

Management Discussion and Analysis

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Introduction

BlueShore Financial (the “Credit Union”) is a boutique financial institution providing a full range of personal and business banking, wealth management, insurance and commercial lending solutions. The Credit Union has 13 branches across Greater Vancouver and the Sea-to-Sky Corridor and administers \$6.5 billion in Assets Under Administration. BlueShore has been named a Best Employer in Canada for ten consecutive years, which is a testament to the Credit Union’s progressive people practices, positive culture and visionary leadership.

The Management Discussion and Analysis contains information designed to provide a more complete understanding of the Credit Union and its financial and operating performance. This discussion is intended to complement the audited consolidated financial statements and should be read in conjunction with those financial statements.

2020 Economic Environment

The coronavirus pandemic wreaked havoc on the global economy in 2020, with global GDP growth estimated to contract 3.5% for the year, representing the lowest annual growth year in decades.¹ In response, governments around the world have rolled out stimulus packages in an effort to mitigate the pandemic’s impact. While a broad economic recovery has begun, the acute economic impacts of the pandemic are being disproportionately felt by women, the young, the poor, and those working in contact-intensive sectors (such as retail).

The Canadian government has deployed unprecedented stimulus in an effort to mitigate the impact of the pandemic. These measures include the Bank of Canada reducing its overnight lending rate by 150 bps to 25 bps, implementing large-scale bond buying programs, and providing direct support to individuals and businesses. While these programs have helped to limit the pandemic’s economic impacts, Canada’s GDP is nevertheless estimated to contract 5.5% in 2020, worse than the average contraction of 4.9% amongst advanced economies.¹ The labour market impact of COVID-19 was particularly severe for lower-wage workers, as unemployment remained elevated at 8.6% as at the end of 2020.² Inflation is estimated at 0.7% for the year, below the Bank of Canada’s target range.² At the provincial level, BC’s provincial GDP growth is estimated at negative 5.3% and unemployment at 8.9% in 2020.³

¹ International Monetary Fund World Economic Outlook (January 2021)

² Bank of Canada Monetary Policy Review (January 2021)

³ TD Provincial Economic Forecast (December 2020)

In spite of the pandemic and recession, the BC housing market experienced a very strong 2020. This strength was largely attributable to historically low mortgage rates, a high sales-to-listing ratio throughout the year, and lower discretionary spending (for example, on travel). Residential unit sales and average residential prices were up 21.5% and 11.7% year-over-year respectively.⁴

2020 Financial Summary

Net Operating Income
\$32.0 million

Net Operating Income (NOI) for the year was \$32.0 million or 44.9% higher in 2020, compared with \$22.1 million in 2019. Included in this in 2020 was \$9.4 million from a one-time gain.

Loans and Advances to Members
\$4.2 billion

Total loans and advances to members increased \$74.9 million or 1.8% in 2020, compared with 7.2% in 2019. Residential mortgages grew \$45.3 million or 1.8%, while commercial lending, including leasing, grew \$33.5 million or 2.2%.

Members' Deposits
\$4.3 billion

Total members' deposits rose \$64.7 million or 1.5% in 2020.

Wealth Assets Under Administration
\$1.3 billion

Wealth Assets Under Administration increased \$176.4 million or 15.0% in 2020.

Total Assets Under Administration
\$6.5 billion

Total Assets Under Administration grew \$250.1 million or 4.0% in 2020. The growth was primarily driven by a \$176.4 million increase in Wealth Assets Under Administration and conservative loan growth of \$74.9 million.

⁴ British Columbia Real Estate Association Housing Forecast Update (January 2021)

2020 Performance Highlights

BlueShore Financial performed well in 2020's challenging environment: we maintained excellent client service while taking effective precautions to ensure the safety of our clients and staff; we offered multiple programs to help clients impacted by the pandemic return to financial stability; and we avoided harmful layoffs and branch closures. Net operating income increased to \$32.0 million (2019, \$22.1 million), primarily due to a one-time gain of \$9.4 million. Return on retained earnings was 15.5% (2019, 11.7%) and return on average assets was 65 bps (2019, 48 bps).

Net Interest Income

Net interest income grew \$2.5 million or 3.2% in 2020 despite significant COVID-19 related challenges that emerged during the year. These included slower loan growth, variable loan yield reductions due to 150 bps of Bank of Canada rate cuts, and the costs of adding supplemental liquidity and contingent liquidity to weather the crisis. However, protection from our effective hedging strategy in the form of increased swap income, deposits repricing lower due to the aforementioned rate cuts, and diligent liquidity management all helped to mitigate the impact of the rate cuts.

Provision for Credit Losses

BlueShore prudently set aside an increased provision for credit losses of \$5.0 million in 2020 due to the challenging environment (2019, \$2.5 million). The increase is primarily due to the deterioration of macroeconomic factors as a result of COVID-19's material adverse impact on the economy. In order to assist impacted clients, BlueShore instituted a payment deferral program allowing eligible clients to defer loan payments for a period of time. This program was extremely successful in helping our clients return to financial normalcy, with virtually all clients resuming regular payments by the end of 2020.

Other Income

Other income increased \$12.3 million or 67.9% in 2020. This strong performance is primarily attributable to an investment gain of \$9.4 million. The one-time gain was triggered by an accounting modification in anticipation of transitioning to a new statutory liquidity structure as mandated by the Credit Union's regulator, the BC Financial Services Authority. Other sources of growth include lending fees and Wealth Management commission income (see Lines of Business Performance section below).

