

Management Discussion and Analysis

|
2021



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Introduction

BlueShore Financial (“BlueShore”) is a boutique financial institution providing a full range of personal and business banking, wealth management, insurance and commercial lending solutions. BlueShore has proudly served a growing and vibrant community since 1941. BlueShore has 13 branches across Greater Vancouver and the Sea-to-Sky Corridor and has \$6.9 billion in Assets Under Administration. BlueShore has been named one of **Canada’s Most Admired Corporate Cultures** for four consecutive years, which is a testament to BlueShore’s progressive people practices, positive culture and visionary leadership.

This Management Discussion and Analysis (MD&A) contains information intended to provide a more complete understanding of BlueShore, including its financial and operating performance, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2021. The consolidated financial statements have been prepared in accordance with the requirements of the Financial Institutions Act of British Columbia and International Financial Reporting Standards (IFRS).

Disclaimer on Forward Looking Statements

From time to time, BlueShore makes written and/or oral forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding BlueShore’s objectives and priorities for 2022 and beyond, and strategies to achieve them, the regulatory environment in which BlueShore operates, BlueShore’s anticipated financial performance, and the potential economic, financial and other impacts of the COVID-19 pandemic.

By their very nature, forward-looking statements require BlueShore to make assumptions and are subject to inherent risks and uncertainties, many of which are beyond BlueShore’s control and the effects of which can be difficult to predict. This may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Any forward-looking statements contained in this document represent the views of Management only as of the date hereof and are presented for the purpose of assisting the reader in understanding BlueShore’s financial position, objectives, priorities, and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. BlueShore does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required by law.

In determining expectations for economic growth, BlueShore primarily considers economic data and forecasts provided by Canadian government agencies, as well as certain private sector forecasts. These forecasts are subject to inherent risks and uncertainties. Where relevant, material economic assumptions underlying forward-looking statements are disclosed within the outlook sections of this MD&A.

2021 Financial Highlights

\$4.4B
5.7%

Total Loans and Advances to Members
\$235.7 million increase, compared with \$78.5 million in 2020.¹

\$4.6B
6.8%

Member Deposits
\$292.7 million increase, compared with \$64.7 million in 2020.

\$6.9B
5.8%

Total Assets Under Administration
\$380.2 million increase, compared with \$250.2 million in 2020.

\$1.7B
25.0%

Wealth Assets Under Administration
\$337.0 million increase, compared with \$176.4 million in 2020.

\$42.0M
31.3%

Net Operating Income
Compared with \$32.0 million in 2020.
2020 included \$9.4 million from a one-time gain.

17.8%

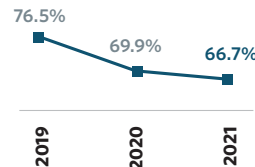
Return on Retained Earnings
Compared with 15.5% in 2020.

Members' Equity



Members' Equity
\$24.7 million or 8.9% increase, compared with \$37.1 million in 2020.

Operating Efficiency



Operating Efficiency Ratio
Operating efficiency measures non-interest expenses as a percentage of income. BlueShore's ratio has improved since 2019.

13.3%

Operating Liquidity Ratio
Operating liquidity measures available liquidity as a percentage of deposits and borrowings. Above 8.0% statutory requirement and compared with 14.6% in 2020.

13.7%

Capital Adequacy Ratio
Compared with 14.0% in 2020.

BBB (HIGH)
TREND STABLE

Long Term Credit Rating
Long Term Issuer Rating confirmed by DBRS Morningstar.

R-1 (LOW)
TREND STABLE

Short Term Credit Rating
Short Term Issuer Rating and Short Term Instruments Rating confirmed by DBRS Morningstar.

¹ Balance excludes accrued interest, allowance for credit losses, broker and commitment fees.



2021 Economic Environment and 2022 Outlook

2021 Economic Environment

The global pandemic presented many challenges to the global economy. While there was a significant recovery from many of these challenges in 2021 as public health restrictions were eased around the world, global manufacturing saw significant supply chain disruptions and labour shortages. These were exacerbated by the emergence of COVID-19 variants such as Omicron, leading to robust demand outstripping supply and causing inflationary pressures to build, thereby dampening the pace of the economic recovery in the second half of the year. Nonetheless, global gross domestic product (GDP) growth is estimated at 5.9% in 2021 as the global economy continued on its recovery path.²

The Canadian economy grew 4.7% in 2021, slightly below the 5.0% average for advanced economies.² Inflationary pressures have persisted longer than originally anticipated and remain elevated. Estimated inflation is 4.7% for 2021, above the Bank of Canada's control range of 1.0% to 3.0%.¹

As the economic recovery progressed throughout the year, the Bank of Canada tapered and eventually ended its quantitative easing program in October, before moving into the reinvestment phase by keeping its bond holdings roughly constant. Additionally, with economic slack now deemed to have been absorbed, the Bank of Canada has removed its exceptional forward guidance on its policy interest rate and announced a 25 basis point rate increase in March 2022 after holding overnight lending rates constant in 2021.¹ Additional rate increases are expected throughout the remainder of 2022.

At the provincial level, 2021 GDP growth is estimated to be 5.2% for British Columbia (BC) in 2021, with the provincial unemployment rate improving to 6.5%. BC's economic recovery suffered a setback as wide-scale flooding disrupted transportation, agriculture, and forestry.³ Despite this, the provincial economy continues to recover, with many of BC's sectors returning to or surpassing pre-pandemic levels of activity.⁴ This includes the housing market, which grew substantially in 2021. Low mortgage rates, coupled with strong demand and limited supply, contributed to record prices and sales volumes. Within Greater Vancouver, residential unit sales and benchmark prices increased 42.2% and 17.3% year-over-year respectively. The Greater Vancouver region remained a sellers' market with a year end 2021 sales-to-inventory ratio of 51.3%.⁵

¹ Bank of Canada Monetary Policy Report (January 2022)

² International Monetary Fund World Economic Outlook (February 2022)

³ TD Provincial Economic Forecast (December 2021)

⁴ RBC Provincial Economic Forecast (December 2021)

⁵ Real Estate Board Greater Vancouver (January 2022)

2022 Economic Outlook

The global economy entered 2022 in a weaker position than previously anticipated due to the emergence of the Omicron COVID-19 variant. Omicron led to reinstated public health restrictions, continued disruption to global supply chains, and contributed to financial market volatility. Global GDP growth is projected to decline from 5.9% in 2021 to 4.4% in 2022. Omicron and other novel variants may prolong the pandemic and cause further disruptions to the ongoing economic recovery.

