

board of directors & ceo report

Change was definitely the best word to use when reflecting on the year 2017 for Bulkley Valley Credit Union both internally and externally.

On the internal side, we are very proud of all of our staff and management that worked very hard on converting our banking system over to the new DNA system in March of 2017. The conversion process itself went very smoothly but with any system change there is always an adjustment for both members and staff in becoming comfortable with the output and input into a new banking system. We really thank our members for their support and understanding while we worked hard to successfully complete this extensive project. Now we are ready to really lever the new system to provide new products and services, specifically enhanced remote delivery channels, from a reliable and improved technology banking platform. On the personnel side in the fall, we saw our Branch Manager in Lakes District branch, Sandy Dore, retire and she was replaced by an internal candidate, Nathan Way. In addition, our long standing Manager-Operations of 17 years, Nancy Meyer, also announced her intention to retire at the end of March in 2018. We were also successful in finding her replacement internally, as we selected Tanya Amonson as the new Manager-Operations in 2018.

On the external side, there was the change in government at the provincial level that took place without a clear majority for any party that has led to governance by the slimmest of margins. Unfortunately, there was no successful renegotiation of the expiring Softwood Lumber Agreement with the US and this has led to trade tariffs now being applied to the lumber shipments from our local mills. In addition, this has been further compounded by the ongoing trade discussions between Canada, Mexico and the US as the parties try to update the North American Free Trade Agreement without shelving it completely. The interior of the province of BC suffered from devastating wildfires during the summer that threatened lives and destroyed homes and led to one of the largest evacuations in BC history. These fires not only cost funds to battle, they also amplified the devastation in the timber supply that the pine beetle has wrought for a number of years. We are grateful that our brave fire fighters really worked hard day and night to ensure the losses were minimized. Interest rates started to rise from their steadfast historical lows. First the Bank of Canada removed their 50 basis points of interest rate cuts necessitated from the plunge in oil prices in 2015 and now the Bank of Canada is focused on continuing to increase them further in 2018 due to global economic expansion and strong employment growth in Canada. The real question now is how high interest rates can be raised without stalling out the Canadian economy due to the heavy debt load that most Canadian households currently shoulder.

Despite the many changes both inside and outside the organization, Bulkley Valley Credit Union had another successful year financially. Our Net Income prior to Dividends and Taxes was 9% higher than our 2016 year end results. This was due to stronger financial margin that was primarily driven by over 9% growth in our residential mortgage portfolio as members looked to our organization as their first choice for financing their residential needs in all of the communities we serve. We also had solid total commercial loan growth of just below 4% during the

year as we continued our commitment to supporting local businesses. Total deposits also increased 5% in 2017 providing the liquidity to fund the loan growth and raising the total balance sheet to over \$347 million during the year, which represented 5% growth over 2016.

Our General Insurance subsidiary, Bulkley Valley Insurance Services, had another record year financially despite the operation also undergoing a broker management system conversion in the first two months of 2017. Our wealth management subsidiary, Bulkley Valley Financial Services, also had a record year financially as our financial planners continued to focus on their fiduciary duty of providing the investment and insurance products that were right for the members and clients. This is how owning subsidiary operations should work effectively as these operations not only provide a wider range of financial services and products to all of the membership locally, they also help diversify the financial base of the Credit Union organization as a whole.

This level of operating profitability enabled your Credit Union to continue support of our local communities with over \$160,000 in charitable donations, sponsorships and economic development grants to over 160 local groups. In addition, we will be distributing back over \$513,765 in patronage cheques to the membership in those much anticipated and appreciated bright green envelopes that signal spring is on its way. As stated at last year's AGM, the loss recorded as Other Comprehensive Income (Loss) will continue each year as interest rates increase back to a more regularized level due to the constantly changing market value of some of our longer term financial instruments. This loss is an accounting adjustment each year because we hold these longer term financial instruments for hedging the investment and borrowing decisions made by the membership rather than for active trading purposes.

Based on our financial performance during 2017, we have been able to maintain our strong capital position that remained over 22% and even though we had strong residential mortgage growth during the year our steady deposit growth helped maintain ample liquidity of just below 20%. Our strong capital and liquidity positions provides our organization with excellent operational flexibility going forward to fund new and enhanced products and services that our membership requires to meet their own unique financial needs.

