



# Battle River Credit Union

**2003 ANNUAL REPORT**



“When you bank at Battle River Credit Union, you’re more than a number – and more than a customer. You’re a member-owner, a shareholder and our boss. We’re working for you.”

## **2003 ANNUAL REPORT**

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## WE'RE WORKING FOR YOU

It's a simple concept – remain successful by providing superior service to those you serve. It's one of the reasons our family has grown to include over 11 branches and 18,000 member-owners. Battle River Credit Union believes banking products and services should be tailored to the needs of the people who use them, not the people who offer them. After all, you're the boss. It's that simple.

Over the years, we've developed products and services that let you bank how and when you want, allowing you more time to spend on better things than line-ups and unnecessary paperwork. You can access your accounts and conduct your banking business in person, over the telephone, by computer, or at thousands of cash machines and store locations worldwide.

Even though we're intent on providing state-of-the-art technology



## You're the boss.

and the best accessibility for our member-owners, we know that service isn't limited to updated facilities and new ATMs. Service also includes treating people the way we would want to be treated. We care, and it shows.

Recognized as a leader in the financial services industry, Battle River Credit Union has been locally owned and operated in East Central Alberta for 53 years.

We are a thriving, dynamic and growing financial institution, thanks to the continued support of our many bosses – our member-owners.

18,000 people do their banking at BRCU, through 11 branches in ten communities and surrounding areas.

Battle River Credit Union contributes to the growth and prosperity of the communities it serves and is committed to providing sound financial services in rural, as well as urban, areas.

"We're locally owned, by our members, allowing us to be flexible and responsive to the needs of a sophisticated, demanding and ever changing financial services marketplace. At Battle River Credit Union, we do it all for you. You're the boss."

*Terry Kelly*

TERRY KELLY  
GENERAL MANAGER

# You're the boss.



# You're t

**BRCU member-owners recognize many benefits and enjoy the best that banking has to offer.**

- a full menu of quality, value-added financial products and services – basic and innovative
- the best personalized service in the business
- access to accounts and information, 24 hours a day, 365 days a year
- profit sharing program for member-owners
- contribution to the growth and prosperity of our communities

The continued satisfaction of our member-owners is always top of mind.

**BRCU member-owners receive service that is second to none and envied everywhere.**

- efficient and friendly personalized attention, every day
- consistently competitive rates
- well trained, knowledgeable and helpful employees
- updated, modern branches
- state-of-the-art technology and a plan for the future
- all-in-one monthly statement with imaged cheques

We consider the needs of our member-owners while perpetually advancing to meet the challenges of a rapidly evolving financial services industry.

**BRCU member-owners choose from accounts and products designed especially for them.**

- personal, business and agricultural accounts
- chequing and savings accounts
- loans and mortgages, personalized lines of credit
- MasterCard credit and gold cards, and MemberCard debit cards
- investments including mutual funds
- term deposits and retirement options
- special accounts for seniors and youth
- trust, brokerage and insurance services

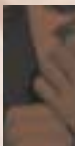
Our products and services are unique and tailored to the needs and wants of a diverse population.

**COMMITMENT**



**SERVICE**

**SELECTION**



# he boss.



# You're the boss.

## **BRCU member-owners do their banking how, and when, they want – anywhere, anytime.**

- member-owners have quick and easy access to accounts and information
- face-to-face in one of our many modern branches
- through one of nine popular ATMs
- online by computer (178,274 Internet banking transactions in 2003)
- by phone (146,439 TeleService transactions in 2003)

Our progressive development and investment in sound technology have made banking more efficient.

## **CONVENIENCE**

## **BRCU member-owners share in the success and annual profits of the Credit Union.**

- anyone wishing to open an account at BRCU must purchase a minimum number of Common Shares, providing long term capital and becoming a member-owner with special privileges. The more member-owners and capital we have, the more secure we, and our member-owners, are
- \$3 million was returned to our member-owners in patronage and dividends
- we allocated funds sufficient for sustaining the future growth and profitability of Battle River Credit Union
- \$1 million was allocated to reserves in 2003

We are proud of our sound financial planning and management. BRCU is safe, sound and secure with a solid financial base and reserves.

## **PROFIT SHARE**

## **BRCU member-owners invest in the communities in which they work and live.**

- reinvested directly in local community initiatives
- awarded numerous scholarships to various students within with our region
- created and support the Leif Osback Memorial Fund for the Greater Camrose Community Foundation
- sponsored numerous community groups and events
- leading employer in the area

BRCU's deposits and loans keep financial resources working in local economies.

## **COMMUNITY**



Battle River Credit Union is strong, solid, secure and stable. Our past performance has been outstanding and we are well-positioned for the future.

Record increases in loans and deposits assets and profits were achieved again in 2003.

Capital reserves and equity increased 13.85% to \$28 million, representing 8.42% of assets.

Net income before patronage allocation and taxes was \$5 million, an increase of 14.7%.

Total assets exceeded \$338 million.

Member-owner loans increased by 12.83% to \$249 million.

Our total book of business (loans, deposits and mutual funds) exceeded \$560 million.

"We produced our best annual results ever and are in a strong financial position. Our healthy outlook is as a result of hard work, initiative, investment and attention to detail. At Battle River Credit Union, we do it all for you. You're the boss."

*Arlene Stauffer*

ARLENE STAUFFER  
VP FINANCE & ADMINISTRATION

"At BRCU, we work hard every day to bring you quality products and services, innovative technology, commitment to community and service with a smile."



**Bill Hamm**  
Member-owner and  
our boss since 2001.



**Tatiana Holt**  
Member-owner and  
our boss since 1999.



**Gordon Soldan**  
Member-owner and  
our boss since 2000.



**Gladys Sharp**  
Member-owner and  
our boss since 1959.

Recently I was asked to speak to a Credit Union Directors' conference on the issue of board governance in the light of the Enron fiasco and other high profile examples of greed, mismanagement and bad corporate governance. I stated that our primary goal is the protection of our members' deposits and to ensure that board, management and staff act with integrity, fairness and efficiency in all that we do.