These developments, together with the risk of persistent inflation, will likely make public health policy (including vaccine supply, testing availability, and access to other medical interventions), fiscal and monetary policy actions on stimulus measures, and the timing of interest rate hikes key factors in determining the success of the continuing global economic recovery.²

Another destabilizing factor which could threaten the global economic recovery is the unprovoked military invasion by Russia on Ukraine, which at the time of writing remains an evolving situation with highly unpredictable outcomes. Our thoughts are with the people of Ukraine and all those affected. To lend our support, BlueShore has donated to the Canada Ukraine Foundation's Ukraine Humanitarian Appeal to assist with humanitarian aid including food packages, medicine and shelter. Notwithstanding the humanitarian disaster and tragic consequences of the conflict, the potential for large increases in energy and other commodity prices and associated inflationary impacts, reduced economic activity from sanctions, and disruption to financial markets are likely to negatively impact investment and growth throughout the global economy.

Despite Omicron's emergence and the as yet unclear implications of the Russian/Ukraine conflict, the Canadian economy has strong momentum as it enters 2022. GDP growth is forecasted at 4.0% in 2022,¹ above the 3.9% average growth projection for advanced economies.² The combination of a high vaccination rate and the improved adaptability of Canadian businesses to pandemic-related challenges mitigates the economic risks associated with the most recent wave of the pandemic. However, material uncertainty surrounding the recovery remains, due primarily to persistent supply chain disruptions and inflationary pressures. Projected inflation will reach 5.0%, before falling to 3.0% by the end of the year. Inflation is expected to decrease as some of the forces driving it, such as supply shortages, diminish in conjunction with anticipated Bank of Canada interest rate increases that are expected to moderate spending growth. Despite this, inflation is projected to remain near the upper bound of the Bank of Canada's control range due to anticipated robust business investment and a rebound in consumer spending as individuals draw down extra savings accumulated during the pandemic.¹

BC GDP is forecasted to grow in line with the national average of 4.0%. The forecast anticipates a continued recovery from short-term, flood-related economic setbacks. The recovery is expected to be especially concentrated in certain sectors such as transportation, agriculture, and forestry. BC's labour market is forecast to outperform the national average, with unemployment rates continuing to trend favourably to 4.7%. As the province continues to ease restrictions, service-based industries are also expected to benefit. Economic growth is projected to pivot from real estate activity towards service-oriented industries amid renewed business investment. Significant publically funded capital projects, including reconstruction initiatives, are also expected to contribute to the forecasted economic improvements.³

Greater Vancouver real estate had a record year in 2021, with the buoyant market conditions continuing into early 2022. Despite sales forecasted to decrease 15.8% in 2022, average prices are expected to increase 8.1%. Limited housing supply may continue to support record prices, but affordability erosion could constrain price growth as mortgage rates are projected to increase. Decreased sales activity may also allow for inventory levels to recover, helping to constrain price growth.

Against this improving but still challenging economic backdrop, BlueShore will continue to seek prudent opportunities to grow our highly-secured, high quality asset portfolio, while maintaining appropriate credit quality, liquidity, and capital. With the pandemic accelerating digital transformation across all industries, Management will continue to focus on investing in technology solutions to enhance our staff and client experience.

¹ Bank of Canada Monetary Policy Report (January 2022)

² TD Provincial Economic Forecast (December 2021)

³ British Columbia Real Estate Association Housing Forecast Update (January 2022)

2021 Performance Highlights

BlueShore delivered exceptional results in 2021's uncertain and volatile environment. We remained committed to our clients and staff, maintaining excellent client service and minimizing service disruptions while taking effective safety precautions to protect our clients and staff. Net operating income increased to \$42.0 million (2020, \$32.0 million), primarily due to improved net interest income and releases of provisions for credit losses as the economic and credit outlook improved. Return on retained earnings was 17.8% (2020, 15.5%).

Net Interest Income

Net Interest Income (in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Interest income				
Interest from loans and advances to members				
Residential and personal interest income	75,097	83,547	(8,450)	(10.1%)
Commercial and leasing interest income	66,611	72,434	(5,823)	(8.0%)
Investment interest income	2,789	7,045	(4,255)	(60.4%)
Other interest income	9,310	6,534	2,776	42.5%
	153,807	169,560	(15,753)	(9.3%)
Interest expense				
Interest on members' deposits	48,863	80,635	(31,772)	(39.4%)
Interest on borrowed funds	5,347	7,411	(2,064)	(27.9%)
Deposit agent commissions	779	989	(210)	(21.2%)
	54,989	89,035	(34,046)	(38.2%)
Net interest income	98,818	80,525	18,293	22.7%
	2021	2020		Change (%)
Average loan yield (%)	3.33%	3.80%		(0.47%)
Average deposit cost (%)	1.12%	1.92%		(0.80%)
Net interest income (%)	2.00%	1.67%		0.33%

Net interest income, defined as interest and investment income earned on assets less interest expense on deposits and borrowings, increased \$18.3 million or 22.7%, to \$98.8 million from \$80.5 million.

Interest rates remained low throughout most of 2021 (although they started to rise towards the end of the year), lowering loan and investment yields as well as average deposit and borrowing costs. The shorter duration of our deposits relative to our loans resulted in average deposit costs decreasing by 0.80%, compared to a 0.47% reduction in average loan yields and expanding net interest income by 0.33%.

Fee, Commission and Other Income

Fee, commission, and other income (in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Fee and commission income				
Account service fees	3,140	2,930	210	7.2%
Commission	11,913	9,636	2,277	23.6%
Lending charges	8,726	7,856	870	11.1%
	23,779	20,422	3,357	16.4%
Other income				
Other member and miscellaneous income	691	629	62	9.9%
Fair value gain on investments	-	9,393	(9,393)	N/A
	691	10,022	(9,331)	(93.1%)
Total fee, commission and other income	24,470	30,444	(5,974)	(19.6%)

Fee and commission income increased \$3.4 million or 16.4% in 2021. Commission income increased by \$2.3 million or 23.6% as we grew our Wealth assets under administration significantly. Elevated refinancing activity in the low-rate environment, coupled with growth in commercial loans, generated a \$0.9 million or 11.1% increase in lending charges.

Overall, BlueShore's fee, commission and other income decreased \$6.0 million or 19.6% to \$24.5 million in 2021. The decrease is attributable to a one-time modification gain of \$9.4 million on interest-bearing deposits in 2020, recognized as a result of our transition into a new statutory liquidity structure on January 1, 2021, as mandated by our regulator, the British Columbia Financial Services Authority (BCFSA).

