



Annual Report
2020

Expert advice
for the road ahead.

2020

Annual Report of BlueShore Financial Credit Union

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Leadership Viewpoints

Message from Board and Management

As the global economic and social landscape continues to change, BlueShore Financial remains your trusted financial partner for the road ahead.

2020 was a year of unique challenges. It demanded that BlueShore Financial demonstrate agility and resiliency in the face of change; and that we find new ways to connect with and serve clients, while remaining financially strong and stable.

We all had to adapt to the ever-changing circumstances brought on by the pandemic. Many of our clients were quick to switch to doing more of their banking remotely – whether through online or mobile banking, by phone or live chat with our Solution Centre, or by email or video conference with our advisors. Our employees were equally responsive in adjusting to new procedures and processes designed to ensure that our clients continued to receive exemplary five-star service and advice, all while keeping important safety protocols in place. Together, we've found new ways to collaborate, communicate and conduct business, to help ensure the safety of BlueShore clients, employees and communities.

Despite the pandemic and economic constraints, BlueShore grew steadily in 2020. Net Operating Income (NOI) reached a record \$32 million (including a one-time gain of \$9 million), Assets Under Administration (AUA) hit the \$6.5 billion mark and Return on Retained Earnings (RORE) was 15.5%. We are proud of these results, during what was an unpredictable 12 months.

Our engaged employees form the foundation for our success. They go above and beyond to support every client, particularly in these unparalleled times.

At BlueShore, we make it a priority to support our staff through progressive people practices and ongoing and transparent communication. The positive corporate culture this creates was once again recognized, with Kincentric naming BlueShore a Best Employer in Canada for a tenth consecutive year.

Thank you for continuing to choose us as your financial partner for today and the road ahead.

Sincerely,

*Allan Achtemichuk, Chair, Board of Directors
Chris Catliff, President and CEO*



*Allan Achtemichuk, Chair,
Board of Directors*



Chris Catliff, President and CEO



Our goal is to help you achieve financial wellness. This means ensuring you receive the expert advice and support you need to make well-informed decisions.

Expert Advice for the Road Ahead

BlueShore is well prepared to help you navigate the future. No matter what comes your way, our team of experts always has your back.

Adapting to the unexpected

While the pandemic has changed the way clients and advisors interact, the need for connection and a personal touch remains strong. In our 2020 Client Experience Survey, 62% of those surveyed said they prefer face-to-face interaction in the branch as the primary way of working with their advisor. Despite this, we appreciate that many of you adjusted to conducting more of your banking remotely, either online or through our Solution Centre during the pandemic.

Due to our highly skilled team and solid technical system capabilities, we were able to quickly respond to the changing working environment, and transitioned a large number of clients to using eSignatures. Using this tool enables clients to remotely sign for important financial documents both securely and electronically, meaning business transactions can continue as usual during the pandemic. Last year we also successfully completed our multi-year banking system upgrade to ensure that our system leverages and accommodates the latest technologies to better serve our clients, both now and in the future.

In light of ongoing physical distancing protocols, we hosted our Annual General Meeting and financial advice seminars virtually for the first time. This transition to an online forum removed space and geographic constraints, allowing us to welcome more clients to our events than ever before.

We're here for you

In 2020, the Angus Reid Institute conducted a weekly tracking study to analyze Canadian perceptions of the pandemic, including whether or not consumers felt their bank 'had their back' in these times. BlueShore posed a similar question to our online research panel in May 2020. Where about 50% of Canadian consumers agreed that their primary financial institution had their back, a whopping 92% of BlueShore panelists agreed with the same statement.

In addition to making it easy for clients to manage their money and providing responses to questions and concerns, for those hard-hit financially we coordinated personal and commercial mortgage deferrals and enabled access to Canada Emergency Business Account (CEBA) loans, and other government assistance programs, to help get families and businesses back on track. The pandemic has affected many people with unplanned financial challenges due to illness, childcare disruptions, job loss or business closures. If you find yourself, your family or your business in this situation, please reach out - we are here to help. We are proud to be your financial partner during this challenging period and for the road ahead.

The BlueShore difference

Each year we conduct an independent survey of our clients and non-clients who bank at other financial institutions within our trade area 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 below).