I am pleased to report that not only do we act with integrity, we are very successful financially. Our earnings set a new record (\$5.0 million before tax and allocation). We have \$338 million in assets. Our reserves stand at \$28.4 million (8.42% of assets). Our return on assets of 1.48% compares favourably with any other Credit Union in Canada.

Not bad for a Credit Union that started in 1950 with \$178 in assets!

# You're the boss.



**Langdon Holt**  
Member-owner and  
our boss since 2000.



**Lori Derenowski**  
Member-owner and  
our boss since 1999.



**Peter Kryvonishka**  
Member-owner and  
our boss since 1975.



**Shirley Ewanchuk**  
Member-owner and  
our boss since 2000.

We continue to upgrade our facilities. The new City Centre branch in Camrose opened in June 2003. We are very pleased with its appearance and convenience, and believe it will serve us well for many years. We also completed renovations and upgrading to the Head Office and Member Care offices, on time and below budget. All of our branches are owned by the Credit Union, with no debt.

In keeping with our commitment to reward our members for dealing with us, the Board approved a general payout of \$3,040,000, to be credited to members' accounts on December 1, 2003. It pays to bank with us!

Sincere thanks to management and staff for an outstanding year. We are proud of the Battle River Credit Union and hope you are as well.

On behalf of the Board of Directors

*Alan D. Fielding, Q.C.*

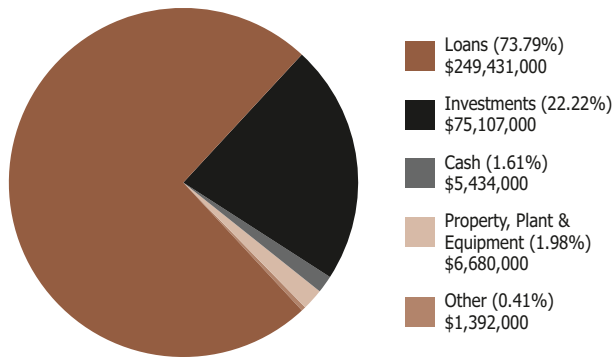
President

# Balance Sheet

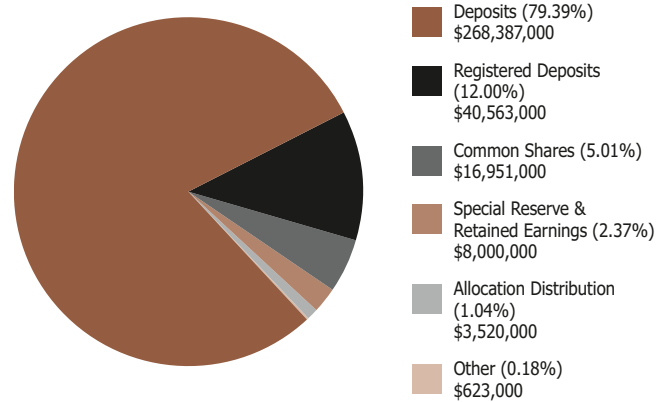


October 31, 2003 (unaudited)

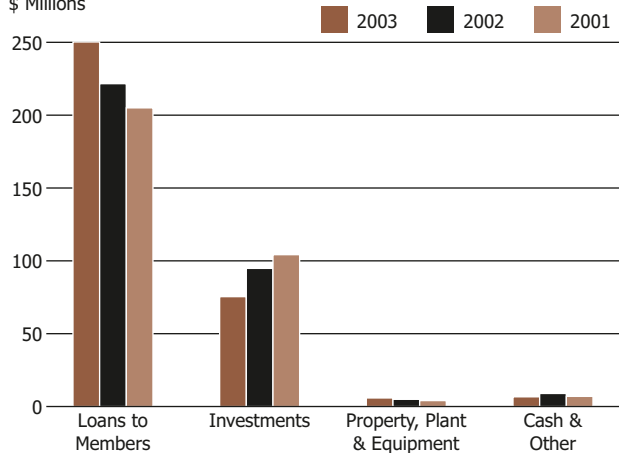
## Assets Total \$338,044,000



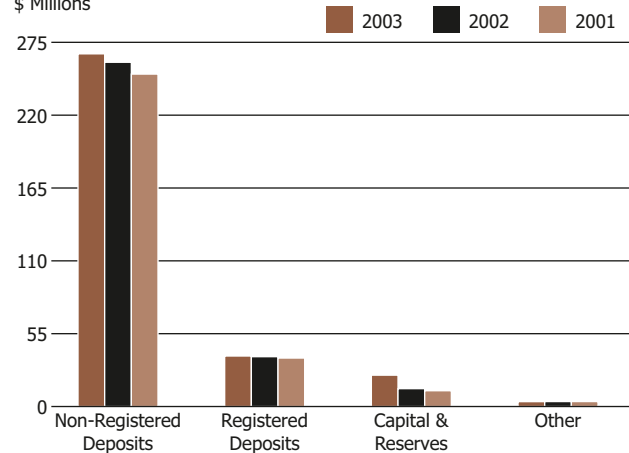
## Liabilities, Capital & Reserves Total \$338,044,000



## Assets October 31, 2003 (unaudited) \$ Millions



## Liabilities, Capital & Reserves October 31, 2003 (unaudited) \$ Millions

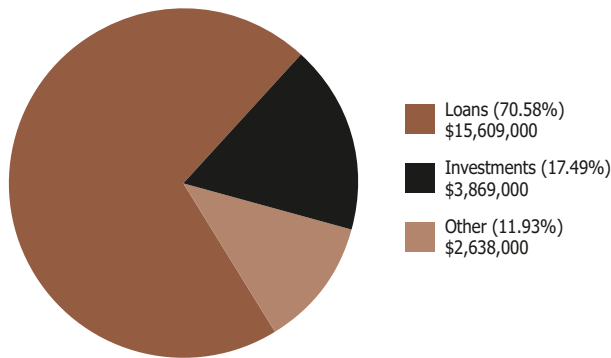


# Operations

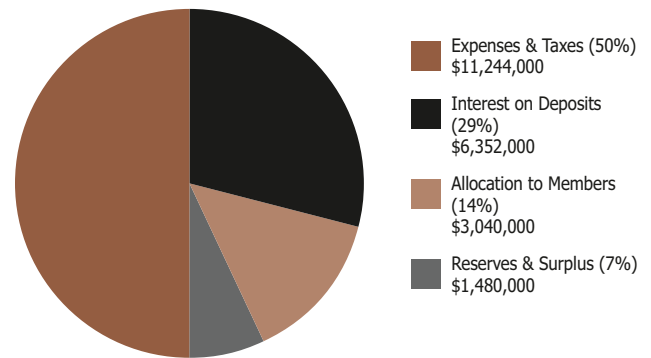


October 31, 2003 (unaudited)