Non-Interest Expenses

Non-interest expenses grew \$2.4 million or 3.3% in 2020, slower than the pace of total income growth. While many discretionary general and administrative expenses were reduced in light of pandemic-induced uncertainty, BlueShore reaffirmed its commitment to staff and clients by delivering excellent client service, avoiding layoffs during the pandemic, and growing staffing levels during the year. We also continued to invest significantly in technology, completing our banking system upgrade.

Asset Growth

We took a conservative approach to growth in 2020 due to the uncertainty associated with the pandemic. Asset growth was a prudent \$57.7 million in 2020 with loan growth of \$74.9 million funded primarily by deposit growth from members of \$64.7 million.

Liquidity and Capital

Our liquidity position remains healthy with our liquidity ratio for 2020 at 11.0%, well above the 8.0% statutory requirement. Additionally, BlueShore maintains significant contingent liquidity in the form of borrowing facilities and access to securitization channels.

We bolstered our capital in 2020, growing our capital adequacy ratio to 14.0% at year-end (2019, 12.7%).

Credit Rating

During the year, DBRS Morningstar reconfirmed BlueShore Financial's Long-Term Issuer Rating of BBB (high) and Short-Term Issuer Ratings of R-1 (low). The ratings reflect BlueShore Financial's strong franchise position, asset quality, liquidity and capitalization.

2021 Economic Outlook

The projections and forecasts contained in this section are drawn from sources that we consider reliable. However, as this information is forward-looking and assumption-driven in nature, actual economic performance may differ materially from the outlook presented herein.

Unprecedented monetary and fiscal stimulus in the wake of the pandemic and vaccine rollouts are projected to facilitate a return to global GDP growth in 2021, following the pandemic-induced economic chaos of 2020. The International Monetary Fund projects global 2021 growth of 5.5%, recovering from 2020's negative growth of 3.5%.⁵ The strength of the global recovery will depend significantly on the public health response to the pandemic, including vaccine supply availability, access to other medical interventions, and the effectiveness of policy support, amongst other factors.

The Bank of Canada forecasts Canadian GDP growth of 4.0% in 2021.⁶ However, growth is projected to be choppy, as the spread of the virus in Q4 2020 and the resulting lockdowns curb consumption of non-essential goods and contact-intensive services in Q1 2021. Once the current wave of the virus recedes and restrictions are eased, economic activity is expected to rebound sharply, although the extent of the recovery depends on the success of Canada's vaccination program.

BC is expected to be one of the strongest provinces in terms of GDP growth and employment. This is largely due to the fact that the provincial government permitted retail stores, restaurants, and most personal services businesses to remain open through the second wave of the pandemic. Significant infrastructure spending and favourable changes in the lumber industry are also expected to contribute to the forecasted economic improvement in 2021.

The Greater Vancouver real estate market finished 2020 strongly, and this strength has continued through January 2021. Historically low interest rates and a low supply of homes listed for sale have created a seller's market and driven prices higher. Sales are forecast to rise 15.6% in 2021 and average prices are expected to increase 7.7%.⁷

In light of uncertainty created by the pandemic, we will continue to seek prudent opportunities to grow our highly-secured, high quality asset portfolio while maintaining our credit standards, supported by appropriate levels of liquidity and a solid capital base. With the pandemic accelerating digital transformation across all industries, we will continue our focus on investments in technology to enhance our client experience across all channels.

⁵ International Monetary Fund World Economic Outlook (January 2021)

⁶ Bank of Canada Monetary Policy Review (January 2021)

⁷ British Columbia Real Estate Association Housing Forecast Update (January 2021)

Lines of Business Performance

Core Banking

With nearly 80 years' experience, BlueShore Financial's commitment is to align with our clients' aspirations by providing a full range of financial services, delivered in a boutique Financial Spa environment. In 2020 we grew our retail lending portfolio by \$45.0 million or 1.7%, driven by prudent residential mortgage growth.

2020 was another successful year for BlueShore and our clients, in spite of the pandemic. We took exhaustive precautions to ensure the safety of our clients and staff, while launching a payment deferral program to help affected clients.

The results from our 2020 Client Experience and Benchmark research show that once again, BlueShore continues to significantly outperform other Financial Institutions in helping clients improve their overall financial well-being.

Our focus on digitalization saw us complete our multi-year banking system upgrade in 2020, providing our clients with an improved online banking experience and account statements, while laying the groundwork for our long-term digital strategy including reimagining our digital client experience.

Commercial Lines of Business

BlueShore's commercial business is primarily carried out by our Real Estate Lending Group and our Business Group. In 2020, we grew our commercial lending portfolio (excluding leasing) by \$40.4 million or 2.8%, driven primarily by commercial mortgage growth.

Real Estate Lending Group

BlueShore's commercial Real Estate Lending Group (RELG) possesses in-depth knowledge of the local economic and business environment. The RELG offers competitive rates and flexible terms suited to client needs for commercial, multi-use, and industrial developments. The RELG also offers financing for development and new construction and adapts to the needs of owner-occupants, investors, and real estate developers.

