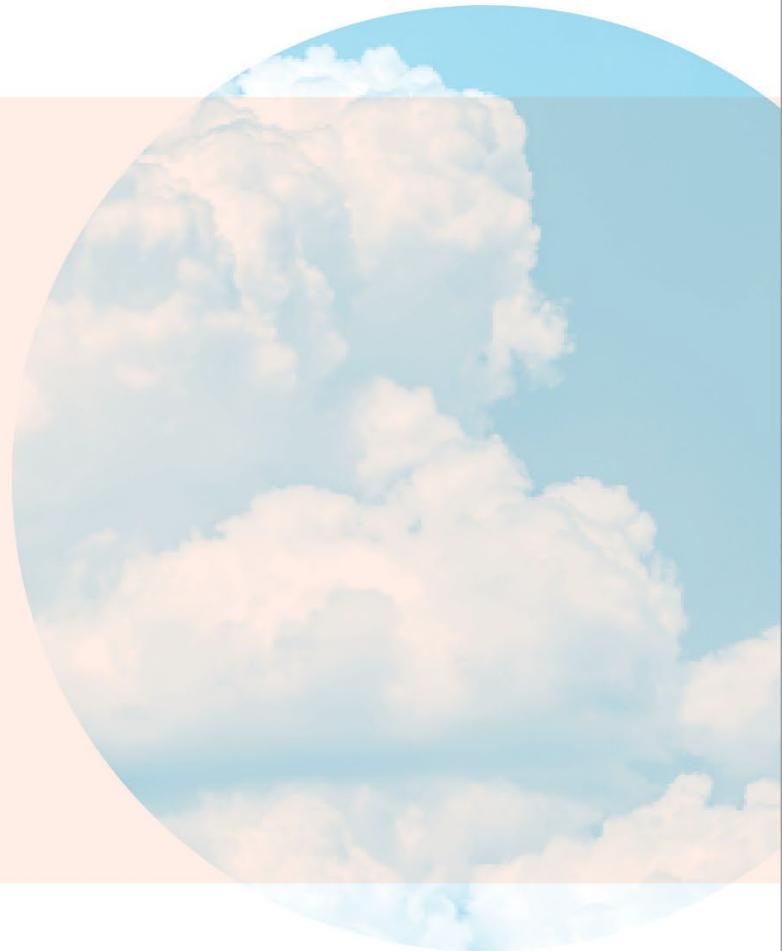




2021 Management Discussion and Analysis Report

GULF AND FRASER FISHERMEN'S CREDIT UNION
YEAR ENDED DECEMBER 31, 2021



Management Discussion and Analysis Report

Introduction

Gulf and Fraser Fishermen's Credit Union, operating as G&F Financial Group ("G&F" or "the credit union") is a BC based credit union serving members in the Lower Mainland for over 80 years offering a full range of products and services including personal and business banking, wealth management and retail and commercial lending solutions. With the merger of G&F and Aldergrove Credit Union ("ACU") the credit union now extends to the Fraser Valley and serves over 56 thousand members and administers over \$4.82 billion in assets under administration through a network of 24 branches, four insurance offices, a locally based Member Hub, online, mobile, and telephone banking channels as well as a mobile team of experts who meet with members at their convenience.