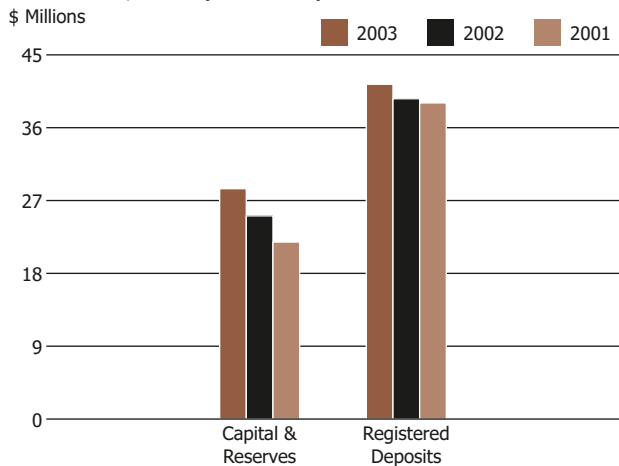
## Financial & Operating Income Total \$22,116,000



## Income Expended or Allocated Total \$22,116,000



## Capital, Reserves & Registered Deposits October 31, 2003 (unaudited)



"At Battle River Credit Union, we've achieved our best annual results ever – with record increases in loans, deposits, assets, profits, reserves and investment in community initiatives."

# Management's Responsibility for Financial Statements



The financial statements of BATTLE RIVER CREDIT UNION LTD. and all other information contained in the annual report are prepared and presented by management, which is responsible for their accuracy, objectivity and completeness. This responsibility includes presenting the statements in accordance with generally accepted accounting principles. The preparation of the statements necessarily involves the use of estimates, which are made using careful judgement.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors has the ultimate responsibility for these financial statements. The Board oversees management's responsibilities for financial reporting through an Audit and Finance Committee, which is composed entirely of directors who are not officers or employees of BATTLE RIVER CREDIT UNION LTD. The Committee reviews the financial statements and recommends them to the Board for approval.

To carry out its duties, the Audit and Finance Committee reviews the annual financial statements, as well as issues related to them. The Audit and Finance Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems. The Audit and Finance Committee's review of financial reports includes an assessment of key management estimates and judgements material to the financial results.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with generally accepted auditing standards. The external auditor has full and unrestricted access to the Audit and Finance Committee to discuss their audit findings as to the integrity of BATTLE RIVER CREDIT UNION LTD.'s financial reporting and adequacy of internal controls.

Mowbrey Gil Chartered Accountants has examined these financial statements and their report follows.

*Terry Kelly*

General Manager

*Arlene Stauffer*

Vice President, Finance & Administration

Camrose, Alberta

November 14, 2003

# Audit and Finance Committee Report

# Auditors' Report



The Audit and Finance Committee met four times during the 2003 fiscal year. We reviewed the legislated financial reports as well as the financial results of each branch and compared their performance to budget. We received quarterly Asset Liability Management reports provided to ensure our portfolio was properly matched.

We reviewed and recommended the 2004 budget for approval. We received and reviewed the internal audits conducted during the fiscal year, our external auditors' management letter and the audited financial statements.

The purpose of the audits is to verify the Credit Union procedures are being followed in accordance with the Credit Union's policies and that the legislated requirements governed by the Credit Union Act and By-Laws are adhered to.

My sincere thanks to the members of the committee and to the management who provided their assistance and information this past year.

*Ron Pilger*  
Committee Chairman

We have audited the statement of financial position of BATTLE RIVER CREDIT UNION LTD. as at October 31, 2003 and the statements of income, retained 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 of these financial statements in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the 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 October 31, 2003 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Mowbray Gil LLP*

Chartered Accountants

Edmonton, Alberta

November 14, 2003

# Credit Committee Report



We are pleased to report on the activities of the Credit Committee for the past year.

The Credit Committee continues to meet on a regular basis to ensure loan requests are processed on a timely basis.

During the 2003 fiscal year, Battle River Credit Union approved 3979 loan applications totalling \$171,202,859.88. This compares to the previous fiscal year where 3857 applications were approved totalling \$140,140,516.01.

A breakdown of the loans disbursed during the past fiscal year and previous year were as follows:

	<b>2003</b>	2002
Residential Mortgages	<b>\$ 30,113,122</b>	\$ 33,355,457
Consumer Loans	<b>26,677,872</b>	26,922,311
Agriculture Loans	<b>16,492,704</b>	19,273,784
Commercial Loans	<b>19,210,029</b>	13,723,651
Total	<b>\$ 92,493,727</b>	\$ 93,275,203

We are anticipating another successful year for the loan departments.

