

board of directors & ceo report

2018 was a year of highs and lows. The Bank of Canada increased interest rates three times again to normalize levels and at the same time global trade disruptions created greater uncertainty in global economic forecasts.

At a local level, the forestry industry suffered another devastating blow as record wildfires raged again during the summer with many of them much closer to our communities than in previous years. It was amazing to witness our northern local communities pulling together in this time of tragedy and having our management and staff across the organization taking on a leadership role in supporting firefighters and residents in any manner they could. Our local lumber mills continued to have steady production throughout the year despite wildfires, the imposed US tariffs and being unable to negotiate a renewed Softwood Lumber agreement with the US. Canada was able to negotiate a successor agreement to NAFTA with the US and Mexico during the year but whether this agreement will be ratified by all three countries is still in doubt and it did not address the forestry industry in any way. The province of Alberta reported reduced production levels in the oil patch due to falling oil prices news and our own province had the announcement of the approval of the mega LNG Canada project. Even with all this economic uncertainty, the unemployment numbers in Canada fell to forty year lows and the biggest challenge cited by company executives is finding trained and suitable candidates to fill their job vacancies.

In spite of this uncertainty, Bulkley Valley Credit Union had one of its strongest years financially serving and meeting the financial needs of our 14,300 members. During 2018, total assets grew over 10% which equals over \$35 Million. This was driven by significant growth in deposit accounts, dominated by a 17% increase in demand accounts as members continued to choose the Credit Union as their primary financial institution. With regard to the loan portfolio, we continued to see strong growth in residential mortgages with an increase of over 6% at the yearend. Members continued to trust our organization to advise and administrate their largest and most important purchase and debt obligation. Total Commercial loans also grew 3% as we continued to support local businesses through uncertain business times. We struggled to achieve the same growth in personal loans due to the heavier pay down of this portfolio as members chose to reduce their higher interest debt obligations in an increasing interest rate environment.

Even with the uncertain economic environment and the growth in our loan portfolio, loan delinquency was at all-time lows at the end of year. We are committed to supporting and working with members through difficult times and we are always available to discuss these matters at any time when the members find themselves in personally challenging situations. People helping people has always been a mantra of the Credit Union. The low delinquency level and lower loan write-offs during the year were the reasons that we were able to take back over \$300,000 from the loan allowance reserve into retained earnings as management worked through the implementation of IFRS 9 for International Financial Reporting Standards in 2018. This new forward looking process required a review of every individual loan that was on the books and it really highlighted how committed our members were to their financial obligations with their Credit Union.

Our Wealth Management subsidiary, Bulkley Valley Financial Services (BVFS), continued to be successful in providing members and clients with additional investment and insurance products that fit their personal

financial needs. This book of business continued to grow despite the downturn in stock markets at the end of the year. During 2018, the BVFS Investment dealer, QTrade, merged with Credential Securities who is the investment dealer supporting the branch staff. The merger also including NEI Investments and it has led to the creation of the larger Credit Union owned system entity of AVISO. The result of the merger will provide the necessary economies of scale that enhances the support to all clients of BVFS going forward.

Our General Insurance subsidiary, Bulkley Valley Insurance Services, and their clients, had a very challenging year in 2018. They found themselves dealing with the many different weather events from the heavy snow load at the beginning of the year, through the flooding in the spring, and the wildfires in the summer. Staff helped clients through these difficult times but during the wildfires it became very frustrating for staff and clients alike as insurance providers declined to underwrite new insurance policies on properties that were within 50 KM of the wildfires. This restriction eliminated writing any insurance policies in the communities of Burns Lake and Houston for almost four weeks. Despite these challenges, our Property and Casualty and ICBC books of business continued to grow during the year as we continued to earn more business away from the local competition.

In the end, this strong growth across the entire organization led to an increase in operating income of over 36% to over \$2.7 Million which includes a one-time deemed dividend from Central 1 of \$265,000. Our successful year allowed our organization to provide over \$170,000 to over 170 local groups in charitable donations, sponsorships and economic development grants. In addition, our patronage pool for 2018 will be over \$665,000 that will be distributed out to the membership in vouchers again in 2019 so look for the those green envelopes this spring. As a financial cooperative, it is inherent in our cooperative values to give back or share with the membership the success of their Credit Union and we are particularly pleased that this can be done during a year shrouded in economic uncertainty and the devastation of the wildfires and other events during 2018.