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



†Ipsos, 2020. Results from clients working with a financial advisor at their primary financial institution. Percentages are from top 3 box ratings (8, 9 & 10) on a scale of 1 to 10.

Achievements & Advancements

From being named a Best Employer in Canada to supporting our clients, employees and communities during the global pandemic, we have a lot to recognize in 2020.



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

Supporting you through unprecedented times

Our commitment to our clients has always been to have your best interests in mind. This year our priority was to ease the impact of the pandemic on you and your financial picture. Through timely, relevant informative updates by email and on our website, virtual seminars and meetings with advisors, and facilitated access to credit relief, our goal was to stay connected with you.

As the external environment continued to change, we adapted our branch operations to prioritize the health and well-being of our staff and clients, while meeting essential banking needs. Our team quickly mobilized to implement plexi-glass dividers, physical distancing measures, mask policies, increased cleaning and on-site health screening. We appreciate our clients' and employees' flexibility as we continue to navigate the implications of the pandemic.

Our Solution Centre rose to the challenge of helping many more clients as they shifted away from in-branch transactions.

BlueShore associates delivered exceptional service, online and by phone, managing a 10% increase in emails received, a 48% increase in online chat messages, and a 28% increase in inbound calls. Of special note, 83% of all calls were answered within 90 seconds, as part of our commitment to five-star service.

Cultivating a positive corporate culture

BlueShore is committed to cultivating a positive corporate culture through open communication, shared values and a respectful workplace. With physical distancing measures in place and many staff working remotely, ongoing communication was important. Our goal was to ensure our team was kept up-to-date on the latest decisions, operational updates and new processes. We shared weekly updates through emails and our employee intranet, held quarterly virtual conversations with our executives for all staff to attend, and regularly shared positive stories to keep employees' spirits lifted.

A shining light for BlueShore in 2020 was being named a [Kincentric Best Employer in Canada](#) for the tenth consecutive year. The national award, based on the results of an independent employee survey, reflects our agility, high employee engagement and solid leadership.

A strong community connection

To stay true to our values, each year we support local organizations that advocate for physical, mental, financial and community wellness. Our ties to our branch neighbourhoods are strong, and with the added challenge of COVID-19, making a positive impact remained a priority. In 2020, BlueShore supported over 65 deserving organizations including Covenant House Vancouver, Cancer Research Society, Kids' Help Phone, MOSAIC, Backpack Buddies and Big Sisters of BC Lower Mainland, to name a few.

As part of our COVID-19 Response Fund we created "Double Your Impact" campaigns that saw BlueShore partner with local organizations to match funds, dollar for dollar, to provide relief services. The campaigns benefited the exceptional work of the Lions Gate Hospital Foundation, BC Women's Health Foundation, Burnaby Neighbourhood House, Whistler Community Services Society, Family Services of the North Shore and Whistler Health Care Foundation. We helped these organizations collectively raise over \$150,000.

Additionally, our "Pay It Forward" initiative provided our employees with funds to donate to a worthy cause of their choosing. Employees came together to support numerous organizations in creative and meaningful ways. In addition to monetary donations, our staff organized lunch for COVID-19 testing facilities, a virtual food drive for Greater Vancouver Food Bank, purchased gifts for children through Squamish Community Christmas Care, and sent treats and flowers to senior care homes.

In the news

BlueShore advisors and senior leaders continued to share their expertise with the media throughout the year. We were featured over 100 times in [both national and local media outlets](#), including the *Globe and Mail*, *Business in Vancouver*, and *CBC Radio*. Our spokespeople provided insights on a range of topics including timely advice for small businesses and personal finances, impacts of the U.S. election in Canada, and embracing business continuity during times of crisis.



Advancing Growth & Profitability

Financial Discussion and Analysis

2020 economic environment

The coronavirus pandemic wreaked havoc on the global economy in 2020, with global GDP growth estimated to contract 3.5% for the year, representing the lowest annual growth year in decades.¹

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

In spite of the pandemic and recession, the BC housing market experienced a very strong 2020. This strength was largely attributable to historically low mortgage rates, a high sales-to-listing ratio throughout the year, and lower discretionary spending (e.g. on travel). Residential unit sales and average residential prices were up 21.5% and 11.7% year-over-year respectively.³

2020 financial performance

BlueShore Financial performed well in 2020's challenging environment: we maintained excellent client service while taking effective precautions to ensure the safety of our clients and staff; we offered multiple programs to help clients impacted by the pandemic return to financial stability; and we avoided harmful layoffs and branch closures.

