

An aerial photograph of a wooden suspension bridge crossing a river with white-water rapids. The bridge is surrounded by a dense forest of tall evergreen trees. Three people are walking across the bridge. The scene is captured from a high angle, looking down at the bridge and the river.

Elevating
your financial
experience.

2022

Annual Report and
Management Discussion
& Analysis

2022

Annual Report and Management Discussion & Analysis

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Leadership Viewpoints

A message from Board and Management

BlueShore Financial continues to evolve and adapt to the needs of our clients, employees and communities.

Last year saw us reconnect with clients and colleagues and further evolve together, both in-person and digitally.

We relocated our Lynn Valley branch, and remodelled it into a Financial Spa[®], bringing our premium West Coast design and client experience to the Lynn Valley community. With a focus on premium client service, expert financial advice and seamless technology, the Lynn Valley Financial Spa branch design emphasizes natural elements of the West Coast and creates a welcoming environment for deeper financial advisory discussions.

Despite the challenges of inflation and impacts of rapidly rising interest rates, our financial performance remained steady in 2022, with profits (Net Operating Income) at \$19 million, and Return on Retained Earnings (RORE) of 7.3%. Total Assets, including Assets Under Administration, grew 0.7% to \$6.9 billion.

Our employees continue to form the foundation of BlueShore's success, going above and beyond to deliver a high level of client service. Our teams continued to evolve in 2022 and welcomed new ways of working in a hybrid world, embraced our commitment to diversity, equity, and inclusion, and remained focused on building a positive and collaborative corporate culture.

Our annual client survey results, conducted by Ipsos, once again confirmed that we're making a positive impact on our clients' financial well-being and are recognized as expert providers of financial advice.

As we watch inflation continue to rise and hear predictions of a more challenging economic environment ahead, BlueShore remains committed to the security and well-being of our clients, employees and communities. We are proud to be your stable financial partner through uncertain times, and thank you for choosing BlueShore to support your financial well-being.

We look forward to continuing to work together to help you achieve your financial goals.

Sincerely,

Chris Catliff, President and CEO

Peter Leitch, Chair, Board of Directors



*Peter Leitch,
Chair, Board of Directors*



*Chris Catliff,
President and CEO*



At BlueShore Financial, we align your aspirations with a full range of banking, wealth management and insurance solutions.

Elevating Your Financial Experience

We continue to enhance our services to support your overall financial wellness.

It is our goal to help improve your overall financial well-being, through a premium client experience, both online and in person.

Refreshed spaces

In 2022 we relocated our Lynn Valley branch to a new Financial Spa branch located within Lynn Valley Centre. BlueShore has been a part of the Lynn Valley community for over 45 years, and the investment in the newly revitalized branch is in response to the evolving financial services needs of clients and businesses in the area. The new space features our signature Financial Spa branch design, and emphasizes natural elements of the West Coast, reflecting the Lynn Valley community in a unique and relaxing ambience that sets the stage for meaningful financial dialogue and planning.

We are also expanding our Park Royal Financial Spa to create for more meeting spaces particularly suited to multi-family member financial planning discussions, and to serve more clients. We look forward to welcoming you into our new spaces.

Supporting our clients

We recognize our clients have unique financial needs. Whether saving for retirement, buying a property or starting a business, we aim to help you achieve your financial goals.

We are proud to have a large number of experienced advisors who have achieved the highest accreditation in the financial industry: the Certified Financial Planner (CFP) designation. And because your overall financial wellness requires a holistic approach, our financial advisors work with a team of investment, insurance, and business specialists to create a personalized plan for you. This integrated, collaborative approach is uniquely BlueShore, and helps us deliver an elevated experience with the expert financial advice you need.

Our experienced Solution Centre associates provide additional support and expertise. In 2022 the Solution Centre managed over 80,000 client interactions, with an average call wait time of less than 45 seconds. Our locally based team provides timely and efficient assistance and financial advice whenever you need it, wherever you might be.

Throughout the year, over 450 participants learned more about financial planning at our three virtual webinars, hosted by our advisors and partners. In addition, we held several in-person seminars to share our expert advice on a variety of financial and business topics. Themes at these events included retirement planning, intergenerational wealth transfer strategies, and estate planning considerations, to employment advice for small business owners and insights on market volatility and managing through turbulent times.

The BlueShore difference

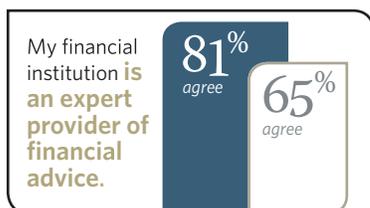
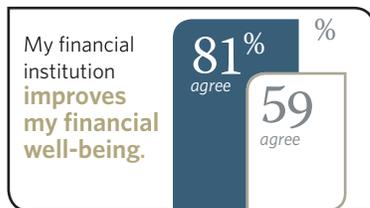
Each year we work with Ipsos to conduct an independent survey of our clients and non-clients who bank at other financial institutions within our trade areas, to evaluate how we're doing in helping meet our clients' financial needs. Clients who work with our Financial Advisors consistently tell us that we have a positive impact on their overall financial well-being, and we significantly outperform our competitors in the ways that matter most - see survey results on left side.

In the most recent survey conducted by Ipsos, 88% of our clients surveyed who work with one of our Financial Advisors said they would recommend BlueShore to others - a compelling indication of our unique and premium client experience.

BlueShore also continues to significantly outperform other financial institutions in areas such as working with clients' best interests in mind, valuing clients' business, and offering good value for products and services.

Learn more about [what clients are saying about working with us](#).

■ BlueShore Financial □ Other Financial Institutions



Ipsos, 2022. Per cent of top 3 box ratings (8, 9 & 10) on a scale of 0 to 10 from clients working with a Financial Advisor at their primary financial institution.



We are committed to contributing to the overall wellness of our clients and the communities we serve.

Achievements & Advancements

From supporting our communities, to sharing our expertise, and embracing new ways of working, we had much to celebrate in 2022.

Strengthening our communities

As a long-standing financial institution in BC, we are committed to contributing to the overall wellness of our clients and the communities we serve. In 2022, we supported organizations across our trade areas and championed physical, mental, and financial wellness through donations and sponsorships. A few examples of the organizations we supported include: *The BC Women's Health Foundation, Big Sisters of BC Lower Mainland, Burnaby Neighbourhood House, Inspire Health and the Whistler Community Services Society.*

We believe in creating vibrant and dynamic communities. Whether helping arts and culture to shine, celebrating cultural diversity or championing forums for physical wellness, we believe in supporting wellness in all its forms. As Production Sponsor of *Harlem Duet* at Bard on the Beach, we were proud to continue our support of Western Canada's largest not-for-profit professional Shakespeare Festival and a beloved Vancouver summer tradition. We proudly presented the *Canadian Iranian Foundation's Nowruz Gala*, celebrating Persian New Year and traditions, while supporting scholarship awards for post-secondary education. We continued our sponsorship of physical activities including the *Whistler Half Marathon* and *Longest Day Road Race*.

Our "Double Your Impact" campaign, whereby BlueShore matches donated funds, dollar for dollar, continued in 2022. This year we supported *North Shore Crisis Services Society*, aiding women and children fleeing domestic abuse and *Family Services of the North Shore* to support the Christmas Bureau.

