PROGRAM TO PRIORITIZE TEAM MEMBER WELL-BEING

While we continued to focus on the mental and physical health of our team members in 2024, we enhanced our Live Well Program to create awareness, knowledge and resources around other relevant topics, including financial well-being, women's health and neurodiversity.

By integrating these improvements with our core Live Well program, which addresses mental and physical health, we now have a comprehensive suite of tools and resources to support team member well-being, such as:

- Education and early intervention. This consisted of informative workshops for understanding menopause, boosting financial resilience and supporting men's health. Wellness huddles continued to help promote a variety of topics, including nutrition and managing stress, and complemented resources such as Headspace and the Employee and Family Assistance Program (EFAP).
- Live Well Champions. These team members supported well-being initiatives such as seminars and physical health challenges, like the Workout to Conquer Cancer. Our champions were also instrumental in promoting our Snack Well program which provides team members with healthy fruits, granola bars and other nutritional snacks each week.

- Strong partnerships with Employee Network Groups (ENGs). Throughout 2024 we partnered with the First West Women's Network to host workshops and share ideas on topics of menopause, disease management and nutrition. We also focused on men's health, in particular suicide prevention and mental health issues. Similar collaborations occurred with the Poss-Ability ENG to create awareness on topics of accommodations and accessibility.
- Education for people leaders. In partnership with the Mental Health Commission of Canada (MHCC) we launched a program called The Working Minds to all people leaders. This evidenced-based program is designed to reduce stigma and enhance mental health awareness. Since 2024, our internal, certified instructors have facilitated over 12 sessions and trained over 120 leaders.

Together these initiatives and activities have resulted in reports of increased resilience and adaptability among team members as demonstrated through our pulse check data. Anecdotally, we have also received positive feedback and gratitude for introducing resources and supports addressing rising concerns around the economic landscape and world events.

A notable achievement in 2024 was being recognized by *OHS Canada* as a silver winner for our Psychological Safety Program. This award symbolizes our commitment to mental health and demonstrates our efforts towards creating an environment where team members can flourish. Equally important, First West's Live Well Program was acknowledged with a Canadian Workplace Well-Being Award by the Canadian Positive Psychology Association and Workplace Strategies for Mental Health. This prestigious honour is given to organizations that have gone the extra mile to embed mental health and well-being into their culture, which aligns with the focus of our Live Well Program.

ADVANCING OUR DIVERSITY, EQUITY, INCLUSION AND BELONGING JOURNEY

First West's commitment to Diversity, Equity, Inclusion and Belonging (DEIB) is deeply rooted in cultural transformation and education. We are focused on addressing systemic barriers and fostering a safe, equitable and inclusive environment. Our work ensures that every team member feels heard, valued and celebrated for their true self. We wholeheartedly believe in creating a workplace where everyone belongs, thrives and contributes to meaningful impact within our communities.

In 2024 we made significant strides in advancing DEIB as part of our three-year strategy, which we renewed in 2023. This direction has been informed by our diversity survey and regular reviews of our processes and practices. In 2024 the survey saw a participation rate of 93%, increased from 88% in 2023. This high engagement among First West team members reflects our ongoing commitment to bringing awareness to the important work of fostering a safe and inclusive workplace environment. These insights, combined with a focus on systemic and attitudinal barriers, have shaped policies and practices that prioritize inclusivity. Highlights include enhancing the ENGs to ensure they have terms of reference, a mission and action plans which align with First West's values. First West's ENGs provide mentorship, community, and learning and development opportunities for team members and allies.

Education remains a cornerstone of our DEIB journey. The course 4 Seasons of Reconciliation, which educates team members on Canada's treatment of Indigenous Peoples and the importance of Truth and Reconciliation, is included in the training we offer. Our ENGs also provide meaningful resources and educational opportunities through lunch and learns on various cultural celebrations and observances which often include guest speakers to help educate, raise awareness and train on DEIB, accessibility and reconciliation topics. By participating in these learnings, we aim to deepen cultural understanding and strengthen our commitment to equitable practices that leave no one behind.

We remain steadfast in our commitment to accessibility, inclusion and Indigenous engagement, demonstrated through strategic partnerships and investments. Through certifications we've earned as part of our collaboration with the Rick Hansen Foundation, we've ensured our environments are accessible to all individuals, including those with disabilities. By continuing to invest in inclusive infrastructure we're helping to reduce inequalities and disparities even further. Also notable, our Indigenous engagement initiatives remain robust due to ongoing partnerships with university and college student centres to support Indigenous scholarships, mentorships and hiring opportunities.

The Langley Head Office stands as a paragon of universal design principles and psychological safety, setting a new standard for accessible workplaces. This year, we successfully completed accessibility initiatives at the Valley First Regional Office, Langley Head Office, Woodgrove branch, and Chilliwack City branch, earning the prestigious Progress Award for our work at the Valley First Regional Office.

The Langley Head Office serves as a benchmark for future projects, illustrating that inclusive design enhances both team member and member experiences. In 2023, the building achieved Platinum Certification under the Building Owners and Managers Association BEST Program and received an impressive Energy Star score of 93/100.

Advancing DEIB at First West is not just a program but a continuous journey of cultural transformation. By embedding these principles into our daily practices, fostering employee-driven initiatives and addressing systemic inequities, we are building a workplace where everyone belongs and feels empowered to flourish.

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 team members 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 2024, First West team members contributed 6,831 hours of community leadership to 264 non-profit and charitable organizations throughout British Columbia. First West team members 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 team members and the number of personal hours committed to serving in the community, our Lead Well Employee Recognition program funded 40 \$1,000 grants supporting non-profits selected by our team members. Despite a challenging economic year, First West remained unwavering in our commitment to community giving. Even with financial headwinds, we continued to provide the exceptional level of community support that our members and communities have come to expect, and we not only maintained but increased our support, demonstrating our dedication to making a positive impact.

First West extended its commitment in 2024 with an additional \$100,000 investment, bringing our total commitment to BC Cancer Foundation (BCCF) to \$400,000. Our 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. This year, First West employees completed 11,128 hours of physical movement to support BCCF's "Workout to Conquer Cancer" campaign while raising \$11,212 in donations (an increase of 56% over 2023 fundraising results).

Our signature cause, supporting 30% of registered food banks across B.C., raised \$414,329, driven by employee-led fundraising and community partnerships. First West team members, members and community partnerships raised \$147,547 during the 2024 Holiday Giving program (a 48% increase over 2023). Since 2010, First West has raised over \$5,595,806 and collected 215,561 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 \$21 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 2024 Included:

- A \$453,943 donation from First West
- \$975,759 in grant funds disbursed 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
- \$749,494 in grants released as unrestricted funds to charities across B.C.
- \$189,294 in grant funds to 15 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 \$83,736, 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 100 local charities to deliver programs and services to help communities flourish
- \$47,298 was distributed to Abbotsford Hospice Society, Okanagan Fruit Tree Project and the Fernwood Neighbourhood Resource Group Society through the Keeping a Good Thing Growing Endowment, which is focused on capacity-building programs and initiatives

7 Economic Review and Outlook

Inflation returned to Bank of Canada target levels during 2024 and is expected to remain at historical norms in 2025. The possibility of new US tariffs looms in early 2025 and promises to drive continued volatility in markets and rate outlook. Barring new tariffs, the Canadian economy is expected to continue growth in 2025 consistent with 2024 trends with the benefit of lowered interest rates offset by lower population growth.

The Bank of Canada overnight rate reduced to 3.25% during 2024 in response to lower inflation and weaker economic performance. Due to continued slow economic growth, a further reduction in the Bank of Canada overnight rate is expected to occur in 2025.

British Columbia's economic performance continued to compare poorly with the rest of Canada in 2024 due to higher interest rates and challenged affordability. This trend is expected to improve in 2025 due to falling interest rates, however there is an increased risk to that outlook from proposed tariffs.

8 Financial Performance 2024 Overview and Line of Business Review

Table 2 - Financial Performance

(Expressed in thousands of dollars)	2024	2023	2024 Change	
			\$	%
Net interest income	175,400	173,877	1,523	0.9
Fee, commission and other income	99,576	101,450	(1,874)	(1.8)
Total revenue	274,976	275,327	(351)	(0.1)
Provision for credit losses	4,652	4,609	43	0.9
Total operating expenses	285,880	274,905	10,975	4.0
Operating income (loss)	(15,556)	(4,187)	(11,369)	271.5
Income tax expense (recovery)	(3,587)	(2,368)	(1,219)	51.5
Profit (loss) for the year	(11,969)	(1,819)	(10,150)	558.0
Assets				
Cash resources	297,124	476,910	(179,786)	(37.7)
Loans after allowance for credit losses	12,498,946	11,907,938	591,008	5.0
Investments, premises and equipment, and other assets	1,466,770	1,848,971	(382,201)	(20.7)
Total assets	14,262,840	14,233,819	29,021	0.2
Liabilities				
Deposits	11,802,076	11,977,115	(175,039)	(1.5)
Borrowings	1,226,564	922,402	304,162	33.0
Term debt	-	150,630	(150,630)	(100.0)
Subordinated debt	154,650	154,440	210	0.1
Other liabilities	198,521	147,474	51,047	34.6
Total liabilities	13,381,811	13,352,061	29,750	0.2
Members' equity	881,029	881,758	(729)	(0.1)
Total liabilities and members' equity	14,262,840	14,233,819	29,021	0.2
Ratios				
Operating efficiency	104.0%	99.8%	4.1%	4.1
Regulatory liquidity ratio	10.1%	14.0%	(3.9%)	(28.2)
Regulatory capital ratio	15.1%	15.4%	(0.3%)	(2.1)

The fundamentals of the business remain very strong with continued lending growth momentum in 2024 despite a weaker provincial economy. Significant increases in interest rates from 2022 continued to cause headwinds that challenge profitability temporarily in the form of increased deposit costs.

Profit for the year declined to a loss of \$12.0 million in 2024, from \$1.8 million loss in 2023 (Table 2), primarily due to continued compression in net interest income as a result of higher deposit costs combined with modest growth in expenses with continued investment in the business. Overall operating expenses grew by 4.0% from the previous year with prudent management of expenses in response to pressures on revenue.

Asset growth was \$29.0 million in 2024 with loan growth of \$591.0 million.

Our liquidity position decreased during the year through careful management to minimize excess liquidity, with the liquid assets as a percentage of total assets at 10.1% in 2024, compared to 14.0% in 2023.

Our capital position decreased as a result of strong lending growth, with a regulatory capital ratio for 2024 at 15.1%, compared to 15.4% in 2023.

LINE OF BUSINESS HIGHLIGHTS

Retail Banking

In 2024, our retail lending portfolio increased by \$317.8 million or 4.3%, to \$7.7 billion, driven by strong growth in residential mortgages, while our core retail deposit portfolio increased by \$104.5 million or 1.6%, to \$6.6 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 254,000 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 2024 by 2.1% compared to 2.0% in 2023. 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.

In 2024, in addition to continuing to grow by attracting new members aligned with our strategy, we saw higher than anticipated new member acquisition among early-life stage groups. These groups now account for 10% of our annual net growth, and we attribute this success to our value proposition's strong alignment with their preference for purpose-driven brands. Investments in digital experience improvements are expected to retain these members and strengthen our relationship with members as their needs evolve, yielding significant lifetime value.

Our continued success in attracting new members has resulted in a decrease of the average age of our members by a full year each of the past three years bringing the average age of a new member to First West in 2024 down to 42.

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 2024.