Business Group

BlueShore Financial's Business Group serves and provides expert advice to entrepreneurs, incorporated businesses, partnerships, clubs and associations, and self-employed individuals. Products include demand and term deposits, operating loans, commercial mortgages, insurance, and cash management. The Business Group also provides clients with referrals to BlueShore experts for all personal banking needs, such as wealth management, insurance, and financial planning. 2020 was a fulfilling year for the Business Group as it funded \$24.0 million in Canada Emergency Business Account (CEBA) loans to help support local businesses affected by the pandemic.

BlueShore Leasing

The BlueShore Leasing division provides lease financing to businesses in BC and, on a select basis, Alberta and Ontario. The division primarily leases equipment for clients in manufacturing, construction, transportation, warehousing and related industries. The portfolio is divided between industrial trucks financed through BlueShore Transport Finance Ltd. and all other equipment types financed through BlueShore Leasing Ltd. Strata loans to post construction strata facilities for common property upgrades are provided by BlueShore Strata Ltd. The division strives to maintain a diverse portfolio, broadly based over multiple industries and equipment types. This helps diversify risk due to cyclical downturns in industry sectors. At the end of 2020, the total leasing portfolio balance decreased \$6.9 million or 8.6% to \$73.6 million (2019, \$80.5 million), with the contraction due to Management's decision to enact more selective credit standards on new applications amidst pandemic-related uncertainty.

Wealth Management

BlueShore Financial's Wealth Management business helps our clients achieve financial wellness by creating unique wealth management plans encompassing both financial goals and personal aspirations. The business generated another year of impressive growth in 2020. Wealth Assets Under Administration grew \$176.4 million or 15.0%, ending the year at \$1,349.3 million (2019, \$1,172.9 million). This growth includes net sales of \$101.6 million, generated through new account originations and client asset consolidation. Our insurance business continued to generate steady growth, with revenue of \$846 thousand, up 36.1% (2019, \$622 thousand).

Risk Management

Risk Framework

An enterprise-wide risk management framework is in place and is regularly reviewed by Management through its Management Risk Committee (MRC). The MRC oversees all aspects of risk at BlueShore Financial. At the core of the enterprise-wide risk management framework is the Risk Appetite Framework. This document sets the organization's willingness to accept certain types of risk. The Board of Directors reviews and approves the Risk Appetite Framework at least annually and has identified the Credit Union's exposure to a number of key risks. The MRC ensures that each risk is properly analyzed, with accompanying mitigating controls attached to ensure all risks are managed to the appropriate level as defined in the Risk Appetite Framework. Through its ongoing review of risks, the MRC may also recommend changes to the Risk Appetite Framework to the Board at any time.

In certain areas of risk, especially where specialist knowledge is required, Management will relay information on risks to a Board committee to ensure proper governance. For example, the Investment and Loan Committee is responsible for risks such as liquidity, credit and capital.

A prudent risk management framework is critical to ensure BlueShore Financial's long-term sustainability. At BlueShore Financial, we have a set of tools to help us manage risk, with both the Board and Management playing key roles to ensure we get it right.

Board Oversight

The Credit Union's Board of Directors has overall responsibility for the oversight of the Credit Union's risk management framework. The Board has established committees to oversee and manage the Credit Union's risks.

Management Responsibility

Management's responsibility is to identify and analyze the risks faced by the Credit Union and to monitor adherence to established risk limits. Risk management policies and controls are reviewed regularly to reflect changes in market conditions, product and service offerings, portfolio performance and economic trends.

Compensation Discussion and Analysis

Board of Directors

Allan Achtemichuk, Chair

Allan has served as a Director for various corporate, community, sports and professional organizations. In addition to his role on the Board of Directors of BlueShore Financial, Allan is currently Director and Treasurer for a non-profit organization that provides housing to low income seniors in Vancouver.

Early in his career Allan spent 20 years with KPMG and as partner, in both the Edmonton and Vancouver consulting practices. He later moved to industry and served in roles as CFO and/or CEO in three different manufacturing and distribution businesses in consumer products, food packaging, and specialty building products.

Allan holds a professional accounting designation (CPA, CMA) and completed the ICD-Rotman Directors Education Program and certification exam to earn the Institute of Corporate Directors Director designation (ICD.D). He resides in North Vancouver.

Tenure April 2010 - Present
Current Term 2019-2022
Committees Human Resources & Compensation; Nominations & Elections (June - December 2020)

Peter Leitch, Vice-Chair

Peter is the President of North Shore Studios and Mammoth Studios and Chair of the Motion Picture Production Industry Association of BC. He holds a Bachelor of Commerce degree from UBC and is a Chartered Professional Accountant and holds the Institute of Corporate Directors Director designation (ICD.D). Peter is a former Chair of the North Vancouver Chamber of Commerce and a former Director of the BC Chamber of Commerce.

He has also served on Canada Revenue Agency's Small Business Advisory Committee and Film Advisory Committee. Peter has been honoured with a fellowship by the Institute of Chartered Professional Accountants of BC and an honorary doctorate degree from Capilano University. Peter resides in North Vancouver.

Tenure January 2011 - Present
Current Term 2018-2021
Committees Audit (Chair, January - May 2020); Nominations & Election (January - May 2020);
Investment & Loan (June - December 2020)

Diana Chan, Director

Diana is a business owner and former executive in the credit union system, both in BC and nationally. Diana is a Director of the Whistler Institute for Learning Society. She is a Chartered Professional Accountant with extensive experience in human resources, finance and governance. Diana holds the Institute of Corporate Directors Director designation (ICD.D). Diana received her fellowship from the Chartered Professional Accountants of BC in 2018 and was presented with the Queen's Diamond Jubilee medal in 2012.