We are also committed to uplifting our Indigenous communities. In honour of National Day of Truth and Reconciliation, we provided our employees with education and learning sessions to deepen their knowledge and understanding. We are also proud to support local Indigenous arts and culture through our ongoing partnership with *Bill Reid Gallery of Northwest Coast Art*. BlueShore was the Presenting Sponsor of the Mezzanine Gallery for two curated culture exhibits, "Beaded Nostalgia" and "Keeping the Song Alive".

In response to the unprovoked military invasion by Russia on Ukraine, we lent our support to the people of Ukraine and all those affected with a donation to the *Canada-Ukraine Foundation* to assist with humanitarian aid including food packages, medicine and shelter.

Providing our expertise

With a focus on expert financial advice, industry expertise and thought-leadership, BlueShore Financial Advisors and leaders appeared nearly 100 times in local and national media. From subjects such as investing in tech stocks during a dynamic rate environment, to mortgage advice for first-time homebuyers, to guidance for building robust estate and succession plans, as well as tips for retirement strategies, our spokespeople shone in 2022.

Our insights and expertise were shared in various print and digital media, including *BNN Bloomberg, The Globe and Mail, Business in Vancouver, Wealth Professional, The Financial Post, and Global News*, in addition to other podcast, radio, and TV segments. With the goal of making reliable financial advice accessible, we also regularly shared advice on our social media channels, and several of our advisors also shared their expertise at online webinars and in-person seminars.

Nurturing a strong culture

Our continued commitment to provide exceptional service to our clients would not be possible without the strong work ethic and enthusiasm of our dedicated employees. We continue to focus on ensuring BlueShore is a great place to work, with a positive corporate culture.

As part of evolving BlueShore's corporate culture, we formalized our flexible and hybrid work program, based on research and feedback from employees. We also continued to advance our Diversity, Equity and Inclusion (DEI) journey and solidified our commitment to Environmental, Social and Governance (ESG) efforts to ensure we continue to foster a welcoming work environment for all, and have a positive impact on the world around us.



Management Discussion & Analysis

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 branches across Greater Vancouver and the Sea-to-Sky Corridor and has \$6.9 billion in Assets Under Administration.

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, 2022. 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 2023 and beyond and strategies to achieve them, the regulatory environment in which BlueShore operates, and BlueShore’s anticipated financial performance.

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.

2022 Financial Highlights

\$4.6B
3.3%

Total Loans
\$144.1 million increase, compared with \$235.7 million increase in 2021.¹

\$4.6B
1.5%

Member Deposits
\$70.5 million increase, compared with \$292.7 million increase in 2021.

\$6.9B
1.3%

Total Assets Under Administration
\$88.8 million increase, compared with \$380.2 million increase in 2021.

\$1.5B
(10.0%)

Wealth Assets Under Administration
\$168.0 million decrease, compared with \$337.0 million increase in 2021.

\$19.3M
(54.1%)

Net Operating Income
Compared with \$42.0 million in 2021.

7.3%

Return on Retained Earnings
Compared with 17.8% in 2021.



Members' Equity
\$18.6 million decrease in 2022, compared with \$24.7 million increase in 2021.



Operating Efficiency Ratio
Operating efficiency measures non-interest expenses as a percentage of net interest and other income excluding provision for (recovery of) credit losses.

14.1%

Capital Adequacy Ratio
Measures capital as a percentage of risk weighted assets. Compared with 13.7% in 2021.

14.8%

Operating Liquidity Ratio
Measures available liquidity as a percentage of deposits and borrowings. Above 8.0% statutory requirement. Compared with 13.3% in 2021.

BBB (HIGH)
TREND: STABLE

Long Term Credit Rating
Long Term Issuer Rating confirmed by DBRS Morningstar. Unchanged compared with 2021.

R-1 (LOW)
TREND: STABLE

Short Term Credit Rating
Short Term Issuer Rating and Short Term Instruments Rating confirmed by DBRS Morningstar. Unchanged compared with 2021.

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



Economic Review and Outlook

2022 Economic Review

2022 was about inflation as the cost of living soared all over the world. Pandemic price pressures, initially dismissed as transitory, turned out to be enduring with Russia's invasion of Ukraine causing a fresh spike in food and energy costs while the Q4 resurgence of COVID-19 in China prompted renewed lockdowns and supply chain disruptions. Central banks around the world responded by tightening monetary policy aggressively in an effort to combat inflation. While inflation has receded from its peak, it has come at the cost of reduced economic growth as higher interest rates began to bite. Global GDP growth is estimated at 3.4% in 2022, down from 6.2% in 2021.¹

The Canadian economy grew an estimated 3.6% in 2022,² above the 2.7% average for advanced economies.¹ The Bank of Canada increased its overnight rate by 400bps in 2022, but the full impact of this tightening has yet to be felt as it takes time for the effects of policy rate changes to be felt fully throughout the economy. As such, inflation remains elevated at 6.7% at the end of 2022, significantly above the inflation-control target range of 1.0% to 3.0%, with excess demand built up during the pandemic continuing to exert upward pressure on prices and robust job gains maintaining upward pressure on wage growth.³

At the provincial level, 2022 GDP growth is estimated to be 3.0% for BC in 2022, with estimated unemployment of 4.6% near record lows.² BC's growth trailed the national average as its debt burden makes the province especially sensitive to higher borrowing costs. The housing market, which drove economic growth in 2021, slowed significantly in 2022 due in large part to higher mortgage rates. However, a reduction in inventory as sellers withdrew from the market kept BC price declines moderate relative to many other regions in Canada. Greater Vancouver residential unit sales and benchmark prices decreased 34.3% and 3.3% year-over-year respectively.⁴

2023 Economic Outlook

Reduced demand driven by higher interest rates is expected to drag on the global economy in 2023: GDP growth is projected to decline from 3.4% in 2022 to 2.9%.¹ This decline is expected to be experienced primarily by advanced economies, with many developing and emerging economies projected to return to stronger growth after a slow year in 2022.

Canadian GDP growth is projected at 0.7% in 2023,² below the 1.2% average growth forecast for advanced economies.¹ Elevated interest rates are expected to moderate consumer spending and business investment. Transportation costs, supply chain challenges, and high energy prices are also expected to dampen economic activity. Additionally, labour demand is projected to slow in interest rate sensitive sectors, including construction, trade, and manufacturing. As a result, inflation is projected to decrease to the top of the Bank of Canada's inflation-control target range by mid-2023 and to the 2.0% target by 2024.³

After outpacing national GDP growth in recent years, BC's 0.6% GDP growth forecast is slightly below the 0.7% national average.² A broad reduction in growth across most sectors is expected, although the unemployment rate is projected to outperform the national average at 4.7%.² Elevated mortgage rates and slow economic growth are expected to further slow the Greater Vancouver housing market in 2023. Residential sales and average prices are forecasted to decrease 4.3% and 7.2% respectively.⁵ Declining sales may result in inventory normalizing after the pullback experienced in 2022.

Against this economic backdrop, BlueShore will seek selective opportunities to grow our highly-secured, high-quality asset portfolio while maintaining appropriate credit quality, liquidity, and capital. Management will balance expense reduction with growth opportunities and maintaining our exceptional client service standards.