During the fall of 2017, we did send out our biennial member survey to 2400 randomly selected personal and business members. Our members continued to respond overwhelmingly in support of local ownership (95%) and support for our local communities (97%). These are two fundamental cooperative principles that your Credit Union has always embraced. We did continue to receive high marks for our personal member service that is provided by our knowledgeable staff who are committed to the member's best financial interests. We also saw increasing satisfaction and member usage of our remote delivery channels, such as MemberDirect® online banking. However, we did recognize that these results were marginally lower from previous results, which was most likely due to the intense focus of all of our

Patty Peterson

board chair



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chief executive officer



staff on completing a successful banking system conversion. Now that this major project has been completed it is again time to refocus on meeting our member's financial needs going forward.

During 2017 strategic planning session, our Board of Directors established three strategic pillars for management to follow in the future. They were strengthening our people plan internally, building stronger local communities, and creating a member service strategy where members receive a consistently high level of member service no matter what channel they use or where they live. An Omni-Channel strategy is definitely a challenge due to the rapid pace of change in technology these days, specifically when members trust and demand that their personal financial information is completely safeguarded at all times but is also readily accessible to them. At BVCU, we take the member's trust in us very seriously and we feel that we have continued to maintain a productive balance in this regard when it comes to enhancing our remote delivery channels.

We are very fortunate to have a dedicated group of staff and management that understand the importance of continuing education. In addition, we also understand that to be successful in building strong communities and a cyber security framework that member education is also very important. During 2017, we had staff members become certified as instructors in a Credit Union based financial literacy program called, "Each one, Teach one". We will have staff from every one of the communities we serve reaching out to the local high schools in 2018 to make these presentations and they are also available to present to other community groups as the need is identified.

Bulkley Valley Credit Union continues to be led by a dedicated group of directors that are committed to maintaining the highest levels of governance and supporting the local communities we serve in truly meaningful ways. We did not have any changes in our experienced Board of Directors in 2017 but the directors are also working on building up their succession plan as longer serving directors decide to step away from the role in the coming years. This preplanning is always critical to maintaining the Board of Director's commitment to governance and being the driving force behind our strategic initiatives that will move our organization forward in the future.

Finally, we want to thank all of the members for their continued patronage, specifically in a year when a great deal of our focus internally was on the banking system conversion project. We were very pleased to receive the feedback from our member survey and we are now in a position to deliver the technological advanced products and services that members want available to serve their financial needs. Bulkley Valley Credit Union is well positioned financially to deal with whatever direction the uncertain economic cycle eventually heads in 2018 and our rededication to providing superior member service and trusted financial advice to all members will propel our organization in a positive direction for many more years to come.

- 1. Smithers Branch:** The Pioneer Activity Centre received a \$7000 donation to help fund an expansion to the hall.
- 2. The Hazeltons' Branch:** Bulkley Valley Credit Union was happy to donate \$4700 to the Hazelton Hops Company to help them market their exciting new growing business.
- 3. Lakes District Branch:** The Lakes District Senior Citizen Housing Association received a \$5000 donation to assist in the purchase and installation of fire suppression for their building.
- 4. Houston and District Branch:** The Beanstalk Child Care Centre received \$2365.39 to purchase a three seater stroller and cover. The Beanstalk Child Care Centre provides local families with support child and youth services, babysitting courses, child care, parenting groups and car seat rental. BVCU was glad they could support such a great cause.



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Bulkley Valley CREDIT UNION

annual report 2017

Investing in Our People, Our Communities, Our Technology.



notice of annual general meeting

The 76th Annual General Meeting of Bulkley Valley Credit Union will be held on **Monday, April 23, 2018 at 7:00 p.m.** (Registration begins at 6:45 p.m.)

Prestige Hudson Bay Lodge
- Ferguson Room Highway 16, Smithers, BC

Director Elections for 2018

Nominations for directors of Bulkley Valley Credit Union closed on February 15, 2018. The Nominations Committee received one nomination from the Lakes District representation and two nominations from the Smithers Representation region. All three of the nominations were present incumbents, and all were elected by acclamation for three-year terms.

