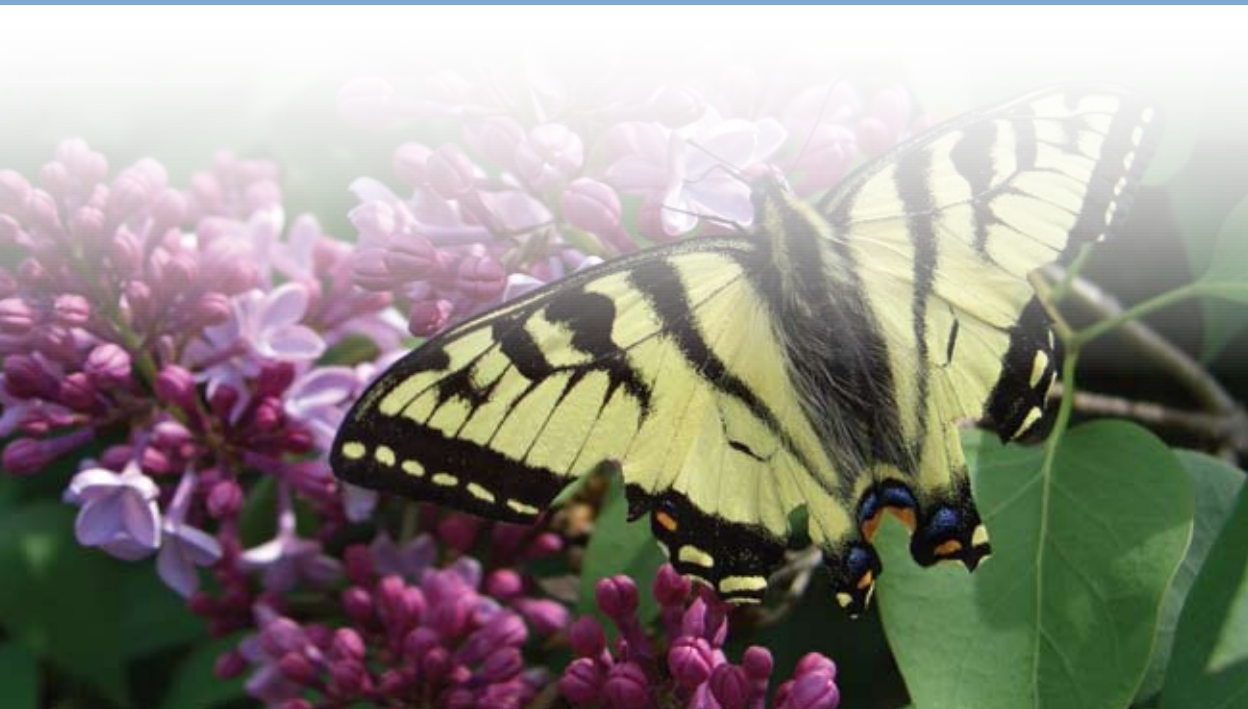




Bulkley Valley
CREDIT UNION

annual report 2009



contents

- mission statement — **3**
- board of directors & ceo report — **4**
- proud to be supporting
our healthy communities — **6**
- financial report — **8**
 - management's statement of
responsibility — **9**
 - auditor's report — **10**
 - financial statements & notes — **11**
- groups and organizations
we supported in 2009 — **24**

support
financial health
challenges
opportunities
recovery



Bulkley Valley CREDIT UNION

mission statement

We will be the leading provider of financial services in each community we serve by:

- Anticipating, responding to and fulfilling needs of our members
- Contributing to the communities
- Delivering high quality personalized service
- Employing committed and empowered staff
- Maintaining the financial health of the organization



board of directors & ceo report

While the world struggled through 2009, everyone at Bulkley Valley Credit Union understood that we had even a bigger role to support our local communities through these difficult financial times.

This is the reason we have worked so diligently during the past several years to build up our capital base. It is this financial backstop that allows us to pass through the deeper economic troughs that always occur in the economic cycle. During 2009 we saw very little growth in our total assets. Deposits basically did not grow at all since many of our members used their savings for purchases rather than taking on the added risk of borrowing. Our loan portfolio actually decreased 2.5% in 2009 since the monthly pay back of our loans and mortgages was not replaced by new advances.

At year end net earnings from operations was at almost exactly the same level as 2008. In addition, we provided our communities with over \$140,000 in much needed economic **support**. 140 community groups benefitted from our economic development funds, community support funds and advertising budget. This was in addition to the \$373,390 of patronage funds paid out from our profits in 2009.