¹International Monetary Fund World Economic Outlook (January 2023)

²BMO Provincial Economic Outlook (February 2023)

³Bank of Canada Monetary Policy Report (January 2023)

⁴Real Estate Board Greater Vancouver (December 2022)

⁵British Columbia Real Estate Association Housing Forecast Update (February 2023)

2022 Performance Highlights

Despite the challenging operating environment, BlueShore delivered healthy results in 2022. We remained committed to our clients and staff, providing premium service and expert financial advice to help our clients achieve financial wellness. Net operating income decreased to \$19.3 million (2021, \$42.0 million), primarily due to the unfavourable impact of rising rates on net interest income and our provision for credit losses. Return on retained earnings was 7.3% (2021, 17.8%). These results are in line with a return to pre-pandemic levels of profitability following an unusually favourable operating environment in 2020 and 2021, as the Bank of Canada reduced its overnight rate sharply by 150 bps to 25bps in 2020 and held it at that level through to the end of 2021 (average net operating income from 2015 to 2019, \$18.3 million; average return on retained earnings from 2015 to 2019, 11.5%).

Net Interest Income

Net interest income (in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Interest income				
Interest from loans and advances to members				
Residential and personal interest income	84,372	75,097	9,275	12.4%
Commercial and leasing interest income	73,668	66,611	7,057	10.6%
Investment Interest Income	8,104	2,789	5,315	190.5%
Net interest income and gains				
on derivative financial instruments	-	7,879	(7,879)	(100.0%)
Other interest income	723	1,431	(709)	(49.5%)
	166,867	153,807	13,060	8.5%
Interest expense				
Interest on members' deposits	72,916	48,863	24,053	49.2%
Interest on borrowed funds	9,840	5,347	4,493	84.0%
Net interest expenses and losses				
on derivative financial instruments	683	-	683	N/A
Deposit agent commissions	45	779	(734)	(94.3%)
	83,484	54,989	28,495	51.8%
Net interest income	83,383	98,818	(15,435)	(15.6%)
	2022	2021		Change (%)
Average loan yield (%)	3.54%	3.33%		0.21%
Average deposit cost (%)	1.58%	1.12%		0.46%
Net interest income (%)	1.60%	2.00%		(0.40%)

Net interest income, defined as interest and investment income earned on assets less interest expense on deposits and borrowings, decreased \$15.4 million or 15.6%, to \$83.4 million from \$98.8 million.

Interest rates rose steeply in 2022 as the Bank of Canada tightened monetary policy and increased the overnight rate by 400bps. The rising rate environment created significant margin compression, as interest expense from deposits and borrowings increased more than interest income from loans and investments. The shorter duration of our deposits relative to our loans resulted in average deposit costs increasing by 46bps, compared to a 21bps increase in average loan yields. As a result, net interest income decreased by 40bps.

Fee, Commission and Other Income

Fee and commission income and other income (in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Fee and commission income				
Account services fees	3,713	3,140	573	18.2%
Commission	12,332	11,913	419	3.5%
Lending charges	5,188	8,726	(3,538)	(40.5%)
	21,233	23,779	(2,546)	(10.7%)
Other income:				
Other member and miscellaneous income	779	691	88	12.7%
	779	691	88	12.7%
Total fee, commission and other income	22,012	24,470	(2,458)	(10.0%)

BlueShore's total fee, commission and other income decreased \$2.5 million or 10.0% to \$22.0 million in 2022.

Fee and commission income decreased \$2.5 million or 10.7% in 2022. The rising rate environment coupled with the slowdown in the Greater Vancouver housing market resulted in a \$3.5 million or 40.5% reduction in lending charges. This was partially offset by a \$0.6 million or 18.2% increase in account service fees and a \$0.4 million or 3.5% increase in commission income from strong investment net asset and insurance sales.

Non-Interest Expenses

Non interest expenses (in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Salary and employee benefits				
Salaries, commissions, and bonuses	44,566	43,536	1,030	2.4%
Benefits	4,264	3,879	385	9.9%
Pension costs	3,907	3,990	(83)	(2.1%)
	52,737	51,405	1,332	2.6%
General and administrative expenses	23,299	22,822	477	2.1%
Building and occupancy				
Amortization	6,268	6,919	(651)	(9.4%)
Occupancy	3,277	2,885	392	13.6%
	9,545	9,804	(259)	(2.6%)
Non interest expenses	85,581	84,031	1,550	1.8%
	2022	2021		Change (%)
Operating efficiency	81.2%	68.2%		13.0%

Non-interest expenses grew \$1.6 million or 1.8% to \$85.6 million in 2022.

Salaries and benefit expenses increased \$1.3 million or 2.6% as we continued our commitment to delivering exceptional client service by increasing our investment in our employees. This included increasing staffing levels to 405 employees in 2022. Higher commission expenses reflect the growth in our Wealth Management business.

General and administrative expenses increased slightly by \$0.5 million or 2.1% as BlueShore continued to invest in technology to enhance our digital client experience and to meet the ambitious targets in our long-term strategic plan. This will continue to be a key area of investment in the future as we enhance our high-tech, high-touch approach.

Operating efficiency increased to 81.2% in 2022, compared to 68.2% in 2021. Operating efficiency measures how much BlueShore spends in order to earn income. Specifically, it calculates non-interest expenses as a percentage of total income (excluding provision for credit losses). This decrease in operating efficiency is primarily due to the decrease in our interest income described above. Management will continue to focus on balancing careful expense management with our commitment to delivering exceptional service and our ability to deliver on our long-term strategy.

Note 11 of the consolidated financial statements provides a complete analysis of our capital expenditures and dispositions.

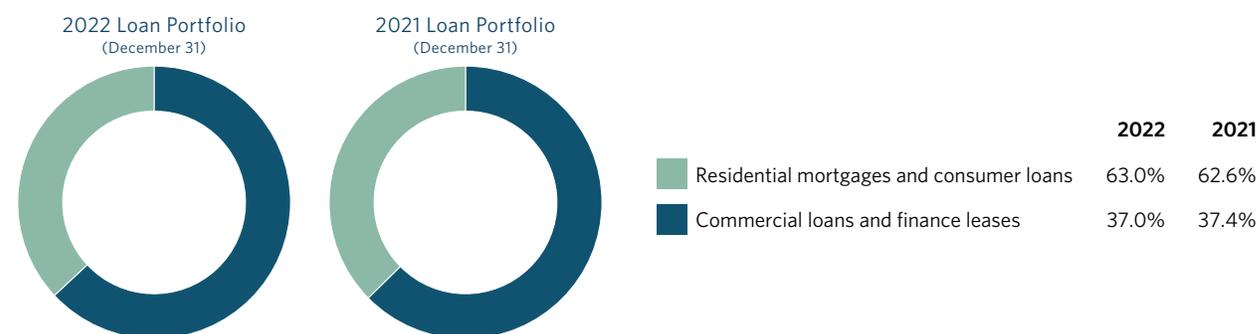
Loan Portfolio

Loan Portfolio

(in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Residential mortgages and consumer loans	2,874,001	2,765,093	108,908	3.9%
Commercial loans and finance leases	1,684,977	1,649,741	35,236	2.1%
Total loans*	4,558,978	4,414,834	144,144	3.3%

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

BlueShore's loan portfolio increased by \$144.1 million to \$4.56 billion, up from \$4.41 billion at the end of 2021. Despite the slowdown in the Greater Vancouver real estate market, we supported our clients in their personal and business goals and delivered growth across our portfolio.