Commercial and Business Banking

First West is dedicated to growing and diversifying its commercial banking business. Data indicates that nearly half of small to medium enterprises (SMEs) feel that banks do not understand their challenges, and only one in ten are satisfied that their current bank meets all their needs. This presents a significant growth opportunity for First West to better serve SMEs in B.C.

To address this, we have developed a new commercial banking strategy focused on diversifying our commercial portfolio. Our goal is to establish full-banking relationships across various sectors that support economic growth in our province.

As part of our new strategic direction, and following an in-depth strategy review, we decided to wind down First West Capital. This allows us to focus our resources on supporting over 50,000 small to medium enterprises in our trade area.

Continuing 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 1.4% in 2024, ending the year with just under 30,000 total commercial members.

Our commercial lending portfolio grew by \$269.1 million or 5.9% to \$4.8 billion in 2024. The growth was driven by strong performance in commercial mortgages, which saw growth of \$275.1 million, or 6.3%. Commercial lending remained strong with continued growth despite a tighter economic environment in 2024.

Total commercial core deposits grew by \$52.6 million or 1.5%, to \$3.5 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.

Wealth Management

First West Wealth Management is a recognized leader among credit unions in wealth management delivery. For six years running, we have received the Practice Standards Award from our wealth partner, Aviso. First West Wealth Management offers members a full range of wealth advisory services and a comprehensive choice of investments. Our advisors are specialists that excel in delivering high-quality advice experiences, tailored to members' needs, financial goals and life journeys.

As interest rate instability and inflation sustained economic volatility throughout much of 2024, we continued to provide trusted, expert advice to protect and grow members' wealth and financial well-being. Our full rollout of Conquest, a powerful, industry-leading financial planning platform, began providing more value for members when it comes to planning their financial futures.

Wealth management revenues in 2024 were \$38.9 million, an increase of \$5.0 million. Through a combination of strong net sales and positive market movement, our assets under administration increased by \$898.9 million or 20.5%, to reach a total of \$5.3 billion in assets under management.

9 Discussion on Financial Performance

EARNINGS RECOVERY

Table 3 - Quarterly Earnings

(Expressed in thousands of dollars)	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Net interest income	50,235	46,146	42,071	36,948
Fee, commission and other income	27,972	24,215	25,101	22,288
Total revenue	78,207	70,361	67,172	59,236
Provision (recovery) for credit losses	(569)	651	4,984	(414)
Total operating expenses	74,101	71,343	70,243	70,193
Operating income (loss)	4,675	(1,633)	(8,055)	(10,543)
Income tax expense (recovery)	375	(340)	(1,893)	(1,729)
Profit (loss) for the quarter	4,300	(1,293)	(6,162)	(8,814)

Earnings recovered during the year as expected, as the temporary compression of margin began to recover driven by loans that repriced into the higher interest rate environment. This recovery showed a trend of improvement in net interest income and profitability each quarter during 2024, with a return to a quarterly net profit of \$4.3 million in the fourth quarter of 2024 (Table 3).

NET INTEREST INCOME

Table 4 - Net Interest Income Volume and Rate Impacts

2024

(Expressed in thousands of dollars)	Increase (decrease) in net interest income due to changes in		
	Average balance	Average rate	Net change
Interest earnings assets	22,140	48,333	70,473
Interest bearing liabilities	(15,490)	(53,460)	(68,950)
Net Interest Income	6,650	(5,127)	1,523

Table 5 - Net Interest Analysis

(Expressed in thousands of dollars)	2024				2023			
	Average Balance	Mix %	Interest	Interest Rate %	Average Balance	Mix %	Interest	Interest Rate %
Cash resources and investments	1,791,136	12.6	66,792	3.7	1,799,225	13.1	56,821	3.2
Loans to members								
Residential mortgages	6,805,889	47.8	267,210	3.9	6,371,740	46.5	229,640	3.6
Personal loans	38,002	0.3	2,786	7.3	42,190	0.3	2,897	6.9
Retail LOC	700,497	4.9	59,304	8.5	714,362	5.2	60,390	8.5
Commercial mortgages	4,418,841	31.1	253,057	5.7	4,286,451	31.3	234,318	5.5
Commercial loans	71,458	0.5	8,077	11.3	86,091	0.6	8,636	10.0
Commercial lines of credit	116,314	0.8	3,745	3.2	106,983	0.8	4,704	4.4
Accrued interest	26,735	0.2	-	-	24,842	0.2	-	-
Allowance for credit losses	(27,639)	(0.2)	-	-	(26,870)	(0.2)	-	-
Loans to members	12,150,097	85.4	594,179	4.9	11,605,789	84.7	540,585	4.7
Derivatives	-	-	(11,617)	-	-	-	(18,525)	-
Other assets	283,042	2.0	-	-	295,276	2.2	-	-
Total assets	14,224,275	100.0	649,354	4.6	13,700,290	100.0	578,881	4.2
Deposits from members								
Retail demand deposits	2,416,090	17.0	11,838	0.5	2,377,297	17.4	13,318	0.6
Retail non-registered term deposits	2,647,426	18.6	121,611	4.6	2,641,645	19.3	106,723	4.0
Registered deposits	1,531,217	10.8	65,986	4.3	1,404,486	10.3	52,183	3.7
Commercial demand deposits	2,425,307	17.1	57,542	2.4	2,454,694	17.9	56,342	2.3
Commercial term deposits	2,676,749	18.8	147,975	5.5	2,766,821	20.2	133,383	4.8
Class A membership shares	5,524	0.0	-	-	5,591	0.0	-	-
Accrued interest and dividends	156,461	1.1	-	-	113,415	0.8	-	-
Deposits from members	11,858,774	83.4	404,952	3.4	11,763,949	85.9	361,949	3.1
Borrowings	1,043,150	7.3	42,538	4.1	671,708	4.9	24,468	3.6
Term debt	128,805	0.9	9,565	7.4	151,667	1.1	10,478	
Subordinated debt	152,952	1.1	13,999	9.2	58,519	0.4	5,520	9.4
Other liabilities	159,070	1.1	2,900	1.8	159,501	1.2	2,589	1.6
Members' equity	881,525	6.2	-	-	894,946	6.5	-	-
Total liabilities and equity	14,224,276	100.0	473,954	3.3	13,700,290	100.0	405,004	3.0
Total assets / net interest income	14,224,275		175,400	1.2	13,700,290		173,877	1.3

In 2024, net interest income, defined as interest and investment income earned on assets less interest expense on deposits and borrowings, increased \$1.5 million, or 0.9%, to \$175.4 million from \$173.9 million (Table 5) in 2024 due to lending growth during the year. Net interest income as a percentage of average assets decreased year over year to 1.2% in 2024, from 1.3% in 2023.

Economic conditions in 2024 resulted in a steady interest rate environment during the first half with a rapid decrease during the second half of 2024.

Repricing of loans originated during the lower interest rate environment caused yields on loans to members to increase in 2024. Investment yields were also increased due to higher investment rates. Funding costs also increased, with 2024 as the first full year with the deposit portfolio priced at the higher interest rate environment.

The compression of margin consistent with 2023 will be temporary, as fixed rate loans which were taken when interest rates were exceptionally low continue to be repriced over the next 24 months into the higher interest rate environment. While the annual net interest margin remained consistent from 2023 to 2024, the lowest point of net interest margin occurred in the fourth quarter of 2023 and has steadily increased during 2024 as the loan book continues to reprice.

Non-Interest Income

FEE, COMMISSION AND OTHER INCOME

Table 6 - Fee, Commission and Other Income

(Expressed in thousands of dollars)	2024	2023	2024 Change	
			\$	%
Fee and commission income:				
Insurance commissions and fees	1,595	1,909	(314)	(16.4)
Account service fees	15,831	14,001	1,830	13.1
Loan administration fees	22,043	21,730	313	1.4
Fees from fiduciary activities and mutual funds	38,935	33,962	4,973	14.6
Foreign exchange	5,379	5,225	154	2.9
	83,783	76,827	6,956	9.1
Other income:				
Leasing revenue	370	1,445	(1,075)	(74.4)
Investment revenue	1,285	9,311	(8,026)	(86.2)
Mastercard revenue	5,357	5,192	165	3.2
Gain on disposal	33	-	33	
Property rental income	4,840	4,370	470	10.8
Miscellaneous	3,908	4,305	(397)	(9.2)
	15,793	24,623	(8,830)	(35.9)
Total fee, commission and other income	99,576	101,450	(1,874)	(1.8)

In 2024, fee, commission and other income decreased year-over-year by \$1.9 million or 1.8%, to \$99.6 million (Table 6). This was due to a decrease in investment revenue of \$8.0 million due to non-recurring investment gains from First West Capital during 2023. As the commercial lending portfolio grew, loan fees from the portfolio increased. 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, 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 7 — Operating Expenses

	2024	2023	2024 Change	
			\$	%
(Expressed in thousands of dollars)				
Personnel expenses				
Salaries	131,219	125,052	6,167	4.9
Benefits	22,472	20,215	2,257	11.2
Pension	9,901	9,621	280	2.9
Other	7,463	7,477	(14)	(0.2)
	171,055	162,365	8,690	5.4
Depreciation and amortization	21,496	21,021	475	2.3
Other expenses:				
Administration	45,036	45,940	(904)	(2.0)
Data processing	33,222	30,243	2,979	9.9
Occupancy	15,071	15,336	(265)	(1.7)
	93,329	91,519	1,810	2.0
Total operating expenses	285,880	274,905	10,975	4.0
Efficiency ratio	104.0%	99.8%	4.1%	4.1

Total operating expenses increased by \$11.0 million in 2024 to \$285.9 million (Table 7).

Key activities undertaken in 2024 included continued implementation of 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 \$8.7 million or 5.4% in 2024. Administration expenses were tightly managed in 2024 with a decrease of \$0.9 million or 2.0%.

The depreciation and amortization expenses increased by \$0.5 million in 2024 due to the continued implementation of the new CRM system.

Overall, the operating efficiency ratio increased to 104.0%, from 99.8% in 2023, due to temporary compression of margin which dampened revenue growth. 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 8 — Loan Portfolio

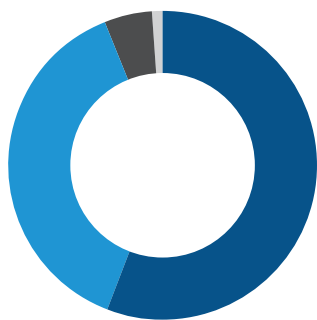
(Expressed in thousands of dollars)	2024	Portfolio%	2023	Portfolio%	2024 Change	
Residential mortgages	6,947,761	56	6,629,387	56	318,374	4.8%
Commercial lending	4,809,682	38	4,540,559	38	269,123	5.9%
Home equity lines of credit	577,210	5	576,533	5	677	0.1%
Personal loans and retail LOCs	162,655	1	163,941	1	(1,286)	(0.8%)
Total outstanding loans¹	12,497,308	100	11,910,420	100	586,888	4.9%

¹ Balances exclude accrued interest and allowance for credit losses

The loan portfolio ended 2024 at \$12.5 billion (excluding accrued interest and the allowance for credit losses), an increase of 4.9% or \$0.6 billion compared to 2023 (Table 8). Both commercial and residential lending had strong growth in 2024, with commercial lending growth of \$269.1 million in aggregate or 5.9% in 2024, and retail and residential lending growth of \$318.4 million or 4.8%.