# Balance Sheet



**October 31, 2003**

(\$ Thousands)

	2003	2002	2001
<b>Assets</b>			
Cash	\$ 5,434	\$ 8,385	\$ 6,136
Investments (note 3)	75,107	96,663	106,522
Accounts receivable and prepaid expenses	270	194	43
Income taxes receivable	–	3	–
Future tax (note 4)	1,015	741	424
Member loans (note 5)	249,431	221,073	203,831
Foreclosed properties held for resale	107	29	149
Property, plant and equipment (note 6)	6,680	4,536	4,782
	<b>\$ 338,044</b>	<b>\$ 331,624</b>	<b>\$ 321,887</b>
<b>Liabilities</b>			
Accounts payable	\$ 582	\$ 604	\$ 672
Income taxes payable	41	–	362
Member deposits (note 7)	308,950	306,013	298,923
	<b>309,573</b>	<b>306,617</b>	<b>299,957</b>
Contingent liabilities (note 8)			
<b>Capital, Reserves and Retained Earnings</b>			
Share capital (note 9)	16,951	14,791	13,362
Dividends and allocation distributable (note 9)	3,520	3,216	2,318
Special reserve (note 10)	5,500	5,500	5,500
Retained earnings	2,500	1,500	750
	<b>28,471</b>	<b>25,007</b>	<b>21,930</b>
	<b>\$ 338,044</b>	<b>\$ 331,624</b>	<b>\$ 321,887</b>

Approved on behalf of the Board:

*Alan D. Fielding*

Director

*Ron Pilger*

Director

# Statement of Income



## For the year ended October 31, 2003

(\$ Thousands)	2003	2002	2001
<b>Interest income</b>			
Member loans	\$ 15,609	\$ 14,521	\$ 15,338
Investments	3,869	4,055	5,873
	19,478	18,576	21,211
<b>Interest expense</b>			
Deposit accounts	6,352	6,720	10,604
Loan payable funds	14	9	6
	6,366	6,729	10,610
<b>Net interest income</b>	13,112	11,847	10,601
Provisions for credit losses (note 5)	280	299	180
<b>Net interest income after provision for credit losses</b>	12,832	11,548	10,421
Other income	2,638	2,359	2,236
<b>Net interest income and other income</b>	15,470	13,907	12,657
<b>Non-interest expenses</b>			
Personnel	3,901	3,595	3,343
General and administrative	4,960	4,768	4,668
Occupancy	824	483	476
Member security	559	534	516
Organization	208	153	139
	10,452	9,533	9,142
<b>Income before ProfitShare allocation and income taxes</b>	5,018	4,374	3,515
ProfitShare allocation (note 9)	3,040	2,770	2,017
<b>Income before provision for income taxes</b>	1,978	1,604	1,498
Provision for income taxes (note 4)	622	526	529
<b>Net income for the year</b>	\$ 1,356	\$ 1,078	\$ 969

# Statement of Retained Earnings



## For the year ended October 31, 2003

(\$ Thousands)

	2003	2002	2001
<b>Retained earnings, beginning of year</b>	\$ 1,500	\$ 750	\$ –
<b>Add:</b>			
Net income for the year	1,356	1,078	969
	2,856	1,828	969
<b>Deduct:</b>			
Series A Investment share dividends (note 9)	480	446	301
Less: Income tax recovery thereon	(124)	(118)	(82)
Allocation to special reserves	–	–	–
	356	328	219
<b>Retained earnings, end of year</b>	\$ 2,500	\$ 1,500	\$ 750

# Statement of Cash Flows



## For the year ended October 31, 2003

(\$ Thousands)	2003	2002	2001
<b>Operating activities</b>			
Interest received	\$ 18,975	\$ 18,749	\$ 20,935
Dividends received	296	270	211
Other income received	2,638	2,359	2,236
Interest paid	(6,521)	(7,608)	(10,666)
Income taxes paid	(731)	(1,087)	(621)
Operating expenses paid	(10,283)	(9,612)	(8,208)
<b>Cash provided by operating activities</b>	<b>4,374</b>	<b>3,071</b>	<b>3,887</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(2,757)	(327)	(567)
Net increase in loans	(28,062)	(17,196)	(20,089)
Additions to and proceeds of investment securities	21,466	9,368	2,110
Proceeds on disposal of property, plant and equipment	70	131	52
Proceeds on disposal of foreclosed properties	42	162	289
Purchase of foreclosed properties, net	(120)	(41)	(438)
Cash flows from investing activities	(9,361)	(7,903)	(18,644)
<b>Financing activities</b>			
(Repayment) Proceeds on borrowings	—	—	—
Share capital issued, net	2	2	6,008
Redemption of share capital	(612)	(590)	(448)
Net increase in deposits	2,646	7,670	9,750
<b>Cash flows from financing activities</b>	<b>2,036</b>	<b>7,081</b>	<b>15,310</b>
<b>Increase (Decrease) in cash</b>	<b>(2,951)</b>	<b>2,249</b>	<b>553</b>
Cash, beginning of year	8,385	6,136	5,583
<b>Cash, end of year*</b>	<b>\$ 5,434</b>	<b>\$ 8,385</b>	<b>\$ 6,136</b>
*Consists of			
Cash and deposits with Credit Union Central	\$ 6,518	\$ 9,209	\$ 6,704
Cheques and other items in transit, net	(1,084)	(824)	(568)
Cash, end of year	\$ 5,434	\$ 8,385	\$ 6,136

# Notes to the Financial Statements



**For the year ended October 31, 2003**

## **1. Nature of Operations**

The credit union is incorporated under the *Credit Union Act* of the Province of Alberta to serve members in Camrose and the surrounding area and operates eleven credit union branches.

The Credit Union Deposit Guarantee Corporation (Corporation), a Provincial Corporation, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province will ensure that the Corporation carries out this obligation.

## **2. Significant Accounting Policies**

The credit union follows accounting policies appropriate to its activities and governing legislation, which conform to Canadian generally accepted accounting principles. The significant accounting policies adopted by the credit union include:

### **a) Investments**

Investments in securities are valued at cost or amortized cost, adjusted to recognize other than a temporary impairment in the underlying value. They are purchased with the intention to hold them to maturity, or until market conditions cause alternative investments to become more attractive. Gains and losses on disposal of securities are included in income in the year in which they occur.

### **b) Member Loans**

Member loans are recorded net of any unearned income and allowance for credit losses. Interest income from loans is recorded on an accrual basis.

A loan is classified as impaired when there is reasonable doubt as to the timely collection of some portion of principal or interest. A loan where payment of interest is contractually past due 90 days is classified as impaired unless there is no reasonable doubt as to the collectibility of all interest and principal. Loans or portions of loans considered uncollectible are written-off.