Residential mortgages and consumer loans comprise 63.0% of BlueShore's loan portfolio, up from 62.6% in 2021, reflecting faster relative growth in this category. Residential mortgages and consumer loans increased by \$108.9 million or 3.9% to \$2.87 billion in 2022. Commercial loans and leases make up the remaining 37.0% of our loan portfolio, down slightly from 37.4% in 2021. Commercial loans and leases grew \$35.2 million or 2.1% in 2022 to \$1.68 billion, up from \$1.65 billion at the end of 2021.

Credit Quality / Allowance for Credit Losses

Credit Performance

(in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Total loans	4,558,978	4,414,834	144,144	3.3%
Provision for (recovery of) credit losses	539	(2,725)	3,264	(119.8%)
Net write-offs	58	58	-	0.0%
Total allowance for credit losses	11,965	11,484	481	4.2%

	2022	2021	Change (%)
Provision for (recovery of) credit losses as % of average loans	0.01%	(0.06%)	0.07%
Net write-offs as % of total loans	0.00%	0.00%	(0.00%)
Total allowance for credit losses as % of total loans	0.26%	0.26%	0.00%

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

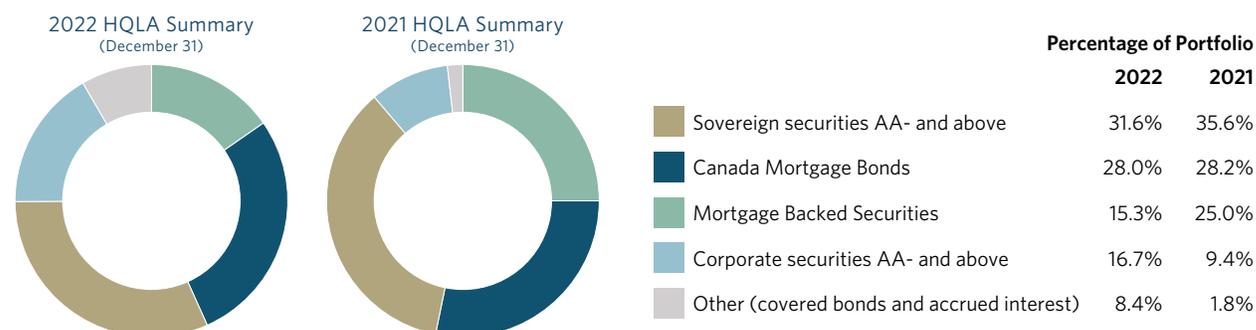
Despite a deteriorating economic and credit outlook, we ended the year with our allowance for credit losses at 0.26% which is close to historical norms. The unfavourable impact of rising interest rates on macroeconomic forecasts and expected delinquencies on our expected credit loss model was offset by favourable changes in our credit portfolio.

Reflecting the growth in our loan portfolio, our allowance for credit losses increased \$0.5 million or 4.2% to \$12.0 million. Net write-offs remained low at \$0.1 million. The allowance for credit losses is adequate based on our analysis of the loan portfolio as of December 31, 2022. Note 9 of the consolidated financial statements provides a complete analysis of our allowance for credit losses.

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 operating liquidity of 14.6% at the end of 2022 remains healthy and is comfortably above the statutory requirement. Additionally, BlueShore maintains significant contingent liquidity in the form of available borrowing facilities. For additional details, see Note 15 to the consolidated financial statements.

BlueShore maintains its statutory liquidity requirement by investing directly in marketable securities that qualify as high-quality liquid assets (HQLA). The HQLA are 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)	2022	2021	Change (\$)	Change (%)
Regulatory capital				
Total primary capital	319,996	303,967	16,029	5.3%
Total secondary capital	73,289	73,451	(162)	(0.2%)
Deductions from capital	(7,670)	(7,320)	(350)	4.8%
Capital base	385,615	370,098	15,517	4.2%
Total risk weighted assets	2,739,503	2,708,960	30,543	1.1%
	2022	2021		Change (%)
Capital adequacy ratio	14.1%	13.7%		0.4%

As of December 31, 2022, BlueShore had a strong capital adequacy ratio of 14.1%, up from 13.7% in 2021. 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 BCFSAs prescribed rules relating to on and off-balance sheet exposures to weighted assets according relative risk.

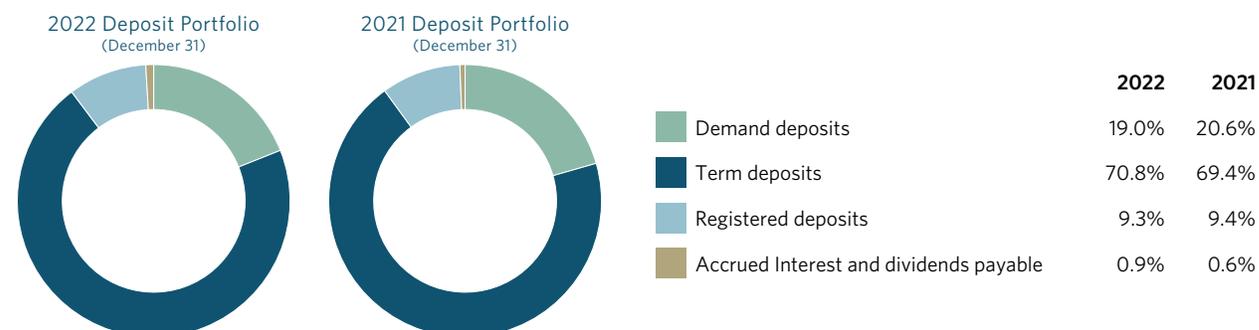
Primary capital is comprised of the more permanent components of capital and consists primarily of retained earnings and equity shares. Secondary capital consists primarily of subordinated debt and system retained earnings. The Credit Union's capital ratio and capital base were in compliance with both the regulatory and supervisory requirements at all times in 2022 and 2021.

BlueShore accreted \$15.5 million or 4.2% to our capital base in 2022. Primary capital growth of \$16.0 million consisted primarily of retained earnings growth from profitable operations as well as equity share growth from net sales and dividend reinvestments. Risk weighted assets increased \$30.5 million, due to growth in liquidity & other investments as well as our steady commercial loan growth. The increase in our capital ratio reflects faster growth in our capital base than our risk weighted assets.

Member Deposits

Member Deposits (in thousands of dollars)	2022	2021	Change (\$)	Change (%)
Demand deposits	881,551	941,478	(59,927)	(6.4%)
Term deposits	3,291,229	3,178,586	112,643	3.5%
Registered deposits	433,969	431,367	2,602	0.6%
Accrued Interest and dividends payable	43,229	28,086	15,143	53.9%
Member Deposits	4,649,978	4,579,517	70,461	1.5%

Deposits totaled \$4.6 billion as of December 31, 2022, an increase of \$70.5 million or 1.5% compared to the prior year. Term deposit growth of \$112.6 million or 3.5% drove the overall growth in deposits, partially offset by demand deposit runoff of \$59.9 million or 6.4%.