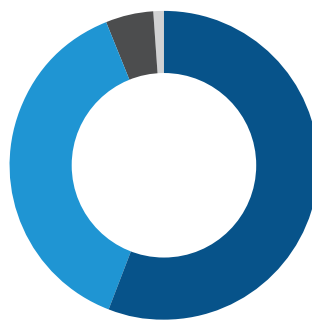
We expect to maintain momentum in lending growth in the overall portfolio in 2025, largely in residential and commercial mortgages. A laser focus is intended to drive retail growth reimagining personal lending, with growth aligned to our strategic priorities and product and channel capabilities. Commercial growth is anticipated to continue with the reduction in interest rates during 2024.

CHART 1 — 2024 PORTFOLIO BREAKDOWN



■ Residential mortgages	56%
■ Commercial lending	38%
■ Home equity lines of credit	5%
■ Personal loans and retail LOCs	1%

CHART 2 — 2023 PORTFOLIO BREAKDOWN



■ Residential mortgages	56%
■ Commercial lending	38%
■ Home equity lines of credit	5%
■ Personal loans and retail LOCs	1%

The product mix in our loan portfolio remained relatively constant in 2024 (Charts 1 and 2).

Credit quality / Allowance for credit losses

Table 9 — Credit Performance

(Expressed in thousands of dollars)	2024	2023	2022
Total loans ¹	12,524,208	11,936,650	11,252,272
Allowance for expected credit losses	25,262	28,712	26,904
Provision (recovery) for credit losses	4,652	4,609	5,169
Loan write-offs	8,102	2,801	1,671
Impaired loans (Stage 3 loans)	28,182	29,725	12,207
Members' equity	881,029	881,758	890,224

¹ Balances include accrued interest and exclude allowance for credit losses

	2024	2023	2022
Allowance for expected credit losses as % of total loans	0.20%	0.24%	0.24%
Provision (recovery) for credit losses as % of total loans	0.04%	0.04%	0.05%
Loan write offs as % of total loans	0.06%	0.02%	0.01%
Impaired loans (Stage 3 loans) as % of total loans	0.23%	0.25%	0.11%
Impaired loans (Stage 3 loans) as % of members' equity	3.20%	3.37%	1.37%

Our allowance for expected credit losses as of December 31, 2024, decreased to \$25.3 million, compared to \$28.7 million in 2023, a decrease of \$3.4 million or 12.0% (Table 9). The provision for credit losses expense of \$4.6 million in 2024 remained consistent with 2023.

CHART 3 — ALLOWANCE FOR CREDIT LOSSES

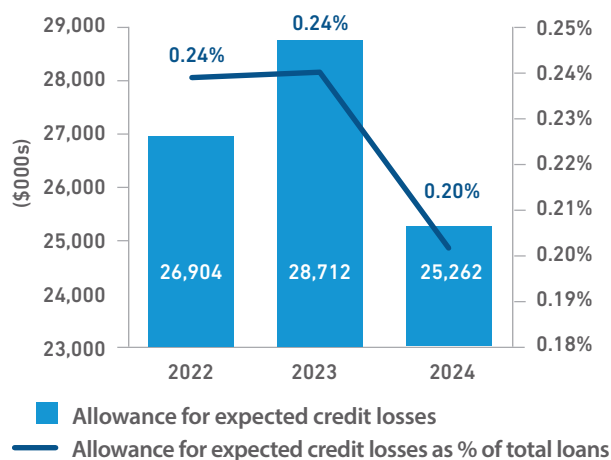


CHART 4 — LOAN WRITE-OFFS

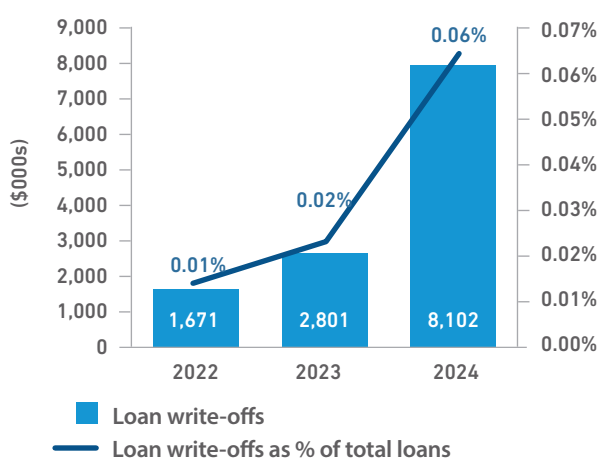


CHART 5 — PROVISION FOR CREDIT LOSSES

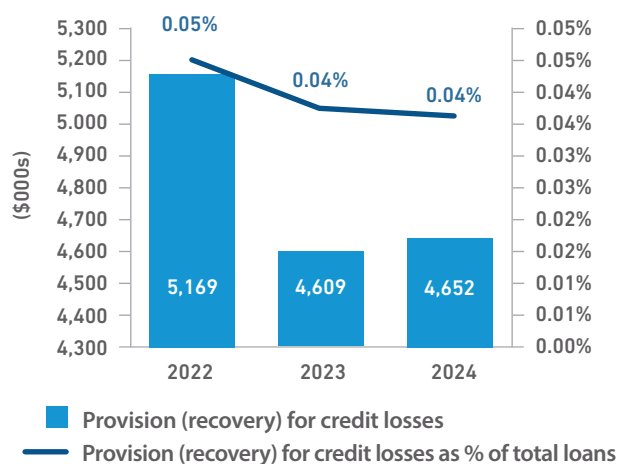
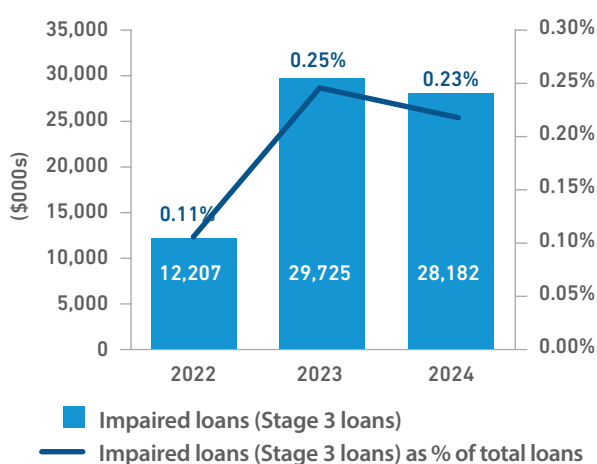


CHART 6 — IMPAIRED LOANS



The year-end allowance for credit losses represented 0.20% 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 0.06% in 2024, from 0.02% the previous year (Chart 4).

The provision for credit losses as a percentage of total loans remained unchanged at 0.04% in 2024 (Chart 5). The total provision for credit losses for the year was \$4.7 million, a slight increase in the provision of \$4.6 million in 2023.

The impaired loans as a percentage of total loans decreased to 0.23% in 2024, from a 0.25% result in 2023 (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 the Regulatory Liquidity Ratio and the 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 & Funding 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 funding 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.

Table 10 — Liquid Assets

(Expressed in thousands of dollars)	2024	2023	2024 Change	
			\$	%
Cash and cash resources	297,124	476,910	(179,786)	(37.7)
Investments:				
Debt investment securities at amortized cost	1,133,444	1,508,935	(375,491)	(24.9)
Other	3,607	2,885	722	25.0
Total liquid assets	1,434,175	1,988,730	(554,555)	(27.9)
Total assets	14,262,840	14,233,819	29,021	0.2
Encumbered liquid assets	42,732	49,745	(7,013)	(14.1)
Unencumbered liquid assets	1,391,443	1,938,985	(547,542)	(28.2)
Total liquid assets / total assets	10.1%	14.0%	(3.9%)	(28.2)

First West holds liquid assets in cash and marketable debt securities (Table 10).

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, 2024, liquid assets held totalled \$1.4 billion and represented 10.1% of total assets. This compares to \$2.0 billion and 14.0% in 2023.

DEPOSITS AND FUNDING

Table 11 — Deposits and Funding

(Expressed in thousands of dollars)	2024	2023	2024 Change	
			\$	%
Core deposits				
Retail demand deposits	2,496,202	2,401,542	94,660	3.9
Retail non-registered term deposits	2,536,012	2,638,478	(102,466)	(3.9)
Registered deposits	1,560,110	1,447,755	112,355	7.8
	6,592,324	6,487,775	104,549	1.6
Commercial demand deposits	2,053,500	1,968,433	85,067	4.3
Commercial term deposits	1,475,098	1,507,611	(32,513)	(2.2)
	3,528,598	3,476,044	52,554	1.5
Class A membership shares	5,392	5,383	9	0.2
Accrued interest and dividends	139,133	148,372	(9,239)	(6.2)
Core deposits	10,265,447	10,117,574	147,873	1.5
Non-core deposits				
MUSH demand accounts	380,231	367,310	12,921	3.5
Deposit agency	707,209	901,908	(194,699)	(21.6)
MUSH terms	449,189	590,323	(141,134)	(23.9)
Non-core deposits	1,536,629	1,859,541	(322,912)	(17.4)
Deposits from members	11,802,076	11,977,115	(175,039)	(1.5)

Our funding and liquidity profiles remain strong, with a balance sheet that is primarily deposit-funded (Table 11).

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

In 2024, deposits totalled \$11.8 billion, a decrease of 1.5% 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 2024, 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 a change in the trend to a negative outlook, in September 2024. This change in trend was made by DBRS due to increased pressure on earnings amid the challenging economic conditions, which continue to affect all credit unions and banks in some way.

Despite those challenging conditions, our liquidity ratios remained strong in 2024 and are comfortably above regulatory requirements. Total deposits declined in 2024 by \$175.0 million, which was driven by a combination of \$147.9 million of core retail and commercial deposit growth and decline in non-core deposits from institutional and other sources of \$322.9 million.

The maturity profile of our deposits is as follows (Table 12):

Table 12 — 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
2024						
Demands	4,929,985	-	-	-	-	4,929,985
Terms ¹	387,502	657,452	3,125,101	977,229	151,204	5,298,488
Registered savings plans	286,352	158,449	688,695	394,182	40,533	1,568,211
Class A shares	5,392	-	-	-	-	5,392
Total deposits	5,609,231	815,901	3,813,796	1,371,411	191,737	11,802,076
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
Change	206,303	(11,933)	(188,258)	(180,943)	(208)	(175,039)

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 supervisory intervention will occur at a 10% threshold.

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 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

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 2024 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.

Table 13 — Regulatory Capital

(Expressed in thousands of dollars)	2024	2023	2024 Change	
			\$	%
Regulatory Capital				
Primary capital	920,877	936,063	(15,186)	(1.6)
Secondary capital	293,708	282,230	11,478	4.1
Deductions from capital	(26,799)	(27,190)	391	(1.4)
Total capital	1,187,786	1,191,103	(3,317)	(0.3)
Risk weighted assets	7,881,001	7,735,239	145,762	1.9
Total capital ratio	15.1%	15.4%	(0.3%)	(2.1)

As of December 31, 2024, First West had a total capital ratio of 15.1% on a risk-weighted basis (Table 13). 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 15.1% has decreased from the 15.4% reported for 2023.

Total capital remained stable in 2024 at \$1.2 billion, consistent with \$1.2 billion in 2023. Of the \$145.8 million increase in risk weighted assets, the greatest contributor was in risk-weighted loan balances which increased by \$289.9 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 BCFSAs 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.

Item	Further relevant information	
	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, 2024. Refer to Note 5 in the Consolidated Financial Statements for further information on these changes.

13 Risk Management

2024 was another 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.