Diana is Chair of the Whistler Chamber of Commerce, a Director of the Whistler Institute for Learning Society and a Director and Past-President of Basketball BC. Diana has volunteered with various community boards including YWCA of Metro Vancouver and served as a trustee of the BC Credit Union Employees' Pension and Benefits Trusts from 2013-2015. Diana resides in Whistler.

Tenure April 2018 - Present
Current Term 2018 - 2021
Committees Audit (Chair, June - December 2020); Investment & Loan;
Nominations & Election (January - May 2020)

Lynne Charbonneau, Director

Lynne is a judge on the World Bank Administrative Tribunal. She is the Chair of the Board of Directors of Actsafe Safety Association and serves on the Board of Directors of the Inuvialuit Development Corporation. She also serves on the Dean's Advisory Committee for the Centre for Business Law at the Peter A. Allard School of Law at the University of British Columbia.

From 2005 until 2018, Lynne was Deputy General Counsel at HSBC Bank Canada. Prior to that, she was a partner of the Canadian national law firm, Fasken Martineau DuMoulin LLP, where she practiced in the field of corporate and securities law. Lynne's previous volunteer work includes a dozen years in various Director and committee positions with the Heart and Stroke Foundation. She also served for seven years as a Director of the BC Medical Services Foundation and five years as a Director and pro bono legal counsel to the BC Chamber of Commerce. Lynne resides in North Vancouver.

Tenure April 2019 - Present
Current Term 2020-2023
Committees Human Resources & Compensation; Governance & Conduct Review;
Nominations & Elections (June - December 2020)

Dave Davenport, Director

Dave Davenport has been a Director of BlueShore Financial since 2008 and served as Chair of the Board from 2011 to 2017. For the last 30 years, Dave has built successful retail businesses in the Sea-to-Sky corridor as both a senior manager and owner. He has an MBA and BA in Economics. His past Board experience includes Chair of the Whistler Legacy Society, Chair of the Whistler Chamber of Commerce and Vice-Chair of Tourism Whistler. Dave has been a member of BlueShore Financial since 1987 and resides in Whistler.

Tenure January 2008 - Present
Current Term 2018-2021
Committees Nominations & Election (Chair); Human Resources & Compensation;
Investment & Loan (January - May 2020)

Red Dewar, Director

Rod Dewar is the former CEO of a \$1.3B credit union and has held Chief Operating Officer and Senior Vice President responsibilities in the financial services and aviation business sectors. He has extensive insurance industry experience as well as wealth advisory and fund management experience, and held senior national operations responsibilities for a global airline.

Rod holds the Institute of Corporate Directors Director designation (ICD.D). In addition to his BlueShore Financial Board responsibilities, Rod is involved with the British Columbia Automobile Association (BCAA) where he chairs the Audit and Conduct Review Committee and the Victoria Airport Authority where he chairs the Planning & Development Committee. Past Board positions include Chair of Credential Financial Inc., Chair of the BC Ferry Authority, NEI Investments Director, Chair of the Victoria Hospitals Foundation, Fundraising Chair Canadian Cancer Society, Royal Roads University School of Leadership Studies Advisory Council, and Chair of a Canadian PGA golf tournament. He was born and raised in North Vancouver where he still has family, and currently resides in Victoria.

Tenure April 2017 - Present
Current Term 2020-2023
Committees Governance & Conduct Review (Chair); Investment & Loan

Gordon Janzen, Director

Gordon is a technology industry executive with a track record of building rapidly growing businesses that leverage digital transformation. As President and Board member of Elastic Path Software he helped grow the firm into a major player in the e-commerce software industry, and led all aspects of operations as well as debt and equity financings. He previously co-founded and served as President of Apparent Networks (now AppNeta), and led a management consulting practice at IBM.

Gordon has served on numerous technology and charity boards, including those of Easter Seals and BCIT's Technology Centre, and is currently Director, Product and Strategy with Western Union Business Solutions. He holds a Bachelor of Commerce degree from the University of British Columbia, and resides in North Vancouver.

Tenure April 2017 - Present
Current Term 2020-2023
Committees Human Resources & Compensation (Chair); Governance & Conduct Review

Julie McGill, Director

Julie is an experienced private equity and venture capital investor with a track record of bringing together people and resources to successfully scale organizations. She is a Partner in BDC's Women in Technology Fund, one of the world's largest venture capital funds dedicated to investing in women-led technology companies.

Previously, Julie was a Director with an industry leading North American private equity fund CAI Capital Management Co., and a Vice-President at Ernst & Young LLP. Through her work investing across a diverse range of both early-stage technology and mature companies, Julie brings a broad spectrum of operational, transactional, capital management and governance experience. Julie is a Chartered Professional Accountant, Chartered Business Valuator and holds the Institute of Corporate Directors Director designation (ICD.D).

Julie sits on a number of private company boards and is an active member of the community. She is past Chair of Central City Foundation and is involved in several local youth and sport organizations. She holds a Bachelor of Commerce degree from McGill University. Julie resides in Vancouver.