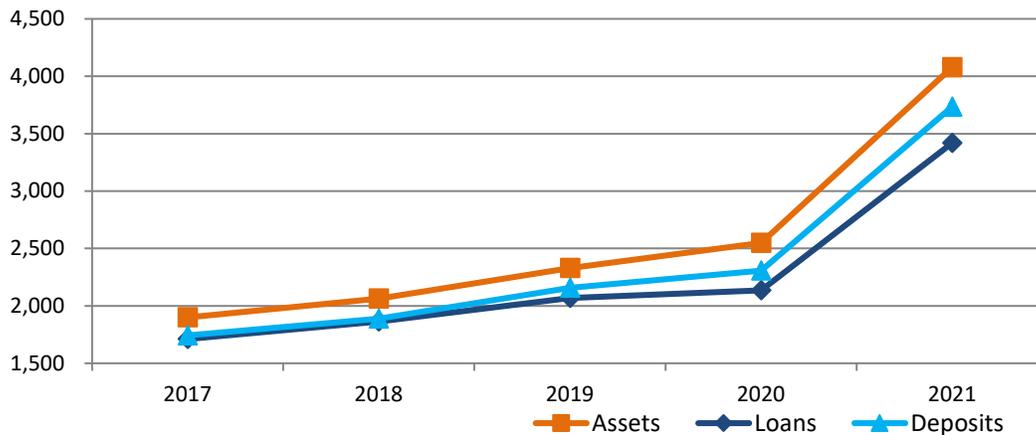
The merger with ACU was accounted for using the acquisition method under IFRS 3 Business Combinations, with G&F acquiring 100% of the net assets of ACU forming a single credit union under G&F. Included in the acquisition was ACU's wholly-owned subsidiary, Aldergrove Financial Services Ltd. On the merger date of August 1, 2021, the fair values of the assets and liabilities of ACU were determined with net assets acquired of \$70.3 million which comprise the balance of contributed surplus on the consolidated statement of financial position as at December 31, 2021. The results for the year ended December 31, 2021 include the results for the combined credit union after the merger date.

This Management Discussion and Analysis provides an overview of the credit union's financial and operating performance. It is intended to complement our audited consolidated financial statements and should be read in conjunction with those financial statements. The discussion may contain forward looking statements concerning G&F's activities and strategies. Readers are cautioned that such statements may involve risk and uncertainties with respect to the economic, legislative, regulatory and competitive environments, which could cause actual results to differ from the forward-looking statements in this report.

Highlights

G&F achieved exemplary results in 2021 while navigating uncertainties of the COVID-19 pandemic and economic environment. In addition, the merger with ACU increased the credit union's financial strength with combined resources and scale to better serve our members and invest in our future. Assets increased by \$1.53 billion or 60.1% (including organic growth of \$435.2 million or 17.1%) to \$4.08 billion while our membership reached 56,683 as we welcomed 21,104 net new members into our network. Loans increased by \$1.29 billion or 60.2% (including organic growth of \$446.4 million, or 20.9%), while deposits grew by \$1.43 billion or 61.9% (including organic growth of \$408.6 million, or 17.7%). In addition, wealth management assets under administration grew by \$292.0 million, or 99.8% (including organic growth of \$101.9 million, or 34.8%) to \$584.5 million.

Assets, Loans and Deposits (in \$millions)



Earnings from operations in 2021 was a record high at \$26.3 million, an increase of 57.8% over 2020, as a result of higher operating margin (net interest income and other income) due to the merger with ACU and organic growth in our loan, deposit and wealth management portfolios. Operating expenses also increased by 48.6% year over year with the combined organization and related merger/integration costs and the opening of two new branches during the year (Fraser St. Branch and Willoughby Community Branch).

Total comprehensive income for 2021 was \$17.6 million reflecting a 12.8% growth in members' equity. G&F was proud to be able to share this success with the local communities we serve by distributing \$968 thousand through the credit union and the G&F Financial Group Foundation. The Board of Directors approved a dividend return of 3.0% on member equity shares and 4.5% on investment equity shares. G&F remains well capitalized with a capital adequacy ratio of 15.42% at the end of 2021, well above the 8.0% regulatory requirement.