Non-Interest Expenses

Non Interest expenses (in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Salary and employee benefits				
Salaries, commissions, and bonuses	43,536	38,785	4,751	12.2%
Benefits	3,879	3,312	567	17.1%
Pension costs	3,990	3,769	221	5.9%
	51,405	45,866	5,539	12.1%
General and administrative expenses	22,822	18,560	4,262	23.0%
Building and occupancy				
Amortization	6,919	6,668	251	3.8%
Occupancy	2,885	2,905	(20)	(0.7%)
	9,804	9,573	231	2.4%
Non interest expenses	84,031	73,999	10,032	13.6%
	2021	2020		Change (%)
Operating efficiency	66.7%	69.9%		(3.2)%

Non-interest expenses grew \$10.0 million or 13.6% in 2021. Higher commission expenses reflect the growth in revenue from our Wealth business while BlueShore also reaffirmed its commitment to delivering exceptional client service by continuing to invest significantly in the business. This included increasing staffing levels and investing in technology to enhance our digital client experience and to meet the ambitious targets in our long-term strategic plan.

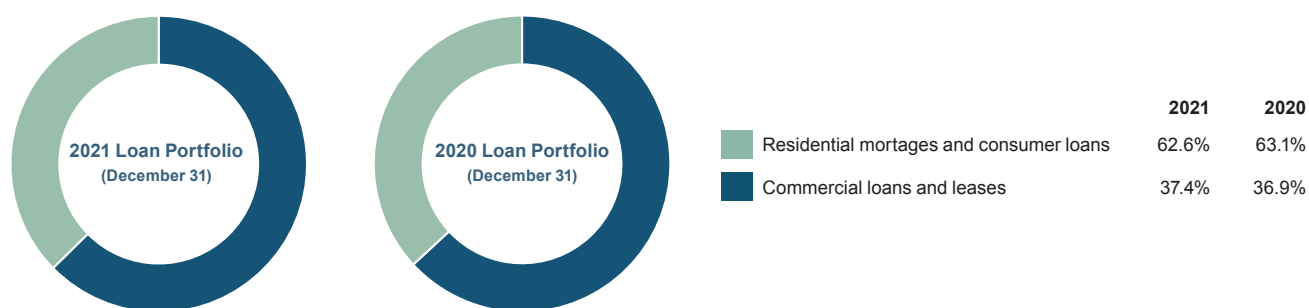
Operating efficiency measures how much BlueShore spends in order to earn income. Specifically, it calculates non-interest expenses as a percentage of total income (including provision for credit losses). While we saw an increase in our non-interest expenses, our operating efficiency improved to 66.7% in 2021, compared to 69.9% in 2020 as we were able to grow income at a faster pace.

Loan Portfolio

Loan Portfolio (in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Residential mortgages and consumer loans	2,765,093	2,637,808	127,285	4.8%
Commercial loans and finance leases	1,649,741	1,541,294	108,447	7.0%
Total loans*	4,414,834	4,179,102	235,732	5.6%

*Balances exclude accrued interest, allowance for credit losses, broker and commitment fees

Overall, BlueShore experienced healthy loan growth in 2021. Our loan portfolio increased by \$235.7 million to \$4.41 billion, up from \$4.18 billion at the end of 2020. Our 2021 growth reflected the strong Greater Vancouver real estate market throughout the year, after considerable pandemic-related uncertainty which limited loan growth in 2020.



Residential mortgages and consumer loans comprise 62.6% of BlueShore's loan portfolio. Residential mortgages and consumer loans increased by \$127.3 million or 4.8% to \$2.77 billion in 2021. Commercial loans and leases make up the remaining 37.4% of our loan portfolio, up from 36.9% in 2020 due to the faster relative growth in this category. Commercial loans and leases grew \$108.4 million or 7.0% in 2021 to \$1.65 billion, up from \$1.54 billion at the end of 2020.

Credit Quality / Allowance for Credit Losses

Credit Performance

(in thousands of dollars)

	2021	2020	Change (\$)	Change (%)
Total loans	4,414,834	4,179,102	235,732	5.6%
Provision for (recovery of) credit losses	(2,725)	4,995	(7,720)	(154.6%)
Net write-offs	58	1,084	(1,026)	(94.6%)
Total allowance for credit losses	11,484	14,268	(2,784)	(19.5%)
	2021	2020		Change (%)
Provision for (recovery of) credit losses as % of average	(0.06%)	0.12%		(0.18%)
Net write-offs as % of total loans	0.00%	0.03%		(0.02%)
Total allowance for credit losses as % of total loans	0.26%	0.34%		(0.08%)

Total & average loans balance excludes accrued interest, allowance for credit losses, and deferred broker and mortgage fees

As the economic and credit outlook improved in 2021, we were able to release some of our provision for credit losses, with our allowance for credit losses as of December 31, 2021 decreasing \$2.8 million or 19.5% to \$11.5 million (2020, \$14.3 million). More specifically, the decrease in our allowance for credit losses was primarily due to year-over-year improvements in the BC GDP and BC unemployment rate forecasts incorporated into our expected credit loss model. Additionally, net write-offs decreased to \$0.1 million from \$1.1 million in 2020.

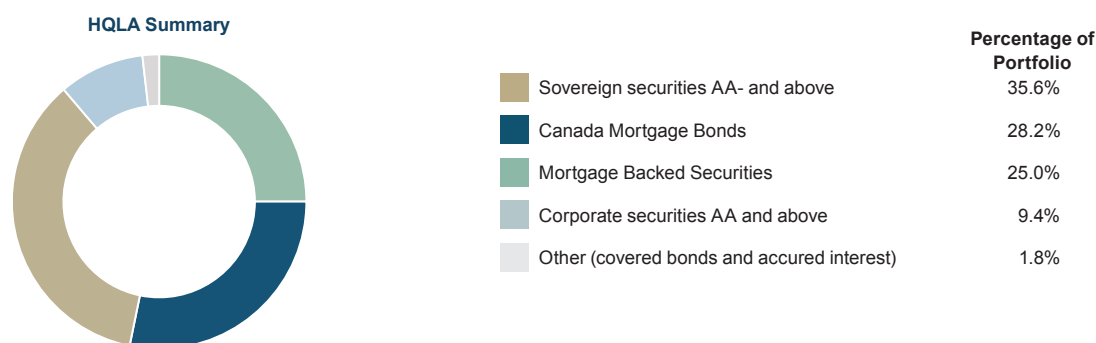
We recognized a release of our provision for credit losses of \$2.7 million in 2021, compared to an incremental provision for credit losses of \$5.0 million in 2020. BlueShore's total allowance for credit losses as a percentage of total loans decreased to 0.26%, closer to historical norms than the 0.34% at the end of 2020, when pandemic-related uncertainty significantly increased our allowance for credit losses. The allowance for credit losses is adequate based on our analysis of the loan portfolio as of December 31, 2021. Note 10 of the consolidated financial statements provides a complete analysis of our allowance for credit losses.

