

# We're Celebrating...



**2018**  
ANNUAL REPORT

# AGENDA

1. Reading and Approval of the Minutes of the 73rd AGM.
  2. Business Arising out of the Minutes.
  3. Director's Report.
  4. Credit Committee Report.
  5. CEO's Report.
  6. Auditors' Report.
  7. Special Resolution.
  8. Election of Directors.
  9. Remuneration of Directors.
  10. Appointment of Auditors.
  11. New or Unfinished Business.
  12. Draw for Door Prizes.
- Adjourn.

## THANK YOU

*“LDCU would not have gotten to where we are today without the hard work of staff and directors.*

*We would like to take the opportunity to formally thank one director in particular, Brian Childs. During Brian's time on the Board, the Credit Union grew from \$14 million in assets, to \$240 million of Assets under Administration.”*

# LDCU - The Board



**Elaine Layman**

Elaine joined the Credit Union in 1992 when she and her family first moved to Ladysmith. Elaine is a Chartered Professional Accountant and owns and operates The Layman Group, a full service accounting and investment company in Ladysmith. Elaine has been active in the Ladysmith community for many years; she has previous experience serving on boards as she was the President of the Ladysmith Resource Centre and the Ladysmith Chamber of Commerce for several years. Elaine was appointed to the Credit Union Board in the fall of 2009 and currently serves as Vice-President of the Board and Chairperson of the Audit committee. In addition she serves on the Governance, Management and Bursary committees. Elaine is a graduate of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director. In addition she has attained the prestigious Institute of Corporate Directors designation (ICD.D).



**Tim Richards**

Tim has lived in Ladysmith since 2000 and joined the Board of Directors at the annual general meeting in April of 2005. Tim's involvement with the Credit Union system has roots from his childhood as his father was the manager of the Dogwood Credit Union for many years. Tim has a background in public sector management and has operated his own parks and recreation consulting business since 1980. He has been instrumental in the construction and upgrading of several parks in Ladysmith in a consulting role and currently serves as Chair of the Parks, Recreation and Culture Advisory Committee to Town Council. He is the Recording Secretary of the Board, serves as the Chairperson of the Investment and Lending Committee as well as serving on the Management Committee. In addition Tim is a graduate of the Credit Union Director Achievement Program.



**Rob Viala**

Rob has been a member of the Credit Union since 1972 and joined the Board as a trainee in the fall of 1990. He was then elected to the Board in 1991. Rob worked at Western Forest Products in Chemainus as an accredited Red Seal millwright and crew lead hand. In his retirement Rob is enjoying traveling, fly fishing and the outdoors. During his time at the Chemainus Sawmill Rob served for many years as Chair Person of the Chemainus Mutual Benefit Association, a co-operative insurance society. In years past, Rob helped many youth in our community learn about forestry and develop outdoor skills as a leader of the Junior Forest Wardens. He is currently the Chairperson of the Governance Committee and serves on the Conduct Review Committee. Rob is a graduate of the Credit Union Director Achievement Program.



**David O'Connor**

David has lived in Ladysmith since 1985 and raised his family here with his wife Terrena. David joined the Credit Union in 1995 and became a board member in 2010. David is self-employed as a lawyer and has practiced in Ladysmith his entire career spanning over 30 years. David has a strong commitment to community values which, together with his legal expertise, makes him well suited to serve on the Board. David is currently on LDCU's Audit and Governance committees. Dave is also a graduate of the Credit Union Director Achievement Program.



**Ross Davis**

Ross was born and raised in Ladysmith, and has been associated with the Credit Union since the early 60's. He was appointed as a director in 2012. Until his retirement this year, Ross was the Manager of Millstores/Purchasing for the Crofton Division of Catalyst Paper and had been with them for over 37 years. His interests include travel and camping with family and friends with more free time, he has joined Station 29 Ladysmith, Royal Canadian Marine Search and Rescue (RCM-SAR) . Ross has

a Business Administration Certificate from UVIC and sits on the Town of Ladysmith's Liquid Waste Management Committee. Ross was Chairperson for the Conduct Review Committee and has served on the Audit, Investment and Lending, and Bursary Committees. Ross is a graduate of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director.



**Krista Perrault**

Krista Perrault joined the Board in May 2015. She and her husband currently live in their beautiful new home across Ladysmith Bay in Shellbeach. Krista is active in many business endeavors including her business, Perrault Landscaping & Backhoe Contracting. Krista is an active proponent of high professional standards and holds a certification as a Forestry Technician and Heavy Equipment Operator as well as Tourism and Hospitality Management. She is a volunteer with the Civil Air Search and Rescue Association as well as the local Emergency

Management Committee. She brings with her many years' experience sitting on various community boards and committees both for her Nation and neighbouring communities including communications, housing, forestry management and aquaculture. Krista serves on the Governance, Investment and Lending, Conduct Review and Bursary committees. Krista is a graduate of the Credit Union Director Achievement Program.



**Gerry Clarke**

Gerry has lived in Ladysmith since 1988 and joined LDCU shortly thereafter. Gerry has been active in the Ladysmith community for many years. He joined the Ladysmith Eagles club in 1995 and served on their Board for more than twenty years, serving two terms as President of Ladysmith Eagles. He also served on the Town of Ladysmith Advisory Planning Commission, serving two years as Chairman. Gerry established G.R. Clarke Contracting Ltd. eighteen years ago and is a ticketed Red Seal Carpenter. Gerry was appointed to the

Board of Directors in 2018, and serves on the Governance, Investment and Lending, and Credit committees.

**OVER LAST 5 YEARS, LDCU HAS CONTRIBUTED OVER \$371,000 IN COMMUNITY DONATIONS**

*“We donated more than \$76,000 to events and organizations within our community in 2018 including;*

- Light-Up Night,
- \$13,000 in bursaries
- Kids ‘Count Funzone
- Chemainus Theater,
- Ladysmith Little Theater.
- Coldest Night of the Year,
- Old Tyme Christmas,
- Cinnamon Bun Fun Run,
- Show and Shine
- Brits on the Beach
- and more.

