



Annual Report
2019

Financial wellness
with tomorrow in mind.



2019 Annual Report of BlueShore Financial Credit Union

TABLE OF CONTENTS

Leadership Viewpoints	3
Financial Wellness with Tomorrow in Mind	4
Achievements & Advancements	5
Advancing Growth & Profitability	6
Report of the Independent Auditors	8
Financial Results & Message to Members	9
Governance Report	10



Allan Achtemichuk, Chair, Board of Directors, and Chris Catliff, President and CEO, at our newly renovated Burnaby Financial Spa branch.

Leadership Viewpoints

Message from Board and Management

Just as your financial journey is always evolving, so is BlueShore Financial. Keeping tomorrow in mind is essential, including expanding our digital services to complement the expert advice that helps you plan your future.

BlueShore Financial continued to grow in 2019 with a focus on refining the client experience, strengthening our digital offerings, and fostering a strong corporate culture.

We moved our downtown location to a newly designed Financial Spa® branch on Pender Street, increasing our visibility and reach in the core of Vancouver's Financial District. Our Burnaby branch, a mainstay of the Burnaby Heights community for over 30 years, was also transformed into a beautiful Financial Spa.

We hit a major financial milestone as Assets Under Administration (AUA) grew over 10% to hit the \$6.3 billion mark. Net operating income reached \$22.1 million, making 2019 our highest grossing profitable year from core operations, after normalizing for one-time property gains.

Complementing our financial performance was our continued recognition as a Best Employer in Canada by Aon/Kincentric for the ninth consecutive year. This national award win is a reflection of our organizational commitment to our employees through progressive people practices and a positive corporate culture.

We pride ourselves on being easy to do business with, and in 2019 we continued to improve and expand our digital offerings. Among these advances were features such as: Live Chat messenger service with our Solution Centre associates via our website; the introduction of a new "robo-advice" investing service, VirtualWealth™; and a program using eSignature for faster, more convenient document fulfillment. Additionally, our direct stock trading platform, Qtrade Investor, was again ranked number one (for the fifth consecutive year) by the annual survey of online brokers by *The Globe and Mail*.

We continued to earn top marks from our clients for the exceptional experience and service we provide. Our 2019 client survey confirms that we're making a positive impact on our clients' financial well-being and are seen as expert providers of financial advice. And that in doing so, we're significantly outperforming other financial institutions.

Through our annual independent survey, we found that BlueShore clients also overwhelmingly agree that BlueShore "works with their best interests in mind" and "values their business" – strong statements that point to the trusted relationships we seek to build with every member. We look forward to 2020 with a continued commitment to improving your financial wellness, with tomorrow in mind.

Sincerely,

Allan Achtemichuk, Chair, Board of Directors

Chris Catliff, President and CEO

Financial wellness with tomorrow in mind

We continue to introduce new online services to save time and increase convenience, while remaining true to our commitment to improve our clients' overall financial well-being.

By combining high-tech with high-touch, we're making it even easier to do business with us through a combination of deep, trusted relationships and easy-to-use digital solutions. As clients increase their use of online channels to manage their money and conduct banking tasks, we continue to look to the future by improving and expanding our digital services.

A banking experience that is a step ahead

In 2019, BlueShore Financial was the first Canadian credit union to offer "hybrid" investment advice through the VirtualWealth™ platform. This simple, easy-to-use online service matches clients with a tailored investment portfolio based on their goals, timeline and tolerance for risk. Unlike many robo platforms, ours is a hybrid advice model, combining the ease and convenience of robo advice with a dedicated real-life advisor to help clients make sure their investment plans stay on track.

Our online Live Chat allows clients and others visiting our website to easily connect with one of our Solution Centre associates from any device - their computer, tablet or smart phone. Using the live messenger service we can quickly engage with clients and answer their financial questions.

At times, following a meeting with a BlueShore associate or advisor, clients need to gather more information to send back to us. To save time, clients can now provide this information and authorization through our eSignature platform. This means that clients can securely sign for a wealth account opening or a mortgage renewal from the comfort of their own home.

We also introduced the Apple Pay® feature to BlueShore Collabria Mastercards, enabling clients to pay on the go at merchants who accept contactless payments, in participating apps and on the web. Apple Pay offers an easy, secure and private way to pay on iPhone, iPad, Apple Watch and Mac devices, and can provide real-time notifications and details for your purchases.

Whether it's in person, on the phone or online, every interaction you have with BlueShore Financial is backed by expert knowledge and a promise for a premium experience. From everyday banking to wealth management and insurance solutions, we're dedicated to making personalized recommendations on the products and services that will work best for you. Looking forward, we will continue to find ways to combine easy-to-use digital solutions with our team of trusted advisors to make your banking experience simple, convenient and streamlined.