We clearly understand that the **financial health** of our local communities will have a direct influence on the future financial health of our organization so we are committed to doing whatever we can to help our communities recover from the recession. Loan delinquency did increase in 2009 but we focused on working with the members who had run into difficulties to assist them in any manner we could to allow them to make it through these tougher times. Once again, we knew this was the role we had to play for the long term future of our communities.



It is always difficult to look out longer term when you are faced with such a high level of short term adversity. However, your Credit Union did this by investing in a new banking system in the fall of 2009. This project took a large number of staff hours to accomplish and we are very proud of the hard work and efforts of all of the staff to complete the project on time and within budget. However, this type of project also has a direct impact on the level of member service and we want to thank all of our members for their support and patience during this project. We tried to keep everyone informed as the task progressed but we knew that our usually high level of personal service was not maintained at all times during the year. We did complete our member survey in the spring and once again received top marks of over 94% for personable and friendly service, which we were very appreciative to hear from our members. We know that the banking system conversion posed **challenges** to both staff and the membership. These challenges are starting to get behind us and we are very confident that our new banking system will allow us to be even more responsive to member needs and requests for many years to come.

Finally, we are very fortunate to have a group of dedicated volunteer directors that genuinely care about their communities. They provide our organization with strong and committed governance that is really the backbone of the success for our organization. Everyone at Bulkley Valley Credit Union is excited about the **opportunities** 2010 will present for the organization and our communities. It appears that we have weathered the toughest part of the storm and we have come out the other end stronger than ever. We will now focus on doing our part to support the economic **recovery** of our local communities and ensuring that each member receives the high level of personal service that they not only expect but are owed as owners of our organization. On behalf of the board of directors, management and staff, we can't thank our members enough for their previous patronage and we want them all to know that we are there for them and our communities not only in good times but more essentially in the tougher times. We will never take this patronage for granted and we hope 2009 was just further evidence of this fact.

randy brandvold

board chair

w.d (dave) stene

chief executive officer

proud to be supporting our healthy communities

We are proud to report that during 2009 Bulkley Valley Credit Union contributed over \$140,000 to more than 140 local groups through in-branch donations, the RRSP Community Builder Campaign and donations from the Economic Development Fund and the Community Support Fund.

We understand that our role as a supporter of the many groups and events in our communities was even more important during a year of financial instability for so many.

The cornerstone of a healthy community is the participation and inclusion of all residents. For this reason, we found ourselves supporting literacy projects in all of our communities in 2009. The “Hog Wild About Reading” fundraiser in Burns Lake helps the local schools to purchase library books and raise awareness of the importance of reading to the students and their families.

The Bulkley Valley Christian School in Smithers recently had a computer system installed in its library, complete with barcodes installed on all books. Our Community Support Fund helped purchase a wireless scanner which can be taken outside of the library (into classrooms for example) and used to scan all books and/or textbooks to keep the inventory up to date.



financial report

bulkley valley credit union
index to consolidated financial statements
december 31, 2009

| | |
|---|----|
| management's statement of responsibility — | 9 |
| auditors' report — | 10 |
| consolidated balance sheet — | 11 |
| consolidated statement of earnings and retained earnings — | 12 |
| consolidated statement of other comprehensive income (loss) and accumulated other comprehensive income (loss) — | 13 |
| consolidated statement of cash flows — | 14 |
| notes to consolidated financial statements — | 15 |

management's statement of responsibility

The accompanying financial statements of Bulkley Valley Credit Union are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principals and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the annual report and has ensured that this information is consistent with the financial statements. The Credit Union's audit committee and Board of Directors oversee management's responsibilities for the financial reporting and internal control systems.

Appropriate systems of internal control, policies and procedures have been maintained to ensure that financial information is both relevant and reliable and that Credit Union assets are safeguarded.

The financial statements have been independently audited by Mah & Associates in accordance with Canadian generally accepted auditing standards. Their report expresses their opinion on the financial statements.

w.d. (dave) stene
chief executive officer

jana lukasek
manager, finance

auditors' report

Eric B. Mah, C.G.A.
Certified General Accountant
Associates:
Frances A. Fraser, C.G.A., C.F.P.
Kenneth C. Eng, C.G.A.