These strong financial results led to an increase in our capital position to 24%, which is well in excess of the regulatory minimum. In addition, even though we had strong loan growth during 2018, our equally strong deposit growth ensured that we ended the year with over 24% in liquidity. Your Credit Union continues to be well positioned to support our members through good economic times when loan demand is heavy and through tougher economic times when capital is called upon to backstop the operation. The Board of Directors continue to emphasize that these strong financial assets need to be leveraged in the most beneficial manner for the membership.

During our annual strategic planning session in 2018, our long term objectives of investing in our people, our communities and our technology were reaffirmed. During 2018, we had a number of staff members that were promoted internally to fill positions temporarily due to parental leaves and permanently due to retirement. All of these individuals did a great job of taking on the challenges of increased responsibility as evidenced by our strong results. In the end it is clear to see our greatest asset continues to be our Human Resources. We continue to be the organization that

Patty Peterson

board chair



W.D. (Dave) Stene

chief executive officer



community groups seek out if they are looking to build support for any type of community project. We are able to respond with support that can be financial by way of loans or grants or with time to work in an advising or collaborating role. Finally, we have started to invest in network infrastructure and enhancing our online banking channel, Memberdirect. We currently have the project to enhance our Membercards so that they will be “flash” or “tap” enabled starting early in 2019. Even with these enhancements in our remote delivery channels, we understand that the membership is always demanding easier access to their funds but they also want to know their confidential financial information is completely secure at all times. In an era of increasing cyber security risks, the Credit Union’s focus is not only on mitigating these risks internally but also trying to educate the membership on how they can effectively assist to mitigate these risks in their daily routines.

To continue to serve our membership and our communities in the manner they expect and value, it is important that we try to understand what those values actually are, for our communities and members. To assist in this process, BVCU established a social media presence with the introduction of a Facebook page in 2018. The page highlights a diverse range of activities in all of our communities and also helps build financial literacy through entertaining instructional posted videos, “It’s a Money Thing”. The plan is to build an online community where robust discussions can take place on how we can all work together to build stronger communities. At the end of 2018, we had over 400 followers for a page that was first introduced in September. We also want to know how our members feel about our products and services, and the Credit Union will be sending out its biennial member survey in the spring of 2019. To those members randomly selected to participate, we hope you decide to respond to the request. We are always open to receive feedback at any time from any member however, not just through a survey.

Our Credit Union continues to be fortunate to be led by an engaged and committed group of directors that provide our organization with leadership and strong governance. There were no changes to the Board composition in 2018 but the Board has already prepared themselves for the changes that will take place in 2019. Planned Board succession is important to maintaining strong governance going forward.

In conclusion, we want to thank all the members for their continued patronage. Bulkley Valley Credit Union’s success is built on operating as a true financial cooperative that is always looking to meet the financial needs of each and every member of our organization. We understand that the trust that we have earned over the years with the membership has to continue to be earned every day. However, our organization continues to be in a strong financial position that is ready to meet both the economic challenges and the competitive challenges that may arise in future years. We are optimistic going into 2019 because of the recent announcement of the approval of the LNG Canada project. We also realize large projects of this size also bring social challenges to our local communities and we have to be ready to provide additional assistance to help solve these going forward. We look forward to continuing to move our organization in a positive direction for many years to come.

1. SMITHERS BRANCH: Boarding 4 Brant received a \$10,000 donation for the Skatepark Expansion project.

2. THE HAZELTONS’ BRANCH: Bulkley Valley Credit Union donated \$11,500 to the Little Flower Learning Hub to help ensure they are fully staffed to help the community.

3. LAKES DISTRICT BRANCH: Burns Lake Mountain Society received a donation of \$5,000 to help build and maintain their popular trails.

4. HOUSTON AND DISTRICT BRANCH: Bulkley Valley Credit Union helped make the Houston Legion more accessible to everyone with the donation of \$3000.