2024 RISK HIGHLIGHTS

- Strengthened quantitative risk and stress-testing capabilities in areas of liquidity, market and capital risk to better position the credit union to withstand stress events
- Significantly strengthened and advanced model risk management processes and governance
- 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
- Further developed the environmental and climate risk framework
- Updated the Third-Party Risk Management program to meet new regulatory requirements
- 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 risks 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	RISK MANAGEMENT PRINCIPLES
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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:

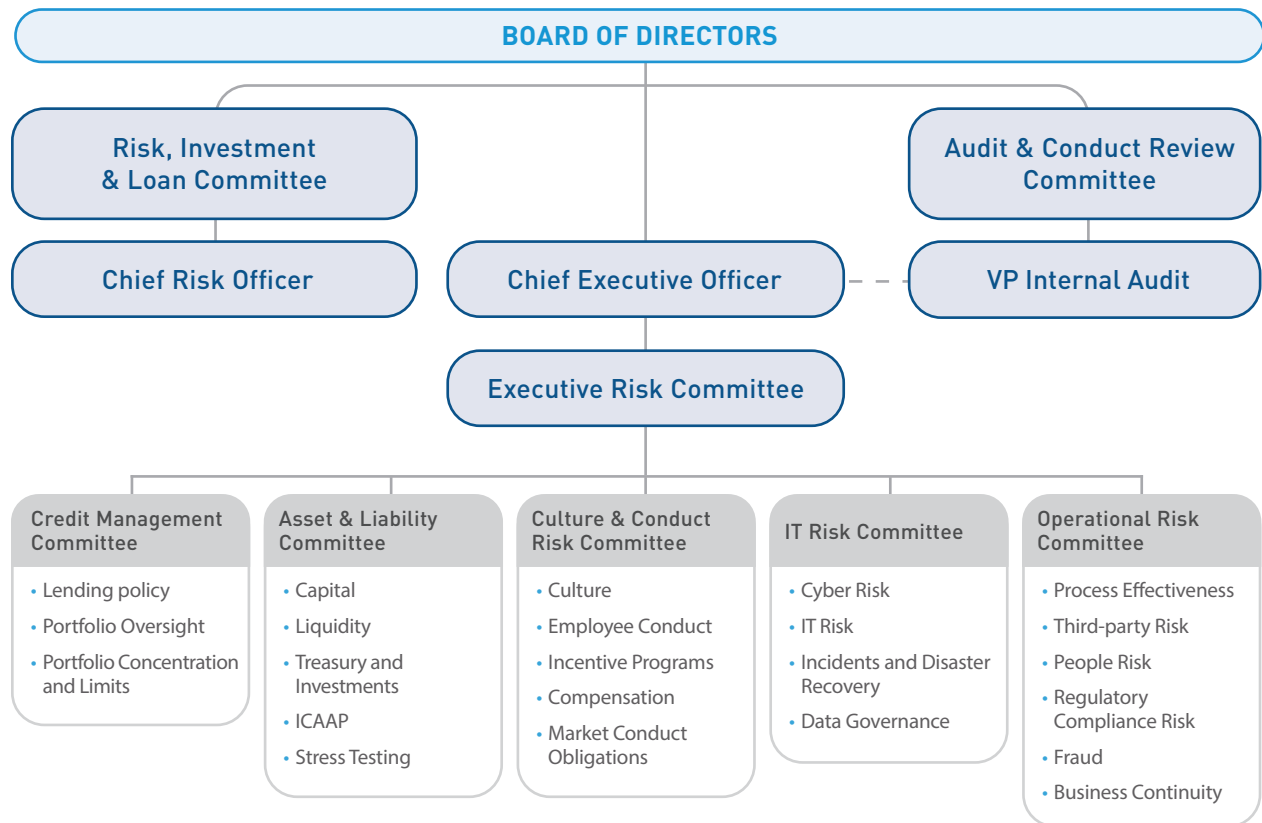


Figure 1: Risk Management Governance Structure

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 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 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 operational risk frameworks and policies, third-party risk, fraud, disruption risk and process risks. 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
- Regulatory compliance 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, 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.

REGULATORY COMPLIANCE RISK

Regulatory compliance 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.

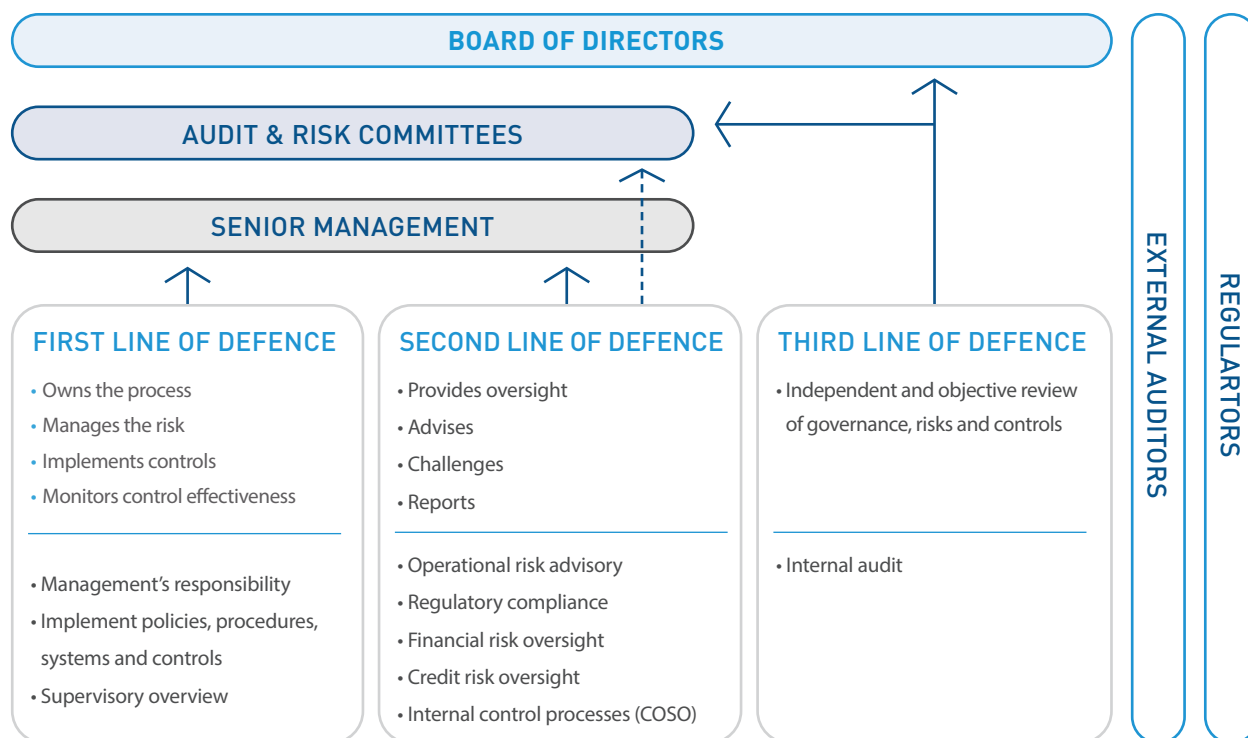


Figure 2: Three Lines of Defence

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 essential to attracting, motivating and retaining top talent and are 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.” We believe rewards should be directly linked to achieving business strategies and driving desired behaviours, all while keeping team members engaged and inspired. First West cultivates a culture that fosters innovation and motivates our team members to strive for excellence.

Rewards Guiding Principles

- 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 take pride in offering a comprehensive package that includes base salary, incentives, perquisites, recognition programs, career development opportunities and a highly competitive flexible benefits program. We ensure our programs remain current 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 also potential for higher earnings through sustained high performance or for niche, specialized roles. While First West attracts talent from various industries, we benchmark ourselves against other large credit unions and financial institutions and general industry where appropriate.

Recognizing the highly competitive financial services industry and the value of high performers, our rewards approach is designed to reflect this and integrates the following elements:

- **Base pay:** Reflects the responsibilities of the role and the individual’s expertise, experience, and performance.
- **Variable Incentive Programs:** Offers opportunities to earn beyond base salary by demonstrating behaviours consistent with our organizational values and exceeding individual and team goals.
- **Flexible Benefits Program:** Fully customizable to meet the individual and family needs of team members, providing support for 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 BC's Pay Transparency. 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 strive to ensure equitable pay for all team members, regardless of their gender, race, ethnicity or other irrelevant characteristics to an individual's role or performance. As part of our pay equality journey, First West goes beyond minimum regulatory requirements, striving to implement processes, programs and practices that support and advance pay equity in alignment with our core values.

We take pride in our pay transparency and are committed to continuously evolving our practices to promote equity. In 2024, we conducted a pay gap analysis as part of our ongoing commitment to identify and reduce pay disparities for women and other designated groups. We published our gender pay gap data as required by the BC Pay Transparency Act. We will continue to monitor and address, where possible, our pay gap data by gender and other designated groups and review our employment systems with a pay equity focus.

MANAGING RISK IN COMPENSATION

Managing risk is crucial in all aspects of an organization including compensation. At First West, we review our compensation programs through a risk management lens to ensure they align with our risk appetite. Our Board of Directors actively oversees and continuously monitors the compensation system to ensure it operates as intended.

We integrate risk management objectives and expectations into our performance management process, directly linking them to our incentive programs. All team members are responsible for mitigating risk and are evaluated on how they achieve their goals, emphasizing that the process is as important as what is achieved.

COMPENSATION ELEMENTS

Base Pay

Our base pay structure is organized into grades, each containing jobs with similar levels of work and accountability. We determine a job grade using a job evaluation point factor system that complies with federal pay equity requirements, assessing 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: New team members typically start here, with their duration depending on their experience, skills, performance and tenure in role.
- The market range: Most team members spend the majority of their careers in this range, being fully competent in their role with validated years of experience.
- The premium range: Reserved for high performers who consistently exceed expectations or possess specialized skills.

We use salary survey data to review our salary structure every two to three years.

Base pay growth depends on market rate changes, individual performance and budget affordability.

Variable Incentive Plans

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

Performance, including demonstrated behaviours aligned to our values, influences the individual's bonus payout size. The maximum STIP payout for team members and executives, including the CEO, is twice their target payout percentage, which varies by job grade and is part of employment contracts. There is no automatic entitlement of guarantee to bonus payout on any incentive plan and final approval is at the discretion of the Board of Directors.

For the 2024 performance year, the Board approved a 90.6% multiplier, reflecting the negative impacts of interest rate adjustments, inflation and the broader economic impacts on our members and team. Executives reporting directly to the CEO may also be eligible for a long-term incentive program (LTIP).

To remain competitive and ensure appropriate compensation, 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 part of our comprehensive rewards and recognition package, First West offers a group registered retirement savings plan (RRSP) with an optional matching program. First West contributes a percentage of a team member's base salary, increasing with tenure, to a maximum of 10%. Additionally, 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 that allows team members to choose the coverage level that suits them and their family, based on 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, while offering the flexibility to select coverage that meets their health and wellbeing needs.

Additionally, our rewards package features several different time-off options, including 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 banking advantages on several financial products, internal and external educational assistance, an electric vehicle rebate matching program, parental leave income top-up support, numerous recognition programs, and everyday savings and discounts through our group discount partnership.