Total Assets Under Administration grew \$250.1 million or 4.0% to reach \$6.5 billion. The growth was primarily driven by a \$176.4 million increase in Wealth Assets Under Administration and conservative loan growth of \$74.9 million.

Net Operating Income (NOI) increased to \$32.0 million (2019, \$22.1 million), primarily due to a one-time gain of \$9.4 million. Return on Retained Earnings (RORE) was 15.5% (2019, 11.7%) and Return on Average Assets (ROAA) was 65 bps (2019, 48 bps).

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

BlueShore prudently set aside an increased provision for credit losses of \$5.0 million in 2020 due to the challenging environment (2019, \$2.5 million). In order to assist impacted clients, BlueShore instituted a payment deferral program allowing eligible clients to defer loan payments for a period of time. This program was extremely successful in helping our clients return to financial normalcy, with virtually all clients resuming regular payments by the end of 2020.

"BlueShore performed well in 2020's challenging environment, and our total AUA reached \$6.5 billion. With the pandemic accelerating digital transformation, we will continue our focus on investments in technology to enhance our client experience across all channels."

*- Richard Butterworth
Chief Financial Officer*

¹ International Monetary Fund World Economic Outlook (January 2021)

² TD Provincial Economic Forecast (December 2020)

³ British Columbia Real Estate Association Housing Forecast Update (January 2021)

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

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

2021 economic outlook

The Bank of Canada forecasts Canadian GDP growth of 4.0% in 2021.⁴ However, growth is projected to be choppy, as the spread of the virus in Q4 2020 and the resulting lockdowns curb consumption of non-essential goods and contact-intensive services in Q1 2021.

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

The Greater Vancouver real estate market finished 2020 strongly, and this strength has continued through early 2021. Historically low interest rates and a low supply of homes listed for sale have created a seller's market and driven prices higher. Sales are forecast to rise 15.6% in 2021 and average prices are expected to increase 7.7%.⁵

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

Richard Butterworth, Chief Financial Officer

⁴ Bank of Canada Monetary Policy Review (January 2021)

⁵ British Columbia Real Estate Association Housing Forecast Update (January 2021)

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, 2020
- 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, 2020.

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 auditors’ report thereon, therefore, is not a substitute for reading the Credit Union’s audited consolidated financial statements and the auditors’ 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.

Auditors’ responsibility

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, with 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.



Chartered Professional Accountants

February 18, 2021

Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent Member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Financial Results

Summarized Consolidated Statement of Financial Position as at December 31, 2020 (in thousands of dollars)

ASSETS		2020		2019
Cash and Cash Equivalents		163,434		177,605
Loans		4,173,527		4,098,648
Interest-bearing Deposits		372,791		370,589
Financial Assets and Investments		51,656		49,099
Premises and Equipment		65,054		68,769
Intangible Assets		6,499		7,306
Other Assets		6,363		8,177
Income Taxes		1,760		3,147
		\$4,841,084		\$4,783,340
LIABILITIES AND MEMBERS' EQUITY		2020		2019
Members' Accounts: Demand Deposits	836,619		630,892	
Term Deposits	2,965,506		3,118,868	
Registered Deposits	443,602		424,204	
Accrued Interest	41,057	4,286,784	48,086	4,222,050
Borrowings and Debt Liabilities		228,618		278,572
Other Liabilities		46,426		40,626
Membership and Preferred Equity Shares		1,360		1,337
Members' Equity: Retained Earnings	219,129		195,913	
Equity Shares	47,618	266,747	46,362	242,275
Accumulated Other Comprehensive Income (Loss)		11,149		(1,520)
		\$4,841,084		\$4,783,340
Total Assets under Administration		\$6,509,039		\$6,258,888

Summarized Consolidated Statement of Income and Retained Earnings for the year ended December 31, 2020 (in thousands of dollars)