P.O. Box 3607
1114 Main Street
Smithers, BC V0J 2N0
Tel: 250.847.2281
Fax: 250.847.4421
E-mail: mycga@telus.net

To the Members **Bulkley Valley Credit Union**

We have audited the consolidated balance sheet of the Bulkley Valley Credit Union as at December 31, 2009, and the consolidated statements of earnings and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the credit union as at December 31, 2009, and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Financial Institutions Act, we report that, in our opinion, those principles have been applied consistently.

eric b. mah
C.G.A.

certified general accountant

Smithers, B.C., February 19, 2010

consolidated balance sheet

december 31, 2009

| assets | | 2009 | 2008 |
|------------------------|----------|----------------------|----------------------|
| Cash and term deposits | [Note 3] | \$38,679,988 | \$32,553,464 |
| Loans to members | [Note 4] | 192,888,395 | 197,951,954 |
| Other assets | [Note 5] | 2,433,081 | 2,942,956 |
| Investments | [Note 6] | 1,058,929 | 1,015,574 |
| Property and equipment | [Note 7] | 4,523,119 | 4,198,566 |
| | | \$239,583,512 | \$238,662,514 |

| liabilities and members' equity | | 2009 | 2008 |
|---|-----------|----------------------|----------------------|
| Members' deposits and shares | [Note 8] | \$222,265,574 | \$221,735,603 |
| Accounts payable and accruals | [Note 10] | 867,541 | 1,082,431 |
| Dividends and allocations to members | [Note 11] | 424,963 | 425,111 |
| Equity shares | [Note 12] | 2,158,139 | 2,254,437 |
| Retained earnings | | 13,419,110 | 12,495,635 |
| Accumulated other comprehensive income (loss) | | 448,185 | 669,297 |
| | | \$239,583,512 | \$238,662,514 |

Approved by the Directors:

randy brandvold

director

klaus mueller jr.

director

consolidated statement of earnings and retained earnings

for the year ended december 31, 2009

| | 2009 | 2008 |
|---|----------------------|---------------------|
| interest earnings | | |
| Members' loans | \$9,776,971 | \$11,151,220 |
| Investments | 1,412,460 | 1,017,436 |
| | 11,189,431 | 12,168,656 |
| interest expense | | |
| Members' deposits | 4,049,190 | 5,230,285 |
| Borrowed funds | [Note 9] 8,959 | 33,610 |
| | 4,058,149 | 5,263,895 |
| financial margin | 7,131,282 | 6,904,761 |
| other income | 3,163,728 | 2,964,180 |
| operating margin | 10,295,010 | 9,868,941 |
| operating expenses | | |
| Salaries and staff benefits | 4,493,466 | 4,210,433 |
| Office services and supplies | 1,682,517 | 1,624,363 |
| Other administrative expenses | 1,087,803 | 1,072,009 |
| Occupancy and building | 419,592 | 435,501 |
| Depreciation of property and equipment | 720,229 | 518,591 |
| Allowance for losses on loans | [Note 4] 324,902 | 265,790 |
| Corporation capital tax | 64,085 | 157,974 |
| | 8,792,594 | 8,284,661 |
| net earnings from operations | 1,502,416 | 1,584,280 |
| Patronage allocation | [Note 11] 373,390 | 355,707 |
| Dividends to members | [Note 11] 47,000 | 67,798 |
| | 420,390 | 423,505 |
| net earnings before income taxes | 1,082,026 | 1,160,775 |
| income taxes | | |
| Current | 107,850 | 201,759 |
| Future | 50,701 | (2,439) |
| | 158,551 | 199,320 |
| net earnings for the year | 923,475 | 961,455 |
| retained earnings, as previously stated | 12,495,635 | 11,589,680 |
| income tax adjustment | — | (55,500) |
| retained earnings, beginning of the year | 12,495,635 | 11,534,180 |
| retained earnings, end of the year | \$13,419,110 | \$12,495,635 |

statement of comprehensive income (loss) and accumulated other comprehensive income (loss)