The composition of BlueShore's deposit portfolio shifted in 2022 as demand balances, which increased significantly due to the pandemic, began to return to historical averages as consumer spending and term deposit rates increased. Demand deposits comprised 19.0% of our portfolio at the end of 2022, down from 20.6% at the end of 2021, while term deposits increased to 70.8% of our deposit portfolio.

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 our boutique Financial Spa® environment.

Despite the significant challenges presented by rising interest rates, BlueShore and our clients enjoyed a successful year in 2022. We grew our retail lending portfolio by \$108.9 million or 3.9%, maintained health and safety precautions for staff and clients, and continued to provide expert advice and support to help our clients.

We also opened our new Lynn Valley Financial Spa® branch, bringing our premium West Coast design and client experience to the Lynn Valley community. All BlueShore Financial branches create opportunities to provide our five-star client service, have productive in-person financial conversations, create strong relationships, and offer expert solutions to help our clients meet their financial goals.

The results from independent [research](#) conducted by Ipsos show that BlueShore continues to significantly outperform other financial institutions with respect to overall value. 81% of BlueShore clients agreed that "my financial institution improves my financial well-being," compared to 59% at other financial institutions. Our advisors are valued for their recommendations, knowledge, and experience.

BlueShore continued to make service improvements and in early 2023 introduced 2-Step Verification for Online Banking to further increase security. BlueShore remains committed to enhancing our clients' user experience by providing a high-tech, high-touch approach to banking, including the planned launch of a number of innovative digital initiatives in 2023.

Commercial Services Group

BlueShore's Commercial Services Group focuses on supporting the growth, success, and overall financial wellness of our business clients. In 2022, we grew our commercial lending portfolio (excluding leasing) by \$48.6 million or 3.1%, driven primarily by commercial mortgage growth.

BlueShore's Commercial Services Group possesses in-depth knowledge of the local economic and business environment and is able to offer responsive turnaround times, competitive rates and flexible terms designed to meet client needs for commercial, multi-use, and industrial developments. It also offers financing for development and new construction tailored to the needs of owner-occupants, investors, and real estate developers.

In addition, the Commercial Services 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. Client referrals to BlueShore experts are also provided for all personal banking needs, such as wealth management, insurance, and financial planning.

BlueShore Leasing

BlueShore Leasing provides lease financing primarily to businesses in BC. It maintains a portfolio diversified across multiple industries and equipment classes. Industries of primary focus include manufacturing, construction, transportation and warehousing. Leased equipment ranges from industrial trucks and heavy machinery to common property upgrades for post-construction strata facilities. BlueShore Leasing's diverse portfolio mitigates the risk of cyclical industry- or sector-specific downturns.

BlueShore Leasing's portfolio decreased by \$13.3 million or 18.4% to \$59.1 million in 2022 (2021, \$72.4 million) as we focused on selective opportunities within our target area.

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.

2022 was a very difficult year in both equity and bond markets, with the S&P 500 down 18.1% and the Total Bond Index down 13.1%. Despite these challenges, BlueShore's clients continued to trust us to improve their financial well-being, with strong net sales of \$82.5 million from account originations and client asset consolidation. Overall, Assets Under Administration contracted by \$168.0 million or 10.0%, ending the year at \$1.5 billion (2021, \$1.7 billion).

Risk Management

Approach to Risk Management

While our strategy is the primary driver of all activities at BlueShore, we recognize that there are 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 Appetite Framework and Risk Management policy. The Board has established sub-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 2022, commensurate with our growth, the Board formally approved a Risk Committee to provide additional oversight of enterprise risk management. This Committee must satisfy themselves that the risk management processes designed and implemented by Management are acceptable and aligned with BlueShore's strategy and the Board's approved risk appetite and governance frameworks. It has direct oversight of the Chief Risk Officer and utilizes the tools and reporting provided by Management to independently determine the adequacy of Management's actions to manage risk.

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. In carrying out this responsibility, Management 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. MRC is responsible for overseeing a consolidated, enterprise-wide view of BlueShore's risks, regardless of how these risks may be managed on an individual or departmental level.

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 and 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 appropriately identified, assessed and managed via 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.

The Credit Union's 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 structure, size, complexity, business model, vision, core purpose, capital capacity, and competitive marketplace. Therefore, defining our risk appetite requires appropriately balancing risk and rewards.

We 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 Business and Functional Department Accountabilities	Second Line of Defence Risk Management Team Accountabilities	Third Line of Defence Internal Audit Accountabilities
<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

2022 Risk Highlights

BlueShore enhanced its risk management framework in 2022 to improve the risk management capabilities expected of a financial institution of its size and complexity.

Key highlights include:

Appointment of a Chief Risk Officer (CRO)

BlueShore appointed a CRO in 2022 to oversee enterprise-wide risk management. The CRO is accountable jointly to the Risk Committee and the CEO.

Formal Approval of the Risk Committee

BlueShore’s Risk Committee, which was formed in 2021, was formally approved in 2022. It now oversees risk management for BlueShore under a formal mandate from the Board.

Strengthened the Risk Management Second Line of Defence

BlueShore undertook a wide variety of initiatives to strengthen the second line of defence. Notable highlights include:

- Added resources to deliver risk management improvements
- Implemented a new key control monitoring process
- Designed Key Risk Indicators for all key risk categories in our Risk Appetite Framework
- Modernized the Risk Appetite Framework and Risk Management Policy
- Continued to enhance our practices to manage Anti-Money Laundering, Anti-Terrorist Financing and Sanctions

Market Conduct Code adopted

At BlueShore Financial, we are committed to providing the highest quality service to our clients at all times and fair treatment of everyone who uses BlueShore's products and services. To support this commitment, we implemented to our BlueShore Market Conduct Code which recognizes best practice principles we pledge to follow for soliciting, promoting, advertising, marketing, selling or distributing our products or services.

Tackling climate risk

BlueShore recognizes the importance of addressing climate change, and is committed to building resilience and managing climate-related risks. To support our clients, our community, and BlueShore's future, we launched a new internal initiative to develop the foundations of our climate risk governance program.

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 4 of the consolidated financial statements for additional discussion of Management's use of estimates and judgements.

Item	Further Relevant Information	
	Consolidated Financial Statements	Management Discussion & Analysis
Allowance for credit losses	Note 9	Credit Quality / Allowance for Credit Losses
Fair value of financial instruments	Note 5(g)	
Securizations and derecognition of transferred financial instruments	Note 16	
Retirement benefit liability	Note 18	
Income taxes	Note 24	

Future Changes to Accounting Policies

There are no standards issued by the International Accounting Standards Board (IASB) effective for annual periods beginning after January 1, 2023 that are expected to materially impact BlueShore's future financial statements.

Executive Leadership

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 in 2000, he has led a successful rebranding, technological innovation and strong organic growth, including a fourteen-fold increase in Assets Under Administration.

Chris has broad experience in leading and developing financial institutions through an emphasis on engaged employees and premium client service 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 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.

