

**Minutes of the 78th Annual General Meeting of
Ladysmith & District Credit Union
May 9, 2023**

1. Welcome:

President, Elaine Layman welcomed members and guests to the 78th Annual General Meeting (AGM) of the Ladysmith & District Credit Union (LDCU).

She acknowledged that we stand on the traditional territories of the Stz'uminus First Nation and thanked them, as original keepers of this land, for their work and dedication to this land we call home.

2. Introductions:

Board President Elaine introduced the following members of the Board of Directors: Ross Davis, Gerry Clarke, Carol Warkentin, Julie Fraser, David O'Connor (attending virtually) and Rob Viala (attending virtually).

She also introduced Chief Executive Officer (CEO) John de Leeuw and CPA Brad Derbyshire from the accounting firm of MNP (attending virtually).

3. Quorum:

Board President Elaine declared a quorum as there were 147 members and 6 guests in attendance.

4. Meeting Documents Review:

CEO John de Leeuw advised that today's meeting documents were provided to members on the AGM registration page of the LDCU website and include the Agenda, Minutes of the 77th AGM and the 2022 Annual Report (which includes our audited summarized financial statements).

5. Viewing, Voting and Questions:

CEO John de Leeuw outlined how to best view the AGM virtually along with the procedures for virtual voting and member questions.

6. Rules of Order:

CEO John de Leeuw then displayed the Rules of Order and read them out. He asked if anyone had any questions. No one inquired.

7. Agenda Approval:

Board President Elaine outlined the Meeting Agenda to the membership and asked for questions. There were none. She then called for a motion to approve the Meeting Agenda. This was moved by Kendre Haugen and seconded by Brenda Moore. Carried by the membership.

8. 77th AGM Minutes:

Board President Elaine called for a motion to approve the minutes of the 77th Annual General Meeting contained in the meeting documents. This was moved by Elizabeth de Leeuw and seconded by Chandler Gresmak. Carried by the membership.

9. Business Arising:

Board President Elaine then asked if there was any business arising from the 2022 AGM minutes. None were raised.

10. Board Report:

Board President Elaine advised that she trusts everyone has read the Board Report contained in the meeting documents. She thanked, on behalf of all the directors, everyone for their attendance at this AGM noting that this is our fourth virtual AGM and we hope to have a meeting both in person and virtually at next year's AGM. She then highlighted the Board Report as follows:

- The post-pandemic economy was outlined noting the significant increase in the housing prices and, despite this, all of LDCU's growth metrics exceeded their goals. In addition, all of LDCU's financial ratios remained at the top of the Credit Union system in BC in 2022.
- She outlined the following 2022 numbers in detail explaining each area in detail:

	LDCU	BC Credit Union System Average
Asset Growth	8.24%	5.47%
Loan Growth	16.13%	7.33%
Deposit Growth	6.44%	4.59%
Membership Growth	6.44%	1.54%

- She noted that LDCU has donated in excess of \$400,000 to our community over the past six years, bringing value to both our members and our community.
- She announced that the Board of Directors was proud to declare 2022 dividends on Member Equity Shares at 3.75%.

She then advised that tonight's theme is "Taking Care of Business" noting that it references both LDCU's history of stewardship of our members' money and also references LDCU taking care of our members business by helping them purchase their first car or home, starting a new business or growing an existing one.

She then thanked recently retired Director Tim Richards for 16 years of service on LDCU's Board of directors noting the Board will sorely miss his passion for the Credit Union system, high standards, and mindfulness.

She thanked CEO John de Leeuw, his management team and all the staff for their hard work. She thanked her fellow directors for their continued service to the Credit Union noting their long-range vision, decision-making, and unfailing commitment to remain a strong, independent, community-based Credit Union for both our members and our community.

Board President Elaine then inquired if there were any questions about the Board Report. None were raised. She then called for a motion to approve the Board Report. This was moved by Melanie Davis and seconded by Terena O'Connor. Carried by the membership.

11. Credit Committee Report:

CEO John de Leeuw outlined the local economic conditions along with the strong growth LDCU had in 2022. He outlined a comparison summary of the loans and mortgages granted in 2022 & 2021 (as noted below):

	#	2022	#	2021
Personal Mortgages	125	51,847,214	123	45,712,549
Business/Commercial	27	9,946,696	60	20,634,244
Miscellaneous	4	25,480	4	69,050
Automobile	3	45,412	4	76,615
RV's, Boats, etc.	0		2	50,072
Mobile Homes	2	301,610	3	415,366
Taxes, RSP's, etc.	0	-	1	2,000
Consolidation	3	80,445	6	91,217
Lines of Credit	83	15,562,750	88	12,656,361
Totals	247	77,809,607	291	79,707,474

Board President Elaine called for a motion to approve the 2022 Credit Committee Report as outlined in the meeting documents. This was moved by Roberto Volkman, seconded by Elizabeth de Leeuw. Carried by the membership.