for the year ended december 31, 2009

| comprehensive income | 2009 | 2008 |
|--|------------------|------------------|
| Net earnings for the year | \$923,475 | \$961,455 |
| Other comprehensive gain for the year, net of tax | (221,112) | 711,423 |
| Comprehensive income | 702,363 | 1,672,878 |
| accumulated other comprehensive income (loss) | | |
| Balance, beginning of year | 669,297 | (42,126) |
| Unrealized gains and losses on available-for-sale financial assets arising during the year | 34,854 | 64,549 |
| Gains and losses on derivatives designated as cash flow hedges arising during the year | 35,332 | 792,075 |
| Gain recognized in interest income during the year | (411,919) | — |
| Other comprehensive gain for the year, before income tax | (341,733) | 856,624 |
| Income tax | (120,621) | 145,201 |
| Net other comprehensive income for the year | (221,112) | 711,423 |
| Accumulated other comprehensive income (loss), end of year | \$448,185 | \$669,297 |

consolidated statement of cash flows

for the year ended december 31, 2009

| cash flows from operating activities | 2009 | 2008 |
|--|---------------------|---------------------|
| Interest received | \$9,776,971 | \$11,151,220 |
| Term deposit interest received | 966,662 | 988,480 |
| Dividends received | 33,880 | 28,956 |
| Other income | 3,575,646 | 2,964,180 |
| Interest paid to members | (4,049,190) | (5,230,285) |
| Dividends paid to members | (47,000) | (67,798) |
| Interest paid on borrowed funds | (8,959) | (33,610) |
| Patronage allocations paid to members | (373,390) | (355,707) |
| Cash paid to or on behalf of employees | (4,493,466) | (4,210,433) |
| Cash paid for services and supplies | (1,682,517) | (1,625,516) |
| Cash paid for administrative expenses | (1,087,803) | (1,072,009) |
| Cash paid for building occupancy | (419,592) | (435,501) |
| Income and capital taxes paid, net of recoveries | (598,794) | (350,273) |
| | 1,592,448 | 1,751,704 |
| cash flows from investing activities | | |
| Net change in loans to members | 4,962,108 | (15,158,857) |
| Net change in investments | 43,355 | 286,613 |
| Net change in other non-cash assets | 134,543 | (75,244) |
| Net change in property & equipment | (1,044,792) | (1,208,612) |
| | 4,095,214 | (16,156,100) |
| cash flows from financing activities | | |
| Net change in term deposits | (6,272,363) | 7,438,983 |
| Net change in demand deposits | 5,055,068 | 11,394,985 |
| Net change in registered savings plans | 1,747,298 | 2,881,940 |
| Net change in ordinary share accounts | 33 | 1 |
| Net change in accounts and accruals payable | (94,728) | 42,081 |
| Net change in dividends and allocations to members | (148) | (141,557) |
| Net change in equity shares | 3,702 | (46,631) |
| | 438,862 | 21,569,802 |
| net increase (decrease) in cash and equivalents | 6,126,524 | 7,165,406 |
| cash and equivalents, beginning of year | 32,553,464 | 25,388,058 |
| cash and equivalents, end of year | \$38,679,988 | \$32,553,464 |

notes to consolidated financial statements

december 31, 2009

1 Significant accounting policies

a Governing Legislation and Operations

Bulkley Valley Credit Union is incorporated under the Credit Union Incorporation Act of British Columbia and the operation of the Credit Union is subject to the Financial Institutions Act of British Columbia. The Credit Union serves members primarily in the Smithers, Hazelton, Houston, Burns Lake and surrounding areas.

b Basis of Consolidation

These financial statements include the accounts of Bulkley Valley Financial Services Ltd., a 100% owned subsidiary of the Credit Union, which includes a proportionate share of a jointly owned insurance business. All intercompany transactions have been eliminated upon consolidation.

c Loans

Loans are recorded at the principal amount less a provision for losses. An allowance for doubtful accounts is determined by reference to specific loans in arrears, prior loan collection experience, economic conditions, and other factors which in management's opinion deserve recognition. Loans considered uncollectible are written off.

Interest income is recorded on the accrual basis, except for interest on loans where, in the opinion of management, it is considered uncollectible.

Property held in settlement of loans is valued at the lower of cost or net realizable value.

d Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded on a straight line basis over thirty to forty years for buildings, two to five years on equipment, and ten years on the parking lots.

e Goodwill

Goodwill represents the excess of consideration paid over the fair value of net tangible assets acquired in business acquisitions and related costs of acquisition. Goodwill is not amortized, but is tested for impairment on an annual basis by comparing the fair value of each reporting unit to its carrying value. When the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its fair value.

notes to consolidated financial statements

f Comparative Figures

Certain prior year's figures have been reclassified where applicable to conform to the current year's presentation.