Armita Alikhani, Chief Marketing and Strategy Officer (CMSO)

Armita has strategic and operational oversight of brand stewardship, research, strategic planning, products and partnerships, employee and corporate communications, community impact, and ESG strategy. She is focused on driving BlueShore's core purpose of passionately improving our clients' financial well-being in an interconnected digital world, and on promoting BlueShore's exceptional client experience and deep financial expertise. Armita works with the CEO to lead strategy development and oversees the success of enterprise wide projects.

Armita has over 20 years of experience in a variety of industries including financial services and technology. Throughout her career, she has led numerous strategic marketing and corporate initiatives for organizations such as Aviso Wealth, Microsoft Canada, Avaya, and FINCAD, in house and on the agency front.

She holds a BA in Communications and Political Science from Simon Fraser University, and is completing her MBA from the Edinburgh Business School. Armita is deeply committed to community giving and has contributed to a number of organizations serving as a Board member for Dress for Success Vancouver and the SFU Alumni Association.

Deborah Best, Chief Human Resources Officer (CHRO)

With more than 25 years of Human Resources experience across a wide scope of business lines within financial services, Deb oversees the strategic planning and execution of all facets of Human Resources at BlueShore including culture, recruitment, talent management, employee advisory services, compensation, benefits, rewards, learning and leadership development. She is responsible for ensuring a high-performing, engaged and inclusive corporate culture to help move BlueShore's business and people practices forward.

Deb is known for her innovative change leadership, and is a strong advocate for inclusion and diversity aligned to Corporate Social Responsibility principles. Along with her BA in Psychology (University of Manitoba), Deb holds the designation of Chartered Professional in Human Resources (CPHR), Certified Compensation Specialist (CCP), Global Remuneration Professional (GRP) and is presently pursuing a Masters of Science in Management (iMSM) with the Geis School of Business at the University of Illinois Urbana-Champaign. She has been awarded the HR Professional of the Year and is deeply committed to community giving through volunteerism.

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, Governance and Group Businesses (Commercial Services, Broker Services, BlueShore Capital Corp. and Credit). He has over 25 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.

Ezekiel Chhoa, Chief Risk Officer (CRO)

Ezekiel oversees enterprise-wide strategic management of risk. As a member of the Executive Leadership Team, he works with his peers to set the overall strategic tone while leading an independent, stand-alone risk management function.

Ezekiel has 20 years of experience in the financial services industry. Prior to joining BlueShore, he held a variety of senior roles at HSBC Bank. In 2008, he moved to Geneva to lead a global cybersecurity team for HSBC Private Bank. Ezekiel returned to Canada in 2010 to roll out an enterprise risk management program, and later was instrumental in implementing a vast financial crime and regulatory compliance change program for HSBC Bank Canada. His expertise was called upon to provide feedback to OSFI as the regulator was contemplating financial crime best practices, and he has worked on a number of OSFI regulatory exams. In addition to OSFI, his career has led him to work with a number of regulators including FINMA in Switzerland, the OCC and DOJ in the US, and most recently the BCFSa in Canada. Ezekiel believes in the good of social impact and has served on the Boards of community organizations. He holds a Bachelor of Business Administration from Simon Fraser University and a Master's degree from the University of Manchester.

Fred Cook, Chief Information Officer (CIO)

With over 25 years of senior management 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 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 has been appointed by the Central 1 Board to serve on the C1 Technology Committee and 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.

Lori Howe, Interim Chief Human Resources Officer (retired September 30, 2022)

With more than 20 years of Human Resources experience across diverse industries, Lori oversaw 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 was 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 had 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 graduate of the BlueShore / UBC Sauder School of Business Executive Leadership Development Program.

Reg Marrinier, Chief Retail and Business Officer (retired December 30, 2022)

Reg oversaw BlueShore's branches, Solution Centre operations, Marketing, Business Group and Wealth Management. With over 20 years of experience in the financial industry, Reg was 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 was frequently called on by the industry to share the client value proposition, and offer evolution and strategic execution successes at BlueShore.

Reg's 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

Guided by our Purpose to create financial well-being in a digitally connected world, our approach to total rewards, including executive compensation, is based on five guiding principles:

1. Sustainable and defensible design;
2. Aligned with BlueShore's core purpose, values, strategic objectives and broader societal impacts;
3. Competitive to attract and retain exceptional talent to serve BlueShore's interests;
4. Motivating toward a high-performance culture; and
5. Flexible to reflect the diverse needs of employees, and evolving business environment.

These principles are applied across the BlueShore Financial total reward package, comprised of cash compensation including base pay plus short and long-term incentives; and other benefits such as health and wellness plans, perquisites, retirement income, time off and work-life programs.

BlueShore Financial's package is designed to:

- Attract and retain executive talent with the capabilities, experience and aligned values, critical to leading our differentiated strategy;
- Reward achievements through pay-for-performance, recognizing both near-term and long-term exceptional results on behalf of BlueShore Financial's members;
- Reflect sound risk management principles such that there is an appropriate balance of business risk and reward aligned with member interests, foundationally abiding by code of conduct and risk management practices; and
- Facilitate transparency between plans, action and outcomes throughout the year.

Industry Positioning and Comparator Groups

Market comparator groups are drawn from selected Canadian financial services organizations that together represent a marketplace where BlueShore Financial would potentially compete for talent. These organizations are primarily credit unions and banks, with relevant adjustments for size of the organization and scope of the respective executive roles. The sources of the market data include Central 1 and Korn Ferry, supplemented by specific consulting engagements or sources, as needed.

BlueShore Financial benchmarks total cash compensation at the median of the market, recognizing that there are differences in compensation practices and structures between credit unions and the publicly-traded financial services organizations. BlueShore's specific position relative to each comparator group will vary.

Chief Executive Officer Performance

Pay-for-performance is a key element of BlueShore Financial's 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.

CEO and executive compensation is overseen by the Human Resources & Compensation Committee (HRCC) of the Board. The HRCC brings compensation matters to the full Board for information or approval as appropriate, and retains independent compensation expertise to provide advice on the elements, structure and amount of CEO compensation. 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 \$456,612 for 2022.
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 2022 performance, the CEO's STI was \$196,347, which represents 43% 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. The LTI program is a rolling three-year plan. Every year, specific measures and targets are established for each of the next three years. The payout reflects the CEO's performance over the previous three years. The CEO's LTI payout for 2022—reflecting his performance in 2020, 2021 and 2022, was \$398,502, which represents 87% 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 benefits 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 earnings (current year base salary plus prior year STI, which is received in the current year) contributed to his pension each year. 2022 SERP contribution earned for 2022 was \$98,490.</p> <p>The CEO also has a Defined Benefit Individual Pension Program (IPP). The CEO is personally responsible for funding the contributions related to his past service. The contribution for current service is funded through a transfer of funds from his 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, a 24-month severance package (including salary, bonus and benefits) is owed to him.

Summary Compensation Table - CEO

The following table presents target total cash compensation for BlueShore's CEO for 2022 at target levels of performance.

2022 Target CEO Total Cash Compensation

Base Salary	STI	LTI	Target Total Cash
\$456,612	\$205,475	\$251,137	\$913,224

The following table presents actual total cash compensation for BlueShore's CEO for actual 2022 performance. LTI compensation is above target, because the CEO exceeded objectives set by the Board.