To assist clients impacted by the pandemic, BlueShore instituted a payment deferral program in 2020 allowing eligible clients to defer loan payments for a period of time. This program was extremely successful in helping our clients return to financial health, with all clients resuming regular payments by the end of 2021.

Liquidity

Under the Financial Institutions Act (FIA), credit unions are required to maintain liquid assets of not less than 8.0% of their aggregate deposit and other debt liabilities. BlueShore's liquidity position remains healthy at the end of 2021, with an operating liquidity ratio of 13.3%, comfortably above the statutory requirement. Additionally, BlueShore maintains significant contingent liquidity in the form of available borrowing facilities and securitizable assets.

Prior to 2021, BlueShore maintained its statutory liquidity requirement in the form of interest bearing deposits with Central 1. Central 1 invested the funds from these deposits in marketable securities that qualified as high quality liquid assets (HQLA). As mandated by the BCFSA, this structure changed on January 1, 2021. In the new structure, BlueShore maintains its statutory liquidity requirement by investing directly in marketable securities that qualify as HQLA. To transition to this new structure, on January 1, 2021 the statutory liquidity deposits of \$360.9 million held in the mandatory liquidity pool at Central 1 were exchanged for a portfolio of HQLA of equivalent value. The HQLA are now held in a trust, with BlueShore the beneficiary, Central 1 the trustee, and Credential Qtrade Securities Inc. the investment manager.



The chart above provides a breakdown of the HQLA held within the trust on behalf of BlueShore. HQLA can be easily and immediately converted into cash at little or no loss of value.

Capital

Regulatory Capital

(in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Regulatory capital				
Total primary capital	303,967	268,785	35,182	13.1%
Total secondary capital	73,451	71,996	1,455	2.0%
Deductions from capital	(7,320)	(6,499)	(821)	12.6%
Capital base	370,098	334,282	35,816	10.7%
Total risk weighted assets	2,708,960	2,386,288	322,672	13.5%
	2021	2020		Change (%)
Capital adequacy ratio	13.7%	14.0%		(0.3%)

As of December 31, 2021, BlueShore had a capital adequacy ratio of 13.7%, down slightly from 14.0% in 2020. The capital adequacy ratio is calculated by dividing the capital base, which includes primary and secondary capital net of deductions, by risk weighted assets, which are determined by BCFSA's prescribed rules relating to on and off-balance sheet exposures to weight assets according relative risk. Primary capital largely includes BlueShore's retained earnings and equity shares, while secondary capital consists primarily of BlueShore's share of system retained earnings and subordinated debt.

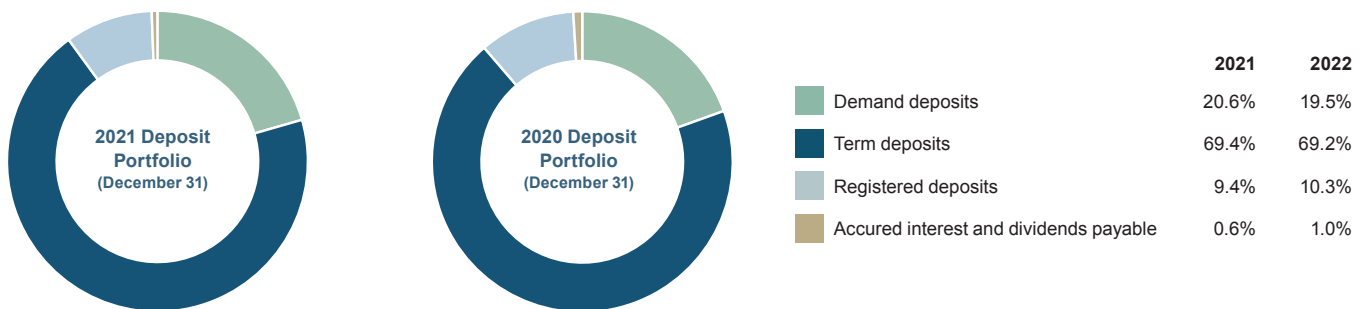
BlueShore accreted \$35.8 million or 10.7% to our capital base in 2021. Primary capital growth of \$35.2 million consisted of retained earnings growth from profitable operations as well as equity share growth from sales and dividend reinvestments. The decrease in our capital ratio is due to our risk-weighted assets growing faster than our capital base. Risk weighted assets increased \$322.7 million, due in large part to our strong commercial loan growth.

Member Deposits

Member Deposits

(in thousands of dollars)	2021	2020	Change (\$)	Change (%)
Demand deposits	941,478	836,619	104,859	12.5%
Term deposits	3,178,586	2,965,506	213,080	7.2%
Registered deposits	431,367	443,602	(12,235)	(2.8%)
Accrued Interest and dividends payable	28,086	41,057	(12,971)	(31.6%)
Member Deposits	4,579,517	4,286,784	292,733	6.8%

In 2021, deposits totaled \$4.6 billion, an increase of \$292.7 million or 6.8% compared with the prior year. BlueShore's loan growth in 2021 was funded entirely by our deposit growth.



The composition of BlueShore's deposit portfolio remained relatively stable in 2021 with term deposits largely unchanged at 69.4% of our deposit portfolio while demand deposits comprised 20.6% of our portfolio in 2021, up slightly from 19.5% at the end of 2020.

Achievements and Advancements

Impacting our Local Communities

One of the many ways BlueShore stays true to our core values is by giving back to our communities. We strive to contribute to not only the financial wellness, but the overall well-being of our clients and the wider communities we serve. In 2021, we supported over 70 organizations that advocate for physical, mental, financial and community wellness. Family Services of the North Shore, Indian Residential School Survivors Society, Whistler Community Services Society, Covenant House Vancouver and BC Children’s Hospital are just a few examples of the organizations we worked with this year.

We also sponsored local events and organizations that promote and contribute to financial literacy, arts and culture and thriving communities. Some of the initiatives we proudly supported included the Whistler Half Marathon, Bill Reid Gallery of Northwest Coast Art, Big Sisters of BC Lower Mainland Luminary Soiree, Dress for Success Vancouver Luncheon, Bard on the Beach and A Breakfast to Remember with Alzheimer Society of BC.