**Staff**

- |                  |                     |
|------------------|---------------------|
| Carrie Alexander | Linda King          |
| Jennifer Bakker  | Jenna Layzell       |
| McRae Berrow     | Victor Malli        |
| Rick Butzelaar   | Luda Marchenko      |
| Cindy Cawthra    | Brenda Moore        |
| Kimberley Clark  | Kanisha Phillip     |
| Madison Cooke    | Roberto Qualizza    |
| John de Leeuw    | Melissa Reilly      |
| Megan Dougan     | Shelly Rickett      |
| Alicia Earl      | Kailee Robinson     |
| Connie Forrest   | Nicole Schaefer     |
| Susan Fox        | Madeline Smith      |
| Krista Hansen    | Anne St. Laurent    |
| Kendre Haugen    | Bergy Stoer         |
| Courtney Henn    | Denine Vadeboncoeur |
| Nancy Hunter     | Mitch Wilson        |
| David Jamieson   | Cherie Yeomans      |

# Minutes of the 73rd Annual General Meeting of Ladysmith & District Credit Union May 8, 2018

## 1. Welcome:

Vice-President Elaine Layman welcomed members and guests to the 73rd Annual General Meeting of the Ladysmith & District Credit Union (LDCU). She acknowledged that we stand on the traditional territories of the Coast Salish peoples, the Stz'uminus First Nation.

## 2. Introductions:

Vice-President Elaine introduced the members of the Board of Directors in attendance: David O'Connor, Gerry Clark, Krista Perrault, Tim Richards, Rob Viala and Ross Davis. She noted that President Brian Childs was unable to attend this meeting and noted that this was the first time in thirty years he missed an AGM. She then introduced Chief Executive Officer (CEO) John de Leeuw and Debbie Bass from the accounting firm of MNP. She then reviewed the packages provided to members at this meeting and advised they should include LDCU's Annual Report, the Rules of Order for this meeting and giveaways. She declared a quorum with 73 members present and noted there was 1 guest.

## 3. Rules of Order and Agenda Approval:

Vice-President Elaine asked if everyone received a copy of the Rules of Order and if there were any questions on them. No one inquired. She then called everyone's attention to the "Voting" section in the Rules, and noted that only voting paddles will be used for voting and the registration table provides paddles to qualified members. She then called for a motion to approve the agenda for the AGM. This was moved by Melanie Davis and seconded by Shelly Rickett. Carried by the membership.

## 4. 72nd AGM Minutes:

Vice-President Elaine asked if everyone had a chance to read the minutes of the 72nd Annual General Meeting and if anyone wanted them read out loud. No one requested this. She then called for a motion to approve the minutes of the 72nd Annual General Meeting. This was moved by Tracy Paterson and seconded by Kendre Haugen. Carried by the membership.

Business arising from the 2017 AGM minutes was called for. There was no business arising from the 2017 AGM minutes.

## 5. Board Report

The Report from Board and the CEO was presented by Vice-President Elaine. She then asked if anyone wanted her to read the report out loud. No one requested this.

She then then noted that the theme of this AGM was "Building a Strong Future, Building a Strong Credit Union, Building a Strong Community" and touched on the highlights and accomplishments from this year noting:

We are proud of the foundation we have built for LDCU and are excited about the future we continue to build. At LDCU we feel we have a corporate and social responsibility to building a strong town and community. Vice-President Elaine advised that we take this seriously and noted the following as some of LDCU's contributions in 2017:

- o Our new Oyster Bay branch opened 44% of our new accounts in 2017.
- o An Index Linked Term Deposit was introduced to allow members to take advantage of the S&P/TSX 60 market without risk to their principal balance.
- o LDCU's mobile and internet platforms receives about 11,000 member log-ins each month and provides members with the ability to take advantage of new technologies while LDCU still maintains the high level of personal service for which it is known.
- o Vice-President Elaine showed slides of some of the donations provided to local organizations during 2017 and noted that, because we have managed the funds entrusted to us with care and diligence, we have been able to grow, prosper and give back to our community.

- o She then showed LDCU's second TV commercial which was launched in 2017.

Vice-President Elaine thanked CEO John de Leeuw, his management team and staff for their hard work over the past year. She also thanked the directors for their hard work and dedication and noted that the level of regulatory responsibility on Credit Unions continues to grow and LDCU's Board has responded with hard work and commitment.

She then noted that we are today honouring Marie Polachek, Joan Adair and Ted Girard for their combined 71 years of dedicated service on LDCU's Board and Committees. Vice-President Elaine noted that, due to regulation changes, they completed their service for LDCU in 2017.

Vice-President Elaine congratulated Krista Perrault for completing the Credit Union Director Achievement Program and noted that LDCU has a high education standard for all LDCU directors which is well above the regulators requirements.

She then inquired if there were any questions about the Board Report. None were raised. A motion to approve the Board Report was made by Rob Johnson and seconded by Melanie Davis. Carried by the membership.

## 6. Credit Committee Report

Vice-President Elaine asked if everyone had a chance to read the 2017 Credit Committee report and if anyone wanted them read out loud. No one requested this.

The following questions were asked in regard to the report:

- Rob Johnson noted the report showed a drop in the number of loans in 2017 compared to the previous year and asked if this was a trend or an anomaly.
  - o CEO John de Leeuw advised that this was not an anomaly and, although we have seen the number of loans decline, the dollar amount of each loan has risen and parallels the increased price in the housing market. In addition, he noted that there is more non-brick and mortar competition in the industry.
- Rob Johnson noted that the Credit Committee report shows an increase in member loans of \$3,333,000 for 2017 but the financial statements under member loans shows an increase of \$12,250,000 and asked for an explanation.
  - o CEO John advised that LDCU granted \$48,000,000 in loans in 2017 but, as there are payouts throughout the year, \$12,250,000 was the increase in our loans portfolio for 2017. \$3,333,000 is the increase in loans granted for 2017 compared to 2016.