### **c) Allowance for Credit Losses**

The credit union maintains an allowance for credit losses in an amount considered adequate to absorb credit losses existing in its loan portfolio. The allowance is increased by a provision for credit losses, which is charged to income, and reduced by write-offs, net of recoveries. The allowance for credit losses consists of the following:

A specific allowance is established on an individual loan basis, to reduce the carrying book values to estimated realizable values. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to market prices for the loans or their underlying security.

A collective allowance is established when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. Impairment is estimated using a formula based on historical credit loss experience, known risks in the portfolio and current economic conditions and trends. As individual impaired loans are identified, a specific allowance is assigned to that loan and the collective allowance is adjusted accordingly.

# Notes to the Financial Statements



## 2. Significant Accounting Policies (continued)

### d) Income Taxes

Income taxes are recorded on the tax liability method. Future income taxes are recognized based on the tax effects that will arise if an asset is realized or a liability is settled for its carrying amount. The credit union is taxed at an effective rate of 25.83%.

### e) Property, Plant and Equipment

Land is recorded at cost. Building, furniture, office equipment, computer hardware and computer software are reported at cost less accumulated amortization. Amortization is calculated primarily using the straight-line method over the estimated useful lives of the related assets as indicated below:

Buildings	2.5%
Parking lot	4%
Furniture	10%
Office equipment	10% and 20%
Computer hardware	20%, 33 1/3% and 50%
Computer software	20% and 33 1/3%

Full amortization is recorded in the year of acquisition and none in the year of disposal.

### f) Use of Estimates

In preparing the financial statement, management must make estimates and assumptions considering values of certain assets, liabilities, and net income reported in these financial statements.

## 3. Investments

(\$ Thousands)	2003	2002	2001
Credit Union Central Alberta Limited			
Shares	\$ 5,100	\$ 4,860	\$ 4,560
Term deposits	51,629	75,784	100,944
Other investments	17,940	15,492	—
	74,669	96,136	105,504
Accrued interest	438	527	1,018
	\$ 75,107	\$ 96,663	\$ 106,522

As required by the *Credit Union Act*, the credit union holds investments in Credit Union Central Alberta Limited to maintain its liquidity level.

The estimated market value of the investments is equal to book value. The shares have no specific date of maturity.

# Notes to the Financial Statements



## 4. Future Tax

(\$ Thousands)	2003	2002	2001
Income tax expense is comprised of:			
Current income taxes	\$ 896	\$ 842	\$ 863
Future income taxes	(275)	(316)	(333)
Provision for income taxes	\$ 621	\$ 526	\$ 530

Income tax expense differs from the amount that would be computed by applying the Federal and provincial statutory income tax rates of 41.83% (2002 – 42.33%; 2001 – 43.45%) to income before income taxes. The reasons for the differences are as follows:

	2003	2002	2001
Income taxes calculated at the statutory rate	\$ 827	\$ 679	\$ 651
Income taxes adjusted for the effect of:			
Reduction for credit unions and small business deduction	(349)	(284)	(262)
Excess of premium paid on purchase of Bank of Montreal branches over amount deductible in year	122	124	127
Other	21	7	14
Income taxes as recorded	\$ 621	\$ 526	\$ 530

The tax effects of temporary differences that give rise to significant portions of the future tax assets are as follows:

	2003	2002	2001
Property, plant and equipment	\$ (83)	\$ (91)	\$ (99)
Intangible assets	1,079	816	509
Allowance for credit losses	19	16	14
	\$ 1,015	\$ 741	\$ 424

## 5. Member Loans

(\$ Thousands)	2003			2002	2001
	Outstanding Balance	Allowance for Credit Losses*	Total	Total	Total
Mortgage	\$ 142,213	\$ 103	\$ 142,110	\$ 128,409	\$ 116,705
Non-mortgage	105,637	584	105,053	90,691	85,200
	247,850	687	247,163	219,100	201,905
Accrued interest	2,268	–	2,268	1,973	1,926
	\$ 250,118	\$ 687	\$ 249,431	\$ 221,073	\$ 203,831

\* For presentation purposes, the allowance for credit losses has been allocated proportionately to the above loan categories. However, this allowance is available for the total loan portfolio.

# Notes to the Financial Statements



## 5. Member Loans (continued)

The allowance for credit losses includes a general allowance of \$444,071 (2002 – \$337,321; 2001 – \$229,348). There were \$1,989,545 (2002 – \$304,471; 2001 – \$326,444) in impaired loans as at the year-end included in the above amounts. Impaired assets include foreclosed real estate assets held for sale with a gross amount of \$107,083 (2002 – \$28,799; 2001 – \$149,130) and a related specific allowance of \$64,204 (2002 – \$28,799; 2001 – \$0). Details of the changes in the allowance for credit losses are as follows:

(\$ Thousands)	2003	2002	2001
Balance, beginning of year	\$ 546	\$ 501	\$ 494
Less: Accounts written off, net of recoveries	(138)	(254)	(173)
Charge for credit losses	408	247	321
	280	299	180
Balance, end of year	\$ 688	\$ 546	\$ 501

## 6. Property, Plant and Equipment

(\$ Thousands)	2003			2002	2001
	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value	Net Carrying Value
Land	\$ 723	\$ –	\$ 723	\$ 633	\$ 684
Buildings	6,156	1,518	4,638	3,067	3,181
Parking lot	241	28	213	79	84
Furniture	1,419	919	500	300	354
Office equipment	638	438	200	115	150
Computer hardware	1,075	806	269	215	252
Computer software	137	–	137	127	77
	\$ 10,389	\$ 3,709	\$ 6,680	\$ 4,536	\$ 4,782

Amortization in respect of the above depreciable assets for the year amounted to \$542,521 (2002 – \$442,314; 2001 – \$399,495).

## 7. Member Deposits

The repayment of all deposits, including accrued interest, is guaranteed by Credit Union Deposit Guarantee Corporation, for which the credit union pays a deposit guarantee assessment fee.