2021 Financial Performance

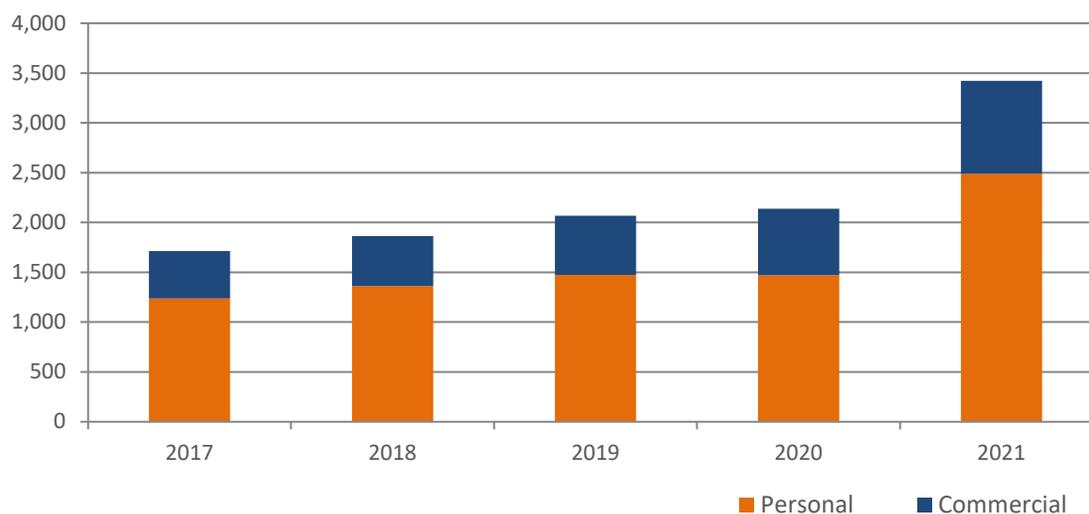
Total assets grew by \$1.53 billion, or 60.1% with the merger with ACU (including organic growth of \$435.2 million, or 17.1%) reflecting increases in both our loan and deposit portfolio. Assets now total \$4.08 billion at the end of 2021 versus \$2.55 billion at the end of 2020. Our total liquidity ratio ended the year at 15.48%, which was well above the statutory requirement of 8.0%. We also saw our membership grow by 59.3% and now have 56,683 members connecting and doing business with G&F.

LOANS

Loans to members grew by \$1.29 billion, or 60.2% (including organic growth of \$446.4 million, or 20.9%) reaching \$3.42 billion at the end of 2021 versus \$2.13 billion at the end of 2020. With the impact from COVID-19 restrictions and more people working from home wanting more space, pent up demand for real estate became a top priority supported by historically low interest rates resulting in record sales activity in the Lower Mainland and Fraser Valley for 2021.

The total residential mortgages and personal loans portfolio increased by \$1.02 billion to \$2.49 billion while the commercial lending portfolio grew by \$266.7 million to \$933.1 million. G&F's Investment and Lending Policy has established a limit on the commercial lending portfolio (funded and unfunded) of 35.0% of the credit union's asset base which the credit union was in compliance.

Loans (in \$millions)



ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses under the IFRS 9 Expected Credit Loss (ECL) model increased by \$0.5 million to \$8.7 million at the end of 2021 from \$8.2 million at the end of 2020. However, as a percentage of the loan portfolio, the allowance for credit losses declined from 0.38% in 2020 to 0.25% in 2021 driven by the strengthening Canadian and BC economic indicators incorporated in the ECL model associated with the economic recovery. The provision for credit losses was offset by loans written off (net of recoveries) of \$65 thousand. The allowance for credit losses allocated to the residential mortgage and personal loans portfolio was \$1.7 million or 19.2% while the allowance for credit losses allocated to the commercial lending portfolio was \$7.0 million or 80.8%.