2022 Actual CEO Total Cash Compensation

Base Salary	STI	LTI	Total Cash
\$456,612	\$196,347	\$398,502	\$1,051,461

CEO Performance in 2022

Chris Catliff has consistently met or exceeded objectives, and continues to demonstrate the fulfillment of his vision through BlueShore's success.

In 2022, he led a team that achieved healthy results, including a 7.3% Return on Retained Earnings and organic growth of 1.3% in Assets Under Administration, to \$6.9 billion. BlueShore enjoyed strong funding growth in 2022 alongside investment net sales.

While leading the organization to inclusively embrace flexible and hybrid work, both of which are key competencies in a digitally agile environment, Chris continued to focus on our strategic initiatives with a focus on our clients, our digital transformation, and ensuring employees and leaders sustain a thriving organization for the long term.

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, 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, risk management, 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 is a Defined Contribution (DC) plan in which 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%.

Report of the Independent Auditors on the Summarized Consolidated Financial Statements

To the members of BlueShore Financial Credit Union

Opinion

The summarized consolidated financial statements of BlueShore Financial Credit Union (the Credit Union), which comprise:

- the summarized consolidated statement of financial position as at December 31, 2022
- the summarized consolidated statement of income and retained earnings for the year then ended
- and related note

are derived from the audited consolidated financial statements of BlueShore Financial Credit Union as at and for the year ended December 31, 2022.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Summarized consolidated financial statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading summarized consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditor's report thereon.

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's responsibility for the summarized consolidated financial statements

Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

*Chartered Professional Accountants
Vancouver, Canada
February 16, 2023*

Financial Results

Summarized Consolidated Statement of Financial Position as at December 31, 2022 (in \$'000's)

	2022		2021	
ASSETS				
Cash and Cash Equivalents		260,964		118,052
Investments		480,769		418,202
Derivatives and Other Financial Assets		5,775		13,609
Loans		4,556,825		4,411,935
Premises and Equipment		65,503		61,202
Intangible Assets		7,670		7,320
Other Assets		8,335		7,686
Income Tax		14,972		3,261
		\$5,400,813		\$5,041,267
LIABILITIES AND MEMBERS' EQUITY				
Members' Accounts:				
Demand Deposits	881,551		941,478	
Term Deposits	3,291,229		3,178,586	
Registered Deposits	433,969		431,367	
Accrued Interest	43,229	4,649,978	28,086	4,579,517
Borrowings and Debt Liabilities		408,833		117,487
Other Liabilities		56,818		40,322
Membership Shares		1,245		1,360
Members' Equity:				
Equity Shares	52,411		50,746	
Retained Earnings	268,798	321,209	252,171	302,917
Accumulated Other Comprehensive Income (Loss)		(37,270)		(336)
		\$5,400,813		\$5,041,267
Total Assets under Administration		\$6,977,965		\$6,889,205

Summarized Consolidated Statement of Income and Retained Earnings for the year ended December 31, 2022 (in \$'000's)

	2022		2021	
Interest Income		166,867		153,807
Interest Expense		83,484		54,989
Net Interest Income		83,383		98,818
Provision for (Recovery of) Credit Losses		539		(2,725)
Fee, Commission and Other Income		22,012		24,470
		104,856		126,013
Non-interest Expenses		85,581		84,031
Net Operating Income		19,275		41,982
Community Investment		192		420
Income Tax Expense		482		7,006
Net Income		18,601		34,556
Retained Earnings - Beginning of Year		252,171		219,129
Dividends on Equity Shares - Net of Tax		(1,974)		(1,514)
Retained Earnings - End of Year		\$268,798		\$252,171

Peter Leitch, Chair

Rod Dewar, Audit Committee Chair

Note 1 - Message to Members

The accompanying summarized consolidated financial statements have been prepared, in accordance with Section 128 (4) of the Financial Institutions Act, from the consolidated statement of financial position of BlueShore Financial Credit Union as at December 31, 2022, and the consolidated statements of income, comprehensive income (loss) and changes in members' equity for the year then ended. Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures necessary for a complete presentation. Complete audited consolidated financial statements for the year ended December 31, 2022, together with the auditors' report thereon, are available from the Credit Union and will be presented at the Annual General Meeting of members on April 20, 2023.

Copies of the complete audited consolidated financial statements are also available at all BlueShore Financial locations or online at blueshorefinancial.com.



BlueShore Financial is committed to excellence in corporate governance.

Governance Report

BlueShore Financial is governed by a nine-person Board of Directors. These Directors possess a targeted mix of skills, experience and competencies, which is reviewed annually and assessed for any gaps. Their combined expertise guides BlueShore's strategic success.

Governance principles and responsibilities

The Board continually reviews its corporate governance practices to ensure they reflect the highest level of oversight, independence and accountability our members and stakeholders expect and deserve. BlueShore Financial meets or exceeds the principles and standards set out in the BC Financial Services Authority (formerly Financial Institutions Commission) Governance Guideline, which ensures strong governance and risk management practices.

The primary responsibilities of the Board are to:

- Approve and monitor BlueShore's adherence to its risk appetite and policies
- Approve and monitor BlueShore's strategic plan and performance
- Ensure BlueShore's risk governance framework is comprehensive, adequately resourced, forward looking, strategic, effective, diligently monitored and communicated
- Assemble an effective management team. This includes selecting a CEO, monitoring the CEO's performance towards achieving mutually established objectives, and planning for the CEO's succession
- Demonstrate accountability to BlueShore's members and promote disclosure to allow members to engage with BlueShore as owners
- Be proactive in its own recruitment, composition, and performance management

Directors adhere to numerous Board policies, which are reviewed regularly to ensure they reflect current best practices. Directors also review key management policies, such as those pertaining to investment and lending, risk management, and whistleblowing to effectively manage the risk profile and performance of the Credit Union.

Director education

BlueShore Financial places a strong emphasis on Director learning and development. In 2022, Board education sessions were held on the following subjects:

- Client Research
- Risk Maturity Roadmap
- Cybersecurity
- Competitive Barriers
- Business Continuity Planning
- Treasury

Directors are eligible for reimbursement of certain education expenses, in line with the Director Development and Education Policy. In 2022, Directors also pursued individual education opportunities through CUSource®, Watson Inc., Institute of Corporate Directors (ICD), and by attending industry conferences.

Board evaluation

Individual Director learning plans are reviewed annually by each Director with the Board Chair as part of the Board evaluation and effectiveness process. A formal evaluation is conducted annually by a third party, which assesses the performance of the Board overall, including its Committees and the Committee Chairs. In addition, the Board reviews its performance at the end of every Board meeting without Management present.

Board of Directors: Compensation Discussion and Analysis

2022 Board of Directors

Peter Leitch, Chair

Peter is a Senior Advisor to North Shore Studios and Mammoth Studios after serving as President for over twenty years. He also serves on the board of the Motion Picture Production Industry Association of BC after serving as the Chair for the past eighteen years.

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. Peter resides in North Vancouver.