g Interest Rate Swaps

Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of loans and deposits. Since interest rate swaps involve the exchange of interest flows between two parties on a specified notional principal amount, the notional principal amounts are not indicative of credit exposure. As at December 31, 2009 the Credit Union had outstanding interest rate swap contracts in the notional principal amount of \$10 million. (December 31, 2008 \$20 million).

h Comprehensive Income

Commencing January 1, 2007, the Credit Union adopted new accounting standards required by the Canadian Institute of Chartered Accountants relating to Financial Instruments — Recognition and Measurement — CICA Handbook section 3855, Comprehensive Income — CICA Handbook section 1530, and Hedges — CICA Handbook section 3865 and the other amendments to the CICA Handbook sections and accounting guidelines resulting from the issuance of these sections.

Under the new standards, the Credit Union is required to present a new statement of comprehensive income and its components, as well as the components of accumulated other comprehensive income in its consolidated financial statements. Comprehensive income includes both net income and other comprehensive income (OCI). Major components of OCI include changes in unrealized gains and losses of financial assets classified as available-for-sale, and changes in fair value of effective cash flow hedges.

i International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises.

notes to consolidated financial statements

In order to prepare for the conversion to IFRS, the Credit Union has developed an IFRS changeover plan. This plan addresses key elements of the Credit Union's conversion to IFRS including:

- accounting policy changes;
- information technology and data systems impacts;
- education and training requirements;
- internal control over financial reporting;
- financial reporting requirements; and
- impacts on business activities.

The plan highlights the need to identify key accounting policy changes as the first step in the conversion process. Once these changes have been identified, other elements of the plan will be addressed. In order to facilitate this identification process, the plan provides for education and training to be provided to selected employees involved in the transition.

Certain elements of the plan have already commenced, including education and training sessions for employees throughout the organization, and this will continue throughout the implementation period.

As implications of the conversion are identified, information technology and data systems impacts will be assessed. Similarly, impacts on business activities will be assessed as differences are identified between the Credit Union's current accounting policies and IFRS.

2 Business acquisitions

Business acquisitions made by the Credit Union through its wholly-owned subsidiary are accounted for using the purchase method whereby a proportionate share of the assets and liabilities have been recorded at fair market values and a proportionate share of the operating results have been included in the Credit Union's financial statements from the effective date of purchase.

3 Cash and term deposits

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Deposits held to maturity and cash for trading, at cost | \$31,792,781 | \$23,441,669 |
| Available for sale, at market value* | 6,887,207 | 9,111,795 |
| | \$38,679,988 | \$32,553,464 |

*Cost amount \$6,828,298 (2008 — \$9,052,886)

notes to consolidated financial statements

4 Loans to members

| | 2009 | 2008 |
|-------------------------------------|----------------------|----------------------|
| Promissory notes | \$32,730,736 | \$36,072,923 |
| Mortgage loans | 160,954,185 | 162,495,997 |
| Accrued interest | 382,237 | 460,346 |
| | 194,067,158 | 199,029,266 |
| Less, Allowance for losses on loans | 1,178,763 | 1,077,312 |
| | \$192,888,395 | \$197,951,954 |

During the year, loans in the amount of \$233,607 (2008 — \$234,982) were written off, and recoveries of \$8,549 (2008 — \$14,210) were realized in respect of loans written off in prior years.

5 Other assets

| | 2009 | 2008 |
|---|--------------------|--------------------|
| Prepaid expenses | \$154,226 | \$206,451 |
| Accounts receivable | 286,922 | 207,657 |
| Current income taxes refundable | 286,869 | — |
| Future income taxes | — | 25,455 |
| Goodwill and Intangibles* | 1,546,998 | 1,546,998 |
| Property held for resale | 37,933 | 40,591 |
| Customer list, net of amortization | 65,533 | 129,167 |
| Derivative financial asset, at market value (cost is nil) | 54,600 | 786,637 |
| | \$2,433,081 | \$2,942,956 |

*Acquired in 2006 (acquisition of insurance business.) Deductible Income Tax amount is \$11,831.