Tenure April 2016 - Present
Current Term 2019-2022
Committees Investment & Loan (Chair); Audit; Nominations & Elections (June - December 2020)

Victoria Withers, Director

With her extensive business background, Victoria brings years of board governance experience to BlueShore Financial. A senior executive at IBM Canada for 30 years, Victoria held the position of General Manager, Western Canada and upon retirement formed VLW Solutions. At VLW Solutions, she provides consulting services to assist organizations in the development and implementation of technology solutions.

Victoria is a Director of the Pacific Pilotage Authority and has served on the boards of Vancouver Coastal Health, the VGH & UBC Hospital Foundation, Canadian Internet Registration Authority, QHR Technologies, Vancouver Board of Trade and the Telus World of Science. Victoria holds the Institute of Corporate Directors Director designation (ICD.D) and a Bachelor of Commerce from McGill University. Victoria resides in West Vancouver.

Tenure January 2013 - Present
Current Term 2019-2022
Committees Audit; Governance & Conduct Review

Interlocking Directorships

Interlocking boards occur when Directors sit on the same board. No BlueShore Financial Directors sit on interlocking boards.

Director Remuneration Philosophy

BlueShore Financial recognizes that corporate governance is a key ingredient to our organization's success. Therefore, there is a need to attract and retain the best possible Directors and remunerate them commensurate with their responsibilities, accountabilities and expectations.

Accordingly, BlueShore Financial's Director remuneration will:

- Be set at such a level to be able to attract and retain the kind of experience and expertise that our owners (members) and regulators expect for a financial institution operating in a complex and challenging environment.
- Recognize the workload and exposure to financial, reputational and legal risks.
- Recognize the different workloads associated with Committee Members, Committee Chairs, the Vice-Chair of the Board and Chair of the Board.
- Be in line with our comparator group, which includes like sized credit unions in Greater Vancouver, publicly listed companies with revenues up to \$100 million annually, and other comparable co-operative organizations.
- Be reviewed biennially by the Governance & Conduct Review Committee of the Board to ensure it adequately compensates Directors for their responsibility and accountability. The Committee may review the policy more frequently on an as needed basis.
- Be reported annually in the Management Discussion and Analysis that accompanies the Annual Report.

Director Remuneration Policy

Annual Honorariums

Responsibility	Honorarium⁽¹⁾ In effect January 1 – May 30, 2020	Honorarium⁽¹⁾ Effective June 1, 2020
All Directors	\$ 29,915 per annum	\$ 30,693.64 per annum
Board Chair	\$ 24,350 per annum	\$ 24,739.60 per annum
Board Vice-Chair	\$ 6,090 per annum	\$ 6,187.44 per annum
Audit Chair	\$ 6,090 per annum	\$ 6,187.44 per annum
HR & Compensation Chair	\$ 4,435 per annum	\$ 4,505.96 per annum
Investment & Loan Chair	\$ 4,435 per annum	\$ 4,505.96 per annum
Governance & Conduct Review Chair	\$ 4,435 per annum	\$ 4,505.96 per annum
Nominations & Election Chair	\$ 4,435 per annum	\$ 4,505.96 per annum
Committee Member	\$ 1,945 per annum	\$ 1,976.12 per annum

(1) Honorariums are cumulative and include meeting fees.

Per Diem Payments

Per diems are not normally paid as the honorarium is intended to compensate for all Director work, including meeting preparation and attendance, and the substantial interaction of the Directors with Management and other Directors in between meetings.

A Committee Chair may request approval by the Board Chair for additional compensation in the form of per diems for Committee Members for significant extraordinary hours that may be required over and above normal expectations of the Committee, based on their terms of reference.

A per diem will be paid to a Director for attending regulatory required courses and approved conferences.

Duration	Per Diem Amount
Up to 4 hours	\$ 345
More than 4 hours	\$ 560

2020 Board of Directors Attendance and Remuneration

The Board of Directors meets at least once per quarter for a regular all-day Board meeting or more often as required to fulfill their responsibilities, and Directors typically attend a two-day Strategic Planning session during the year; however, due to COVID-19 this session was abbreviated and incorporated into a regularly scheduled Board Meeting. In 2020, the Board met five times. The Board is supported by five Committees of the Board that also meet at least quarterly throughout the year or more often as required to fulfill their responsibilities.

Director compensation includes per diems and technology allowance. Education expenses include conference attendance and associated costs. Director miscellaneous expenses include parking, lunch/coffee meetings, and mileage.

Director	Board Meetings Attended	Committee Meetings Attended	Director Compensation	Education Expenses	Misc. Expenses
Achtemichuk, Allan Board Chair HR & Compensation Nominations & Elections (June-Dec)	5 of 5	9 of 9	\$60,752.79	\$814.80	\$608.97
Leitch, Peter Board Vice-Chair Audit (Chair Jan-May) Nominations & Election (Jan-June) Investment & Loan (June-Dec)	4 of 5	5 of 7	\$44,466.93	\$34.00	\$0
Chan, Diana Audit (Chair June-Dec) Investment & Loan Nominations & Election (Jan-May)	5 of 5	9 of 9	\$39,999.70	\$0	\$0
Charbonneau, Lynne HR & Compensation Governance & Conduct Review Nominations & Elections (June-Dec)	5 of 5	13 of 13	\$36,721.07	\$10,827.60	\$0
Davenport, Dave Nominations & Election (Chair) HR & Compensation Investment & Loan (Jan-May)	5 of 5	11 of 11	\$40,965.24	\$0	\$155.62