(\$ Thousands)	2003	2002	2001
Demand deposits	\$ 134,012	\$ 132,180	\$ 132,996
Term deposits	131,564	132,346	124,430
Registered plans	40,563	38,521	37,651
	306,139	303,047	295,077
Accrued interest	2,811	2,966	3,846
	\$ 308,950	\$ 306,013	\$ 298,923

# Notes to the Financial Statements



## 8. Contingent Liabilities and Commitments

### Lease Commitments

The credit union has obligations under long-term, non-cancelable operating leases for the rental of equipment. The future minimum lease payment commitments are:

2004	\$ 20,588
	\$ 20,588

### Credit Commitments

In the normal course of business, the credit union enters into various commitments to meet the credit requirements of its members. These include credit commitments, letters of credit, letters of guarantee and loan guarantees, which are not included in the Statement of Financial Position.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the member is unable to meet its contractual financial or performance obligations. In the event of a call on such commitments, the credit union has recourse against the members.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

These credit arrangements are subject to the credit union's normal credit standards and collateral may be obtained where appropriate. The contract amounts set out below represent the maximum credit risk exposure to the credit union should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

As at October 31, 2003 the credit union had the following amounts outstanding:

(\$ Thousands)	2003	2002	2001
Guarantee and standby letters of credit	\$ 876	\$ 285	\$ 357
Commitments to extend credit:			
Original term to maturity of one year or less	4,604	7,338	6,301
Original term to maturity of more that one year	24,991	27,317	24,338
	\$ 30,471	\$ 34,940	\$ 30,996

# Notes to the Financial Statements



## 9. Share Capital

(\$ Thousands)	2003				2002	2001
	Common Shares – Credit Union Contributed	Common Shares – Member Contributed	Series A Investment Shares	Total	Total	Total
Balance, beginning of year	\$ 8,722	\$ 132	\$ 5,937	\$ 14,791	\$ 13,362	\$ 6,305
Previous year's allocation paid	2,770	–	–	2,770	2,017	1,497
Net purchases	–	1	–	1	2	6,008
Redemptions:						
Section 110(2)b	(429)	(14)	–	(443)	(356)	(348)
Section 110(3)a+b	(148)	(3)	–	(151)	(165)	(100)
Section 107(6)	–	–	(17)	(17)	(69)	–
Balance, end of year	\$ 10,915	\$ 116	\$ 5,920	\$ 16,951	\$ 14,791	\$ 13,362

### Common Shares

The *Credit Union Act* created a class of equity shares known as Common Shares, having the following characteristics:

- a) An unlimited number may be issued;
- b) A par value of \$1, but fractional shares may be issued;
- c) Transferable only in restricted circumstances;
- d) Non-assessable; and
- e) Redemption of common shares is at par value and is at the discretion of the credit union, subject to the restrictions contained in the *Credit Union Act* and Regulations.

A member must purchase at least 1 share to retain membership in the credit union.

# Notes to the Financial Statements



## 9. Share Capital (continued)

### Series A Investment Shares

Series A Investment shares have the following characteristics:

- a) no par value;
- b) no voting rights;
- c) non-assessable;
- d) transferable under limited circumstances;
- e) callable at the discretion of the credit union upon 5 years written notice;
- f) dividends are non-cumulative and subject to the credit union's dividend policy and approval of the Board of Directors; and
- g) redemptions are subject to the credit union's redemption policy and approval of the Board of Directors.

Common shares and Series A Investment shares represent "at risk" capital and are not guaranteed by the Corporation.

The Board of Directors declared a \$3,040,253 ProfitShare Dividend, and a Series A Investment Share Cash Dividend of 7.5% totaling \$479,818. ProfitShare dividends are paid to members by the issuance of common shares and are allocated to members' accounts as determined by the Board of Directors. Series A Investment Share dividends are paid to the members in cash and are allocated to the members' accounts as determined by the Board of Directors.

The Board of Directors called Series A Investment Shares September 21, 2001, with a call date of September 29, 2006.

The credit union has met the Capital Adequacy requirements as prescribed by the *Credit Union Act*.

## 10. Special Reserves

(\$ Thousands)

	2003	2002	2001
Balance, beginning of year	\$ 5,500	\$ 5,500	\$ 5,500
Allocation for the year	–	–	–
Balance, end of year	\$ 5,500	\$ 5,500	\$ 5,500

The special reserve was established to build greater reserves and to provide a fund to draw on for extraordinary occurrences, capital expenditures and acquisitions. Allocations to the special reserve are made from retained earnings as determined by the Board of Directors.

# Notes to the Financial Statements



## 11. Fair Value of Financial Instruments

The amounts are designed to approximate the fair values of the credit union's financial instruments using the valuation methods and assumptions described below. Since many of the credit union's financial instruments lack an available trading market, the fair values represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Due to the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The carrying value of most of the credit union's financial instruments is not adjusted to reflect changes in interest rates, as it is the credit union's intention to hold the instruments to maturity.

Estimated fair values of on-balance sheet financial instruments are summarized as follows:

(\$ Thousands)	2003			2002	2001
	Book Value	Fair Value	Book Value Over Fair Value	Book Value Over Fair Value	Book Value Over Fair Value
<b>Assets</b>					
Cash	\$ 5,434	\$ 5,434	\$ –	\$ –	\$ –
Investments	75,107	72,049	(3,058)	3,730	(5,509)
Loans	249,431	251,229	1,798	(1,206)	3,815
Other assets	8,072	8,072	–	–	–
Less:					
<b>Liabilities</b>					
Deposits	308,950	312,411	3,461	(3,004)	(5,686)
Other liabilities	623	623	–	–	–
	<b>\$ 28,471</b>	<b>\$ 23,750</b>	<b>\$ (4,721)</b>	<b>\$ 5,528</b>	<b>\$ 3,992</b>

The following methods and assumptions were used to estimate the fair value of financial instruments:

- The fair values of cash, investments, other assets and other liabilities are assumed to approximate book values, due to their short-term nature.
- The estimated fair value of floating rate member loans and member deposits are assumed to equal book value as the interest rates automatically reprice to market.
- The estimated fair value of fixed rate member loans and fixed rate member deposits is determined by discounting the expected future cash flows of these loans and deposits at current market rates for products with similar terms and credit risks.