Throughout the year we championed our local business community. We supported the North Vancouver Chamber, Burnaby Board of Trade, Squamish Chamber, West Vancouver Chamber and Whistler Chamber by sponsoring awards that recognize local business owners in these regions.

As part of our COVID-19 Response Fund, we continued our “Double Your Impact” campaign and matched funds, dollar for dollar, made to the Lions Gate Hospital Foundation throughout their LGH Week fundraising campaign. We exceeded our fundraising goal to ensure patients have better access to groundbreaking facilities and medical equipment.

This year, our province continued to battle the pandemic in conjunction with environmental devastation from flooding and forest fires. BlueShore Financial joined forces with many BC businesses to collectively donate \$1 million to the Canadian Red Cross British Columbia Floods and Extreme Weather Appeal, to help our communities rebuild and recover from the devastation.

Sharing our Insights

BlueShore Financial advisors and leaders continue to be sought after to share their business and financial insights and expertise in the media. We were featured over 100 times in **local and national media**, showcasing our organization, expertise and thought leadership. Our spokespeople covered a range of topics such as tips for early retirement, advice on entering the real estate market, Environment, Social and Governance (ESG) investing, alternative investments to hedge against inflation, and forecasting key areas of focus for financial services in 2022.

Our insights were shared in print and digital media, such as *The Globe and Mail*, *Business in Vancouver* and *Forbes*, as well as in various TV, radio and podcast segments. Additionally, we brought expert advice directly to our followers and members on our social media channels.

Building a Strong Culture

Our trusted relationships with clients and our organizational successes are thanks to our dedicated staff members. BlueShore’s exceptional team continues to show their commitment to our values and are the foundation of our culture.

As a result, in 2021 BlueShore Financial was once again named one of “Canada’s Most Admired Corporate Cultures” by Waterstone Human Capital. This national award program annually recognizes Canadian organizations for having positive corporate cultures that enhance performance and sustain a competitive advantage. As a four time winner of the program, BlueShore has been inducted into the Canada’s Most Admired Corporate Cultures Hall of Fame.

Lines of Business Performance

Core Banking

With over 80 years' experience, BlueShore's commitment is to align with our clients' aspirations by providing a full range of financial services, delivered in a boutique Financial Spa® environment.

Despite the many challenges presented by the pandemic, BlueShore and our clients experienced many successes in 2021. We grew our retail lending portfolio by \$127.3 million or 4.8%, in an extremely active Greater Vancouver housing market. We maintained health and safety precautions for staff and clients and continued to provide expert advice and support to help clients affected by the pandemic.

The results from our **independent research**, conducted by Ipsos, show that once again BlueShore continues to significantly outperform other financial institutions when it comes to overall experience with our Financial Advisors and with BlueShore.

BlueShore continued our digital transformation, launching new services to support our clients such as our Digital Concierge chatbot and redesigned website with improved functionality and a streamlined user experience. BlueShore remains committed to enhancing our user experience, providing a high-tech, high touch approach to banking, with a number of new digital initiatives planned for 2022.

Commercial Lines of Business

BlueShore's commercial business is primarily carried out by our Real Estate Lending Group (RELG) and our Business Group. In 2021, we grew our commercial lending portfolio (excluding leasing) by \$109.6 million or 7.5%, driven primarily by commercial mortgage growth.

Real Estate Lending Group

BlueShore's RELG possesses in-depth knowledge of the local economic and business environment and is able to offer competitive rates and flexible terms designed to meet client needs for commercial, multi-use, and industrial developments.

The RELG also offers financing for development and new construction tailored to the needs of owner-occupants, investors, and real estate developers.

Business Group

BlueShore'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 services.

The Business Group also provides clients with referrals to BlueShore experts for all personal banking needs, such as wealth management, insurance, and financial planning.

In 2021 the Business Group administered \$33.7 million in Canada Emergency Business Account (CEBA) loans to help support local businesses affected by the pandemic.

BlueShore Leasing

The Leasing division provides lease financing primarily to businesses in BC and also Alberta and Ontario on a selective basis. The division maintains a diverse portfolio, across multiple industries and equipment classes. Industries of primary focus include manufacturing, construction, transportation and warehousing. Leased equipment ranges from common property upgrades for post-construction strata facilities to industrial trucks and heavy machinery. The diverse portfolio helps reduce risks from cyclical downturns in specific sectors or industries.

At the end of 2021, the total leasing portfolio balance decreased marginally by \$1.2 million or 1.6% to \$72.4 million (2020, \$73.6 million) as we chose to focus on more selective opportunities amidst the pandemic-related uncertainty.

Wealth Management

BlueShore's Wealth Management business helps our clients achieve financial wellness by creating unique wealth management plans to meet both financial goals and personal aspirations. The business generated another year of impressive growth in 2021.

Wealth Assets Under Administration grew \$337.0 million or 25.0%, including net sales of \$168.6 million from account originations and client asset consolidation, ending the year at \$1.7 billion (2020, \$1.3 billion).

Risk Management

Approach to Risk Management

While our strategy is the primary driver of all activities at BlueShore, we recognize that there are significant risks inherent in our strategy and business activities and therefore prudent risk management is a constant companion and a lens through which we view and manage the execution of our strategy.

These risks are managed through an Enterprise-Wide Risk Management program, a structured, consistent and continuous program across the organization for identifying, assessing, managing and reporting on the significant risks inherent in the business. The program is comprised of policies, procedures, activities, tools, reports, oversight and independent review, and designed to ensure significant risks are managed in accordance with BlueShore's Risk Appetite Framework through its Risk Management Governance Structure.

Risk Management Governance Structure

Board Oversight

BlueShore's Board of Directors has overall responsibility for the oversight of the risk management framework. The Board has established committees to oversee BlueShore's risk management activities. These include the Human Resources and Compensation Committee, Investment and Loan Committee and the Audit Committee. In 2021, commensurate with our growth, the Board formed an Interim Risk Committee in advance of a formal Risk Committee being struck in 2022 to provide additional oversight.

Management Responsibility

Management's responsibility is to identify and assess the risks faced by BlueShore and to determine the most appropriate way to manage these risks. Management also monitors adherence to established risk policies and limits. Risk management policies and controls are reviewed regularly to reflect changes in the business, market conditions, product and service offerings, portfolio performance and economic trends.

Management has established various committees to oversee the organization's risk management activities.

The Management Risk Committee (MRC) is BlueShore's highest (non-Board) risk committee responsible for overseeing a consolidated, enterprise-wide view of BlueShore Financial's risks, regardless of how these risks may be managed on an individual or departmental level.

Structurally, the MRC is directly accountable to the Executive Leadership Team, and it provides reporting as appropriate to the overall Board, the Audit Committee and/or the Investment and Loan Committee.