6 Investments

| | 2009 | 2008 |
|--|--------------------|--------------------|
| shares and joint ventures, at cost | | |
| *Stabilization Central & Central 1 | \$601,250 | \$584,905 |
| GrowthStart: A Local Business Development Fund | 300,000 | 300,000 |
| *CUPP Services Ltd | 101,378 | 89,269 |
| Other | 56,301 | 41,400 |
| | \$1,058,929 | \$1,015,574 |

*These investments are required for the Credit Union's present operations and operating agreements.

notes to consolidated financial statements

7 Property and equipment

| | 2009 | | | 2008 |
|------------------------|--------------------|--------------------------|--------------------|--------------------|
| | Cost | Accumulated Depreciation | Net | Net |
| Land | \$506,300 | \$ — | \$506,300 | \$506,300 |
| Buildings | 3,491,056 | 1,145,821 | 2,345,235 | 2,452,106 |
| Leasehold improvements | 741,201 | 373,082 | 368,119 | 470,355 |
| Equipment | 3,491,517 | 2,202,330 | 1,289,187 | 763,224 |
| Parking lots | 96,036 | 81,758 | 14,278 | 6,581 |
| | \$8,326,110 | \$3,802,991 | \$4,523,119 | \$4,198,566 |

8 Members' deposits and shares

| | 2009 | 2008 |
|---|----------------------|----------------------|
| Demand deposits | \$89,040,327 | \$83,985,258 |
| Term deposits, including accrued interest | 91,914,213 | 98,186,577 |
| Registered Saving Plans, including accrued interest | 41,300,584 | 39,553,285 |
| Ordinary shares | 10,450 | 10,483 |
| | \$222,265,574 | \$221,735,603 |

Registered Savings Plans

The credit union has entered into a deposit back agreement with Central 1, trustee for the plans, whereby registered savings plan contributions of members are deposited with the Bulkley Valley Credit Union at rates determined by the Bulkley Valley Credit Union.

9 Loan payable—Central 1

The credit union has an authorized line of credit secured by a demand debenture in favour of Central 1. The debenture creates a floating charge on certain assets and undertakings of the credit union.

10 Accounts payable and accruals

| | 2009 | 2008 |
|--|------------------|--------------------|
| Trade payables and accrued liabilities | \$838,390 | \$891,524 |
| Current income taxes payable | — | 190,907 |
| Future income taxes | 29,151 | — |
| | \$867,541 | \$1,082,431 |

notes to consolidated financial statements

11 Current dividends and allocations to members

The credit union has declared dividends estimated to be paid as follows:

| | 2009 | 2008 |
|-----------------------|------------------|------------------|
| Patronage dividend | \$373,390 | \$355,707 |
| Equity share dividend | 47,000 | 67,798 |
| | \$420,390 | \$423,505 |

12 Equity shares

Equity shares are restricted as to withdrawal and are not guaranteed by the Credit Union Deposit Insurance Corporation of B.C.

13 Statutory requirements

The Financial Institutions Act requires the credit union to maintain a capital base adequate in relation to its level of business activities. The level of capital required is based on a prescribed percentage of the total value of its riskweighted assets, each asset of the credit union being assigned a risk factor based on the probability that a loss may be incurred on the ultimate realization of that asset.

The Financial Institutions Act Regulations prescribe that the minimum required capital ratio is 8% of the riskweighted value of assets for 2008. At December 31, 2009, the credit union had attained a capital base in excess of the minimum requirement.

The Credit Union is also required to maintain a minimum cash liquidity reserve equal to 8% of member deposits plus other current obligations.

14 Commitments

Letters of Credit

The Credit Union was contingently liable for letters of credit issued on behalf of members totaling \$462,510 at December 31, 2009, and \$469,236 for the previous year.

Lease

The Credit Union renewed a lease agreement for the Lakes District premises expiring September, 2012. The lease provides for annual rent at \$30,212 per annum.

notes to consolidated financial statements

Employee Future Benefits

Employee Pension Plan

The Credit Union employees participate in a multiemployer defined benefits pension plan, operated under the B.C. Credit Union Employees Pension Plan. An independent actuary based on the accrued benefit actuarial cost method has determined the annual cost of the pension plan benefits. The most recent actuarial valuation was as at December 31, 2006, at which time it was determined that the pension plan assets exceeded the actuarial liability. The next actuarial valuation is scheduled to commence December 31, 2009 with the results of the valuation expected no later than June, 2010.

Retiree Benefits

Certain retired employees receive health benefits for a fixed period of time after their retirement. This financial obligation is recognized by the Credit Union at the time of the employee's retirement.

15 Statutory information

Directors and Staff Loans

At December 31, 2009, the total of loans to directors, officers, employees and other related parties of the credit union was \$11,258,574, none of which was more than one month in arrears. Loans to employees at reduced interest rates, which are granted to employees as part of their compensation package, totaled \$7,293,255.