Dewar, Rod Governance & Conduct Review (Chair) Investment & Loan	5 of 5	8 of 8	\$40,116.29	\$0	\$1,387.41
Janzen, Gordon HR & Compensation (Chair) Governance & Conduct Review	5 of 5	9 of 9	\$40,116.29	\$0	\$0
McGill, Julie Investment & Loan (Chair) Audit Nominations & Elections (June-Dec)	5 of 5	13 of 13	\$41,256.44	\$9,817.50	\$78.58
Withers, Victoria Audit Governance & Conduct Review	5 of 5	9 of 9	\$35,581.07	\$0	\$58.42

¹ Directors residing outside of BlueShore Financial's trading areas are eligible for reimbursement of travel and accommodation expenses

² Directors residing within BlueShore Financial's trading area, but 50km or more from headquarters are eligible for reimbursement of automobile mileage expenses to attend regularly scheduled Board and Committee meetings

Executive Leadership Team

Executive Background

Chris Catliff, President and Chief Executive Officer (CEO)

Chris' hands-on style and action-oriented vision are the driving forces behind BlueShore Financial's growth and success. A veteran of the financial services industry, he has devoted his career to building better credit unions through technology and data analytics. Since joining BlueShore Financial as CEO in 2000, he has led a successful rebranding, technological innovation and strong organic growth, including a tenfold increase of Assets Under Administration. Chris has broad experience in leading and developing financial institutions through an emphasis on engaged employees and premium client experience, delivered through his concept of Financial Spas®. Previously, Chris held executive positions at Vancity and Citizens Bank where his responsibilities included corporate affairs, credit, treasury, technology, branches and strategy. He has served on over 30 Boards including Central 1, Aviso Wealth Inc., the CUMIS Group, Canadian Northern Shield Insurance, Pacifica Mortgage Investment Corp. and the Filene Research Council. He holds a Master's degree from UBC, the ICD.D designation from the Institute of Corporate Directors and Director qualifications from the Canadian Securities Institute.

Richard Butterworth, Chief Financial Officer (CFO)

Richard joined BlueShore Financial as CFO in 2017, and is responsible for leading the organization's finance, treasury, legal, risk and compliance, and group businesses (Commercial Lending, Credit, Broker Services, BlueShore Capital Corp. and Leasing). He has over 30 years of business experience in finance and shared services, operations, sales and client management across a number of industry sectors, including financial services, residential real estate services, travel management services, and professional services (audit). Prior to joining BlueShore, Richard was the COO Canada and EVP North America at Hogg Robinson Group, the EVP Canadian Operations at Brookfield Global Relocation Services, and most recently CEO and Ultimate Designated Person (UDP) at Wolverton Securities. Richard grew up in the U.K., and became a member of the Institute of Chartered Accountants in England and Wales, and holds a B.A. Honours in Accounting and Finance from Liverpool John Moores University. Additionally, he successfully completed the Partners, Directors and Senior Officers (PDO) course with the Canadian Securities Institute.

Fred Cook, Chief Information Officer (CIO)

With 30 years of senior leadership experience, Fred provides strategic direction to the Information Technology Solutions, Corporate Business Solutions, and Facilities departments. He leads the planning, design and implementation of technology solutions and standards, helping to position BlueShore Financial as a credible innovator in the financial services marketplace. Fred also oversees the development and evolution of BlueShore Financial's innovative Financial Spa branch design concept. The integration of technology, administrative processes and facility design concepts ensures BlueShore Financial's signature client experience. Fred currently represents BlueShore Financial as one of the founding members of the Temenos Innovation Collective and is a member of Central 1's Payments Customer Advisory Council. He is a past Director and Board Chair of FICANEX and has served on the Hewlett Packard Canada Executive Advisory Board. Fred has also been a blog contributor for Bank Systems and Technology and served on their Readers Advisory Board. He currently leads the Temenos-Microsoft Global Peer Group. Fred and BlueShore's Technology Department have been recognized for their innovative work in a number of enterprise business software applications. Fred's leadership contributions were recognized with the inaugural 2018 Visionary Leadership Award, presented by Temenos.

Marni Johnson, Senior Vice President, Human Resources and Corporate Affairs

With experience in several industries and over 30 years in financial services, Marni provides overall leadership and strategic direction in the areas of human resources and corporate affairs. She is responsible for ensuring a highly competent, engaged and productive workforce, and for creating corporate and internal communication strategies to maximize employee commitment and achieve corporate goals. She also oversees BlueShore's processes and framework for governance, strategic planning, legislative affairs, and corporate social responsibility. Marni is currently a Trustee of the BC Credit Union Employees' Pension and Benefits plans and serves on the Board of Chor Leoni Men's Choir. Marni holds an MBA from the Schulich School of Business (York University), a Bachelor of Science (Mathematics and Economics) from the University of Toronto and the designation of Chartered Professional in Human Resources.