The MRC has the authority to delegate any risk related responsibilities to other committees, as required or prudent (e.g. liquidity risk is managed through the Asset Liability Committee while credit risk is managed through the Management Credit Committee). Risks identified through other committees are escalated back to the MRC by committee chairs for further discussion, tracking, and resolution if required.

Risk Appetite Framework

The Risk Appetite Framework sets out BlueShore's ability and willingness to accept and manage different types of risk in the course of engaging in its business activities. The MRC ensures that significant risks are properly identified, assessed and managed appropriately with accompanying mitigating controls to ensure alignment with 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 financial risks such as market, liquidity, credit, and capital.

Our risk appetite identifies the amount and types of risk that we are willing to accept, both in our day-to-day business and in executing our strategy, given our cooperative structure, size, complexity, differentiated business model, vision, core purpose, capital capacity, and the need to remain competitive in the marketplace. Therefore, defining our risk appetite is as much about ensuring we maximize opportunities as it is about mitigating risk.

On a regular basis, including formally at least annually, the MRC reviews the Risk Appetite Framework. Appropriate Management and Board committees review and approve individual risk appetites, considering the nature, size and complexity of the individual and cumulative risks involved. Any changes to the Risk Appetite Framework through the above processes will be presented to the Board for approval. Regardless, the Board will independently review and approve the Risk Appetite Framework annually.

We will also reassess our Risk Appetite in anticipation of, or in response to, changes in the business, economic or regulatory environment.

Three Lines of Defence

BlueShore has adopted the “Three Lines of Defence” approach. This model details the accountabilities of each line and clearly documents the responsibilities of each.

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
<p>Business and Functional Department Accountabilities</p>	<p>Risk Management Team Accountabilities</p>	<p>Internal Audit Accountabilities</p>
<ul style="list-style-type: none"> ▪ Accountable for identifying and mitigating within their respective functional departments ▪ Develop policies, procedures and controls to ensure the assets of the organization are protected ▪ Identify opportunities to optimize risk and responsibilities for ongoing effectiveness of controls ▪ Act within their delegated risk-taking authority as set out in established policies 	<ul style="list-style-type: none"> ▪ Develop and review BlueShore’s risk management policies and procedures for managing significant risk to ensure that they remain appropriate ▪ Oversight of, but independent from, the day-to-day management of risks ▪ Challenge risk ratings and control effectiveness assertions from risk owners ▪ Establish risk policies and procedures ▪ Oversee the Enterprise Risk Management Program ▪ Provide the Board of Directors with reports that will enable it to assess whether BlueShore has an ongoing, appropriate and effective risk management program 	<ul style="list-style-type: none"> ▪ Challenge the effectiveness of the first and second line of defence ▪ Set an audit program independently to validate strengths and assess weaknesses ▪ Issue audit findings that require management action; close findings when remediation is completed to Internal ▪ Audit’s satisfaction

Critical Accounting Estimates

BlueShore's significant accounting policies are outlined in Note 3 to the consolidated financial statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and requires Management to exercise its judgement in applying BlueShore's accounting policies.

Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions are changed. The principal areas involving a higher degree of judgement or complexity and/or areas that require significant estimates are described in the table below. Please also see Note 5 of the consolidated financial statements for additional discussion of Management's use of estimates and judgements.

	Further Relevant Information	
	Consolidated Financial Statements	Management Discussion & Analysis
Allowance for credit losses	Note 10	Credit Quality / Allowance for Credit Losses
Fair value of financial instruments	Note 6(g)	
Securitizations and derecognition of transferred financial instruments	Note 17	
Retirement benefit liability	Note 19	
Income taxes	Note 25	

Future Changes to Accounting Policies

There are no standards issued by the International Accounting Standards Board (IASB) and effective as of December 31, 2021 that are expected to materially impact BlueShore's future financial statements.

Compensation Discussion and Analysis

Board of Directors

Peter Leitch, Chair

Peter is the President of North Shore Studios and Mammoth Studios and Chair of the Motion Picture Production Industry Association of BC. He is also on the Management Board of Metro Vancouver's Invest Vancouver and on the Board of Governors of the BC Business Council.

Peter earned a Bachelor of Commerce degree from UBC and is a Chartered Professional Accountant. He 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 was honoured with a fellowship by the Institute of Chartered Professional Accountants of BC in 2009 and was a recipient of the Queen's Diamond Jubilee Medal in 2012.

Diana Chan, Vice Chair

Diana is a business owner and former executive in the credit union system, both in BC and nationally. She is a Chartered Professional Accountant with extensive experience in human resources, finance and governance. Diana holds the 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 and a Director of the Whistler Institute for Learning Society. Diana has volunteered with various community boards including YWCA of Metro Vancouver, Basketball BC and served as a trustee of the BC Credit Union Employees' Pension and Benefits Trusts from 2013 to 2015. Diana resides in Whistler.

Allan Achtemichuk, Director

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 (Chartered Professional Accountant, Certified Management Accountant) and completed the ICD-Rotman Directors Education Program and certification exam to earn the ICD.D. He resides in North Vancouver.

Lynne Charbonneau, Director

Lynne Charbonneau is a judge of the World Bank Administrative Tribunal and Adjunct Professor for the University of Calgary Faculty of Law. She serves as Chair of the Board of Directors of Actsafe Safety Association, a worker health and safety organization for the production in British Columbia of motion picture, television, live events and performing arts. She also serves on the Board of Directors of Inuvialuit Development Corporation, a diversified investment, venture capital and management holding company owned on behalf of the Inuit of Canada's western Arctic. Lynne has served on the boards of several non-profit organizations over the last two decades and holds the ICD.D.

In recent years, Lynne has served on the Futures Task Force of the Law Society of British Columbia and 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 served as Deputy General Counsel at HSBC Bank Canada. Prior to her time with HSBC, Lynne was a partner of the Canadian national law firm Fasken Martineau DuMoulin LLP, where she practiced in the fields of labour and employment law and subsequently corporate and securities law. Lynne resides in North Vancouver.

Dave Davenport, Director (Maximum number of terms reached April 2021)

Dave Davenport was a Director of BlueShore 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 since 1987 and now resides in the BC Interior.

Rod 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, wealth advisory, and fund management experience, and held senior national operations responsibilities for a global airline.