A motion to approve the Credit Committee Report as presented was made by Tracy Paterson, seconded by Rob Johnson. Carried by the membership.

## 7. CEO Report

Next up was the report from CEO John de Leeuw. CEO John gave his report noting the following:

- LDCU had another strong year in 2017 with a record \$12,250,000 in loan growth, out pacing the record set last year.
- The housing market is still very strong with a number of sub-divisions coming on-line and we expect continued growth in lending.
- CEO John reviewed slides of LDCU financials highlighting the following:
  - o Our Financial Margin grew 4.3%.
  - o Our Net Comprehensive Income is substantially higher.
  - o Loans grew 9.45%.
  - o A 2.5% annual dividend was declared.
  - o Community Donations of almost \$70,000 per year have been granted since 2013.

- o The personal mortgage portfolio grew by 11.73%.
- Also, CEO John reviewed slides on Canada's housing affordability index.

CEO John asked if there were any questions and the following was noted:

- Rob Johnson asked if LDCU was taking into account the rising interest rates when working on upcoming budgets.
  - o CEO John advised that Credit Unions are required to follow the accounting practice set up by IFRS 9. One of their requirements is to set aside an allowance for every mortgage provided.
  - o LDCU's credit risk was recently analyzed with a loan to value ratio at a low 59%. This ratio is expected to be even lower as it does not take into account the recent increase in housing prices for many of LDCU's mortgages.
- Rob Johnson asked if LDCU is in a better position because it is small and independent and not burdened by debts that other amalgamated credit unions may have.
  - o CEO John advised that he believes that LDCU has an advantage in that we know our members and this is very valuable.
- Joyce Sheldon asked if LDCU's members have grown and, if so, by how much?
  - o CEO John advised that, although it is important to have membership growth, we have focused on getting more business from each member. We reached market saturation about ten years ago with about 70% of the community holding accounts with us and it is difficult to increase this high percentage.
  - o CEO John noted that the fact that we have grown without an increase in market share is a testament to how our members feel about our staff.

CEO John introduced the staff in attendance; he thanked them for their hard work and efforts this past year and presented the annual service awards. He congratulated Kim Clarke for over twenty years of service with LDCU.

CEO John thanked the directors, noting their ongoing trust and support for the community and this Credit Union.

With no further questions a motion to approve the CEO's Report was made by Cindy Cawthra and seconded by Shelly Rickett. Carried by the membership.

### 8. Auditor's Report

The Auditor's Report was then presented by Debbie Bass of MNP. Debbie advised that she was pleased to report that MNP has issued a clean unmodified audit opinion and the full set of LDCU's 2017 consolidated statements fairly represent the financial position of LDCU. Then Debbie noted that LDCU closed the year with \$9.2MM in retained earnings, up 7% over last year and this has allowed LDCU to meet all regulatory requirements. Debbie asked if there were any questions on the Auditor's Report. There were no questions. It was moved by Tracy Paterson and seconded by Brenda Moore that the Auditor's Report be accepted as presented. Carried by the membership.

### 9. Nominating Committee Report

Ross Davis presented the Nominating Committee Report. Ross outlined the guidelines followed when directors reach the end of their term. Ross mentioned the newsletter sent to the LDCU's membership stating the expiration of the terms of Board members Brian Childs and Rob Viala. Ross advised that these members have completed the nomination kit and no other nominations were received. Ross advised that pursuant to rule 4.14 Brian Childs and Rob Viala are elected by acclamation and will serve on the Board for three more years. Their terms will expire at the 2021 AGM. It was moved by Shelly Rickett and seconded by Brenda Moore to accept the Nominating Committee's Report as presented. Carried by the membership.

### 10. Appointment of Auditors for 2018

Next on the agenda was the appointment of auditors for the year 2018. It was moved by Melanie Davis and seconded by Connie Forrest that MNP be appointed auditors for 2018 with the Board given the authority to set their remuneration. Carried by the membership.

### 11. New or Unfinished Business

Vice-President Elaine called for any New or Unfinished Business.

- Rob Johnson noted that there are two past Presidents of LDCU in attendance and wanted to thank them and ask how many years they have served.
  - o Sam Casler advised he had served as LDCU Director for about 10 years and 2 years as President.
  - o Dave De Clark advised he served as LDCU President for over 29 years.

### 12. Ambassador Program:

Cindy Cawthra advised that LCUI and LDCU are co-sponsors of the Ladysmith Ambassador Program. Cindy thanked the following 2017 Ambassador candidates:

- o Ella VanHorne, LCUI's candidate, who won Ladysmith Ambassador
- o Andrea Stackhow, LDCU's candidate, who won Ladysmith Vice-Ambassador
- o Jennifer Elliot, Oyster Bay Branch candidate, recipient of the personal growth award.
- Ella VanHorne and Andrea Stackhow thanked LDCU and LCUI and spoke on their experiences and what they learned from the program.

### 13. Guest Speaker:

Vice-President Elaine welcomed guest speaker Mayor Aaron Stone. Mayor Stone spoke about the Town of Ladysmith's revitalized waterfront plans.

### 14. Financial Fitness Quiz:

CEO John then led a financial fitness contest for all attendees. Michael Robinson was winner of this quiz and received a pottery water picture made by Mary Fox.