	2020	2019
Interest Income	169,560	171,590
Interest Expense	89,035	93,539
Net Interest Income	80,525	78,051
Fee, Commission and Other Income	30,444	18,129
	110,969	96,180
Non-interest Expenses	73,999	71,621
Provision for Credit Losses	4,995	2,498
Net Operating Income	31,975	22,061
Community Investment	320	227
Income Tax Expense	6,860	3,074
Net Income	24,795	18,760
Retained Earnings - Beginning of Year	195,913	179,164
Reclassification and Prior Period Adjustment	-	(388)
Dividends on Equity Shares - Net of Tax	(1,579)	(1,623)
Retained Earnings - End of Year	\$219,129	\$195,913

Allan Achtemichuk, Chair

Diana Chan, 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, 2020, and the consolidated statements of income, comprehensive income 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, 2020, 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 21, 2021.

Please note: Copies of the complete audited consolidated financial statements are also available on request 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.

The biographies for all of our Directors are [available here](#).

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
- 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

Directors adhere to Code of Ethics and Conflict of Interest policies, which are reviewed regularly to ensure they reflect current best practices. Striving for continuous improvement, in 2020, the Board updated its internal Succession Guideline and Diversity Policy.

The Board focused significant energy on activating and implementing its crisis management plan to govern the organization through COVID-19. This included a third-party analysis on the effectiveness of the organization's initial COVID-19 crisis response, which also examined the Board's involvement in the response. The analysis of the Board's actions revealed the governance response was effective and appropriate.

Director education

BlueShore Financial places a strong emphasis on Director learning and development. In 2020, Board education sessions were held on the following subjects:

- Technology infrastructure
- Client research
- Diversity, equity and inclusion

The Board's education in diversity, equity and inclusion (DEI) was held over the course of three group sessions and facilitated by a third party. The objective of this training was to better understand unconscious bias, develop a common vocabulary, explore best inclusive practices, and consider the key role that leadership plays in establishing an inclusive culture. In addition, all Directors developed individual learning plans to continue to advance these important objectives.

Directors are eligible for reimbursement of certain education expenses, in line with the Director Development and Education Policy, which was updated in 2019. In 2020, Directors pursued individual education opportunities through the Institute of Corporate Directors, CUSource®, and other providers.

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 informally at the end of every Board meeting without Management present.

Further information

For information on Director attendance, compensation, and expenses, please refer to our Management Discussion and Analysis located within the online version of the 2020 Annual Report.

BlueShore Financial Board of Director

The following Directors served during fiscal 2020:

Allan Achtemichuk
Board Chair

Peter Leitch
Board Vice Chair
Chair, Audit Committee
(January - May 2020)

Diana Chan
Chair, Audit Committee
(June - December 2020)

Lynne Charbonneau

Dave Davenport
Chair, Nominations and Election
Committee

Rod Dewar
Chair, Governance and Conduct Review
Committee

Gordon Janzen
Chair, Human Resources and
Compensation Committee

Julie McGill
Chair, Investment and Loan Committee

Victoria Withers

BlueShore Financial Locations

**Head Office
& Administration**
1250 Lonsdale Avenue
North Vancouver, BC

Branches

Burnaby
North Vancouver
Pemberton
Squamish
Vancouver
West Vancouver
Whistler

BlueShore Financial Executive Management

Chris Catliff
President and Chief Executive Officer

Richard Butterworth
Chief Financial Officer

Fred Cook
Chief Information Officer

Marni Johnson
Senior Vice President,
Human Resources and Corporate Affairs

Reg Marrinier
Senior Vice President,
Retail and Business Banking

BlueShore Financial Subsidiaries

BlueShore Capital Corporation
BlueShore Leasing Ltd.
BlueShore Strata Finance Ltd.
BlueShore Transport Finance Ltd.
BlueShore Wealth Ltd.
Morningside Properties Ltd.
0977916 B.C. Ltd.

BlueShore Financial is an equal partner with Capital West Mortgage Inc. in a Joint Venture that manages Pacifica Mortgage Investment Corporation's mortgage investments. BlueShore Financial and Capital West Mortgage Inc. are also equal shareholders in BlueShore Pacifica Alternative Mortgage Centre Inc.

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