The BlueShore difference

Each year we survey both our clients and those who bank at other financial institutions within our trade area to see how well we're doing. Our independent survey, conducted by Ipsos, shows we're on the right track. You told us that we have a positive impact on your financial wellness.



We significantly outperform our competitors in the ways that matter most. Results like this confirm that we continue to create valuable and exceptional experiences for our clients every day. [View full survey results.](#)



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.

Achievements & Advancements

From the renovation and re-opening of two Financial Spas®, to being named a Best Employer in Canada, we had many accolades to celebrate in 2019.



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

Rebuilding to meet the needs of our clients

It was a year of continuous growth, as Assets Under Administration grew to \$6.3 billion by the end of the year, marking a notable milestone for BlueShore Financial.

Alongside business growth, we continued to focus on providing a differentiated client experience, one designed to improve our clients' financial well-being. We continued to invest in our branch network to enhance the exceptional service we provide to our clients. Our downtown branch was re-located, expanded and completely redesigned in a new higher profile location on Pender Street, in Vancouver's vibrant Financial District. We also transformed our long-time Burnaby Heights branch location into one of our signature Financial Spas.

Financial advice at any bandwidth

Our commitment to always be a step ahead means delivering our financial expertise at many touch-points, both in person and online. Our in depth financial expertise was frequently sought by the media on topics ranging from budgeting during the holidays to planning for retirement. Our advisors and senior leaders were featured over 200 times in local and national media outlets, including TV, radio, podcasts, as well as print and digital newspapers and magazines. Additionally, through BlueShore's social media channels, we brought advice, tips and our financial expertise directly to current and prospective clients.

Creating a better tomorrow

In line with our commitment to improve the financial well-being of our clients, is our commitment to improve the well-being of our communities. In 2019 we supported over 40 deserving organizations that advocate for physical and mental wellness, arts and culture, and education within our communities.

We are also dedicated to encouraging financial literacy at every age. We held complimentary financial seminars for clients and the community in our branches, and covered topics ranging from estate planning to cybersecurity tips. Through our Wishbank program, we collaborated with local elementary schools to provide the tools to teach children about the concepts of saving, spending, and sharing - the fundamental building blocks of money management.

Our Arts in View program continued to flourish in 2019. Through this program, local artists are invited to display their pieces within our branches, creating a unique experience for our clients while offering a highly visible exhibit opportunity for the artists to display their work.

Fostering a positive corporate culture

BlueShore's commitment to giving our clients a differentiated and exceptional experience begins with our employees. Our success is dependent on the success of our staff; without them BlueShore would not be the organization it is today. This is why we continue to invest in our people and our corporate culture. This commitment to building a positive workplace resulted in BlueShore Financial being named one of Canada's Best Employers by Aon/Kincentric for a ninth consecutive year.

Professional growth is a cornerstone of the employee experience. In 2019, we designed new innovative development programs for current and emerging leaders - shaping our future as an organization. With a continual focus on the changing technological landscape, staff were also provided with educational opportunities in areas such as digital literacy and cybersecurity, among others.

Advancing Growth & Profitability

Financial Discussion and Analysis



“We proudly achieved record earnings from core operations in 2019, which are being invested into an exceptional member experience and a robust capital base.”

*- Richard Butterworth,
Chief Financial Officer*

The global economy experienced a synchronized slowdown with growth projected at 3.0%¹ in 2019, its slowest pace in a decade since the global financial crisis, weakened by rising trade barriers and increasing geopolitical tensions. In the face of sagging business confidence that undermined investment and trade, many central banks responded by injecting or augmenting stimulus to keep the expansion going. South of the border, the U.S. pivoted from its rate-tightening course with three rate cuts in 2019 to mitigate downside risks. Policymakers deemed the 75 basis point, mid-cycle adjustment sufficient to keep the economy growing, the labour market strong, and core inflation on track to hit the central bank’s 2% goal.

Canada’s economic growth has demonstrated more resiliency than many of its global peers and averaged 1.6%² in 2019, with Canada expected to be the second fastest growing economy among the Group of Seven (G7) countries, behind the United States. Job creation has been strong, pushing unemployment rates to historic lows in 2019. Provincially, while growth was lower relative to 2018, BC’s growth remained relatively strong compared to other provinces.

A slower pace of tightening relative to the U.S. and a strong economic backdrop allowed Canada’s central bank to maintain the overnight lending rate at 1.75% in 2019, following a series of five rate hikes from July 2017 to October 2018. Inflation continued to track at the Bank of Canada’s target rate of 2% for the majority of the year validating this neutral stance.

2019 Financial Performance

BlueShore Financial’s Assets Under Administration, including wealth management assets, grew \$590 million (an increase of 10.4%) to end the year at \$6.3 billion (2018, \$5.7 billion). Balance Sheet Assets increased by \$320 million to \$4.8 billion (2018, \$4.5 billion). Total Loans grew \$274 million (an increase of 7.2%) and Total Deposits rose by \$255 million (an increase of 6.4%).