### 15. Door Prizes:

Door prizes were drawn for attendees with the winners as noted below:

- Cottonwood Golf Certificates:
  - o Gary Root and David O'Connor
- Chemainus Theatre Gift Certificate:
  - o Kendre Haugen
- In the Beantime Gift Certificates:
  - o Michael Robinson and Patricia Maslen
- Worldly Gourmet Gift Certificate:
  - o Wilma Weir
- Money Envelopes:
  - o Nancy Hunter, Mitch Wilson and Cindy Cawthra
- Wine Baskets:
  - o Michelle Badall and Elaine Layman
- Plants in Planters:
  - o Dave DeClark
- Planter and Wine Glasses:
  - o Brenda Moore
- Outdoor Candles:
  - o Marie Polachek

### Adjournment:

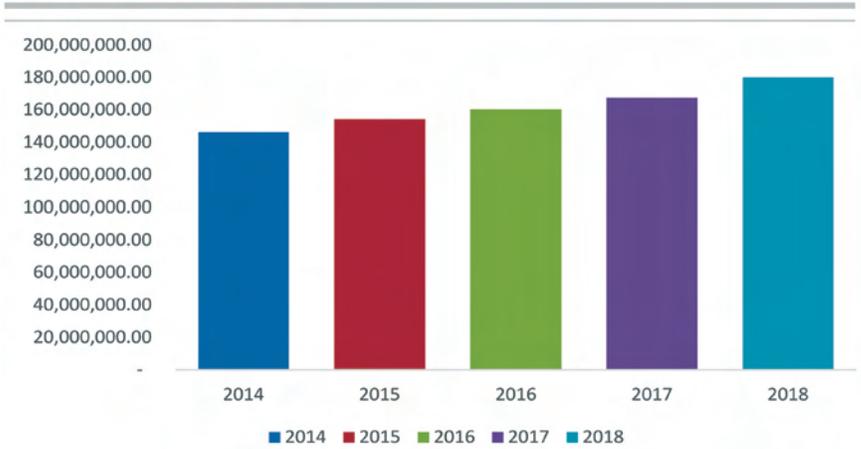
The meeting was adjourned at 8:30 pm through a motion by Aaron Stone. Refreshments were served.

# We're Celebrating 75 Years of Growth...

**ASSETS GREW BY 7.95 %  
TO JUST OVER \$180,000,000**

*With the acquisition of a portfolio of investment funds through LDCU Financial management, the Credit Union now boasts over \$240 million of Assets under Administration.”*

## TOTAL ASSETS



**DEPOSIT PORTFOLIO SHOWED  
TERRIFIC GROWTH IN 2018,  
UP BY 7.26%,**

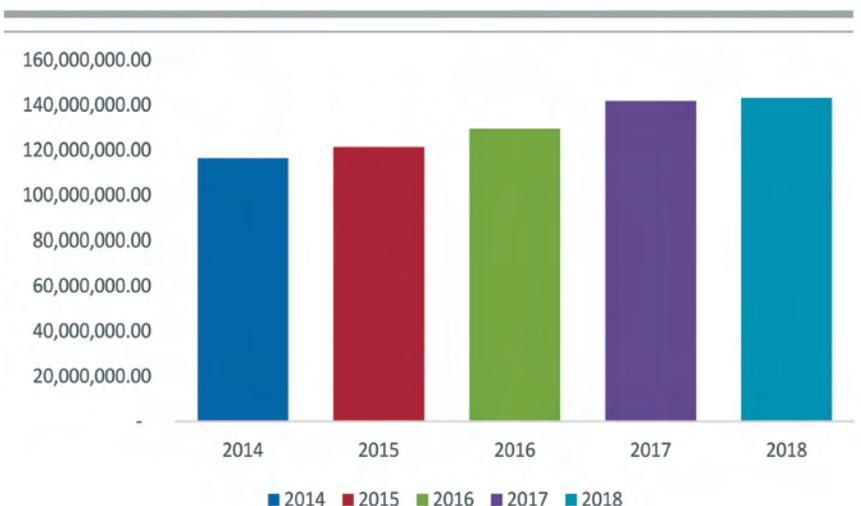
## TOTAL DEPOSITS



**LOAN GROWTH HELD ONTO THE  
GAINS OF 2017**

*Housing demand in Ladysmith remained stable in 2018, and our portfolio took a slight breather in the past 12 months.*

## TOTAL LOANS



**2018 WAS ANOTHER YEAR OF STRONG GROWTH.**

*As always, we continue to focus on solid, sustainable growth.*

**THE BOARD OF DIRECTORS HAVE DECLARED A 3.25% ANNUAL DIVIDEND**

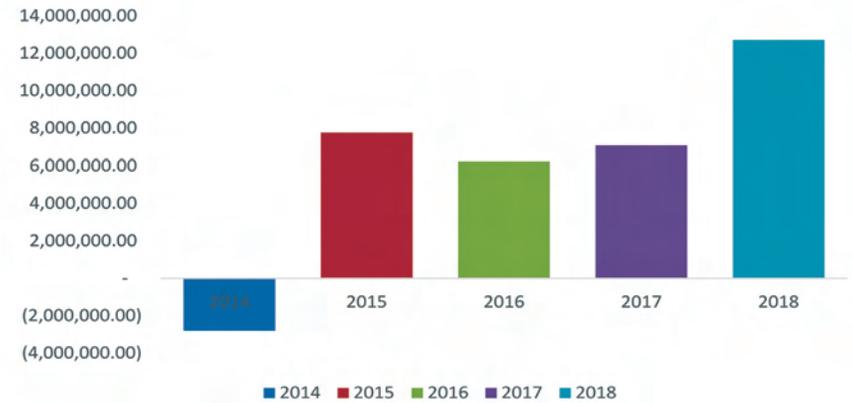
**FINANCIAL MARGIN ROSE BY 9.87%**

*“Financial margin, the difference between how much we collect in loan interest and how much we pay in deposit interest, rose for the third consecutive year, this time by 9.87%”*