Directors' Remuneration

Directors, in their capacity as directors and committee members, received no remuneration in 2009.

notes to consolidated financial statements

16 Financial instruments

Most of the assets and liabilities of the Credit Union are financial instruments. The following table is intended to provide some guidance as to the expected cashflows from these financial instruments and the level of exposure to interest rate risk. Interest rate risk is the sensitivity of financial position to changes in interest rates. The carrying amounts of interest sensitive assets and liabilities and the notional amount of swaps used to manage interest rate risk are presented in the periods in which they next reprice to market rates or mature. These values are summed to show the net interest sensitivity position. Loans are adjusted for prepayment estimates which reflect expected repayments on other than contractual maturity dates, based on experience and current economic conditions.

Maturity dates substantially coincide with interest adjustment dates. Amounts with floating rates, or due on demand, are classified as maturing within three months, regardless of maturity. Amounts that are not interest rate sensitive are grouped together, regardless of maturity.

| \$000's December 31st, 2009 | Not Interest Sensitive | Period to Maturity | | | Total |
|--|---------------------------|--------------------|-----------------------|----------------------|----------|
| | | Within 3 Months | 4 Months to 1 Year | Over 1 to 7 Years | |
| assets | | | | | |
| Cash resources | \$14,004 | \$725 | \$5,625 | \$16,950 | \$37,304 |
| Loans | 6 | 74,334 | 23,822 | 97,173 | 195,335 |
| Investments & other | 4,973 | — | 300 | — | 5,273 |
| | 18,983 | 75,059 | 29,747 | 114,123 | 237,912 |
| liabilities | | | | | |
| Deposits | 82,210 | 53,687 | 56,661 | 29,690 | 222,248 |
| Payables and accruals | 196 | — | — | — | 196 |
| Equity | 15,468 | — | — | — | 15,468 |
| | 97,874 | 53,687 | 56,661 | 29,690 | 237,912 |
| Net mismatch | | 21,372 | (26,914) | 84,433 | |
| Swaps | | (10,000) | — | 10,000 | |
| interest sensitivity position | | \$11,372 | \$(26,914) | \$94,433 | |

notes to consolidated financial statements

17 Fair values of financial instruments

The estimated fair values of financial instruments are designed to approximate values at which these instruments could be exchanged in a current market. However, many of the financial instruments lack an available trading market and therefore fair values are based on estimates.

The fair values of cash, variable rate loans and deposits, other assets and liabilities are assumed to equal their book values. The fair values of fixed rate loans and deposits are determined by discounting the expected future cash flows at the estimated current market rates for loans and deposits with similar characteristics.

| \$000's | 2009 | | | 2008 |
|------------------------------|------------|------------|----------------|----------------|
| | Book Value | Fair Value | Difference | Difference |
| Cash resources | \$37,605 | \$38,260 | \$655 | \$1,138 |
| Loans | 195,335 | 201,031 | 5,696 | 1,780 |
| Deposits | 224,407 | 224,204 | 206 | (1,525) |
| Derivative contracts | — | 55 | 55 | — |
| fair value difference | | | \$6,612 | \$1,393 |