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Bulkley Valley CREDIT UNION

annual report 2018



notice of annual general meeting

The 77th Annual General Meeting of Bulkley Valley Credit Union will be held on **Monday, April 29, 2019 at 7:00PM** (Registration begins at 6:45 p.m.)

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

Director Elections for 2019

Nominations for directors of Bulkley Valley Credit Union closed on February 15, 2019. The Nominations Committee received two nominations from the Smithers representative region and one nomination from the Houston and District representative region. All three nominees were elected by acclamation for three-year terms.

They are:

Mrs. Denise Fisher, Smithers representation region

Mr Simon Franklin, Smithers representation region

Ms. Susan Jones, Houston District representation region

agenda

1. Call to Order
2. Ascertainment of Quorum
3. Appointment of Recording Secretary and Parliamentarian
4. Adoption of Agenda
5. Approval of Minutes for April 23, 2018 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 and Welfare
16. Adjournment

report of independent auditors on the summary of consolidated financial statements

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, summary statement of changes to Members' Equity and summary cash flow statement for the year then ended, are derived from the audited consolidated financial statements of Bulkley Valley Credit Union for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited consolidated financial statements, in accordance with International Reporting Standards.

Summary Financial Statements

The summary financial statements do not contain all disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

Management's Responsibility for Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis as described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

Edmison Mehr Chartered Professional Accountants
- **Smithers BC, February 27, 2019**

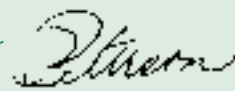
summary consolidated statement of financial position

As at December 31, 2018

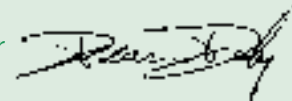
assets	Dec 31, 2018	Dec 31, 2017
Cash & Term Deposits	\$87,789,635	\$63,697,533
Loans to Members	287,367,908	276,210,140
Investments & Other Assets	2,416,515	2,296,344
Property & equipment (net)	3,446,060	2,847,044
Intangibles (net)	2,836,567	2,878,635
	\$383,856,685	\$347,929,696
liabilities		
Deposits	353,699,660	320,307,894
Payables & Accruals	2,439,930	1,787,897
Total Liabilities	356,139,590	322,095,791
members' equity		
Equity Shares	1,367,176	1,476,412
Retained Earnings	26,488,493	24,694,543
Accumulated Other Comprehensive Income	(138,574)	(337,050)
Total Members' Equity	27,717,095	25,833,905
	\$383,856,685	\$347,929,696

Approved by the Directors:

Patty Peterson director



Dean Daly director



summary consolidated statement of comprehensive income

Year Ended December 31, 2018

	2018	2017
Interest Income	\$12,033,110	\$11,084,929
Interest Expense	2,910,596	2,380,103
Financial Margin	9,122,514	8,704,826
Other Income	4,559,639	4,135,981
Operating Margin	13,682,153	12,840,807
Operating Expenses	10,931,816	10,824,853
Earnings from Operations	2,750,337	2,015,954
Distributions to Members	691,441	541,150
Income Taxes	566,967	279,129
Net Earnings	1,491,929	1,195,675
Comprehensive Income (Loss) for the year, net of tax	(62,899)	(1,105,452)
Comprehensive Income	1,429,030	90,223
Retained Earnings & Accumulated Comprehensive Income, Beginning of Year	24,357,492	24,267,269
IFRS 9 Transition Adjustment	563,397	-
	24,920,889	24,267,269
Retained Earnings & Accumulated Comprehensive Income, End of Year	\$26,349,919	\$24,357,492

summary consolidated statement of cash flows

Year Ended December 31, 2018

	2018	2017
Cash flows provided by (used in)		
Operating activities	\$(7,928,794)	\$(18,249,856)
Financing activities	33,544,605	15,947,048
Investing activities	(15,910,384)	4,916,389
Net increase in cash and equivalents	9,705,427	2,613,581
Cash & equivalents, beginning of year	5,623,511	3,009,930
Cash & equivalents, end of year	\$15,328,938	\$5,623,511

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, 2018, 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.****

2018 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 2019 Annual General Meeting.