Net Operating Income (NOI) was \$22.1 million (2018, \$22.0 million) making 2019 our highest grossing profitable year from core operations after normalizing for one-time property gains. Return on Retained Earnings (RORE) was 11.7% (2018, 12.8%) and Return on Average Assets (ROAA) was 48 basis points (bps) (2018, 51 bps).

Net Interest Margin was above the prior year’s performance in spite of margin compression from the flattening yield curve between long-term and short-term rates reflecting recessionary concerns early in the year. Specifically, the weakening 5-year Government of Canada bond yield was cut in half or over 100 bps during the period from October 2018 to August 2019, but recovered 50 bps by December 2019. As we budgeted last year, the pace of loan growth and deposit growth slowed somewhat this year from historical double-digit growth to 7% of assets due to softness in the housing sector, especially in the first half of 2019. In spite of challenging market conditions, growth rates remained respectable and comfortably above most of our peers and loan delinquencies were only 16 bps. Total Loans and Total Deposits both surpassed the \$4 billion milestone during the year, finishing the year at \$4.1 billion and \$4.2 billion respectively.

Non-Interest Income was above the previous year after normalizing for property gains in 2018. In addition, BlueShore achieved impressive industry leading wealth management and insurance results, rebounding from the decline in the equity markets experienced in the latter half of 2018. Wealth management assets had robust growth of \$267 million (an increase of 29.5%), surpassing the \$1 billion milestone during the year and finishing at \$1.2 billion at December 2019, with half of this growth from new client assets and the balance from the lift in client portfolio assets.

¹ International Monetary Fund World Economic Outlook (October 2019)

² Bank of Canada Monetary Policy Review (January 2020)

Non-Interest Expenses were well managed and maintained at the same level as the previous year. The new provincial employer health tax introduced in January 2019 substantially increased staffing costs over the prior year. Additional investments were made during the year for incremental staff to advance strategy and support client services, to conservatively strengthen loan loss provisions against performing loans, and to upgrade our banking system and retail branch platform. Specifically, BlueShore invested in relocating the Melville downtown branch to the new and larger Pender Financial Spa® branch in March 2019 and renovating the Burnaby Financial Spa branch in November 2019. BlueShore also incurred its first full year of expenses related to the new Kerrisdale Financial Spa branch opened in August 2018. Lower marketing and regulatory costs contributed towards funding these additional investments.

During the year, DBRS Limited reconfirmed BlueShore Financial's Long-Term and Short-Term Issuer Ratings of BBB (high) and R-1 (low), respectively. The trend on all ratings is Stable. The rating is further affirmation of BlueShore's financial strength and effective business strategy.

2020 Economic Outlook

Global economic growth was projected to grow modestly at 3.3%³ in 2020, according to International Monetary Fund projections. While low interest rates and accommodative financial conditions could be enough to prolong the expansion through 2020, much will depend on geopolitical turbulence caused by COVID-19 pandemic.

For Canada, we enter 2020 with the Bank of Canada forecasting growth at 1.6%⁴, generally in line with 2019, but facing a more challenging year with downside risk to export growth. Consumer spending and housing activity will be monitored closely. Provincially, BC is expected to lead the nation on growth and employment lifted by a number of infrastructure projects; however, households are anticipated to remain cautious about spending plans in spite of lower interest rates, due to pandemic concerns.

The housing sector is showing signs of a recovery and balanced market conditions, fueled by relatively low interest rates and high rates of immigration. Housing policy changes implemented from 2016 to 2018 appear to have successfully calmed the housing sector, but affordability and household indebtedness are likely to remain a lasting concern, especially in Vancouver. BlueShore Financial has set conservative loan and deposit growth targets to absorb above average loan renewal business in 2020 and in anticipation of a slow recovery of sales activity and house prices. Wealth management is targeted to grow steadily, although may face volatility in the lead up to the U.S. election later in the year and due to the emerging risks brought on by COVID-19. Additionally, we will be investing in our digital capabilities to enhance the client experience. The strength of our balance sheet will continue to reflect healthy liquidity, a solid capital base and outstanding asset quality.

Richard Butterworth, Chief Financial Officer

For more information:

[Full Financial Statements](#)

[Management Discussion
& Analysis](#)

³International Monetary Fund World Economic Outlook (January 2020)

⁴Bank of Canada Monetary Policy Review (January 2020)

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, 2019
- 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, 2019.