the power of membership

groups and organizations we supported in 2009

| | | |
|--|---|--|
| BC Book Prizes — Adopt A Library | BV Folk Music Society Adult Guitar Camp | Hazelton Wolverines Hockey Club |
| BC Development Snowboarding Team — Jason Gagnier | BV Historical & Museum Society | Heart & Stroke Foundation |
| BLNDC Aboriginal Days | BV Learning Centre | Heavy Horse Pull |
| Bulkley Valley Backpackers | BV Otters Swim Club | Houston Chamber Business Awards |
| British Columbia Barrel Racing Association | Camp Caledonia Renovation Project | Houston Chamber's Fun in the Sun Golf |
| Bulkley Valley Community Arts Council | Canadian Diabetes Association — Smithers Branch | Houston Figure Skating Club |
| Bulkley Valley Christian School French 12 | Central Park Building | Houston Legion Branch 249 |
| Bulkley Valley Christian School Library | Community Gospel Chapel | Houston Leisure Facility Halloween Party |
| Bulkley Valley Christian School | Cops for Cancer | Houston Link to Learning |
| Bulkley Valley Economic Development Initiative | Creative Roots Dance Team — New York Trip | Houston Minor Hockey Association |
| Bulkley Valley Exhibition | Cut Loose Quilters | Houston Minor Hockey — Midget Provincials |
| Bulkley Valley Hospice Society | Ebenezer Canadian Reformed School Biology 12 | Houston Pink Ball Tournament |
| Bulkley Valley Select Soccer Team — U16 Boys | Forum for Young Canadians — Ariel Jones | Houston Rugby Team |
| Burns Lake Braves Senior Hockey Club | Friends of the Houston Public Library Society | Houston Secondary School Drop in Music |
| Burns Lake Farmers Market | Gitsegukla Cougars Basketball | Houston Secondary School Safe Grad Program |
| Burns Lakes Figure Skating Club | Gitsegukla Men's Basketball | Houston Secondary School Toast Program |
| Burns Lake Hospital Auxiliary | Gitsegukla Volleyball | Houston's Newfie Golf Tournament |
| Burns Lake Minor Hockey Association | Gitxsan Cultural Days | Jake Jenne Arts Project |
| Burns Lake Motorcycle Club | Gitxsan United Sports Club | Jessica Catorc/Miss Teen Canada-World |
| Burns Lake Playschool | Great Bear Coast — Field and Forest Cooperative | John Field Elementary School — Division 6 |
| Burns Lake Rotary Club — Auction | Hagwilget Village Council | Kispiox Ladies Basketball Team |
| BV Band Boosters | Hazelton Girls Soccer Team | Kispiox Valley Rodeo Club |
| BV Childcare Society | Hazelton Minor Hockey — Atoms Division | Lakes District Arts Council |
| BV Farmers Market | Hazelton Secondary School Drama | Lakes District Christmas Hamper Program |



the power of membership

groups and organizations we supported in 2009

| | | |
|--|--|---|
| Lakes District Fall Fair — Children's Festival | Relay for Life Cancer Walks | Smithers Secondary Senior Girls Basketball |
| Lakes District Food Bank | Roche View Lodge | Smithers Secondary Senior Girls Volleyball Team |
| Lakes District Kennel Club | Round Lake Community Association | Smithers Secondary Student Council |
| Lakes Economic Development Association | Salvation Army Food Bank | Smithers Secondary Young Woman's Project |
| Local Vocals Community Choir | Silverthorne Elementary School Toast Program | Smithers Senior Carpet Bowling |
| LOGS Literacy | Skeena Bakery Project | Smithers Senior Citizens Association |
| Midsummer Music Festival | Skeena Watershed Conservation Coalition | Smithers Steelheads |
| Monster Ventures | Smiles Daycare PAC | Smithers Volunteer Ski Patrol |
| Moricetown Arrows — Little Arrows | Smithers Annual Community Christmas Dinner | Society of BC Conservation Officers |
| Muheim School Grade 4 Class Trip | Smithers Art Gallery | South Hazelton Women's Institute |
| Navy League of Canada | Smithers Community Radio | Spirit of the North Arabian Horse Association |
| New Hazelton Elementary — Grade 7 Grad | Smithers Community Services — Volunteer Smithers | Storyteller's & Learning Shop |
| New Hazelton Elementary PAC | Smithers Curling Club | Team Moricetown Beggars |
| New Hazelton Skate/Bike Park Committee | Smithers Junior Steelheads — Atom Development Team | Telkwa Community Initiatives |
| Northern BC Winter Games | Smithers Mountain Bike Association | Telkwa Museum |
| Northern Health Authority — Health Fair | Smithers Musical Ride | Telkwa Senior Carpet Bowlers |
| Northwest Animal Shelter Society | Smithers Rodeo Club | Topley Community Club |
| Omineca Ski Club | Smithers Rotary Club Community Trail | Treehouse Housing Association |
| One Sky — Anti Idling Campaign | Smithers Rotary Club — Radio Auction | Valley Vipers Ladies Fastball |
| Pacific Northwest Science Fair | Smithers Scouts | Valley Youth Fiddlers |
| Palling Recreation Committee — Community Hall | Smithers Secondary Alpine Team | Village of Hazelton |
| Plan B Brewery | Smithers Secondary Athletics | Walnut Park Elementary School |
| Pleasant Valley Community Market | Smithers Secondary DAF Grad 2009 | Wrinch Community Garden |
| Quick Community 4-H District Horse Camp | Smithers Secondary Senior Boys Soccer Team | Wrinch Memorial Hospital Auxiliary |



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