ASSET HELD-FOR-SALE

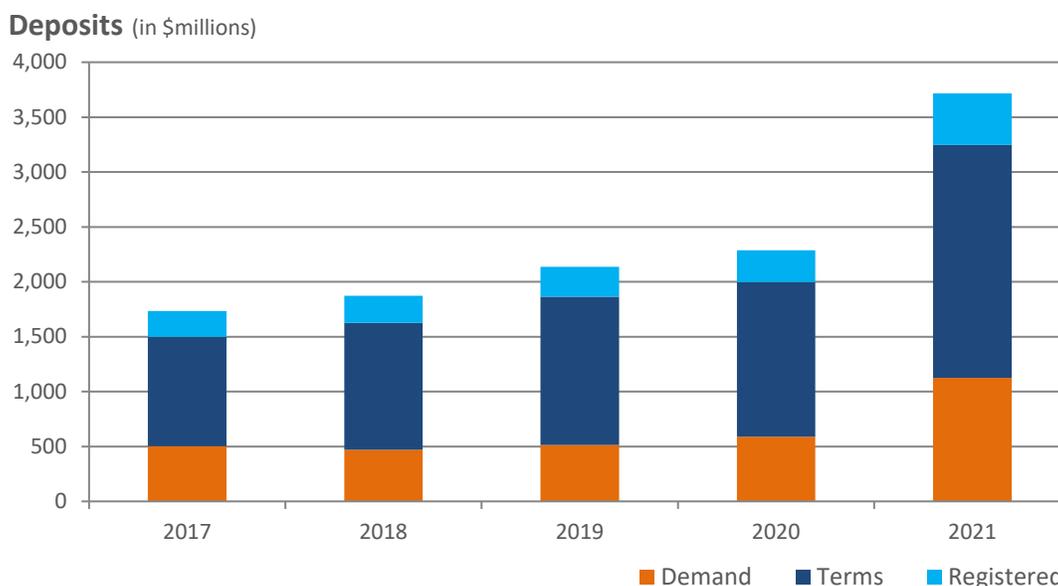
Asset held-for-sale was \$2.3 million at the end of 2021 which comprises the previous G&F corporate office and adjacent investment properties which the credit union is actively marketing for sale.

PREMISES AND EQUIPMENT

Premises and equipment increased by \$27.8 million to \$66.3 million at the end of 2021 from \$38.5 million at the end of 2020. This increase includes the acquisition of ACU's property and premises totaling \$27.5 million combined with additions in leasehold improvements in the branch network, furniture and equipment and right-of-use asset lease commitments of \$5.3 million during the year. Offsetting these increases is the depreciation of the premises and equipment in the amount of \$5.0 million for the year.

DEPOSITS

Member deposits increased by \$1.43 billion or 61.9% (including organic growth of \$408.6 million, or 17.7%) totaling \$3.74 billion at the end of 2021 versus \$2.31 billion at the end of 2020. Demand deposits increased by \$536.2 million, term deposits grew by \$713.3 million, registered deposits (i.e., RRSP, RRIF, RESP and TFSA) grew by \$178.3 million, and accrued interest grew by \$0.4 million during the year. The organic increase in deposits was driven by the ongoing accumulation of savings by members during the pandemic with a preference by many towards demand deposits to keep their funds more liquid.