Rod holds the ICD.D. Rod is on the Board of the British Columbia Automobile Association (BCAA) where he Chairs the Audit and Conduct Review Committee and serves on the Finance and Investment Committee. Rod is currently Board Chair of Consumer Protection BC. His previous board positions include the Victoria Airport Authority, Chair of Credential Financial Inc., Chair of the BC Ferry Authority, NEI Investments, Chair of the Victoria Hospitals Foundation, Fundraising Chair Canadian Cancer Society, Royal Roads University School of Leadership Studies Advisory Council, and Chair of Canadian PGA golf tournament. He was born and raised in North Vancouver and now lives in Victoria.

Gordon Janzen, Director (Resigned February 2021)

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 was 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.

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 currently General Partner in several direct and indirect private equity investment funds. She is focused on using collaborative investment principles to generate outsized returns and power equitable change in capital markets.

Previously, Julie has managed private asset portfolios in both a family office environment, and an institutionally backed, top quartile performing North American buyout fund. Prior to entering private investment, she spent the first decade of her career in professional service firms, moving quickly from an audit to transaction advisory capacity. 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 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.

Cybele Negris, Director (Elected April 2021)

Cybele Negris is a successful entrepreneur and CEO & Co-Founder of Webnames.ca, Canada's original .CA registrar. Cybele holds the ICD.D and has served on numerous education, not-for-profit, government and corporate boards over the past 15 years. She currently sits on the boards of the Royal Canadian Mint, BCAA and Science World. In addition, she holds the role of Vice-Chair of Science World and Vice-Chair of the Small Business Roundtable of BC and is part of the Departmental Audit Committee for Agriculture and Agri-Foods Canada.

Cybele has earned many recognitions for her work and contributions including Canada's Top 100 Most Powerful Women, PROFIT W100, BC Business' Most Influential Women in Business and Business in Vancouver's Top 500 Business Leaders, Influential Women in Business and Top 40 Under 40. Most recently, Cybele was inducted into Canada's Marketing, Advertising, PR and Communications Hall of Fame. She speaks at dozens of events each year including TEDx and Level Up Conference. Cybele resides in Vancouver.

Kevin Sandhu, Director (Appointed April 2021)

Kevin Sandhu is a technology and financial services entrepreneur and investor. He is currently a co-founder, investor, advisor and board member to several technology startups and financing companies across North America.

Kevin is currently a Founder and the CEO of ControlHQ, a modern financial services platform for freelancers and was previously the Founder and CEO of Grow Technologies, an enterprise software company empowering financial institutions with digital banking solutions. Prior to founding Grow, Kevin spent a decade in finance with roles in investment banking and private equity.

A serial entrepreneur from a young age, Kevin started his first technology business before completing high school and went on to build several software businesses during university. He holds degrees in Math and Finance from Simon Fraser University and has earned the Chartered Financial Analyst (CFA) designation. Kevin resides in Vancouver.

Victoria Withers, Director

With her extensive business background, Victoria brings years of board governance experience to BlueShore. 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 currently a Director of the Pacific Pilotage Authority and MedicAlert Foundation 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 ICD.D and a Bachelor of Commerce from McGill University. Victoria resides in West Vancouver.

Interlocking Directorships

Interlocking directorships occur when a director sits on more than one board at a time. In 2021, both Rod Dewar and Cybele Negris had a Director Interlock in common, as both were Board of Directors of the British Columbia Automobile Association (BCAA).

Director Remuneration

BlueShore recognizes that corporate governance is a key ingredient to our success. Accordingly, there is a need to attract and retain Directors with appropriate expertise and experience, and remunerate them commensurate with their responsibilities, accountabilities, and expectations.

In 2021, there was no change to the Director Remuneration Policy, as the Board of Directors elected to defer their regularly scheduled review due to the global pandemic. Typically, BlueShore's Director remuneration will:

- Be set at such a level to be able to attract and retain the 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.
- Broadly align with our comparator group, including similarly sized credit unions in Greater Vancouver, publicly listed companies with revenues of approximately \$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 responsibilities, accountabilities, and expectations. The Committee may review the policy more frequently on an as needed basis.
- Be reported annually in the Management Discussion and Analysis accompanying the Annual Report.

Annual Honorariums

Responsibility	Honorarium¹
All Directors	\$ 30,694 per annum
Board Chair	\$ 24,740 per annum
Board Vice Chair	\$ 6,187 per annum
Audit Chair	\$ 6,187 per annum
HR & Compensation Chair	\$ 4,506 per annum
Investment & Loan Chair	\$ 4,506 per annum
Governance & Conduct Review Chair	\$ 4,506 per annum
Nominations & Election Chair	\$ 4,506 per annum
Committee Member	\$ 1,976 per annum

¹ Annual honorariums, in effect January 1 – December 31, 2021, which are cumulative and include meeting fees

2021 Board of Directors Attendance and Remuneration

2021 Directors	Peter Leitch Chair (Elected April 2021) Vice Chair (January - April 2021)	Diana Chan Vice Chair (Elected April 2021)	Allan Achtemichuk Chair (January - April 2021)	Lynne Charbonneau	Dave Davenport (Maximum terms reached)	Rod Dewar	Gordon Janzen (Resigned February 2021)	Julie McGill	Cybele Negriz	Kevin Sandhu	Victoria Withers	
	CURRENT TERM EXPIRES	2024	2024	2022	2023	2021	2023	2021	2022	2024	2023	2022
DIRECTOR SINCE	2011	2018	2010	2019	2008	2017	2017	2016	2021	2021	2021	2013
MEETING ATTENDANCE												
Board Meetings	7 of 7	7 of 7	7 of 7	7 of 7	2 of 2	7 of 7	2 of 2	7 of 7	5 of 5	4 of 4	7 of 7	
Committee Meetings	7 of 7	13 of 13	12 of 12	13 of 13	1 of 1	8 of 8	2 of 2	8 of 8	7 of 7	7 of 7	10 of 10	
COMMITTEES (JAN - APR)												
Audit	✓	✓ Chair						✓			✓	
HR & Compensation			✓	✓	✓		✓ Chair					
Investment & Loan	✓	✓				✓		✓ Chair				
Governance & Conduct Review				✓		✓ Chair	✓				✓	
Nominations & Election				✓	✓ Chair			✓				
COMMITTEES (MAY - DEC)												
Audit		✓ Chair	✓			✓					✓	
HR & Compensation	✓		✓	✓ Chair				✓				
Investment & Loan		✓						✓ Chair		✓	✓	
Governance & Conduct Review				✓		✓ Chair			✓	✓		
Interim Risk ¹	✓	✓ Chair	✓	✓								
Nominations & Election			✓ Chair	✓					✓			
REMUNERATION AND EXPENSES^{2,3}												
Director Compensation ⁴	55,077	49,184	50,625	43,290	11,956	40,412	6,131	40,445	26,897	25,302	35,906	
Education Expenses ^{5,6}	495	2,642	-	(984)	-	-	-	1,444	1,245	1,245	235	
Miscellaneous Expenses ⁷	-	309	23	-	-	-	-	-	-	-	-	