They are:

Mr. Richard Vossen, Lakes District representation region

Mrs. Patty Peterson, Smithers representation region

Mr. Klaus Mueller, Smithers representation region

agenda

1. Call to Order
2. Ascertainment of quorum
3. Appointment of Recording Secretary & Parliamentarian
4. Adoption of Agenda
5. Approval of Minutes for April 24, 2017 Annual General Meeting
6. Business Arising out of Minutes
7. Reports of the Directors
8. Report of Management
9. Presentation of Financial Statements
10. Report of the Auditor
11. Approval of Auditor's Report
12. Announcement of Election Results
13. Appointment of Auditor
14. Unfinished Business
15. Good & Welfare
16. Adjournment

report of independent auditors on the summary of consolidated financial statements

To the Members of the Bulkley Valley Credit Union

The accompanying summary consolidated financial statements as at December 31, 2017, which comprise the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, and the summary of consolidated statement of cash flow for the year then ended are derived from the audited consolidated financial statements of Bulkley Valley Credit Union for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 28, 2018, which have been prepared in accordance with International Financial Reporting Standards.

The summary consolidated financial statements prepared from the consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards, applied in the preparation of the audited consolidated financial statements of Bulkley Valley Credit Union. Reading the summary consolidated financial statements therefore is not a substitute for reading the audited consolidated financial statements of the Bulkley Valley Credit Union.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow on the basis of their established criteria as described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements prepared from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated statement of financial position, summary consolidated statement of comprehensive income, summary consolidated statement of cash flow derived from the audited consolidated financial statements of Bulkley Valley Credit Union for the year ended December 31, 2017 are consistent, in all material respects, with those consolidated financial statements.

*Edmison Mehr Chartered Professional Accountants
- Smithers BC, February 28, 2018*

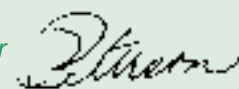
summary consolidated statement of financial position

As at December 31, 2017

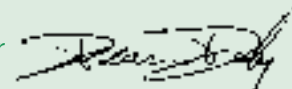
assets	Dec 31, 2017	Dec 31, 2016
Cash & Term Deposits	63,697,533	\$66,263,646
Loans to Members	276,210,140	256,633,338
Investments & Other Assets	2,296,344	3,599,911
Property & equipment (net)	2,847,044	2,916,184
Intangibles (net)	2,878,635	3,185,417
	\$347,929,696	\$332,598,496
liabilities		
Deposits	320,307,894	304,385,563
Payables & Accruals	1,787,897	705,476
Total Liabilities	322,095,791	305,091,039
members' equity		
Equity Shares	1,476,412	1,540,187
Retained Earnings	24,694,543	23,498,868
Accumulated Other Comprehensive Income	(337,050)	768,402
Total Members' Equity	25,833,905	25,807,457
	\$347,929,696	\$330,898,496

Approved by the Directors:

Patty Peterson director



Dean Daly director



summary consolidated statement of comprehensive income

Year Ended December 31, 2017

	2017	2016
Interest Income	\$11,084,929	\$11,037,105
Interest Expense	2,380,103	2,365,384
Financial Margin	8,704,826	8,671,721
Other Income	4,135,981	3,853,418
Operating Margin	12,840,807	12,525,139
Operating Expenses	10,824,853	10,681,010
Earnings from Operations	2,015,954	1,844,129
Distributions to Members	541,150	529,028
Income Taxes	279,129	270,003
Net Earnings	1,195,675	1,045,098
Comprehensive Income (Loss) for the year, net of tax	(1,105,452)	(681,108)
Comprehensive Income	90,223	363,990
Accumulated Other Comprehensive Income	24,267,269	23,903,279
Retained Earnings & Accumulated Comprehensive Income, End of Year	\$24,357,492	\$24,267,269

summary consolidated statement of cash flows

Year Ended December 31, 2017

	2017	2016
Cash flows provided by (used in)		
Operating activities	\$(18,249,856)	\$(19,400,597)
Financing activities	15,947,048	11,378,936
Investing activities	4,916,389	(1,899,226)
Net increase in cash and equivalents	2,613,581	(9,920,887)
Cash & equivalents, beginning of year	3,009,930	12,930,817
Cash & equivalents, end of year	\$5,623,511	\$3,009,930

Note 1:

These summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses summaries from the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flow. These summary financial statements are derived from the audited consolidated financial statements of the Bulkley Valley Credit Union for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards.

****A full set of financial statements will be available at your local branch at no charge.****

2017 board of directors



Denise Fisher



Dean Daly



Wendy Hunt
Secretary



Kyle Thomson



Klaus Mueller*



Patty Peterson*
Chair



Randy Brandvold



Richard Vossen*
Vice Chair



Tom Havard

*Terms expire at the 2018 Annual General Meeting.