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 19, 2020
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, 2019 (in thousands of dollars)

ASSETS	2019	2018
Cash and Cash Equivalents	177,605	127,924
Loans	4,098,648	3,825,120
Interest-bearing Deposits	370,589	412,002
Financial Assets and Investments	49,099	31,212
Premises and Equipment	68,769	54,968
Intangible Assets	7,306	6,824
Other Assets	8,177	3,963
Income Taxes	3,147	1,605
	\$4,783,340	\$4,463,618
LIABILITIES AND MEMBERS' EQUITY	2019	2018
Members' Accounts: Demand Deposits	630,892	678,100
Term Deposits	3,118,868	2,848,747
Registered Deposits	424,204	404,804
Accrued Interest	48,086	35,798
	4,222,050	3,967,449
Borrowings and Debt Liabilities	278,572	248,597
Other Liabilities	40,626	32,919
Membership and Preferred Equity Shares	1,337	1,306
Members' Equity: Retained Earnings	195,913	179,164
Equity Shares	46,362	39,812
Accumulated Other Comprehensive Loss	(1,520)	(5,629)
	\$4,783,340	\$4,463,618
Total Assets under Administration	\$6,258,888	\$5,663,013

BlueShore Financial Credit Union - Summarized Consolidated Statement of Income and Retained Earnings

for the year ended December 31, 2019 (in \$ 000's)

	2019	2018
Interest Income	171,590	151,710
Interest Expense	93,539	74,686
Net Interest Income	78,051	77,024
Fee, Commission and Other Income	18,129	16,401
Gain on Sale of Assets	-	2,213
	96,180	95,638
Non-interest Expenses	71,621	71,476
Loan Impairment Expense	2,498	2,158
Net Operating Income	22,061	22,004
Community Investment	227	220
Income Tax Expense	3,074	3,511
Net Income	18,760	18,273
Retained Earnings - Beginning of Year	179,164	161,158
Reclassification and Prior Period Adjustment	(388)	1,342
Dividends on Equity Shares - Net of Tax	(1,623)	(1,609)
Retained Earnings - End of Year	\$195,913	\$179,164

Allan Achtemichuk, Chair

Peter Leitch, 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, 2019, 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, 2019, together with the auditors' report thereon, are available from the Credit Union and will be presented at the Annual General Meeting.

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.

Governance Report



BlueShore Financial is committed to excellence in corporate governance.

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.

In 2019, the BlueShore Board of Directors welcomed Lynne Charbonneau to the Board. The biographies for all of our Directors are available here. [View the biographies for all our Directors.](#)

Governance principles and responsibilities

The Board continually reviews its corporate governance practices to ensure they reflect the highest level of oversight, independence and accountability that our members and stakeholders expect and deserve. BlueShore Financial meets or exceeds the principles and standards set out in the British Columbia Financial Services Agency (formerly the B.C. 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 practice. Striving for continuous improvement, in 2019 the Board focused on strengthening its crisis management framework, which included a comprehensive tabletop exercise.

Special Resolution

The Board was pleased to announce the successful results of a Special Resolution at the 2019 AGM. The Special Resolution resulted in changes to our Rules, reflecting the latest governance best practices for Director nominations, tenure and more. For the first time, BlueShore members were able to vote online, or request a traditional paper ballot. The Board once again thanks all members who took the time to vote.

Director education

BlueShore Financial places a strong emphasis on Director learning and development. In 2019, Board education sessions were held on the following subjects:

- Business Intelligence
- The Changing Face of Wealth
- Crisis Management
- Client Research
- Payments
- Digitalization

Directors are eligible for reimbursement of certain education expenses, in line with the Director Development and Education Policy, which was updated in 2019. This year, Directors pursued individual education opportunities through the Institute of Corporate Directors and CUSource®. In addition, four Directors attended industry conferences to gain further insights into industry best practices.

Director learning plans are reviewed annually as part of the Board evaluation and effectiveness process. Conducted by a third party, the evaluation also assesses the performance of the Board overall. 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](#).

BlueShore Financial Board of Directors

The following Directors served during fiscal 2019:

Allan Achtemichuk
Board Chair

Peter Leitch
Board Vice-Chair
Chair, Audit Committee

Diana Chan

Lynne Charbonneau (Appointed April 2019)

Dave Davenport
Chair, Nominations & Election Committee

Rod Dewar
Chair, Governance and Conduct Review
Committee (April - December 2019)

Yuri Fulmer (Term ended April 2019)
Chair, Human Resources and Compensation
Committee (January - April 2019)

Gordon Janzen
Chair, Human Resources and Compensation
Committee (April - December 2019)

Julie McGill
Chair, Investment and Loan Committee

Victoria Withers
Chair, Governance and Conduct Review
Committee (January - April 2019)

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.

604.982.8000
1.888.713.6728

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BlueShore Financial is an equal partner with Capital West Mortgage Inc. in a Joint Venture that manages Pacifica Mortgage Investment Corporation.