# Notes to the Financial Statements



## 12. Interest Rate Risk

<b>2003</b> (\$ Thousands)	Floating Rate	Within 1 Year	1 to 5 Years	Non-rate Sensitive	Total
<b>Assets</b>					
Cash	\$ —	\$ —	\$ —	\$ 5,434	\$ 5,434
Investments	5,100	36,350	33,219	438	75,107
<i>Effective Yield</i>	3.01%	2.66%	5.72%	0.00%	4.02%
Member loans	79,755	43,616	123,734	2,326	249,431
<i>Effective Yield</i>	5.73%	6.19%	6.97%	0.00%	6.37%
Other	—	—	—	8,072	8,072
	\$ 84,855	\$ 79,966	\$ 156,953	\$ 16,270	\$ 338,044
<b>Liabilities and Equity</b>					
Member deposits	\$ 85,895	\$ 69,677	\$ 95,562	\$ 57,816	\$ 308,950
<i>Effective Yield</i>	0.93%	2.53%	3.54%	0.00%	1.92%
Capital and retained earnings	—	—	—	28,471	28,471
Other	—	—	—	623	623
	\$ 85,895	\$ 69,677	\$ 95,562	\$ 86,910	\$ 338,044
Net gap	\$ (1,040)	\$ 10,289	\$ 61,391	\$ (70,640)	\$ —
<i>% of assets</i>	-0.31%	3.04%	18.16%	-20.90%	0.00%
<b>2002</b>					
Net gap	\$ (24,838)	\$ 13,836	\$ 75,767	\$ (64,765)	\$ —
<i>% of assets</i>	-7.49%	4.17%	22.85%	-19.53%	0.00%

# Notes to the Financial Statements



## 13. Related Party Transactions

Directors and staff of the credit union have loans from the credit union totalling \$7,421,992 (2002 – \$6,947,247; 2001 – \$5,349,964) at interest rates ranging from 3.25% to 9.90%. Loan rates are specified by Credit Union policy. Directors pay regular member rates. All loans were in good standing as at October 31, 2003.

Directors and management of the credit union have deposits with the credit union totalling \$1,084,422 (2002 – \$843,104). Staff also have access to personal chequing accounts which do not incur service charges.

## 14. Directors' Fees and Expenses

(\$ Thousands)	2003	2002	2001
Directors' expenses	\$ 8	\$ 3	\$ 8
Directors' remuneration	24	19	16
Total	\$ 32	\$ 22	\$ 24

Amounts paid to directors range from \$225 to \$3,775 with an average of \$1,977.

## 15. Segmented Information

The credit union operates principally in personal and commercial/agricultural banking in Alberta.

## 16. Contractual Obligation

The credit union is contractually liable, pursuant to an agreement with Credit Union Central, whereby it purchased certain assets of a chartered bank, to make payments of \$158,691 in each month that it earns a return of 2.5% on assets. The obligation continues for a period of 60 months from June 1, 2000 to May 31, 2005.

# You've been the boss for over 50 years

## 1950

Incorporated: Camrose Savings and Credit Union Ltd. to serve East Central Alberta residents ■ Membership: 21 ■ Assets: \$178

## 1961

General Manager: Gerritt Oldekamp

## 1966

Opened: Edberg branch office ■ Membership: 1,122 ■ Assets: \$790,940

## 1969

Built new building on 51st Street

## 1972

Building space doubled ■ Staff: 18 ■ Membership: 4,412 ■ Assets: \$7.3 million

## 1973

Converted to computerized service ■ Membership: 4,905 ■ Assets: \$11.5 million

## 1974

Amalgamated with J&L Credit Union of New Sarepta

## 1976

Opened new branch in Stettler ■ Opened head office in Central Agencies Building ■ Membership: 7,819 ■ Assets: \$31.6 million

## 1977

Opened branch at Duggan Mall ■ Amalgamated with Flagstaff Credit Union ■ Opened branch in Coronation

## 1979

Relocated head office to 51st Street branch ■ New General Manager: Terry Kelly ■ Assets: \$51.5 million

## 1982

Installed ATM at 51st Street branch in Camrose – the first in Camrose

## 1984

Amalgamated with Vegreville and District Savings & Credit Union ■ Installed ATM at Stettler ■ Changed name to Battle River Credit Union Ltd.

## 1986

Built new 3,250 sq.ft. office in Vegreville ■ Connected ATMs with the Circuit/Cirrus network ■ Issued MasterCard credit cards

## 1987

Renovated Duggan Mall branch ■ Relocated ATM from Stettler to Duggan Mall ■ Closed Coronation office ■ Assets: \$54.9 million

## 1988

Built new 3,116 sq.ft. office in Viking ■ Assets: \$56.5 million

## 1991

Added second storey at head office ■ Assets: \$70.4 million

## 1996

Introduced Mutual Funds, Teleservice and Choice Rewards ■ Assets: \$105.5 million

## 1997

Introduced new personal accounts and MasterCard Gold credit card ■ Assets: \$117.4 million

## 1998

Introduced Internet Banking Service ■ Moved Duggan Mall Branch to a new building to become the West End Branch ■ Assets: \$132 million

## 1999

Installed ATMs at Viking and Stettler branches ■ Introduced Ethical Funds RESP ■ Assets: \$143.8 million

## 2000

Became owners of seven Bank of Montreal branches with five new locations for a total of 11 branches ■ Installed ATMs in Daysland, Castor and Sedgewick, and renovated City Centre Branch and Corporate Office ■ Assets: \$303 million

## 2001

Introduced Student Select and Business Essentials accounts including special lending features ■ Launched Web site at [www.battlerivercreditunion.com](http://www.battlerivercreditunion.com) ■ Assets: \$322 million

## 2002

Launched Transaction Imaging ■ Started construction of new City Centre Branch ■ Assets: \$331 million

## 2003

Introduced Global Payment MasterCard ■ Opened City Centre Branch and renovated Corporate office ■ Assets: \$338 million

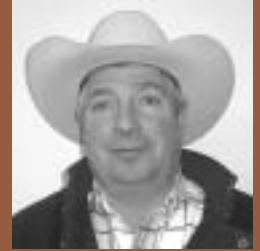
## Board of Directors



Standing (left to right): Ernie Duchscherer, Ron Pilger, Joe Cameron, Allen Rostad, Garry Schielke.  
Seated (left to right): Dennis Baird, Alan Fielding (President), Glenn Friesen (Vice President),  
Lane Carrington.