**NET INCOME FROM OPERATIONS ALSO GREW SUBSTANTIALLY**

*“To \$933,000, a year over year increase of 122%”*

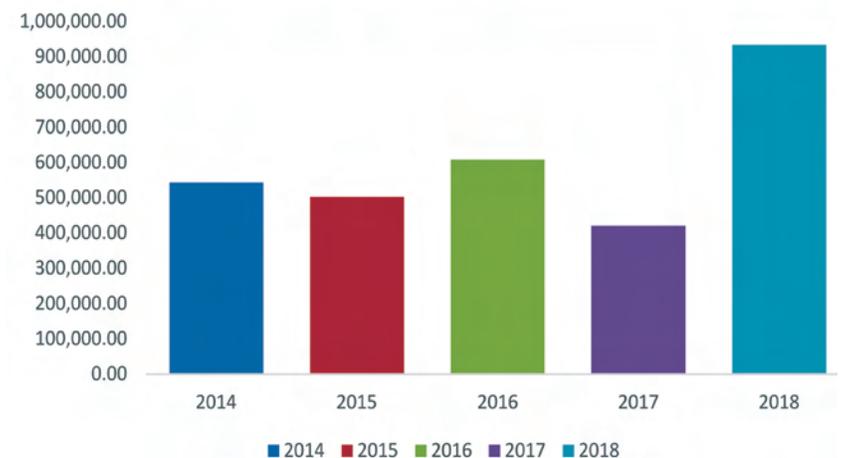
**GROWTH**



**FINANCIAL MARGIN**



**NET OPERATING INCOME**



# We're Celebrating 75 Years of Serving our Community...

## Message from the Board and CEO



Elaine Layman  
Board President



John de Leeuw  
CEO

**2018 WAS ONE OF THE BEST YEARS IN OUR HISTORY. THE CREDIT UNION NOW ADMINISTERS ASSETS IN EXCESS OF \$240 MILLION.**

*“In 2018, after several years of work, we purchased a portfolio of investment funds. This purchase brought with it a Certified Financial Planner with over 30 years of experience, and a portfolio balance in excess of \$60 million!”*

This past year was another exciting and pivotal year for the LDCU. We had another year of tremendous growth, this time in our deposit portfolio as opposed to our loans portfolio; we built up our liquidity for future needs; rates started to climb; we presented terrific financial results; and we purchased a wealth management portfolio.

In 2017, our loan growth was phenomenal, the best in our entire history. But this came with a price – shrinking liquidity. With all the lending we had done, our liquidity had become dangerously low. In 2018, we succeeded in rebuilding our liquidity back to our target range and this has positioned us well for future expansion. We accomplished this rebuilding through a combination of strong deposit rates and attractive new products that enticed strong deposit growth. With our strengthened liquidity, we are well positioned to grow our loans portfolio. To aid this, we have created a new position within the Credit Union, that of Mobile Mortgage Manager. This role will proactively go out into the community to work with members at their convenience, rather than the members needing to attend the branch during working hours. We are very excited with this new role. Look for our mobile lender out in the community soon!

After all the years of operating in a low interest rate environment, rates started to climb in 2017, and continued in 2018. In all, the Bank of Canada raised rates three times in 2018, increasing rates to their highest levels since 2008, (see chart). As the Bank of Canada started to raise rates, concerns started to emerge regarding Canadians’ ability to withstand significant rate hikes. Finally, the Bank of Canada indicated at their last meeting that future rate hikes were on hold for the foreseeable future, and Canadians breathed a collective sigh of relief.

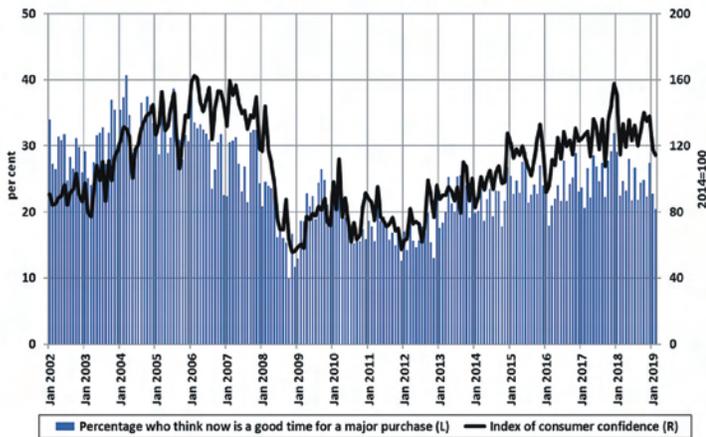


With these rate hikes, and the government’s new stress-test requirements, the housing market in BC took a much needed breather in 2018. In fact, residential sales in BC were down in 2018, by 21% in comparison to 2017, and 25% lower than 2016. Yet, even with the decline in sales, house prices in BC have continued to rise. At the end of 2018, the median house price in BC was 18% higher than two years ago. When you look specifically at the Cowichan Valley, total sales in 2018 were 839 units as compared to 964 in 2017, a drop of 13%. However, prices of single detached homes continued to rise reaching \$506,000 in 2018, an increase of 11% over 2017. Looking at Ladysmith in particular, total residential sales were 316 units as compared to 318 in 2017. This demonstrates Ladysmith is a desirable location on the Island, and housing demand did not decline significantly in our community. In addition, the median sale price of a residential unit in Ladysmith increased by 14.39% in 2018 to \$469,000.

How have prices continued to rise in the face of higher rates and government intervention? One of the main contributors is consumer confidence. As you can see from the chart (next page), while consumer confidence fell in 2018 from a high of 40%, it was hovering at around 35% at the end of the year.

Despite the drop during the year, the Consumer Confidence Index is still near historic highs. Why is consumer confidence so important? When consumers feel confident

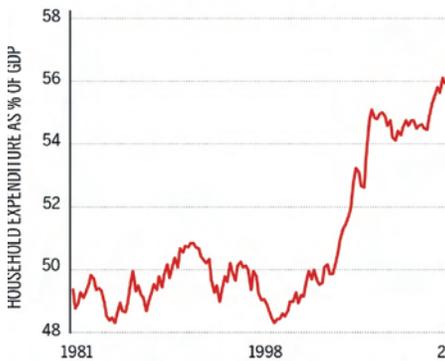
### Consumer Confidence - British Columbia



Source: Conference Board of Canada

with the economy and their future, they tend to make larger purchases and investments. In the last 30 years, the contribution to Canada's Gross Domestic Product from consumer expenditures has risen from just over 48% to 56%. When people feel confident, they spend money, and this has a serious impact on Canada's economy.