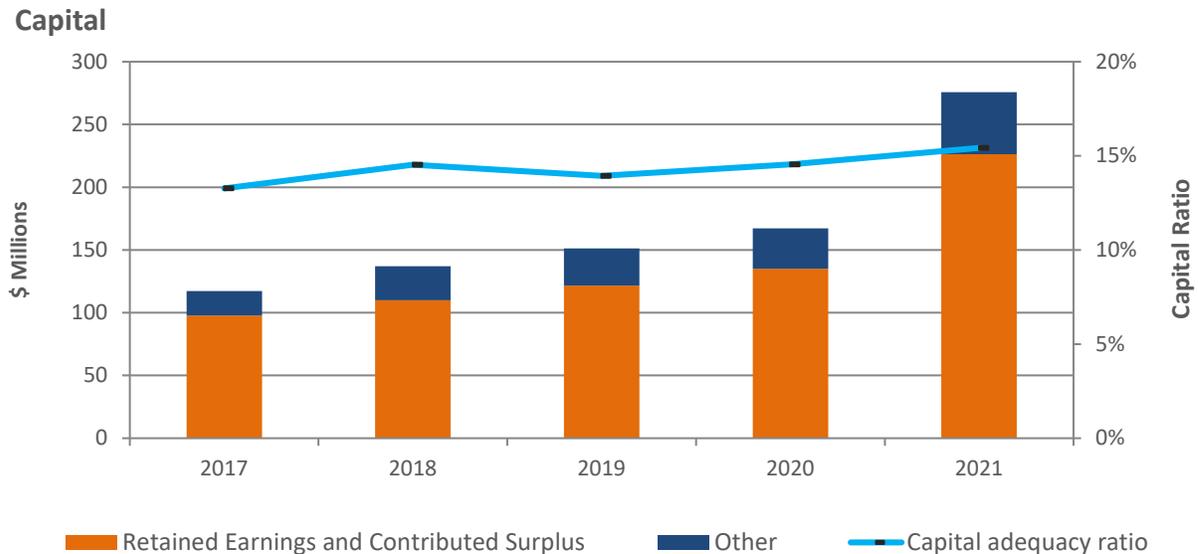


SECURED BORROWING

During 2021, G&F increased its available operating line and term facility with Central 1 to \$169.1 million from \$144.1 million at the end of 2020. In addition, G&F also expanded its credit facility agreement with Fédérations des caisses Desjardins du Québec (Desjardins) to \$70.0 million from \$30.0 million at the end of 2020. As at December 31, 2021, there were no amounts drawn against these credit facilities. As part of the credit union's ongoing management of liquidity, capital, and interest rate risk, G&F securitizes residential mortgages thereby entering into a secured borrowing arrangement with Central 1. The outstanding secured borrowing with Central 1 was \$77.3 million at the end of 2021, an increase of \$4.9 million from the balance at the end of 2020 of \$72.4 million.

MEMBERS' EQUITY

G&F achieved net income of \$21.0 million, a net unrealized loss from cash flow hedges (net of tax recovery) of \$2.2 million and a net unrealized loss from financial instruments (net of tax recovery) of \$1.2 million in 2021 resulting in total comprehensive income of \$17.6 million. This results in a return on members' equity of 12.8%. The members' equity also increased with the merger with ACU and the net assets acquired comprising the contributed surplus of \$70.3 million. Capital adequacy at the end of 2021 was 15.42%, well exceeding the regulatory requirement of 8.0% and the supervisory target of 10.0%.



NET INTEREST INCOME

The Bank of Canada (BoC) maintained its overnight target rate at 0.25% throughout 2021 to provide stimulus to the economy during the pandemic which experienced multiple waves, restrictions and easing of measures. The yield curve steepened as the economy began showing signs of recovery combined with mounting pressure on the BoC to increase rates to deal with inflation as a result of supply chain disruptions.

G&F's net interest income as a percentage of assets increased from 1.74% in 2020 to 2.04% in 2021 through the deployment of excess liquidity, rising mortgages rates and deposits being kept by members in more accessible demand accounts at a lower cost of funds. On an absolute dollar basis, the credit union's net interest income (the difference between interest earned on loans and investments and interest paid on deposits and secured borrowings) increased by \$21.4 million, or 49.9% to \$64.2 million benefiting from the growth in the credit union's overall asset base.

OTHER INCOME

Other income includes member services income (such as loan fees and penalties, demand account fees, wealth management income and foreign exchange income), hedge ineffectiveness on cash flow hedges, other revenue earned by Gulf & Fraser Insurance Services Ltd. and Aldergrove Financial Services Ltd. (wholly owned subsidiaries of the credit union providing life insurance and wealth management products and services respectively) and provision for credit losses. Other income increased \$6.6 million or 57.2% to \$18.3 million in 2021 due to an increase in member services income related to a higher volume of loan fees and penalty fee income and a lower provision for credit losses.