Darrell Rosland



Les Trach

## Executive Officers



Standing (left to right): Joe Mohan (VP Operations), Steve Friend (Senior VP).  
Seated (left to right): Arlene Stauffer (VP Finance & Administration), Terry Kelly  
(General Manager), Mickey Mohan (VP Operations).

# Management Team



Matt Danko  
*Alliance  
Branch Manager*



Steve Davies  
*Stettler  
Branch Manager*



Gerard Durand  
*Viking  
Branch Manager*



Maureen Grove  
*Office Manager/  
Human Resources*



Jerry Hansen  
*City Centre Camrose  
Branch Manager*



Kevin Johnson  
*Castor  
Branch Manager*



Pauline Marcinkowski  
*Product Development  
Training Manager*



Tom Moore  
*Sedgewick  
Branch Manager*



Melody Rott  
*Killam  
Branch Manager*



Yvonne Schell  
*Daysland  
Branch Manager*



Cheryl Seiferman  
*Controller*



Dani Sheets  
*Compliance Manager*



Rory Sperling  
*Vegreville  
Branch Manager*



Jason Terlesky  
*Two Hills  
Branch Manager*



Bruce Weinkauff  
*West End Camrose  
Branch Manager*



Darin Winder  
*IT Manager*



Mary Lee Hartl  
*MemberCare*



Dave Chamberlain  
*Insurance Consultant*



New City Centre Branch, Opened June 26, 2003

## Scholarships 2002–2003

**AUGUSTANA UNIVERSITY COLLEGE**  
**Antoinelle Leibel**

**CAMROSE COMPOSITE**  
**HIGH SCHOOL**

1st Standing Social Studies 30  
**Meghan Ward**

2nd Standing Social Studies 30  
**Danny Burns**

**STETTLER COMPOSITE**  
**HIGH SCHOOL**

Academic – **Kenton McKay**  
 Academic – **Erin Ashbacher**  
 Business – **Corinna Barclay**

**CENTRAL HIGH SCHOOL**  
 – **SEDGEWICK/KILLAM/ALLIANCE**  
 – **LEIF OSBACK MEMORIAL**

Highest Academic Achievement  
 for Grade 12  
**Elizabeth Martin**

**VEGREVILLE COMPOSITE**  
**HIGH SCHOOL**

Top Grade 10 Student  
**Adam Masse**

Top Grade 11 Student  
**Henry Zeng**

Most Improved Grade 12 Student  
**Warren Kuhn**

**VIKING HIGH SCHOOL**

Highest Achievement in Social 30  
**Scott Fraser**

Highest Achievement in Social 30  
**Amanda Rozmahel**

**DAYSLAND SCHOOL**

Applied Math 30  
**Greg Loesch**

**ST. MARY'S HIGH SCHOOL**  
 – **VEGREVILLE**

Most Improved Grade 7 Student  
**Tiffany Rozumniak**

Most Improved Grade 8 Student  
**Theo Dake**

Most Improved Grade 9 Student  
**Kyle Fill**

Most Improved Grade 10 Student  
**Brad Benoit**

Most Improved Grade 11 Student  
**Michael Rozmahel**

Most Improved Grade 12 Student  
**Kati Varga**

**GUS WETTER SCHOOL – CASTOR**

Most Improved Grade 12 Student  
**Dena Nichols**

**Corporate Office**

5007 – 51 Street  
Camrose, Alberta T4V 1S6  
Telephone (780) 672-1175  
Edmonton Direct  
(780) 424-1302  
Fax (780) 672-5996

**Alliance Branch**

Box 180  
201 Main Street  
Alliance, Alberta T0B 0A0  
Telephone (780) 879-3644  
Fax (780) 879-3838

**Castor Branch**

Box 60  
5002 – 50 Avenue  
Castor, Alberta T0C 0X0  
Telephone (403) 882-3950  
Fax (403) 882-3555

**City Centre Branch**

5030 – 51 Street  
Camrose, Alberta T4V 1S5  
Telephone (780) 672-9221  
Fax (780) 672-9230

**Daysland Branch**

Box 130  
5004 – 50 Street  
Daysland, Alberta T0B 1A0  
Telephone (780) 374-3951  
Fax (780) 374-3736

**Killam Branch**

Box 39  
5004 – 50 Street  
Killam, Alberta T0B 2L0  
Telephone (780) 385-3731  
Fax (780) 385-2406

**Sedgewick Branch**

Box 127  
4838 – 47 Street  
Sedgewick, Alberta T0B 4C0  
Telephone (780) 384-3912  
Fax (780) 384-3938

**Stettler Branch**

Box 1357  
4911 – 51 Street  
Stettler, Alberta T0C 2L0  
Telephone (780) 742-2331  
Fax (780) 742-2255

**Two Hills Branch**

Box 388  
4916 – 47 Avenue  
Two Hills, Alberta T0B 4K0  
Telephone (780) 657-3321  
Fax (780) 657-2036

**Vegreville Branch**

Box 1315  
4917 – 51 Avenue  
Vegreville, Alberta T9C 1S5  
Telephone (780) 632-3998  
Fax (780) 632-4080

**Viking Branch**

Box 215  
5302 – 50 Street  
Viking, Alberta T0B 4N0  
Telephone (780) 336-4944  
Fax (780) 336-3181

**West End Branch**

4705 – 65 Street  
Camrose, Alberta T4V 3M5  
Telephone (780) 672-8893  
Edmonton Direct  
(780) 424-1302  
Fax (780) 672-8895



**Battle River Credit Union**

[www.battlerivercreditunion.com](http://www.battlerivercreditunion.com)