12. CEO Report:

CEO John de Leeuw then presented the CEO Report noting:

- 2022's local economy noting it was one of the most tumultuous in our industry with rapidly rising rates, inflation, and labour shortages. He outlined in detail the conditions that lead to these conditions.
- He noted that, despite the tumultuous economy, the Credit Union had the largest net growth in our loans' portfolio in its history, having accomplished that with no sacrifice to underwriting or to our conservative values (evidenced by another year-end with no delinquencies).
- He noted that our local housing market continued to defy predictions of a crash in both prices and sales which prices continued to rise throughout the year, hitting a median sales price of \$800,000 in Ladysmith, a year over year increase of over 20%.

- He noted that 2022 was another terrific year with our financial performance in 2022 outperforming the Credit Union system in all objective productivity ratios (asset growth, loan growth, deposit growth and membership growth).
- Specifically, CEO John outlined LDCU's 2022 financial results with a slide presentation as follows:
 - LDCU grew by \$19.5 million to over \$263.8 million and, since the beginning of 2018, we have grown by over \$96 million. This represents growth of 57.5% in the past 5 years bringing our total assets under administration in December to almost \$333 million.
 - The Loans Portfolio grew by more than \$30 million which is phenomenal. In the past five years, our portfolio has increased by over \$80 million (with no delinquencies in 2022).
 - Deposit growth showed continued resilience, despite the low interest rate environment with growth of \$14.6 million it totalled over \$242 million. In the past five years our deposit portfolio has grown by over \$85.6 million.
 - Asset, loans and deposit growth over the past five years were consistently strong and have enabled us to withstand major fluctuations in interest rates and market volatility.
 - Personal and commercial mortgages account for \$200 million of our total loan portfolio of \$222 million as of December 31st, 2022.
 - Our demand deposit portfolio was down slightly in 2022, but our term deposits rose by \$15 million. Our total deposit portfolio is now over \$242 million dollars.
 - Interest Income rose dramatically by \$1.3 million reaching over \$8 million for the first time. Interest expense also rose dramatically by about \$1.3 million, reaching \$3.7 million, the largest financial expense in our history.
 - Our Financial Margin (the difference between the interest we receive on loans and mortgages and the interest that we pay on deposits) improved slightly and came in at \$4.68 million for the first time ever.
 - Other Income was down from last year despite strong income from our subsidiaries, LCU Insurance, and LDCU Financial (this number includes Credit Union fees and service charges). The reason it was lower than in 2021 is that, in 2021 LDCU received a \$400,000 one-time gain on early redemption for its Liquidity Portfolio (we re-investing the funds into a fixed income portfolio). In addition, with low mortgage rates in 2021, we received significantly higher income from mortgage payout penalties.
 - Operating Expenses rose in 2022 by \$340,000 (less than in 2021 and well below other Credit Unions of our asset size). It has risen 30.46% over the past five years or about 6% per year. This category includes advertising, data processing, salaries and benefits, etc.
 - The largest Operating Expense of Salary and Benefits rose by \$244,000 in 2021 to just over \$3.66 million We expect this trend to continue over the next few years despite the increase in automation and consolidation.