OPERATING EXPENSES

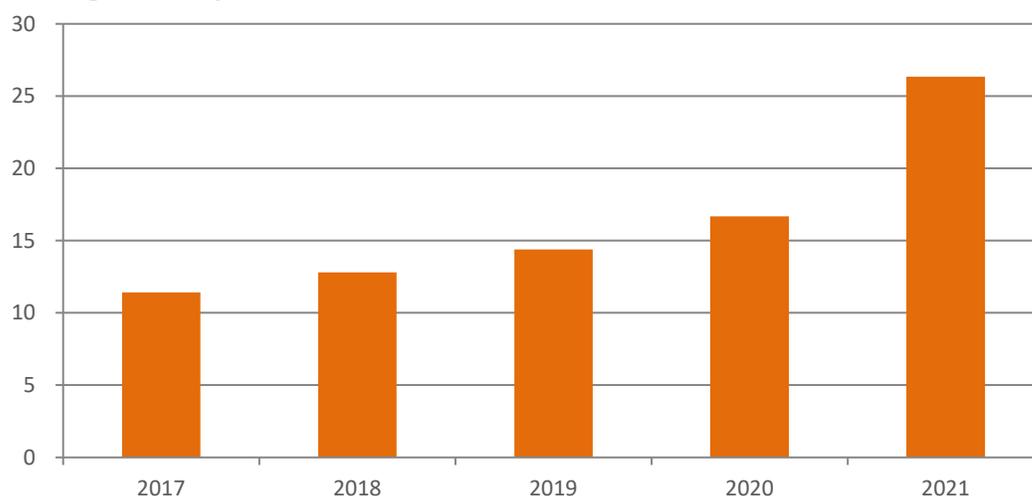
Operating expenses increased by \$18.4 million or 48.6% to \$56.1 million in 2021 with the business combination of G&F and ACU and growth of the credit union. As a percentage of assets, the operating expenses increased from 1.53% in 2020 to 1.78% in 2021 due to the merger costs (legal, due diligence and regulatory), integration costs (harmonization of banking system and other technology licenses/platforms) and opening of two new branches during the year (Fraser St. Branch and Willoughby Community Branch). Dues were also significantly higher in 2021 as the Credit Union Deposit Insurance Corporation (CUDIC) assessed a lower deposit insurance premium rate in 2020 to provide some temporary relief to BC Credit Unions at the outset of the pandemic. Finally, our strong financial results in 2021 led us to contribute \$1.0 million to our G&F Financial Group Foundation and provide \$250 thousand in support of BC flood relief efforts with various organizations.

EARNINGS FROM OPERATIONS

Earnings from operations was a record high at \$26.3 million in 2021, up \$9.7 million or 57.8% compared to 2020 reflecting the benefit of the merger with ACU and ongoing organic growth of the credit union. G&F has continued to make long-term strategic investments by expanding the branch network, improving the sales and service delivery and overall member experience and investing in digital initiatives. The attraction of new members and growing the loan, deposit and wealth portfolios contributed to the exemplary financial performance for 2021.

G&F has a long history of sharing our profits with the local communities in which we live and serve by way of donations, sponsorships, educational bursaries, and scholarships. Total distributions from both the credit union and G&F Financial Group Foundation totaled \$968 thousand which translates to 3.7% of earnings from operations in 2021.

Earnings from Operations (in \$millions)



TOTAL COMPREHENSIVE INCOME

The total comprehensive income for 2021 was \$17.6 million which included distribution to members of \$562 thousand (3.0% dividend on members' equity shares and 4.5% dividend on investment equity shares approved by the Board of Directors), a provision for income taxes of \$4.8 million, net unrealized losses from cash flow hedges (net of tax recovery) of \$2.2 million and net unrealized losses from financial instruments (net of tax recovery) of \$1.2 million.

FUNDS UNDER ADMINISTRATION

Funds under administration by G&F comprise of syndicated loans, Canada Emergency Business Account (CEBA) loans and investment portfolios and mutual funds.

Commercial loans are managed by the credit union and syndicated with other financial institutions for purposes of risk sharing, liquidity management and to service members who have loan amounts above the credit union's single member cap. The syndicated loan balance ended 2021 at \$131.5 million, a decrease of \$39.3 million for the year.