CEO AND EXECUTIVE TEAM COMPENSATION STRUCTURE

Consistent with our overarching rewards and recognition structure and philosophy, we believe our executive and CEO compensation should be designed to attract, retain and motivate top 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, including 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	<p>The base salary for First West's CEO is reviewed annually, as it is for all team members. Any increase is 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 \$700,000 effective January 1, 2025.</p>
Short-Term Incentive Plan (STIP)	<p>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.</p> <p>The organizational performance measures are established by executive management and the Board of Directors. In fiscal 2024, the core performance areas for the STIP plan were both financial and growth related.</p> <p>The 2024 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.</p>
Long-Term Incentive Plan (LTIP)	<p>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.</p> <p>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.</p> <p>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.</p>
RRSP and SERP	<p>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.</p>
Group Benefits & Perquisite Plan	<p>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.</p>
Severance	<p>The CEO employment contract provides a severance package of 12 months' salary if employment is terminated.</p>
2024 Performance Year	<p>For fiscal 2024, the target total compensation for First West's CEO was \$1,730,630, which reflects the annual base salary (\$687,872) as of January 1, 2024, and target STIP and LTIP eligibility. In addition, the CEO receives an executive perquisites payment of \$50,000.</p> <p>Actual total cash compensation for First West's CEO in 2024 was \$2,315,008, which included salary earnings (\$687,872), STIP (\$656,890) and LTIP (\$920,246) paid based on achievements for fiscal 2024 (note amounts were paid in the first quarter of 2025). The actual total cash compensation also includes \$50,000 from the executive perquisites plan.</p>

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, 2024
- 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, 2024, 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 and remain alert for indications that the other information 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 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 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 the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants
Vancouver, Canada

March 6, 2025

First West Credit Union

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

December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Cash resources	8	\$ 297,124	\$ 476,910
Derivative assets	9	19,198	11,545
Loans to members	10	12,498,946	11,907,938
Investments	11	1,183,534	1,564,843
Premises and equipment	12	176,569	172,176
Intangible assets	13	26,972	27,364
Deferred tax assets	26	24,924	21,176
Other assets	14	35,573	51,867
		\$ 14,262,840	\$ 14,233,819

Liabilities and Members' Equity

Deposits from members	15	\$ 11,802,076	\$ 11,977,115
Borrowings	16	1,226,564	922,402
Term debt	17	-	150,630
Subordinated debt	17	154,650	154,440
Derivative liabilities	9	23,512	18,293
Deferred tax liabilities	26	16,583	17,378
Other liabilities	18	158,426	111,803
		13,381,811	13,352,061
Members' equity		881,029	881,758
		\$ 14,262,840	\$ 14,233,819

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, 2024, with comparative information for 2023

	Notes	2024	2023
Interest income:			
Loans		\$ 594,179	\$ 540,585
Cash resources and investments		55,175	38,296
		649,354	578,881
Interest expense:			
Deposits		404,952	361,949
Borrowings		42,538	24,468
Debt		23,564	15,998
Lease liabilities		2,900	2,589
		473,954	405,004
Net interest income	21	175,400	173,877
Provision for credit losses	10	4,652	4,609
		170,748	169,268
Fee and commission income	22	83,783	76,827
Other income	23	15,793	24,623
		270,324	270,718
Personnel expenses	24	171,055	162,365
Depreciation and amortization		21,496	21,021
Other expenses	25	93,329	91,519
		285,880	274,905
Loss before income tax expense from operations		(15,556)	(4,187)
Income tax recovery	26	(3,587)	(2,368)
Loss for the year		\$ (11,969)	\$ (1,819)

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, 2024, with comparative information for 2023

	2024	2023
Loss for the year	\$ (11,969)	\$ (1,819)
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 gain (loss)		
(net of income taxes of (\$2,850) (2023 - \$944))	13,914	(3,973)
Fair value reserve:		
Net change in fair value		
(net of income taxes of \$5 (2023 - \$11))	(22)	(46)
Total other comprehensive income (loss), net of income taxes	13,892	(4,019)
Comprehensive income (loss)	\$ 1,923	\$ (5,838)

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, 2024, with comparative information for 2023

		Equity shares	AOCI		Contributed surplus	Retained earnings	2024 Total
			Hedging reserve	Fair value reserve			
Balance at December 31, 2023	\$	22,443	\$ (40,998)	\$ (453)	\$ 163,651	\$ 737,115	\$ 881,758
Loss for the year		-	-	-	-	(11,969)	(11,969)
Other comprehensive income, net of income taxes:							
Changes in fair value		-	13,914	(22)	-	-	13,892
Total other comprehensive income (loss)		-	13,914	(22)	-	-	13,892
Comprehensive income (loss)		-	13,914	(22)	-	-	13,892
Contributions by and distribution to members:							
Dividends, net of related tax savings		-	-	-	-	(971)	(971)
Redemptions of equity shares		(1,681)	-	-	-	-	(1,681)
Total distribution to members		(1,681)	-	-	-	(971)	(2,652)
Balance at December 31, 2024	\$	20,762	\$ (27,084)	\$ (475)	\$ 163,651	\$ 724,175	\$ 881,029
2023							
		Equity shares	AOCI		Contributed surplus	Retained earnings	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

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, 2024, with comparative information for 2023

	Notes	2024	2023
Cash provided by (used in):			
Cash flows from operating activities:			
Loss for the year		\$ (11,969)	\$ (1,819)
Adjustments for:			
Provision for credit losses		4,652	4,609
Depreciation and amortization		21,496	21,021
Net interest income		(175,400)	(173,877)
Income tax recovery		(3,587)	(2,368)
Changes in:			
Derivative assets and liabilities		(2,016)	(27,856)
Loans to members		(594,989)	(683,495)
Other assets		29,249	16,397
Deposits from members		(165,800)	510,840
Other liabilities		37,121	(3,568)
Interest received		648,266	575,539
Interest paid		(481,372)	(308,860)
Dividends paid		(1,169)	(1,301)
Income tax received		180	2,123
Net cash flows used in operating activities		(695,338)	(72,615)
Cash flows from investing activities:			
Acquisition of investments		(741,090)	(631,107)
Disposal of investments		1,122,393	542,761
Acquisition of:			
Premises and equipment, net		(6,405)	(2,722)
Intangible assets, net		(4,723)	(8,057)
Net cash flows provided by (used in) investing activities		370,175	(99,125)
Cash flows from financing activities:			
Proceeds from borrowings		814,209	473,498
Repayment of borrowings		(509,874)	(243,058)
Proceeds from debt		210	149,283
Repayment of debt		(149,724)	-
Repayment of lease liabilities		(7,763)	(7,615)
Redemption of equity shares		(1,681)	(1,577)
Net cash flows provided by (used in) financing activities		145,377	370,531
Net increase (decrease) in cash resources		(179,786)	198,791
Cash resources, beginning of year		476,910	278,119
Cash resources, end of year	8	\$ 297,124	\$ 476,910

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, 2024

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, 2024, 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, asset management services, leasing 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 6, 2025.

(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, 2024

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, 2024

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 Profit or Loss, 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, 2024

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. These consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These 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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 2024 or 2023.

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 unlikelihood 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, 2024

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, 2024

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, 2024

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, 2024

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

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Year ended December 31, 2024

5. New accounting standards and interpretations:

Accounting standards adopted – Classification of liabilities as Current or Non-Current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements:

In 2020, the International Accounting Standards Board issued amendments to IAS 1 addressing the classification of certain liabilities as current or non-current and new disclosures for liabilities subject to covenants. The amendments removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g., convertible debt. The Credit Union adopted the amendments effective for the fiscal year beginning January 1, 2024 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, 2024, 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

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Year ended December 31, 2024

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, 2024

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, 2024 and 2023. The amounts in the table represent the carrying amounts of loans to members.

At December 31, 2024	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Credit score > 800 (excellent)	\$ 3,238,826	\$ -	\$ -	\$ 3,238,826
Credit score 710 - 799 (good - very good)	2,447,445	338	269	2,448,052
Credit score 650 - 709 (fair - good)	741,197	24,592	817	766,606
Credit score 600 - 649 (poor)	156,970	119,197	-	276,167
Credit score < 600 (less than satisfactory)	22,845	167,992	7,977	198,814
Deferred fees	18,402	869	25	19,296
Loss allowance	(838)	(1,786)	(690)	(3,314)
	\$ 6,624,847	\$ 311,202	\$ 8,398	\$ 6,944,447
Personal:				
Credit score > 800 (excellent)	\$ 352,079	\$ 60	\$ -	\$ 352,139
Credit score 710 - 799 (good - very good)	258,476	311	-	258,787
Credit score 650 - 709 (fair - good)	77,654	4,339	2	81,995
Credit score 600 - 649 (poor)	15,608	13,613	19	29,240
Credit score < 600 (less than satisfactory)	2,207	15,111	386	17,704
Deferred fees	-	-	-	-
Loss allowance	(2,156)	(4,246)	(317)	(6,719)
	\$ 703,868	\$ 29,188	\$ 90	\$ 733,146
Commercial:				
R1 - R2 (excellent - good)	\$ 151,402	\$ -	\$ -	\$ 151,402
R3 (satisfactory)	3,872,621	14	4	3,872,639
R4 - R6 (less than satisfactory)	670,227	83,639	186	754,052
R7 - R8 (Unsatisfactory)	-	15,464	1,789	17,253
R9 - R10 (credit-impaired)	-	-	16,717	16,717
Deferred fees	(2,323)	(49)	(9)	(2,381)
Loss allowance	(2,764)	(4,150)	(8,315)	(15,229)
	\$ 4,689,163	\$ 94,918	\$ 10,372	\$ 4,794,453

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure (continued):

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

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, 2024

6. Financial risk management (continued):

(b) Credit risk (continued):

Credit quality and credit risk exposure (continued):

	2024	2023
Exposure recognized on the consolidated statement of financial position:		
Loans and accrued interest	\$ 12,524,208	\$ 11,936,650
Derivatives (net)	19,198	11,545
Term deposits and other securities	1,334,426	1,969,576
Accounts receivable	23,353	23,455
	<u>13,901,185</u>	<u>13,941,226</u>
Exposure not recognized on the consolidated statement of financial position:		
Letters of credit	97,987	91,138
Unadvanced loans and lines of credit	2,700,857	2,630,252
	<u>2,798,844</u>	<u>2,721,390</u>
Maximum exposure	<u>\$ 16,700,029</u>	<u>\$ 16,662,616</u>

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 25% (2023 - 22%) 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, 2024

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, 2024 the Credit Union's liquidity exceeds minimum statutory requirements by \$579.2 million (2023 - \$1,046.9 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.

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

6. Financial risk management (continued):

(d) Market risk (continued):

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.

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.

First West Credit Union

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

Year ended December 31, 2024

6. Financial risk management (continued):

(d) Market risk (continued):

Risk measurement (continued):

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 as measured through our earnings tests. A reduction in financial margin is not to exceed 10% of the next 12-months' financial margin resulting from this test.

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, 2024 and 2023:

	Policy limit	2024	Impact	2023	Impact
Earnings at risk	10%	2.12%	\$ 4,619	0.93%	\$ 1,535
Duration of equity	+/-10%	5.49%	-	2.45%	-

As at December 31, 2024 and 2023, 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.

First West Credit Union

Notes to Consolidated Financial Statements
 (Tabular amounts expressed in thousands of dollars, unless otherwise noted)

Year ended December 31, 2024

6. Financial risk management (continued):

(e) Capital management (continued):

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, 2024 and 2023, the Credit Union has met its minimum regulatory requirements.

Capital Adequacy calculation as defined by the Act:

	2024	2023
Primary capital	\$ 920,877	\$ 936,063
Secondary capital	293,708	282,230
Deductions from capital	(26,799)	(27,190)
	\$ 1,187,786	\$ 1,191,103

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.

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

6. Financial risk management (continued):

(e) Capital management (continued):

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.

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.