Reg Marrinier, Senior Vice President, Retail and Business Banking

Reg oversees BlueShore Financial's branches, Solution Centre operations, Marketing, Business Group and Wealth Management. With over 20 years of experience in the financial industry, Reg has been instrumental in developing BlueShore Financial's banking, client and investment strategies. Prior to joining BlueShore, Reg held many roles at CIBC including operational leadership positions, as well as strategic build and implementation responsibilities for CIBC's Imperial Service in BC. Reg is frequently called on by the industry to share the client value proposition, and offer evolution and strategic execution successes at BlueShore. Reg has been involved in not-for-profit organizations including the Futurpreneur Mentoring Program, BC Children's Hospital and was a long standing Board member on the Executive of Royal Canadian Marine Search and Rescue. Reg holds a Bachelor's of Business Administration from Simon Fraser University and holds the Certified Financial Planning (CFP) designation.

Executive Compensation Governance

BlueShore Financial's executive compensation is overseen by the Human Resources & Compensation Committee (HRCC) of the Board of Directors. The HRCC makes recommendations to the Board about:

- The CEO's total compensation philosophy
- Total compensation for the CEO
- Structure and plan design for key elements of compensation
- The CEO's performance against objectives

The HRCC also reviews, and approves as appropriate, the CEO's recommended structure and plan design for material elements of compensation for other members of the Executive Leadership Team. The HRCC retains independent compensation expertise to provide advice on the elements, structure and amount of executive compensation.

Executive Compensation Philosophy

BlueShore Financial's compensation strategy is linked to business strategy. It rewards the behaviours and performance that will make BlueShore Financial successful. A focus on objectivity and transparency ensures our compensation programs are aligned with outcomes.

BlueShore Financial provides total compensation that:

- Attracts and retains top executive talent
- Rewards the achievement of short- and long-term results that support BlueShore Financial's strategy
- Encourages an appropriate level of risk

Industry Positioning and Comparator Groups

BlueShore Financial considers competitiveness in the context of total compensation, which includes all material elements of base salary, incentives and benefits (including insured benefits, vacation, perquisites and retirement savings programs).

The executive compensation comparator group is drawn from the Canadian financial sector. The composition of the comparator group is based on selected financial services organizations that together represent a marketplace where BlueShore Financial would potentially compete for executive talent. These organizations are primarily credit unions and banks, with relevant adjustments for size of the organization and scope of the respective executive roles.

BlueShore Financial targets total executive compensation at the dollar value of total compensation at the 50th percentile (median of the market) compared to the above comparator groups, recognizing when reviewing the two comparator groups that there are differences in compensation practices and structures between credit unions and publicly-traded financial services organizations, and BlueShore's specific position relative to each group will vary.

Chief Executive Officer Performance and Pay Review

Pay-for-performance is a key element of BlueShore Financial's executive compensation philosophy. In addition to base salary, the CEO's compensation program includes cash incentive programs that tie pay to performance on both short- and long-term goals. Consistent with the organization's strategy, BlueShore Financial has adopted substantial weight on at-risk pay relative to base pay.

The Board reserves the right to apply informed judgment to reduce or increase the amount of the CEO's incentive payouts.

Components of CEO Compensation

Base Salary

The CEO's base salary earnings were \$448,244⁸ for 2020.

Short-Term Incentive Program

The CEO participates in a Short-Term Incentive (STI) program that rewards performance against pre-defined objectives. This is the same program that most other employees participate in – our Performance Rewards Program. Payments under the STI plan are contingent on achieving a threshold level of performance. Target payout (for achieving all objectives set by the Board) is 45% of base salary; and maximum payout (for exceeding all objectives to the performance levels set by the Board) is 90% of base salary. For 2020 performance, the CEO's STI was \$302,437, which represents 67% of base salary.

⁸ The actual base salary earnings were higher than usual because there was an additional bi-weekly pay period in 2020.

Long-Term Incentive Program

The CEO participates in a Long-Term Incentive (LTI) program intended to align his interests with the long-term strategy of the organization. LTI payouts are made every year (conditional on performance) as part of a rolling three-year plan. Each year, specific measures and targets are established for each of the next three years. These are tracked annually, with payments under the LTI plan contingent on achieving a threshold level of performance. Target payout per year (for achieving all objectives set by the Board) is 55% of base salary, and maximum payout (for exceeding all objectives set by the Board) is 110% of base salary. The payout each year is for one year, based on the average performance of the previous three years. For performance in 2018, 2019 and 2020, the CEO's LTI payout was \$436,361, which represents 97% of base salary.

Benefits and Perquisites

The CEO participates in the same benefits plan as all other employees. BlueShore Financial offers a flexible benefits program where employees choose the level of coverage that meets their needs. Coverage includes extended health, dental, accident insurance, life insurance, and employee and family assistance.

The CEO participates in the same short-term disability insurance as other employees. This plan is employee funded.

The CEO has a long-term disability insurance plan that is employer funded. The CEO has critical illness insurance coverage that is employer funded.

The CEO participates in an annual preventive health assessment. This is both a benefit to him and a risk-management strategy for the organization.

The CEO receives perquisites such as a car allowance, car insurance and club/fitness membership dues. These perquisites are valued at approximately \$25,000 in total, which is approximately 6% of his base salary.

Retirement Income Programs

The CEO participates in a Defined Contribution Supplemental Executive Retirement Program (SERP). He receives 12.5% of his prior year earnings (base salary plus STI) contributed to his pension each year. The amount of SERP contribution earned for 2020 was \$96,080.