Loans issued by the credit union in its capacity as an agent under the CEBA program totaled \$27.4 million at the end of 2021, an increase of \$17.6 million for the year.

Investments and mutual fund accounts that are managed by our wealth management specialists on behalf of members grew by \$292.0 million or 99.8% with the merger of ACU (including organic growth of \$101.9 million, or 34.8%) in 2021 to end the year at \$584.5 million (at market value).

Risk Management

G&F is subject to a variety of risks that are inherent to the industry in which it operates. The credit union's principal risks are credit risk, liquidity risk and market risk given the nature of our business is holding financial instruments as identified in Note 23 of the audited consolidated financial statements. Other risks the credit union faces are strategic, operational, legal, regulatory, cyber security, technology, reputational and climate risks. To mitigate these risks the credit union has policies and procedures, controls and monitoring in place. The Board of Directors has overall responsibility for the establishment and oversight of the credit union's strategic direction, risk management framework and risk appetite. The executive management team, primarily through the Risk Management Function, is responsible for implementing strategies and policies approved by the board and for developing processes that identify, measure, monitor and mitigate risks. The credit union also has internal and external audit functions which are independent of management and report to the Audit Committee.

2022 Outlook

Two years after the start of the global pandemic, the world is still grappling with the spread and impact of COVID-19. The pandemic continues to be the primary driver of the speed, duration and path of the global and Canadian economic recovery. Canada's vaccination program has allowed restrictions to ease and businesses to gradually reopen; however, the emergence of the highly transmissible Omicron variant late in the year temporarily paused the economic recovery. Ongoing supply chain disruptions, labour shortages and strong consumer demand supported by savings accumulation during the pandemic have boosted inflation to the highest levels seen in 30 years.

The economy enters 2022 with momentum and a broad set of measures are indicating that the economy is now operating at near full capacity. The labor market has bounced back to pre-pandemic levels with solid employment growth, job openings and wage gains. While uncertainty remains with the evolution of COVID-19 and its variant strains, the severity of the illness appears to be waning and public health stances are shifting from pandemic towards endemic status. As such, economic growth is expected to be robust, led by consumer spending on services and supported by strength in exports and business investments. Persistent supply constraints combined with higher food, energy and housing costs are expected to keep inflation elevated. The invasion of Ukraine by Russia could have economic impact as well and further lead to inflation on gas and food prices. In response, the BofC is widely expected to initiate a cycle of rate hikes while balancing the trajectory of economic growth.

The Lower Mainland and Fraser Valley real estate market posted record sales in 2021 putting upward pressure on prices. However, affordability erosion with price escalation and rising variable and fixed mortgage rates will temper demand in 2022. Moreover, the inventory of active listings is well below historical norms and if this continues to languish, this could activate a vicious cycle as insufficient inventory means sellers are unable to find suitable next homes and will choose instead to delay listings. Consequently, the severe lack of choice for buyers could become another upswing in prices as buyers compete for available units.

In this context, G&F is cautiously optimistic in forecasting a year of steady growth in its loans, deposits and wealth management portfolios with an ongoing focus on digital transformation initiatives to enhance the experience and advice we provide for our members. In 2022, G&F will make further investments in our branch network by opening a new branch in the Guildford community in Surrey and completing upgrades and renovations at two branches in accordance with our property and premises plan. Continuing to partner with like-minded organizations, G&F will merge with Vancouver Police Credit Union and Mount Lehman Credit Union effective January 1, 2022 which will provide greater scale and a stronger presence across the Lower Mainland and Fraser Valley delivering the advice, products and services that members desire. G&F will also amalgamate its two wholly-owned subsidiaries, Gulf and Fraser Insurance Services Ltd. and Aldergrove Financial Services Ltd. effective January 1, 2022. G&F's business plan for 2022 focuses on five strategic pillars – Grow the Business, Member Experience, People and Culture, Financial Strength and Community Investment.