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, 2024 and 2023:

2024	FVTPL	Amortized cost	FVOCI- equity instruments	Total
Cash resources	\$ -	\$ 297,124	\$ -	\$ 297,124
Derivative assets	19,198	-	-	19,198
Loans to members	-	12,498,946	-	12,498,946
Other assets	-	8,165	-	8,165
Debt investment securities and other	3,751	1,176,176	3,607	1,183,534
Derivative liabilities	23,512	-	-	23,512
Deposits from members	-	11,802,076	-	11,802,076
Borrowings	-	1,226,564	-	1,226,564
Debt	-	154,650	-	154,650
Other liabilities	-	156,400	-	156,400

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

7. Financial assets and liabilities (continued):

2023	FVTPL	Amortized cost	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	3,655	1,558,177	2,885	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

8. Cash resources:

	2024	2023
Cash and current accounts	\$ 146,231	\$ 72,051
Term deposits and accrued interest	150,893	404,859
	\$ 297,124	\$ 476,910

The Credit Union is required to maintain collateral balances with certain counterparties and these amounted to nil as at December 31, 2024 in cash and current accounts above (2023 - \$503).

9. Derivatives:

	Fair value			
	2024		2023	
	Asset	Liability	Asset	Liability
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 5,210	\$ 1,660	\$ 84	\$ 1,681
Pay fixed swaps	36	21,852	-	16,612
Other derivatives:				
Equity linked options	13,952	-	11,461	-
Total fair value	\$ 19,198	\$ 23,512	\$ 11,545	\$ 18,293

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

9. Derivatives (continued):

The fair value of derivatives includes net accrued interest payable of \$77 in 2024 (2023 - receivable of \$342).

	Notional amount			
	Within 1-year	Over 1-year	2024	2023
Interest rate swaps used to manage interest rate risk:				
Receive fixed swaps	\$ 600,000	\$ 750,000	\$ 1,350,000	\$ 700,000
Pay fixed swaps	-	700,000	700,000	1,150,000
	600,000	1,450,000	2,050,000	1,850,000
Other derivatives:				
Equity linked options	48,722	56,073	104,795	138,530
Total notional amount	\$ 648,722	\$ 1,506,073	\$ 2,154,795	\$ 1,988,530

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

	Expected cash flows	Less than 1-year	1 to 5 years	Greater than 5-years
2024				
Assets	\$ 124,244	\$ 25,028	\$ 78,178	\$ 21,038
Liabilities	(32,249)	(10,020)	(22,229)	-
Total cash inflow	\$ 91,995	\$ 15,008	\$ 55,949	\$ 21,038
2023				
Assets	\$ 34,635	\$ 34,635	\$ -	\$ -
Liabilities	(74,028)	(30,385)	(43,643)	-
Total cash inflow	\$ (39,393)	\$ 4,250	\$ (43,643)	\$ -

During the year, the Credit Union recognized a loss of \$300 (2023 - loss of \$1,029) 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, 2024

10. Loans to members:

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

	2024	2023
Residential mortgages	\$ 6,947,761	\$ 6,629,387
Personal:		
Personal loans	35,317	39,964
Personal lines of credit	704,548	700,510
Commercial:		
Commercial mortgages	4,628,859	4,353,778
Commercial loans	58,777	75,048
Commercial lines of credit	122,046	111,733
Accrued interest	26,900	26,230
	12,524,208	11,936,650
Allowance for expected credit losses	(25,262)	(28,712)
	\$ 12,498,946	\$ 11,907,938

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

2024	Stage 1	Stage 2	Stage 3	Total
Residential mortgages:				
Balance, December 31, 2023	\$ 1,727	\$ 3,044	\$ 574	\$ 5,345
Net remeasurement	89	(1,391)	(323)	(1,625)
Originations	152	166	-	318
Derecognitions and maturities	(159)	(321)	(149)	(629)
Transfers to (from):				
Stage 1	(961)	-	-	(961)
Stage 2	-	314	-	314
Stage 3	-	-	647	647
Gross write-offs	(10)	(26)	(59)	(95)
Balance, December 31, 2024	\$ 838	\$ 1,786	\$ 690	\$ 3,314
Personal:				
Balance, December 31, 2023	\$ 4,390	\$ 5,918	\$ 268	\$ 10,576
Net remeasurement	434	(2,526)	434	(1,658)
Originations	202	220	-	422
Derecognitions and maturities	(281)	(357)	(48)	(686)
Transfers to (from):				
Stage 1	(2,062)	-	-	(2,062)
Stage 2	-	1,794	-	1,794
Stage 3	-	-	268	268
Gross write-offs	(527)	(803)	(605)	(1,935)
Balance, December 31, 2024	\$ 2,156	\$ 4,246	\$ 317	\$ 6,719

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

10. Loans to members:

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

2024	Stage 1	Stage 2	Stage 3	Total
Commercial:				
Balance, December 31, 2023	\$ 2,824	\$ 5,055	\$ 4,912	\$ 12,791
Net remeasurement	1,566	1,740	7,489	10,795
Originations	524	23	135	682
Derecognitions and maturities	(541)	(483)	(1,943)	(2,967)
Transfers to (from):				
Stage 1	(1,493)	-	-	(1,493)
Stage 2	-	(2,173)	-	(2,173)
Stage 3	-	-	3,666	3,666
Gross write-offs	(116)	(12)	(5,944)	(6,072)
Balance, December 31, 2024	\$ 2,764	\$ 4,150	\$ 8,315	\$ 15,229
Total loans to members:				
Balance, December 31, 2023	\$ 8,941	\$ 14,017	\$ 5,754	\$ 28,712
Net remeasurement	2,089	(2,177)	7,600	7,512
Originations	878	409	135	1,422
Derecognitions and maturities	(981)	(1,161)	(2,140)	(4,282)
Transfers to (from):				
Stage 1	(4,516)	-	-	(4,516)
Stage 2	-	(65)	-	(65)
Stage 3	-	-	4,581	4,581
Gross write-offs	(653)	(841)	(6,608)	(8,102)
Balance, December 31, 2024	\$ 5,758	\$ 10,182	\$ 9,322	\$ 25,262

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

10. Loans to members (continued):

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

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
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, 2024

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, 2024. 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, 2024, 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 British Columbia, 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 - British Columbia (average %)	5.8	5.1
Change in house pricing Index - British Columbia	4.0	9.4
Change in real GDP	2.0	7.6
3-month Bankers' Acceptance Rate (average %)	3.0	2.9
3-month Government of Canada Bond Rate (average %)	2.8	2.7
Change in debt ratio	0.9	2.9

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

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Year ended December 31, 2024

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:

	2024	2023
ECL - Three probability-weighted (actual)	\$ 25,262	\$ 28,712
ECL - Base-case scenario only	24,849	27,043
ECL - Downside scenario only	26,225	32,617
ECL - Upside scenario only	24,027	24,922
Difference - Actual versus base-case scenario	\$ 413	\$ 1,669
Difference - Actual versus downside scenario	(963)	(3,905)
Difference - Actual versus upside scenario	1,235	3,790

(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, 2024 was \$22,346 (2023 - \$35,852). 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, 2024, accrued interest of \$1,497 (2023 - \$565) has been accrued on the credit-impaired loans but an allowance for ECL of \$1,497 (2023 - \$565) has been established to reduce the carrying value of this accrual to its estimated net realizable value.

11. Investments:

	2024	2023
Central 1 Credit Union shares	\$ 3,751	\$ 3,655
Debt investment securities at amortized cost	1,133,444	1,508,935
Leased vehicles net of accumulated amortization of nil (2023 - \$188)	-	126
Principal and interest reinvestment accounts	42,732	49,242
Other	3,607	2,885
	\$ 1,183,534	\$ 1,564,843

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 \$9 (2023 - \$48).

First West Credit Union

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Year ended December 31, 2024

11. Investments (continued):

(a) Debt investment securities at amortized cost:

As at December 31, 2024 and 2023, 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 (DBRS Morningstar, Standard & Poor's, and Moody's).

	2024	2023
Securities issued or guaranteed by:		
Federal governments ⁽¹⁾	\$ 514,913	\$ 619,302
Provinces	302,951	441,077
Municipalities	49,596	48,034
Other debt securities	265,984	400,522
	\$ 1,133,444	\$ 1,508,935

⁽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 2024, 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 \$367,797 upon disposal in 2024 (2023 - \$29,380). The Credit Union recognized a net gain of \$4,116 in 2024 (2023 - \$82) from these disposals.

12. Premises and equipment:

Premises and equipment comprise owned and leased assets:

	2024	2023
Premises and equipment owned	\$ 128,829	\$ 132,909
Right-of-use assets	47,740	39,297
	\$ 176,569	\$ 172,206

First West Credit Union

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Year ended December 31, 2024

12. Premises and equipment (continued):

Premises and equipment owned					
2024	Land	Buildings	Leasehold improvements	Other equipment	Total
Cost:					
Balance, December 31, 2023	\$ 20,603	\$ 113,425	\$ 36,190	\$ 25,287	\$ 195,505
Acquisitions	-	350	121	6,084	6,555
Disposals	-	-	-	(2,103)	(2,103)
Balance, December 31, 2024	\$ 20,603	\$ 113,775	\$ 36,311	\$ 29,268	\$ 199,957
Accumulated depreciation and impairment losses:					
Balance, December 31, 2023	\$ -	\$ 19,988	\$ 25,359	\$ 17,249	\$ 62,596
Disposals	-	4,471	2,600	3,421	10,492
Depreciation	-	-	-	(1,960)	(1,960)
Balance, December 31, 2024	\$ -	\$ 24,459	\$ 27,959	\$ 18,710	\$ 71,128
Carrying amounts:					
Balance, December 31, 2024	\$ 20,603	\$ 89,316	\$ 8,352	\$ 10,558	\$ 128,829
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
Right-of-use assets					
2024		Buildings	Other equipment	Total	
Balance, December 31, 2023		\$ 39,213	\$ 54	\$ 39,267	
Additions/lease modifications		14,361	-	14,361	
Disposals		(7)	-	(7)	
Depreciation		(5,827)	(54)	(5,881)	
Balance, December 31, 2024		\$ 47,740	\$ -	\$ 47,740	
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	

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

13. Intangible assets:

2024	Goodwill	Software	Total
Cost:			
Balance, December 31, 2023	\$ 173	\$ 46,328	\$ 46,501
Acquisitions	-	4,723	4,723
Balance, December 31, 2024	\$ 173	\$ 51,051	\$ 51,224
Accumulated amortization and impairment losses:			
Balance, December 31, 2023	\$ -	\$ 19,137	\$ 19,137
Amortization	-	5,115	5,115
Balance, December 31, 2024	\$ -	\$ 24,252	\$ 24,252
Carrying amounts:			
Balance, December 31, 2024	\$ 173	\$ 26,799	\$ 26,972
2023			
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

14. Other assets:

	2024	2023
Accounts receivable	\$ 6,224	\$ 11,784
Financing lease receivables	1,942	11,671
Prepaid expenses	27,407	28,412
	\$ 35,573	\$ 51,867

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2024

15. Deposits from members:

	2024		2023	
Demand	\$	4,929,985	\$	4,738,562
Term		5,159,355		5,618,949
Registered savings plans		1,568,211		1,465,849
Class A membership shares		5,392		5,383
Accrued interest and dividends		139,133		148,372
	\$	11,802,076	\$	11,977,115

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
2024	\$ 5,609,231	\$ 815,901	\$ 3,813,796	\$ 1,371,411	\$ 191,737	\$ 11,802,076
2023	5,402,928	827,834	4,002,054	1,552,354	191,945	11,977,115

16. Borrowings:

	2024		2023	
Revolving facilities	\$	-	\$	100,000
Obligation under CMB program (note 29)		1,226,325		821,990
Accrued interest		239		412
	\$	1,226,564	\$	922,402

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

16. Borrowings (continued):

The Credit Union has three approved lines of credit totaling \$687 million as at December 31, 2024 and 2023.