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 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 Treasurer and past Chair of the Whistler Chamber of Commerce and a Director of the Whistler Housing Authority. Diana has volunteered with various community boards including YWCA of Metro Vancouver, Whistler Institute for Learning Society, Basketball BC and served as a trustee of the BC Credit Union Employees' Pension and Benefits Trusts from 2013 to 2015. She holds an honours degree from the Richard Ivey School of Business at the University of Western Ontario. Diana resides in Whistler.

Allan Achtemichuk, Director (Retired April 2022)

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 Institute of Corporate Directors Director designation (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. In addition to serving on the Board of Directors of BlueShore Financial, she 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 Institute of Corporate Directors Director designation (ICD.D).

Lynne is past chair of the Board of Directors of Actsafe Safety Association, a worker health and safety organization for the production of motion picture, television, live events and performing arts in British Columbia. In recent years, Lynne has also 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.

Lynne received the 2018 Canadian Corporate Counsel Association (CCCA) Innovation Award for creation of value in a law department, the 2013 Lexpert Zenith Award recognizing her as one of an elite group of "Women Leaders in the Legal Profession" in Canada and a 2008 Lexpert designation as a "Rising Star - Leading Lawyer Under 40". Lynne resides in North Vancouver.

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 Institute of Corporate Directors Director designation (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.

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 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.

Cybele Negris, Director

Cybele Negris is a successful entrepreneur and CEO & Co-Founder of Webnames.ca, Canada's original .CA registrar. Cybele holds the Institute of Corporate Directors Director designation (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 Chair of the Departmental Audit Committee for Agriculture and Agri-Foods Canada.

Cybele has earned many recognitions for her work and contributions including Hall of Fame of 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

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 a Founder and the CEO of Otter, a financial services platform for self-employed professionals and independent business owners, 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 Mathematics and Finance from Simon Fraser University and has earned the Chartered Financial Analyst (CFA) designation. Kevin resides in West Vancouver.

Chris Tham, Director

Chris is a seasoned finance executive and has held several leadership positions at organizations in the consumer and hospitality space. Today, Chris is Chief Financial Officer at Arc'teryx, a global leader in the design of high-performance outdoor gear where he leads the Finance and Strategy functions.

Chris was previously the Chief Financial Officer of Bailey Nelson, a multi-national direct-to-consumer eye care brand which he helped scale to over 90 stores.

Prior to that, Chris spent nine years at lululemon, holding a variety of leadership positions including International CFO where he led lululemon's Asia Pacific and EMEA financial operations and SVP Finance, where he led the financial planning, investor relations and indirect procurement functions. Chris has also held senior finance roles at Intrawest, the former owner of Whistler Blackcomb which he helped take private in 2006.

A born and raised Vancouverite, Chris obtained his Bachelor of Commerce from UBC Sauder School of Business and is a Chartered Professional Accountant. He is also a proud advocate of supporting the community and serves as Board Director and Treasurer of Madrona School Society, an independent school focused on developing and nurturing gifted children to help them reach their full potential. Chris 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 Institute of Corporate Directors Director designation (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 2022, both Rod Dewar and Cybele Negrís had a Director Interlock in common, as both were Board 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, the Board of Directors elected to defer their regularly scheduled review of the Director Remuneration Policy, due to the ongoing uncertainty caused by the global pandemic. In 2022, in recognition of increased workloads and the addition of a new Committee, Director Honorariums were increased in line with the 12-month average CPI in 2021 of 2.8% according to Government data. 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 BlueShore Financial Annual Report.

Annual Honorariums

RESPONSIBILITY	HONORARIUM ¹	HONORARIUM ²
All Directors	\$ 30,693.64 per annum	\$ 31,244.66 per annum
Board Chair	\$ 24,739.60 per annum	\$ 25,432.31 per annum
Board Vice-Chair	\$ 6,187.44 per annum	\$ 6,360.69 per annum
Audit Chair	\$ 6,187.44 per annum	\$ 6,360.69 per annum
HR & Compensation Chair	\$ 4,505.96 per annum	\$ 6,360.69 per annum
Investment & Loan Chair	\$ 4,505.96 per annum	\$ 6,360.69 per annum
Governance & Conduct Review Chair	\$ 4,505.96 per annum	\$ 4,632.13 per annum
Nominations & Election Chair	\$ 4,505.96 per annum	\$ 4,632.13 per annum
Risk Chair	N/A	\$ 4,632.13 per annum
Committee Member	\$ 1,976.12 per annum	\$ 2,031.45 per annum

¹ Annual honorariums, in effect January 1 – April 31, 2022, which are cumulative and include meeting fees

² Annual honorariums, in effect May 1 – December 31, 2022, which are cumulative and include meeting fees

2022 Board of Directors Attendance and Remuneration

2022 DIRECTORS

	Peter Leitch Chair	Diana Chan Vice Chair	Allan Achtemichuk (Retired April 2022)	Lynne Charbonneau	Rod Dewar	Julie McGill	Cybele Negriz	Kevin Sandhu	Chris Thaim (Elected April 2022)	Victoria Withers
CURRENT TERM EXPIRES	2024	2024	2022	2023	2023	2025	2024	2023	2025	2025
DIRECTOR SINCE	2011	2018	2010	2019	2017	2016	2021	2021	2022	2013
MEETING ATTENDANCE										
Board Meetings	8 of 8	8 of 8	2 of 8	8 of 8	7 of 8	8 of 8	8 of 8	7 of 8	6 of 8	7 of 8
Committee Meetings	8 of 8	19 of 19	7 of 7	19 of 19	13 of 15	14 of 14	11 of 11	9 of 9	6 of 6	16 of 16
COMMITTEES (JAN - APR)										
Audit		✓ Chair	✓		✓					✓
HR & Compensation	✓		✓	✓ Chair		✓				
Investment & Loan		✓				✓ Chair		✓		✓
Governance & Conduct Review				✓	✓ Chair		✓	✓		
Interim Risk ¹	✓	✓ Chair	✓	✓						
Nominations & Election			✓ Chair	✓			✓			
COMMITTEES (MAY - DEC)										
Audit		✓			✓ Chair		✓		✓	
HR & Compensation		✓		✓ Chair		✓		✓		
Investment & Loan				✓	✓	✓ Chair			✓	
Governance & Conduct Review	✓						✓ Chair	✓		✓
Risk ²		✓ Chair		✓	✓					✓
Nominations & Election						✓	✓			✓ Chair
RENUMERATION AND EXPENSES ^{3,4}										
Director Compensation ⁵	60,271	54,383	14,515	46,912	43,165	45,965	40,528	36,043	25,276	40,528
Education Expenses ⁶	83	8,212	-	-	-	1,412	-	-	1,245	100
Miscellaneous Expenses ⁷	205	320	-	-	3,036	178	96	25	59	338

¹ The Interim Risk Committee ran from January to April, 2022.

² The formal Risk Committee was inaugurated following the 2022 AGM

³ Directors residing outside of BlueShore's trading areas are eligible for reimbursement of travel and accommodation expenses

⁴ 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

⁵ 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 2022, Interim Risk Committee members, including the Chair, were compensated for their meeting attendance via per diems, in addition HRCC members were compensated for additional Committee meetings. Per diems for the year were set as follows: up to two hours - \$170; up to four hours - \$345; over four hours - \$560

⁶ Education expenses include conference attendance and associated costs

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