¹ In 2021 the Interim Risk Committee ran from September to December in 2021

² Directors residing outside of BlueShore's trading areas are eligible for reimbursement of travel and accommodation expenses

³ Directors residing within BlueShore'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

⁴ Director compensation includes per diems and technology allowances. The honorarium is intended to compensate for all Director work in the normal course of business, including meeting preparation and attendance, and the substantial interaction of the Directors with Management and other Directors in between meetings. However, 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. Additionally, per diems are paid for attending regulatory required courses and approved conferences. In 2021, Interim Risk Committee members, including the Chair, were compensated for their meeting attendance via per diems. Per diems for the year were set as follows: up to four hours - \$345; over four hours - \$560

⁵ Negative education expenses are due to the receipt of a flight credit for cancelled 2020 travel

⁶ Education expenses include conference attendance and associated costs

⁷ Miscellaneous expenses include parking, lunch or coffee meetings, and mileage

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'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 as CEO in 2000, he has led a successful rebranding, technological innovation and strong organic growth, including a fourteen-fold 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 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 has 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 as a credible innovator in the financial services marketplace. Fred also oversees the development and evolution of BlueShore's innovative Financial Spa branch design concept. The integration of technology, administrative processes and facility design concepts ensures BlueShore's signature client experience.

Fred currently represents BlueShore as one of the founding members of the Temenos Innovation Collective and is a member of Central 1's Payments Customer Advisory Council and currently chairs Central 1's PayModXchange Committee. He is a past Director and Board Chair of The Exchange Network, 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 (retired May 30, 2021)

With experience in several industries and over 30 years in financial services, Marni provided overall leadership and strategic direction in the areas of human resources and corporate affairs. She was 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 oversaw BlueShore's processes and framework for governance, strategic planning, legislative affairs, and corporate social responsibility. Marni was 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.

Lori Howe, Interim Chief Human Resources Officer

With more than 20 years of Human Resources experience across diverse industries, Lori oversees the strategic planning and execution of all facets of HR at BlueShore including culture, recruitment, talent management, employee relations, compensation, benefits, rewards, learning and leadership development. She is responsible for ensuring a highly competent, engaged and productive workforce to maximize the employee experience and achieve corporate goals.

Since joining BlueShore in 2017, Lori has established herself as an advocate for people analytics, continuous improvement and positive transformational change. Along with her BA in Sociology (Queens University), Lori holds the designation of Chartered Professional in Human Resources (CPHR), Compensation Management Specialist and Compensation and Strategic HR Management Certifications (IFEBS), and is a recent graduate of the BlueShore /UBC Sauder School of Business Executive Leadership Development Program.

Reg Marrinier, Chief Retail and Business Officer

Reg oversees BlueShore'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'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.

Community involvement over the years has included the Futurpreneur Mentoring Program, BC Children's Hospital and Royal Canadian Marine Search and Rescue as a long-standing board member. Reg holds a Bachelor's of Business Administration from Simon Fraser University and completed the Certified Financial Planning (CFP) designation.

Executive Compensation Governance

BlueShore's executive compensation is overseen by the Human Resources & Compensation Committee (HRCC) of the Board of Directors. The committee 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's compensation strategy is linked to our business strategy. It rewards the behaviours and performance that will make BlueShore successful. A focus on objectivity and transparency ensures our compensation programs are aligned appropriately with outcomes.

BlueShore provides total compensation that:

- Attracts and retains top executive talent
- Rewards the achievement of short- and long-term results that support BlueShore's strategy
- Encourages behaviours and performance consistent with BlueShore's Risk Appetite Framework

Industry Positioning and Comparator Groups

BlueShore 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 groups are drawn from the Canadian financial sector. The composition of each comparator group is based on selected financial services organizations that together represent a marketplace where BlueShore 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 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'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 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 \$443,507 for 2021
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. For 2021 performance, the CEO's STI was \$331,309, which represents 75% of base salary.
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. The payout each year is for one year, based on the average performance of the previous three years. For performance in 2019, 2020 and 2021, the CEO's LTI payout was \$447,568, which represents 101% of base salary.
Benefits and Perquisites	The CEO participates in BlueShore's Flexible Benefits Program with the same terms offered to all employees. Additional benefits and perquisites are also provided, including an annual preventative health assessment, which is a benefit to both BlueShore and the CEO.
Retirement Income Programs	<p>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 2021 was \$93,243.</p> <p>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.</p>
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.

Summary Compensation Table – CEO

The following table presents target total cash compensation for BlueShore’s CEO for 2021 at target levels of performance.

2021 Target CEO Total Cash Compensation

Base Salary	STI	LTI	Target Total Cash
\$443,507	\$199,578	\$243,929	\$887,014

The following table presents actual total cash compensation for BlueShore’s CEO for actual 2021 performance. Short-Term Incentive and Long-Term Incentive payouts are above target, because the CEO exceeded objectives set by the Board.

2021 Actual CEO Total Cash Compensation

Base Salary	STI	LTI	Target Total Cash
\$443,507	\$331,309	\$447,568	\$1,222,384

CEO Performance in 2021

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

In 2021, he led a team that achieved excellent results, including a 17.8% Return on Retained Earnings and organic growth of 5.8% in Assets Under Administration, to \$6.9 billion. Wealth grew by 25.0% in 2021.

Overall, BlueShore enjoyed healthy loan growth in 2021. Our growth rate reflected the strong Greater Vancouver real estate market throughout the year, after considerable pandemic-related uncertainty limited loan growth in 2020.

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

In 2021, BlueShore was named one of Canada’s Most Admired Corporate Cultures by Waterstone Human Capital for the fourth consecutive time, and has now been welcomed into Waterstone’s Hall of Fame.

Under Chris’ leadership, BlueShore has grown to offer highly sophisticated services for our members. Client ratings of BlueShore’s service continue to significantly outpace the competition, providing evidence that BlueShore’s differentiated strategy is continuing to succeed. Members are benefitting from our financial expertise and dedication to an exceptional client experience.

Other Compensation Policies and Practices

The CEO establishes compensation for the other executives, in accordance with the executive compensation philosophy described above, under the oversight of the HRCC of the Board of Directors. On an annual basis, the CEO advises the HRCC of the other executives' compensation adjustments, including the 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 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 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 or commission-driven incentive plans. Performance Rewards Program 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 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 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%.