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% (2023 - 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% (2023 - CORRA plus 1.20%).

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 CORRA plus 1.00% (2023 - 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, 2024:

	December 31, 2023	Non-cash changes		December 31, 2024
		Cash flow changes	Accrued interest	
Revolving facilities	\$ 100,412	\$ (100,412)	\$ 239	\$ 239
Obligations under the CMB Program	821,993	404,332	-	1,226,325
	\$ 922,405	\$ 303,920	\$ 239	\$ 1,226,564

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. In November 2024, the deposit note was matured and fully paid off. The debt was measured at amortized cost and the carrying amounts at year ends are set out below:

	2024	2023
Term debt, fixed-rate	\$ -	\$ 149,724
Accrued interest	-	906
	\$ -	\$ 150,630

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

Year ended December 31, 2024

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:

	2024	2023
Series 1	\$ 149,215	\$ 149,005
Accrued interest	5,435	5,435
	\$ 154,650	\$ 154,440

The Credit Union is fully compliant of all covenants with respect to its debt securities during the year ended December 31, 2024 and the year ended December 31, 2023.

18. Other liabilities:

	2024	2023
Accounts payable and accrued liabilities	\$ 101,989	\$ 65,297
Lease liabilities (note 19)	54,411	44,913
Deferred revenue	2,026	1,593
	\$ 158,426	\$ 111,803

19. Lease liabilities:

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

	2024	2023
Maturity analysis:		
Less than one year	\$ 7,876	\$ 7,423
Between one and five years	33,220	29,381
More than five years	32,860	27,626
Total undiscounted lease liabilities	\$ 73,956	\$ 64,430

First West Credit Union

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

Year ended December 31, 2024

19. Lease liabilities (continued):

	2024	2023
Lease liabilities included in other liabilities:		
Less than one year	\$ 5,027	\$ 4,596
More than one year	49,384	40,317
Total	\$ 54,411	\$ 44,913

The Credit Union use incremental borrowing rates ranging from 5.49% to 6.62% (2023 - 6.06% to 6.62%) 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:

	2024	2023
Income from sub-leasing right-of-use assets	\$ 1,029	\$ 1,016
Expenses relating to short-term leases	3,077	2,387

During the year ended December 31, 2024, the total cash outflow for leases was \$7,763 (2023 - \$7,615).

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.

Class B equity shares are not guaranteed by CUDIC.

	<u>Issued and outstanding</u>	
	2024	2023
Class B non-voting investment equity shares	\$ 20,762	\$ 22,443

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

21. Net interest income:

	2024	2023
Interest income:		
Cash resources and investments	\$ 66,792	\$ 56,821
Financial assets:		
Derivatives, net	(11,617)	(18,525)
Loans to members	553,713	526,267
Assets pledged as collateral	40,466	14,318
	649,354	578,881
Interest expense:		
Deposits from members	404,952	361,949
Secured borrowings	40,069	15,870
Wholesale borrowings	2,469	8,598
Debt	23,564	15,998
Lease liabilities	2,900	2,589
	473,954	405,004
Net interest income	\$ 175,400	\$ 173,877

22. Fee and commission income:

	2024	2023
Insurance commissions and fees	\$ 1,595	\$ 1,909
Account service fees	15,831	14,001
Loan administration fees	22,043	21,730
Fees from fiduciary activities and mutual funds	38,935	33,962
Foreign exchange	5,379	5,225
	\$ 83,783	\$ 76,827

23. Other income:

	2024	2023
Leasing revenue	\$ 370	\$ 1,445
Investment revenue	1,285	9,311
Other	14,138	13,867
	\$ 15,793	\$ 24,623

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

23. Other income (continued):

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.

Receivable within 1 year	\$	3,883
Receivable within 1 to 5 years		15,805
Receivable over 5 years		27,134
	\$	46,822

24. Personnel expenses:

	2024		2023	
Salaries	\$	131,219	\$	125,052
Benefits		22,472		20,215
Pension		9,901		9,621
Other		7,463		7,477
	\$	171,055	\$	162,365

25. Other expenses:

	2024		2023	
Administration	\$	45,036	\$	45,940
Data processing		33,222		30,243
Occupancy		15,071		15,336
	\$	93,329	\$	91,519

26. Income taxes:

	2024		2023	
Current income tax	\$	956	\$	2,008
Deferred income tax		(4,543)		(4,376)
	\$	(3,587)	\$	(2,368)

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

26. Income taxes (continued):

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.

	2024	2023
	%	%
Combined federal and provincial statutory tax rate	(27.0)	(27.0)
Credit Union preferred rate reduction	5.4	(13.5)
Under (over) provided in prior years	(2.3)	0.1
Other	0.8	(16.1)
	(23.1)	(56.5)

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

	2024	2023
Deferred tax assets:		
Allowance for impairment of loans	\$ 3,207	\$ 4,369
Other accrued expenses	18,346	14,249
Deferred revenue	727	678
Other	2,644	1,880
	\$ 24,924	\$ 21,176
Deferred tax liabilities:		
Investments and other	\$ 3,787	\$ 4,032
Premises, equipment, and leases	12,796	13,346
	\$ 16,583	\$ 17,378

Deferred tax that is expected to reverse to the year 2034 has been measured using the effective rate that will apply for the period. The blended applicable tax rate was 22.57% (2023 - 17.98%).

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.

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

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

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, 2024 (prior period was measured at December 31, 2023). The effective date of the last actuarial valuation report for funding purposes was December 31, 2024 and the effective date of the next required actuarial valuation report will be December 31, 2025.

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 2024, this Plan Division covers about 3,200 active members, 2,000 inactive members, and approximately 1,700 retired plan members for a total membership count of 6,900, with reported assets estimated at \$1.2 billion as of November 2024. 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.

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.

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

Year ended December 31, 2024

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

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

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 1.75% Division of the Plan was conducted as at December 31, 2021. This latest actuarial valuation indicated a going concern surplus of \$112.5 million and a solvency deficiency of \$10.4 million. The next formally scheduled actuarial valuation date will be performed as at December 31, 2024. The results of the 2024 valuation are expected to be finalized by the end of September 2025.

Employer contributions to the Plan are established by the Trustees upon advice from the Plan's actuary. The employer contributions rate schedule as determined under the 2021 valuation will continue to remain the same in 2025 as it was in 2024.

The Credit Union paid \$1,518 for employer contributions to the plan in fiscal year 2024 (2023 - \$1,558).

28. Commitments and contingencies:

(a) 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.

(b) Contingent liability:

As at December 31, 2024 and 2023, 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.

First West Credit Union

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

29. Securitizations (continued):

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 \$569,209 (2023 - \$373,498). The credit union also has recognized \$569,209 (2023 - \$373,498) 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 2.52% (2023 - 2.19%) 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.

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	\$ 1,495,297	\$ -

First West Credit Union

Notes to Consolidated Financial Statements

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Year ended December 31, 2024

29. Securitizations (continued):

The secured borrowings mature as follows:

Maturity		% Rate	Secured borrowings
February 1	2025	1.06	\$ 2,081
March 1	2025	1.38	3,058
March 1	2025	1.25	5,917
March 1	2025	1.16	4,254
March 1	2025	2.19	6,435
April 1	2025	0.72	2,651
April 1	2025	1.13	6,205
June 1	2025	1.28	4,512
September 1	2025	1.25	13,772
September 1	2025	1.24	25,127
October 1	2025	4.59	7,369
March 1	2026	0.64	93,404
March 1	2026	3.64	5,638
July 1	2026	1.55	67,066
September 1	2026	3.80	85,878
February 1	2027	1.09	30,471
March 1	2027	0.84	48,895
March 1	2027	0.94	16,049
July 1	2027	1.34	15,064
September 1	2027	1.74	36,704
September 1	2027	1.69	74,866
November 1	2027	2.56	10,951
November 1	2027	2.61	9,201
December 1	2027	3.51	5,534
December 1	2027	2.95	20,436
February 1	2028	2.94	11,773
June 1	2028	2.94	10,948
October 1	2028	3.23	200,999
February 1	2029	3.70	103,404
May 1	2029	3.46	108,366
July 1	2029	2.88	8,555
August 1	2029	2.81	124,915
December 1	2029	2.93	55,827
			\$ 1,226,325

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

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Year ended December 31, 2024

30. Interest rate sensitivity (continued):

	Within 3-months		4 - 12-months		Over 1-year		Not-interest sensitive	Total
	Principal	%Rate	Principal	%Rate	Principal	%Rate		
2024								
Assets:								
Cash resources	\$ 254,827	2.41	\$ -	-	\$ -	-	\$ 42,297	\$ 297,124
Loans	4,229,130	6.06	2,132,530	4.2	6,124,471	4.63	12,814	12,498,946
Other	399,725	4.13	245,993	3.07	756,087	3.22	64,965	1,466,770
	4,883,682	5.71	2,378,523	4.08	6,880,558	4.47	120,076	14,262,840
Liabilities:								
Member deposits	4,038,469	3.62	3,386,852	3.95	949,349	4.1	3,427,406	11,802,076
Borrowings and other	55,272	2.95	159,954	2.95	1,161,214	3.75	203,296	1,579,735
	4,093,741	3.61	3,546,806	3.91	2,110,563	3.91	3,630,702	13,381,811
Balance sheet mismatch	789,942		(1,168,283)		4,769,995		(3,510,626)	881,029
Derivatives, notional value:								
Asset	600,000	3.32	600,000	3.19	-	-	-	1,200,000
Liability	(600,000)	3.32	-	-	(600,000)	3.77	-	(1,200,000)
	-		600,000		(600,000)		-	-
Net mismatch	\$ 789,942		\$ (568,283)		\$ 4,169,995		\$ (3,510,626)	\$ 881,029

	Within 3-months		4 - 12-months		Over 1-year		Not-interest sensitive	Total
	Principal	%Rate	Principal	%Rate	Principal	%Rate		
2023								
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	1,848,972
	4,613,463	7.16	1,952,569	4.04	7,483,746	4.09	184,042	14,233,820
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
	4,089,416	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)	881,757
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)	\$ 881,757

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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.

	2024			2023		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
Cash resources	\$ 297,124	\$ 297,124	\$ -	\$ 476,910	\$ 477,155	\$ 245
Derivatives	19,198	19,198	-	11,545	11,545	-
Loans	12,498,946	12,340,119	(158,827)	11,907,938	11,466,103	(441,835)
Investments	1,183,534	1,181,978	(1,556)	1,564,717	1,544,542	(20,175)
Other	8,165	8,165	-	23,455	23,455	-
	14,006,967	13,846,584	(160,383)	13,984,565	13,522,800	(461,765)
Liabilities:						
Deposits	11,802,076	11,850,909	(48,833)	11,977,115	12,001,251	(24,136)
Borrowing	1,226,564	1,239,688	(13,124)	922,401	897,214	25,187
Debt	154,650	170,450	(15,800)	305,070	319,290	(14,220)
Derivatives	23,512	23,512	-	18,293	18,293	-
Other	156,400	156,400	-	110,210	110,210	-
	13,363,202	13,440,959	(77,757)	13,333,089	13,346,258	(13,169)
Fair value difference			\$ (238,140)			\$ (474,934)

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.