- Other significant operating costs are the categories that hold the largest amounts and are:
 - Depreciation which rose by \$78,000 (in 2021 as we converted to a datacenter for our banking system and are amortizing our hardware and intangible costs associated with that conversion).
 - Dues and Assessment Expense rose significantly in 2021 by approximately \$100,000 (due to a major increase in Credit Union Deposit Insurance Corporation premiums).
 - Service Charges
 - Professional Fees & Dues (includes our premium for Credit Union Deposit Insurance Corporation which remains very high, at over \$175,000, even as our risk profile improves).
 - Net Operating Income from operations came in just under \$1 million. In 2021 we recorded a record Net Operating Income due to Gain on Redemption, and prepayment penalties. Although it fell in 2022, it compares very favorably with pre-Covid years.
 - Net Income (after taxes) was transferred to Retained Earnings and, when Other Comprehensive Income is added, we now hold over \$15 million in members' equity for the first time in our history.
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- John then asked members if they had questions in regards to the financials. There were none.
 - John congratulated all staff who received service awards and noted that an in-person staff meeting was held for these awards. The membership then viewed a list showing each staff person being recognized and their length of service.
 - John congratulated recently retired Manager of Insurance Services, Cindy Cawthra for 24 years of dedicated service.
 - John thanked HR Manager Megan Dougan who, despite current labour shortages, has worked closely with the other managers to assemble a truly amazing team that he is proud of and honoured to work beside.
 - He thanked LDCU's IT Team and other staff members who worked diligently to set up tonight's virtual AGM.
 - John discussed the US and Switzerland bank failures in 2023 and explained what lead to these failures. He advised that financial institutions in Canada have the most stringent regulations in the world with strong regulatory and capital requirements. In addition, he noted that we are a conservative community-based Credit Union with a 100% deposit guarantee by the Credit Union Deposit Insurance Corporation.

Board President Elaine asked for a motion to approve the CEO's Report as presented. This was moved by Robert Volkman and seconded by Richard Zoumanigui. Carried by the membership.

13. Auditor's Report:

The Auditor's Report was then presented by Brad Derbyshire, CPA of MNP. Brad advised that he was pleased to report that MNP has issued a clean unmodified audit opinion and the full set of LDCU's 2022 consolidated statements fairly represent the financial position of LDCU. Brad asked if there were any questions on the Auditor's Report. There were no questions.

Board President Elaine thanked Brad Derbyshire along with Debbie Bass and their MNP team. She asked for a motion to approve the Auditor's Report as presented. This was moved by Lindsay Cote and seconded by Chandler Gresmak. Carried by the membership.

14. Nominating Committee Report:

Nominating Committee Chairperson Ross Davis, presented the Nominating Committee report. Ross outlined the guidelines followed when directors reach the end of their term and outlined the newsletter sent to the LDCU's membership stating the expiration of the terms of three of our directors. Ross advised that the three directors whose terms are expiring are David O'Connor, Carol Warkentin and Julie Fraser, noting they each have completed a nomination package and no other nominations were received. Ross advised that pursuant to Article 4.14 of the Credit Union Rules, David O'Connor, Carol Warkentin, and Julie Fraser are elected via acclamation. David O'Connor, Carol Warkentin, and Julie Fraser will each serve three years and their terms will expire at the 2026 AGM. Ross thanked David O'Connor, Carol Warkentin, and Julie Fraser for letting their names stand for another term.

Board President Elaine asked for a motion to accept the Nominating Report as presented. This was moved by Brenda Moore and seconded by Robert King. Carried by the membership.

15. Appointment of Auditors for 2023:

Board President Elaine asked for a motion that MNP be appointed auditors for 2023 with the Board given the authority to set their remuneration. It was moved by Jeff Cote and seconded by Tracy Paterson. Carried by the membership.

16. LDCU's New On-Line Videos:

CEO John presented LDCU's two new videos with "Sunny" a cartoon character that pops out of the sun in LDCU's logo and provides introductions to our members on our products and services and also provides instructions on online processes like e-transfers, text alerts or paying bills.

17. New or Unfinished Business:

Board President Elaine called for any New or Unfinished Business. There was none.

18. Announcement of Gift Certificates:

Board President Elaine advised that every member attending this meeting is able to choose a \$75 gift certificate to one of the following local businesses which will be available for pick up in our main branch mid-next week.

- Cottonwood Golf Course
- Wild Poppy
- Plantitude
- White Space Living
- Old Town Bakery, Bouma Meats
- Wordly Gourmet
- High Street Hair
- Chopstix
- Bayview Brewing
- Fox & Hounds

19. Thank you and Adjournment:

Board President Elaine thanked all members for attending our 78th AGM. In addition, she discussed the tragic wildfires in Northern Alberta and BC and advised members where they could donate to help those affected.

She advised that we are planning to have our AGM in person next year, or a hybrid of in-person and virtual.

In addition, she thanked the Directors and the Staff for another excellent year and their hard work and, in particular, she thanked the IT Department for putting on another successful virtual AGM.

She advised, that in order to provide good governance and succession planning for LDCU, she will be stepping down as Board President after this year, but will be proud to continue on the Board from a different seat at the Board table.

The meeting was adjourned at 8:27 pm through a motion by Tim Richards.