Five-Year Overview - Financial Highlights

(Expressed in thousands of dollars)

Consolidated Statement of Financial Position (unaudited)

	2021	2020	2019	2018	2017
ASSETS					
Cash and investments	\$581,357	\$362,487	\$218,762	\$186,850	\$176,694
Loans	3,419,054	2,133,861	2,068,805	1,862,404	1,711,125
Asset held-for-sale	2,297	2,297	0	0	0
Premises and equipment, intangible assets, investment properties	69,025	39,036	37,379	8,765	7,767
Other assets	7,386	9,824	4,260	5,603	3,913
	\$4,079,119	\$2,547,505	\$2,329,206	\$2,063,622	\$1,899,499
LIABILITIES AND MEMBERS' EQUITY					
Deposits	\$3,735,085	\$2,306,930	\$2,156,900	\$1,887,475	\$1,742,843
Members' shares	13,378	9,455	8,854	8,047	6,943
Secured borrowings	77,305	72,407	25,419	51,455	45,299
Other liabilities	27,771	21,080	15,972	6,676	6,130
	3,853,539	2,409,872	2,207,145	1,953,653	1,801,215
Members' equity					
Accumulated other comprehensive income (loss)	(792)	2,577	600	153	496
Contributed surplus	70,331	0	0	0	0
Retained earnings	156,041	135,056	121,461	109,816	97,788
	225,580	137,633	122,061	109,969	98,284
	\$4,079,119	\$2,547,505	\$2,329,206	\$2,063,622	\$1,899,499

Consolidated Statement of Comprehensive Income (unaudited)

	2021	2020	2019	2018	2017
Interest income	\$97,321	\$83,206	\$82,087	\$70,028	\$56,655
Interest expense	33,103	40,355	42,488	31,170	22,156
Net Interest Income	64,218	42,851	39,599	38,858	34,499
Other income	18,255	11,611	10,254	8,404	8,420
Operating margin	82,473	54,462	49,853	47,262	42,919
Operating expenses	56,135	37,774	35,461	34,459	31,493
Earnings from operations	26,338	16,688	14,392	12,803	11,426
Distributions to members	(562)	(296)	(369)	(315)	(157)
Income before income taxes	25,776	16,392	14,023	12,488	11,269
Provision for income taxes	4,791	2,797	2,379	2,126	2,082
Net income from continuing operations	20,985	13,595	11,644	10,362	9,187
Net unrealized gains (losses) from cash flow hedges (net of tax)	(2,157)	1,977	448	603	(975)
Net unrealized gains (losses) from financial instruments held at FVOCI (net of tax)	(1,212)	0	0	0	947
Total comprehensive income	\$17,616	\$15,572	\$12,092	\$10,965	\$9,159

	2021	2020	2019	2018	2017
<i>Financial Statistics (unaudited)</i>					
Asset growth	60.1%	9.4%	12.9%	8.6%	11.4%
Loan growth	60.2%	3.1%	11.1%	8.8%	17.6%
Deposit growth	61.9%	7.0%	14.3%	8.3%	11.9%
Operating efficiency	67.57%	65.23%	70.29%	71.85%	72.09%
<i>Percent of average assets (unaudited)</i>					
Net interest income	2.04%	1.74%	1.80%	1.96%	1.90%
Other income	0.58%	0.47%	0.47%	0.42%	0.46%
Operating expenses	1.78%	1.53%	1.61%	1.74%	1.73%
Operating return on assets	0.84%	0.68%	0.65%	0.65%	0.63%
Net (after-tax) return on assets	0.67%	0.55%	0.53%	0.52%	0.51%
<i>Other statistics (unaudited)</i>					
Retail branches	24	16	16	16	15
Membership	56,683	35,579	34,202	32,388	30,969
Investment portfolios and mutual funds, at market value	\$584,511	\$292,502	\$257,028	\$223,672	\$222,456
Syndicated and CEBA loans	\$158,963	\$180,644	\$128,058	\$103,789	\$97,638
Assets under administration	\$4,822,593	\$3,020,651	\$2,714,293	\$2,391,083	\$2,219,593