### dependent on household spending



Turning to the Credit Union, 2018 was another year of strong growth. Overall, our assets grew by 7.59% to just over \$180 million. Our loans portfolio slowed from the incredible growth of 2017, ending the year with marginal growth of 0.94%. As previously mentioned, our deposit portfolio showed terrific growth in 2018, up by 7.26%, finishing the year up by almost \$11.5 million.

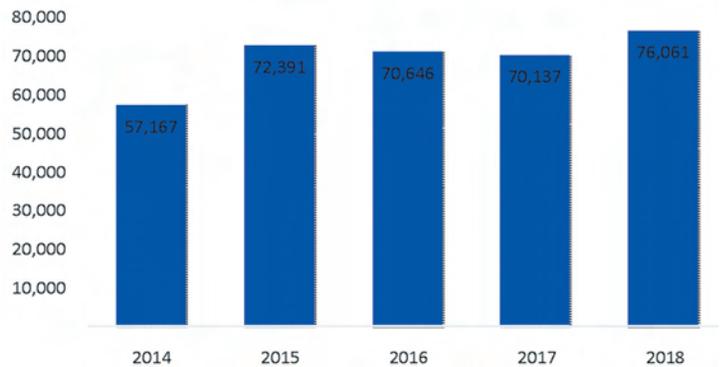
On the income side, 2018 was one of the best years in our history. Total income rose by \$985,000 or 13.28%, to just over \$8.4 million. Interest income rose by 10.81%, and financial margin, the difference between how much we collect in loan interest and how much we pay in deposit interest, rose for the third consecutive year, this time by 9.87% to almost \$4 million. Maintaining a strong financial margin, is essential to long-term Credit Union operations. Finally, total Net Income from operations also grew substantially to \$933,000, a year over year increase of 122%! Truly another excellent year of financial results. As always, we continue to focus on solid, sustainable growth.

Several years ago at the Credit Union's annual Strategic Planning session, we began discussions about becoming a full-service financial institution and what that would look like. At the time we offered excellent retail banking products, and exceptional insurance products as well. What was lacking was the ability for our members to have other investment opportunities catered to at the same place. The members wanted a one-stop shop for their financial needs. With this goal in mind we formed a subsidiary called LDCU Financial Management, and have been working hard to build it into a strong investment arm for our members. In 2018, after several years of work, we purchased a portfolio of investment funds. This purchase brought with it a Certified Financial Planner with over 30 years of experience, and a portfolio balance in excess of \$60 million! With this acquisition, the Credit Union

now boasts over \$240 million of Assets under Administration. Look for our new office to open next door to the Credit Union in May.

Another year of strong financial results has allowed us to continue to support many community initiatives. We remain the main sponsor of Light-Up Night, we continue to award \$13,000 in bursaries every year, and our Kids 'Count Funzone during Ladysmith Days brings many families out to Transfer Beach. We have become a lead sponsor for Chemainus Theater, and a corporate sponsor of Ladysmith Little Theater. We also sponsored many smaller events such as Coldest Night of the Year, Old Tyme Christmas, Cinnamon Bun Fun Run, Show and Shine, and Brits on the Beach. In all, LDCU donated more than \$76,000 to events and organizations within our community in 2018! In fact, over the last 5 years LDCU has donated over \$371,000 to groups in Ladysmith! We take great pride in our community involvement and our social responsibility as corporate members of Ladysmith's business community.

### Donations 2014-2018



Another outcome of robust financial results is our annual dividend. Each year we declare an annual dividend on Membership Equity Shares. The dividend is based on our financial results, specifically net income. With our excellent results in 2018, your Board has declared an annual dividend of 3.25%! With one-year term deposit rates languishing well below 2%, investing in Equity Shares represents a great return on investment for members at LDCU!

LDCU would not have gotten to where we are today without the hard work of staff and directors. We would like to formally thank one director in particular: Brian Childs. Brian joined the Board in the fall of 1987 and sat on the Board until May of 2018. In all, he served almost 31 years as a director, including 12 years as President. During his time on the Board, the Credit Union grew from \$14 million in assets, to \$240 million of Assets under Administration. Brian's dedication to cooperative principles and to LDCU was a hallmark of his tenure, and he is sorely missed. Thank you, Brian!

As we reflect on another year, we remember those who have contributed to our success. From our earliest directors and members; those who, in 1944, had the vision to create a community-based Credit Union that would work on behalf of members and community, to those serving strongly today. From members depositing as little as \$1 in 1944, to those members taking advantage of our 100% deposit guarantee today, supporting the Credit Union with their everyday banking and borrowing needs. To all those and more we would like to say: **Thank You** for your unshakable confidence for 75 years, and thank you for believing in the Ladysmith & District Credit Union.

Respectfully submitted,

Elaine Layman, President

John de Leeuw, CEO

# We're Celebrating 75 Years of Investing in our Community...

## Credit Committee Report 2018

**Our commercial portfolio  
has now grown in five out  
of the last seven years.**

**The housing market  
in Ladysmith  
remains vibrant**

*The average sale price  
for a residential home in  
Ladysmith in 2018 was  
\$406,329, an increase  
of 11.67%.*

The 2018 housing market behaved as expected, moderating after the record-setting pace set in 2016 and 2017. Government policy-side measures introduced to cool the market, such as the mortgage stress test (Guideline B-20), eroded the purchasing power of some prospective home buyers by as much as 20 per cent. Decreased demand and additional inventory are helping the sellers' market transition to one that is balanced or near-balanced.<sup>1</sup> This balanced market resulted in a decline in the number of sales, but prices continued to rise. According to the Vancouver Island Real Estate Board, the total sales in the Cowichan Valley fell from 964 in 2017 to 839 in 2018. This change represents a 13% drop in total sales. In contrast to falling sales however, prices continued to rise throughout Vancouver Island. In 2018 in the Cowichan Valley, the average sale price of a single-family residential home increased from \$455,409 to \$506,381, a rise of 11%.<sup>2</sup> Specific to Ladysmith, total residential sales in 2018 were 316 units as compared to 318 units in 2017. Despite this slight decline in overall sales, the average sale price for a residential home in Ladysmith in 2018 was \$406,329 as compared to \$363,844 in 2017, an increase of 11.67%.