The CEO also has a Defined Benefit Individual Pension Program (IPP) to allow him to receive retirement income in a tax efficient manner. The CEO is personally responsible for funding the contributions related to his past service; the contribution for current service is effected through a transfer of funds from the CEO's SERP.

Termination Benefits

The CEO's employment contract stipulates that if his employment is terminated for cause, no notice, salary, bonuses or benefits are owed to him. If his employment is terminated without cause, there is a 24-month severance package (including salary, bonus and benefits) owed to him.

The following table presents target total cash compensation for BlueShore Financial's CEO for 2020 at target levels of performance.

Summary Compensation Table – CEO

Target Compensation for performance at target	Year	Base Salary Earnings	Short-Term Incentive	Long-Term Incentive	Total Cash Compensation
Chief Executive Officer	2020	\$431,567 ⁹	\$194,205	\$237,362	\$863,134

⁹ Based on usual 26 bi-weekly pay periods.

The following table presents actual total cash compensation for BlueShore Financial's CEO for actual 2020 performance. Short-Term Incentive and Long-Term Incentive payouts are above target, because the CEO exceeded objectives set by the Board.

Actual Compensation based on actual performance	Year	Base Salary Earnings	Short-Term Incentive	Long-Term Incentive	Total Cash Compensation
Chief Executive Officer	2020	\$448,244 ¹⁰	\$302,437	\$436,361	\$1,187,042

CEO Performance in 2020

Chris Catliff has consistently exceeded very challenging objectives and continues to prove himself an exceptional leader.

In 2020, he led a team that achieved excellent results, including a 15.5% Return on Retained Earnings and organic growth of 4% in Assets Under Administration, to \$6.5 billion, with a compound annual growth rate of 10.3% over the past five years. While loan growth was slower than in previous years due to impacts of the pandemic, BlueShore pivoted quickly to provide clients with loan deferrals and small business loans to support them in these challenging times.

While leading the organization proactively through the impacts of COVID-19, Chris continued to focus on our five-year strategy, Vision 2023, to lead the organization into the future with a focus on our clients, our digital transformation, and ensuring an engaged team of employees and leaders to sustain a thriving organization for the long term.

In 2020, BlueShore was named a Best Employer in Canada by Kincentric for the tenth consecutive year. Research shows that organizations with higher performing cultures and high employee engagement create much higher returns to stakeholders.

Chris continued to appear in the media in 2020, with highlights including a contributed article to the *Globe and Mail's* "Leadership Lab" column about providing constructive feedback to colleagues, and an interview with CBC Radio about ways leaders can embrace business continuity during times of crisis. These contributions continue to reinforce BlueShore Financial's distinctive and premium brand.

Under Chris' leadership, BlueShore Financial has grown to offer highly sophisticated services for our members. Client ratings of BlueShore Financial's service continue to outpace the offerings of competitive financial institutions; evidence that the Credit Union's differentiated strategy is continuing to succeed. Members are benefitting from our financial expertise and dedication to an exceptional client experience.

¹⁰ The actual base salary earnings were higher than usual because there was an additional bi-weekly pay period in 2020.

Other Compensation Policies and Practices

The CEO establishes the compensation for the other executives, in accordance with the executive compensation philosophy described above, under the oversight of the Human Resources and Compensation Committee (HRCC) of the Board of Directors. On an annual basis, the CEO advises the HRCC of the other executives' compensation adjustments, with rationale based on performance and market data.

The compensation, benefits and perquisite packages received by executives are consistent in form with that of the CEO, although the specific amounts differ. Salaries, STI targets and LTI targets are set based on the median of the market for total compensation (base, incentives and benefits) within the comparator group. STI or LTI payments are based on achievement of pre-established performance targets. Any STI or LTI payments are contingent on Board approval.

In addition to the compensation philosophy for executive roles, BlueShore Financial has an employee compensation philosophy. Job rate (base salary for a fully competent performer) and Performance Rewards Program target incentives are set based on the median of the market. Our comparator group includes financial services for roles that are specific to that industry and the general market in BC for other roles that are non-industry specific.

A key tenet is that BlueShore Financial believes in providing wages that are not only market-competitive but also ensure a reasonable standard of living for all employees. Two different compensation surveys are used to evaluate the competitiveness of salary ranges against the BC market. As with executives, we target the median of the market for base salary ranges, with differences by individual based on performance against competencies set by role.

All employees participate in the corporate Performance Rewards Program, except those with individually-based/commission incentive plans. Payouts are annual, and vary based on performance against predefined corporate and individual goals designed to move the organization forward through results, innovation and/or operational efficiencies. Individual goals include both independent and collaborative goals. Target payout percentages are set to the median of the market. Corporate targets are the same for all employees including executives, and are set and approved by the Board.

Employees also receive a competitive benefits package that includes extended health insurance, dental insurance, employee and family assistance, life insurance, accidental death and dismemberment insurance, tuition and educational assistance. Short-term and long-term disability insurance are employee funded. BlueShore Financial provides employees the option of one of two retirement plans. The first, a Defined Benefit (DB) pension plan through the BC Credit Union Employees' Defined Benefit Pension Plan (a multi-employer plan), includes contributions by both the employee and the organization. The notes to the Annual Financial Statements describe the health and funded level of the DB pension plan. The second option is a Defined Contribution (DC) plan where the organization contributes 4% of the employee's earnings to the plan and will match employee contributions on a 50% matching basis up to an additional 2%.