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31. Fair values of financial instruments (continued):

2024	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash resources	\$ 146,231	\$ 150,893	\$ -	\$ 297,124
Derivative assets	-	19,198	-	19,198
Loans to members	-	-	12,340,119	12,340,119
Investments	-	1,181,978	-	1,181,978
Other assets	-	8,165	-	8,165
	\$ 146,231	\$ 1,360,234	\$ 12,340,119	\$ 13,846,584
Financial liabilities:				
Deposits from members	\$ -	\$ 11,850,909	\$ -	\$ 11,850,909
Borrowings	-	1,239,688	-	1,239,688
Debt	-	170,450	-	170,450
Derivative liabilities	-	23,512	-	23,512
Other liabilities	-	156,400	-	156,400
	\$ -	\$ 13,440,959	\$ -	\$ 13,440,959
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

First West Credit Union

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

Year ended December 31, 2024

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, 2024 were loans of \$6,452 (2023 - \$8,586) and deposits of \$5,521 (2023 - \$4,932). No Stage 2 or Stage 3 allowances for credit losses have been recognized with respect to these loans (2023 - nil).

At December 31, 2024, outstanding loans to directors, officers and employees of the Credit Union amounted to \$323,647 (2023 - \$361,314). 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:

	2024	2023
Salaries and short-term employee benefits	\$ 4,513	\$ 4,340
Variable pay - short-term	1,918	1,813
Variable pay - long-term	2,311	1,887
Post-retirement and termination benefits	553	250
	<u>\$ 9,295</u>	<u>\$ 8,290</u>

The aggregate remuneration earned by directors of the Credit Union during 2024 was \$667 (2023 - \$670).

The Credit Union has included in accounts payable and other expenses a donation of \$180 (2023 - \$625) 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, 2024

32. Related party information (continued):

(c) Subsidiaries and joint operations:

	<u>% ownership of common shares outstanding</u>	
	2024	2023
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 (Board) 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 2024

- The AGM was held at First West's head office in Langley, with members and guests having the option to attend in person or via an online platform
- Three incumbent directors and one new director were elected by acclamation to the Board to serve three-year terms
- Director Tom Knoepfel chose not to seek reelection to the First West Board
- Independent member advisory committee (Advisory Committee) recommended changes to Board compensation
- First West released its inaugural United Nations Principles of Responsible Banking (UNPRB) Self-Assessment
- The Board approved revisions to its Equity, Diversity and Inclusion Policy
- The Board completed its second annual diversity survey

First West continued to host its AGM in a hybrid format, following positive feedback from members. The 2024 AGM allowed members to attend in person at our Langley head office or join via an online platform. Attendees appreciated the in-person event, while online participants expressed gratitude for the virtual attendance option.

The terms of four directors expired at the conclusion of the 2024 AGM. Following the nomination period and the Nominations Task Force's endorsement meeting, four candidates were endorsed—incumbents David Letkemann, Deborah Buszard, and Balraj Mann, and new director Karley Scott— were declared elected by acclamation to serve three-year terms.

After two years of service, Director Tom Knoepfel chose not to seek reelection to the First West Board and his tenure as a director ended at the conclusion of the AGM.

In June 2024, the Board considered recommendations on its compensation from the Advisory Committee. The Advisory Committee reviewed the Board's current compensation, industry trends, and compensation paid to directors of similar-sized organizations, ultimately recommending a 2% increase in director compensation. The Board considered the recommendation and, given the economic climate, unanimously agreed not to accept the 2% increase in compensation in 2024, with plans to revisit the Advisory Committee's recommendations in 2025.

In April 2024, First West released its inaugural UNPRB Self Assessment. The release of our UNPRB Self Assessment represents a significant milestone for First West. The UNPRB Self Assessment underscores First West's commitment to the United Nations Principles for Responsible Banking, to which we became a voluntary signatory in June 2022. For more information on the UNPRB and UNPRB Self Assessment visit firstwestcu.ca/our-impact.

In November 2024, the Board completed its second 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 being material to its success, measurable objectives for achieving the optimal composition, and the Board's composition as of December 31, 2024.

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 50% female directors.	The Board increased the representation of women, and currently four of the Board's 12 directors are female. The representation of women continues to be an important focus in director recruitment.
Equity Deserving & Inequity Experiencing Groups	Historically, equity deserving and inequity experiencing groups have been unfairly underrepresented on boards. Studies show that equitable, diverse, and inclusive boards make better decisions, consider issues differently, and operate more effectively. The Board further 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 our Board reflects the make-up of the credit union's communities.	The ideal composition of the Board is one in which equity deserving groups and inequity experiencing groups are treated equitably in order to ensure inherent diversity, experiential diversity, and diversity of thought. Therefore, the Board is committed to ensuring at least 30% of the Board's composition represents equity deserving and/or inequity experiencing groups.	The Board increased the representation of equity deserving and inequity experiencing groups, and currently three of the Board's 12 directors are from equity deserving and/or inequity experiencing groups. The representation of equity deserving and inequity experiencing groups continues to be an important focus in recruitment.
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.	No more than one-third of directors in each age bracket: <ul style="list-style-type: none"> • Under 50 • 50 – 60 • 60 and over. 	The Board increased the representation of directors under 50. Currently, six of the Board's directors are over the age of 60, five of the Board's directors are in the 50 – 60 age bracket, and one Board director is under 50 years of age.
Geography	Local economies, local member needs, local politics, and needs in the credit union's services 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 2024, the Board approved 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 approved the optimal composition of the Board with respect to the representation of women being 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.

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/leading.

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. 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. 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.

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 2024 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 Board.

¹ <https://www.bcfsa.ca/media/91/download>

² <https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/corporate-governance-guideline-2018>

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 and committee 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 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 to 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 (for 2024, the independent panel of members is referred to as the Advisory Committee). Recommendations were made by the Advisory Committee in early 2024. The Board considered the recommendations, and the current economic environment and unanimously agreed not to accept the recommended 2% increase in compensation in 2024, with plans to revisit the Advisory Committee's recommendations in 2025. An independent panel of members will again be put together in 2027 to provide input and advice on the Board's compensation.

In 2024 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 2024 was \$667,626.51, which includes \$25,900 for travel fees and \$54,133.03 for expenses. The amounts paid to each individual director are included with each director profile in Appendix 1.

Director Expenses

Beyond the honorariums and travel fees they receive, directors are reimbursed at the same level as First West'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 2024 is included with each director profile in Appendix 1.

Committees of the Board as at December 31, 2024

- **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 BCFSa 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

2024
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	Karley Scott
Serving as a director since	1998	2021	2019	2019	2017	2006	2022	2022	2018	2006	2021	2017	2024
Term expires	2026	2027	2025	2025	2026	2025	2025	2024	2026	2027	2027	2026	2027
Total number of years served (As of Dec. 31, 2023)	26	3	5	5	7	18	2	2	6	18	3	7	
MEETING ATTENDANCE													
Board (9)	9	9	7	7	8	9	7	4	9	8	6	9	5
COMMITTEES JAN. 1 – MAY 14, 2024 (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)	-	-	-	-	3	-	3	-	-	-	-	3	-
Risk, Investment and Loan (1)	-	-	1	1	-	-	1	1	1	1	1	-	-
COMMITTEES MAY 14 (POST AGM) – DEC 31, 2024													
Audit and Conduct Review (3)	-	3	2	3	2	3	3	-	-	-	-	-	3
Governance and Nominations (3)	-	-	3	-	4	4	-	-	3	3	-	4	-
Government Relations and Partnership (3)	3	3	-	2	-	1	-	-	-	2	-	-	-
Human Resources (3)	3	3	-	-	-	-	-	-	-	-	3	3	3
Nominations Task Force (1)	-	-	-	-	1	-	-	-	1	-	-	1	-
Risk, Investment and Loan (3)	-	-	2	3	-	-	3	-	3	2	3	3	-
REMUNERATION AND EXPENSES													
Total Honorarium	73,764	42,151	53,617	53,617	46,929	42,151	42,151	14,050	48,841	53,619	42,151	47,885	26,667
Total Travel fees	6,100	4,500	0	2,000	0	2,000	1,000	0	0	0	0	4,000	1,500
Total Expenses	6,949	12,318	272	5,165	1,192	1,861	3,166	120	13,621	402	158	8,290	0

2024 Remuneration and expenses paid to Nominations Task Force members at-large:

Meeting + travel fees: \$4,800 | **Expenses:** \$619

Education

DEBORAH BUSZARD

CCUA CUDA Level B, Strategy: Planning and Oversight

CCUA National Conference

Central 1 Momentum Conference

ICD Update on Director and Officer Liability for Cyber Attacks

PAUL CHALLINOR

Deloitte Canadian Payments Landscape

PwC Artificial Intelligence Update

CCUA Credit Union System Update

PwC US Election Implications for Canadian Business

CCUA Anti Money Laundering

Central 1 Risk Appetite

Blakes Competition Act, Selective Disclosure and Insider Trading

Central 1 Internal Capital Adequacy Assessment Process

PwC Financial Reporting Update

Central 1 Momentum Conference

MERYLE CORBETT

Deloitte Publication: Audit Committee Practices Report: Common Threads Across Audit Committees

KPMG: ESG Reporting Update

ICD Organizational Resilience

OSFI OSFI's Annual Risk Outlook – Fiscal 2024-2025

Indigenous Canada from University of Alberta on Coursera

ICD AI Oversight in the Boardroom

BC CPA IA Revolution: Unleashing Opportunities and Navigating Risks

JEFF DYCK

ICD Enterprise Risk Oversight for Directors

WAHEED HIRJI

FEI Spring 2024 Currency Outlook - Karl Schamotta (Corpay)

FEI Thought Leadership Forum - ESG & Sustainability Committee discussion with Janice Anderson

FEI Preparing People for Success with Generative AI

FEI Where Anti-Money Laundering Compliance Ends and Ethics Begin

Central 1 Momentum Conference

FEI Unlocking Value, controlling cost: competitive employee benefits for employers with 50-500

DARRYL KROPP

ICD DEP 24 Vancouver Director's Dilemma training

RedMane Delivery Unit Lead Academy training

DAVID LETKEMANN

CLEBC Directors Liability and Fiduciary Duties in Canada and US

CLEBC Environmental, Social and Governance Issues

CLEBC Navigating Trade Sanctions

CLEBC Diversity, Equity and Inclusion

CLEBC Human Capital Issues

CLEBC Hot Topics in Enterprise Risk Management

CATHY MCINTYRE

Watson – 2023 Private Company Director Compensation Survey

ICD – Sustainability Reporting with ISSB Standards

ICD – Making Better Decisions, Why Board Age Diversity Pays Dividends

Conference Board of Canada – Better Workplace Conference

Watson – The Board's Role in Overseeing Workplace Culture

ICD The Board's Role in Cultivating a Respectful Workplace

ICD Board Oversight of Social Issues

ICD Organizational Resilience: Why it Matters

ICD Steering for Tomorrow; The Board's Role in AI

Governance Professionals of Canada Bill S-211: Fighting Against Forced & Child Labour

Governance Professionals of Canada Board Oversight of Strategy & Risk

Governance Professionals of Canada State of Purpose Governance in Canada

ICD The Board's Evolving Role in Climate Governance

Governance Professionals of Canada Annual Conference

ICD Recruiting Tomorrow's Board

Harvard Business Review The Challenge and Opportunity of Data in Financial Services

Engineers & Geoscientists BC Territorial Acknowledgement Training

ICD Indigenous Partnerships Beyond Energy and Natural Resources

Directors Forum Mergers, Acquisitions and Other Collaboration Considerations

ICD Scope 3 Emissions: In Scope for Directors

SHAWN NEUMANN

House of Beautiful Business Conference