At LDCU, the total number of loans approved dropped for the second year in a row. Also dropping was the total dollar value of loans granted. It should be noted 2017 & 2016 were both record years for the Credit Union in terms of total dollar value of loans approved. In 2018, we granted a total of 213 loans and mortgages, a decrease of 10.5% from 2017. Even though the number and dollar value of loan approvals declined in 2018, the record pace of loan growth during the previous two years was not sustainable. The impact on our liquidity was severe, and lower growth in 2018 was necessary to ensure our liquidity reserves were restored. This past year we granted in excess of \$32.5 million of loans and mortgages, a decrease of 33%. Once again personal mortgages led the way with over \$20 million dollars of approved mortgages, a decline of 31%. Commercial financing also declined in 2018 with total approved facilities falling to 25, a reduction of just over 10%. Even with this slight decline, our commercial portfolio has now grown in five out of the last seven years.

The following is a complete summary of the loans and mortgages granted in 2018 & 2017:

	#	2018	#	2017
Personal Mortgages	85	20,095,943	119	29,257,881
Business/Commercial	25	5,846,198	28	12,526,953
Miscellaneous	12	69,425	8	158,538
Automobile	17	395,428	12	248,950
RV's, Boats, etc.	3	77,053	3	85,518
Mobile Homes	1	20,000	1	114,631
Taxes, RSP's, etc.	1	31,666	0	0
Consolidation	4	39,601	10	141,735
Lines of Credit	65	5,930,150	57	6,339,800
Totals	213	32,505,464	238	48,874,006

Respectfully submitted: Roberto Qualizza, Chair; Elaine Layman; Gerry Clarke & John de Leeuw  
Credit Committee, Ladysmith & District Credit Union

1. [http://www.vireb.com/assets/uploads/12dec\\_18\\_vireb\\_sales\\_summary\\_media\\_release\\_64530.pdf](http://www.vireb.com/assets/uploads/12dec_18_vireb_sales_summary_media_release_64530.pdf)  
2. [http://www.vireb.com/assets/uploads/2018\\_annual\\_sales\\_summary\\_1939.pdf](http://www.vireb.com/assets/uploads/2018_annual_sales_summary_1939.pdf)

# Let's Get Together



## Victor Malli

Senior Financial Planner

"I treat all of my clients the way I like to be treated; with integrity, honesty and respect.

Experience has proven to me that when you put their interests first, everything else falls into place.

This philosophy has enabled me to develop trusting relationships with my clients for over 25 years; long enough that I am now working with their children."

## Krista Hansen

Financial Advisor

"Measure twice. Ask questions. Measure again and cut once.

This is the adage that has been at the heart of my career in finance, ever since my family's financial advisor inspired me to follow this path. She taught me that to help secure my client's financial futures, you ask questions and challenge assumptions. I strive to develop individual solutions and to offer a similar sense of security and reassurance to every one of my clients that she gave to me."



www.ldcu.ca  
250-591-4077

Our Community. Your Credit Union.™

**Ladysmith & District Credit Union**  
**Summarized Consolidated Financial Statements**  
*December 31, 2018*

# Report of the Independent Auditor on the Summary Consolidated Financial Statements

---

To the Members of Ladysmith & District Credit Union:

## Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2018, and the summary consolidated statements of profit, comprehensive income, changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Ladysmith & District Credit Union (the "Credit Union") for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited consolidated financial statements, in accordance with International Financial Reporting Standards on the basis described in Note 1 of the audited financial statements.

## Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

## The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report.

## Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with International Financial Reporting Standards on the basis described in Note 1 of the audited financial statements.

## Auditor's Responsibility

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

Abbotsford, British Columbia

March 26, 2019

*MNP* LLP

Chartered Professional Accountants

# Ladysmith & District Credit Union

## Summarized Consolidated Statement of Financial Position

*As at December 31, 2018*

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	14,035,513	1,136,725
Financial investments	15,776,240	12,871,275
Trade and other receivables	758,214	5,688,122
Loans to members	143,199,452	141,864,856
Premises and equipment	4,248,071	4,738,609
Intangible assets	2,178,091	1,174,096
Deferred tax assets	4,900	19,900
	<b>180,200,481</b>	<b>167,493,583</b>
<b>Liabilities</b>		
Member deposits	168,578,584	157,168,040
Income taxes payable	63,798	-
Other liabilities	959,524	483,143
Deferred tax liabilities	473,000	307,000
Derivative financial instruments	215,837	308,565
	<b>170,290,743</b>	<b>158,266,748</b>
<b>Members' equity</b>		
Revaluation surplus	983,238	1,056,089
Retained earnings	9,081,558	8,415,707
Accumulated other comprehensive loss	(155,058)	(244,961)
	<b>9,909,738</b>	<b>9,226,835</b>
	<b>180,200,481</b>	<b>167,493,583</b>

Approved on behalf of the Board



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

**Ladysmith & District Credit Union**  
**Summarized Consolidated Statement of Profit**

*For the year ended December 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Financial income</b>		
Interest on member loans	5,845,027	5,252,643
Interest on investments	776,439	723,025
	<b>6,621,466</b>	<b>5,975,668</b>
<b>Financial expense</b>		
Interest on member deposits	2,649,664	2,370,213
Interest on borrowed funds	21,394	9,956
	<b>2,671,058</b>	<b>2,380,169</b>
<b>Financial margin</b>	<b>3,950,408</b>	<b>3,595,499</b>
<b>Provision for impairment on loans to members</b>	<b>136,259</b>	<b>115,488</b>
	<b>3,814,149</b>	<b>3,480,011</b>
<b>Other income</b>	<b>1,782,227</b>	<b>1,442,618</b>
<b>Operating margin</b>	<b>5,596,376</b>	<b>4,922,629</b>
<b>Operating Expenses</b>	<b>4,662,772</b>	<b>4,502,559</b>
<b>Income from operations</b>	<b>933,604</b>	<b>420,070</b>
<b>Distribution to members</b>	<b>45,018</b>	<b>60,757</b>
<b>Income before income taxes</b>	<b>888,586</b>	<b>359,313</b>
<b>Provision for income taxes</b>		
Current	114,586	102,632
Deferred	181,000	86,000
	<b>295,586</b>	<b>188,632</b>
<b>Profit for the year</b>	<b>593,000</b>	<b>170,681</b>

*The accompanying notes are an integral part of these financial statements*

**Ladysmith & District Credit Union**  
**Summarized Consolidated Statement of Comprehensive Income**

*For the year ended December 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Profit for the year</b>	<b>593,000</b>	170,681
<b>Other comprehensive income:</b>		
Net gains (losses) on derivatives designated as cash flow hedges	<b>108,303</b>	(531,226)
Income tax recovery (expense) relating to losses on derivatives designated as cash flow hedges	<b>(18,400)</b>	90,300
Change in unrealized gains on available-for-sale assets	-	205,052
Income tax expense relating to the change in unrealized gains on available-for-sale assets	-	(36,900)
Change in unrealized gains on revaluation of land and buildings	-	716,697
<b>Other comprehensive income for the year, net of income tax</b>	<b>89,903</b>	443,923
<b>Total comprehensive income for the year</b>	<b>682,903</b>	614,604

---

*The accompanying notes are an integral part of these financial statements*

**Ladysmith & District Credit Union**  
**Summarized Consolidated Statement of Changes in Members' Equity**

*For the year ended December 31, 2018*

	<i>Revaluation surplus</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Total equity</i>
<b>Balance December 31, 2016</b>	339,392	8,245,026	27,813	8,612,231
Profit for the year	-	170,681	-	170,681
Net losses on derivatives designated as cash flow hedges and change in unrealized gain on available-for- sale assets, net of tax	-	-	(272,774)	(272,774)
Change in unrealized gains on revaluation of land and buildings	716,697	-	-	716,697
<b>Balance December 31, 2017</b>	1,056,089	8,415,707	(244,961)	9,226,835
Profit for the year	-	593,000	-	593,000
Net gains on derivatives designated as cash flow hedges and change in unrealized gain on available-for- sale assets, net of tax	-	-	89,903	89,903
Transfer of revaluation surplus to retained earnings	(72,851)	72,851	-	-
<b>Balance December 31, 2018</b>	983,238	9,081,558	(155,058)	9,909,738

*The accompanying notes are an integral part of these financial statements*

# Ladysmith & District Credit Union

## Summarized Consolidated Statement of Cash Flows

*For the year ended December 31, 2018*

	2018	2017
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Profit for the year	593,000	170,681
Unrealized gains on revaluation of land and buildings through profit and loss	-	(76,492)
Depreciation of premises and equipment	197,605	179,739
Depreciation of intangible assets	164,658	162,793
Deferred income taxes	181,000	86,000
Gain on disposal of premises and equipment	(3,495)	(474)
Provision for impairment on loans to members	136,259	115,488
Hedge ineffectiveness (effectiveness) on derivative financial instruments	(2,544)	15,147
	1,266,483	652,882
Changes in working capital accounts		
Trade and other receivables	4,929,907	(4,986,038)
Income taxes payable/recoverable	45,398	89,324
Other liabilities	476,384	(79,369)
Accrued interest on loans to members	(2,686)	(22,292)
Accrued interest on member deposits	(36,568)	(8,013)
Accrued interest on derivative financial instruments	18,119	60,638
	6,697,037	(4,292,868)
<b>Financing activities</b>		
Net change in member deposits	11,447,112	6,164,663
<b>Investing activities</b>		
Net change in loans to members	(1,468,169)	(12,346,936)
Increase in financial investments	(2,904,967)	-
Decrease in financial investments	-	4,131,358
Purchases of premises and equipment	(66,067)	(147,647)
Proceeds from disposal of premises and equipment	362,495	978
Purchases of intangible assets	(1,168,653)	(71,118)
	(5,245,361)	(8,433,365)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>12,898,788</b>	<b>(6,561,570)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,136,725</b>	<b>7,698,295</b>
<b>Cash and cash equivalents, end of year</b>	<b>14,035,513</b>	<b>1,136,725</b>

*The accompanying notes are an integral part of these financial statements*

# Ladysmith & District Credit Union

## Notes to the Summarized Consolidated Financial Statements

*For the year ended December 31, 2018*

---

### 1. Reporting entity

Ladysmith & District Credit Union ("the Credit Union") is incorporated under the Credit Union Incorporation Act of British Columbia and its operations are subject to the Financial Institutions Act of British Columbia. The summarized consolidated financial statements of the Credit Union as at and for the year ended December 31, 2018 comprise the Credit Union and its subsidiaries L.C.U. Insurance Agencies Ltd., LDCU Financial Management Ltd. and True Mortgage Specialists Ltd. (together referred to as the "Credit Union").

### 2. Basis of preparation

These summarized consolidated financial statements have been prepared in accordance with Section 128(4) of the Financial Institution Act and are derived from the complete audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2018. Those audited consolidated financial statements were approved by the Credit Union's Board of Directors on March 26, 2019 and can be obtained at our branch.

### 3. Comparative figures

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



Our Community. Your Credit Union.™



330 First Ave., Ladysmith, BC  
Phone: 250-245-2247

[www.ldcu.ca](http://www.ldcu.ca)