

**Minutes of the 79th Annual General Meeting of
Ladysmith & District Credit Union
May 7, 2024**

1. Welcome:

President, Ross Davis welcomed members and guests to the 79th Annual General Meeting (AGM) of the Ladysmith & District Credit Union (LDCU) noting this was our first hybrid AGM (held virtually and in-person).

He 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 Ross introduced the following members of the Board of Directors: Gerry Clarke, Elaine Layman, Carol Warkentin, Julie Fraser, David O'Connor and Rob Viala.

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

3. Quorum:

Board President Ross declared a quorum as there were 166 members and 8 guests in attendance.

4. Meeting Documents Review:

CEO John de Leeuw advised that today's meeting documents were provided to members on LDCU's AGM registration web page and were handed out to everyone attending in person. They include the Agenda, Minutes of the 78th AGM and the 2023 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 and in-person 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 Ross outlined the Meeting Agenda to the membership and asked for questions. There were none. He then called for a motion to approve the Meeting Agenda. This was moved by Melanie Davis and seconded by Marion Rodall. Carried by the membership.

8. 78th AGM Minutes:

Board President Ross asked if anyone had any questions on last years' minutes. Hearing none, he then called for a motion to approve the minutes of the 78th Annual General Meeting contained in the meeting documents. This was moved by Tracy Paterson and seconded by Greg Robinson. Carried by the membership.

9. Business Arising:

Board President Ross then asked if there was any business arising from the 2023 AGM minutes. None were raised.

10. Board Report:

Board President Ross advised that, after four years of virtual meetings, he was pleased to see so many members in person at this AGM and welcomed everyone attending both in-person and virtually.

He advised that he trusts everyone has read the Board Report contained in the meeting documents and presented its highlights as noted below:

- Last year's President's Report discussed the challenges in the financial services industry since 2020. The trials continued in 2023 with interest rates rising to combat high inflation. Despite this, 2023 was still shaping up to be a relatively strong year for LDCU, until the last quarter, when the impact of interest rate increases in June and July hit and drastically effected mortgage lending and also lowering Ladysmith housing pricing by 4.37%.
- He noted that, despite the challenges, LDCU had its largest asset growth in 2023 at almost \$33 million and its best year for deposit growth and outlined LDCU's growth metrics compared to the BC Credit Union System as noted below:

	LDCU	BC Credit Union System Average
Asset Growth	13.05%	4.38%
Loan Growth	6.19%	4.37%
Deposit Growth	14.18%	3.76%

- In addition, he noted:
 - Our asset and deposit growth were more than triple the system average and our capital ratio was almost double the regulatory requirement of 8%.
 - Over the past five years, our loans portfolio has increased by 60% and deposits have increased by 55%. The loan growth has resulted in higher revenues.
 - Our subsidiaries have shown resilience with LCU Insurance Agencies far exceeding budget and LDCU Financial on budget target despite volatility in the markets.
- He advised that the combined results made 2023 LDCU's second-best year for Net Operating Income and placing it near the top of BC Credit Union system.

- President Ross noted that LDCU is more than its financial success, and that it's about giving back to our community, being involved, showing immense pride and ongoing corporate social responsibility and noted:
 - We continue to sponsor events in our community like the Ladysmith Days, the Festival of Lights Fireworks, Show and Shine, the Art's Council Light-Up Night and provide the Ladysmith Secondary School with \$18,000 in scholarships.

He announced that, with the excellent 2023 results, the Board of Directors was proud to declare 2023 dividends on Member Equity Shares at 4.00%.

He noted tonight's theme is "The Path to Prosperity" with LDCU maintaining a steady path these last few years in tumultuous times and wanted members to know we walk the Path with them and are here to help. He outlined:

- LDCU's recent main branch renovations which were completed to serve our members better with more sit-down stations, a larger Contact Centre along with a newly designed mural that showcases all the momentous moments in our history noting that these renovations also brightened up the entire branch.
- That our members will be on a new on-line and mobile platform later this year as part of our continued ongoing evolution.

He thanked CEO John de Leeuw, his management team and all the staff for their dedication and hard work. He congratulated director Julie Fraser for graduation from the Credit Union Director Achievement (CUDA) program noting that all of our directors are CUDA graduates.

He thanked his fellow directors for their continued service to LDCU noting that, without their efforts, long-range vision, decision-making, and unfailing commitment, we would not be the Credit Union we are today and stated that we will continue walking the Path to Prosperity for our members and our community.

Board President Ross then inquired if there were any questions about the Board Report. None were raised. He then called for a motion to approve the Board Report. This was moved by Robert Volkman and seconded by Madeline Smith. Carried by the membership.

11. Credit Committee Report:

Board President Ross advised that he trusts everyone has read the Credit Committee Report contained in the meeting documents. He noted that, in order to remain consistent with previous years, we will not read the Credit Committee Report aloud unless someone specifically asks.

CEO John de Leeuw then summarized the Credit Committee Report as follows:

- As discussed earlier, lending was down in 2023 mostly due to Bank of Canada's interest rate increases but, prior to the increases, LDCU' lending was on track for another banner year. John then presented slides noting:
 - The total number of loans and mortgages approved in 2023 was down 27% from 2022 and the total dollar amount also dropped by 32%.
 - Personal mortgage approvals were responsible for the biggest decline in 2023, falling from \$51.8 million dollars in 2022, to only \$34.3 million in 2023 a 33% decrease.
 - Lines of Credit approvals also fell by 53% year over year.
- While this seems like a dramatic decline, our overall loans portfolio still grew by a respectable \$16 million (down from the last few years of exceptionally high loan growth).

Board President Ross called for a motion to approve the 2023 Credit Committee Report as outlined in the meeting documents. This was moved by Elizabeth de Leeuw, seconded by Terrena OConnor. Carried by the membership.

12. CEO Report:

CEO John de Leeuw then presented the CEO Report noting:

Financial Results

- 2023 delivered another difficult year with high inflation, elevated interest rates and continued uncertainty. Early in the year, the financial services industry faced investor panic when two large US banks failed. Specifically:
 - Inflation remained stubbornly high, starting the year with a rate of 5.9% in January, and finishing the year at 3.4% forcing the Bank of Canada to raise its interest rate by 25 bps in January 2023. In addition, interest rates were increased in June and July which stunned the market.
 - The local housing market sales were impacted and house prices dropped by 4% and mortgage lending (which did well in the first three quarters) dropped to our lowest fourth quarter in ten years.
 - Variable rate borrowers were highly impacted, new mortgage borrowers disappeared and those renewing their existing mortgages faced monthly payments that increased by 40% to 50%.
 - The longest inverted yield curve in history caused confusion among economists.
 - Depositors flocked to shorter terms as interest rates were higher and many chose a twelve-month term but, with rates starting to fall, depositors may find themselves renewing into lower rates.
- LDCU's long-term strategy has been very successful and, despite having experienced a slower year for lending, we:
 - have kept a neutral balance sheet so sudden changes in interest rates do not significantly affect us;

- hold two strong subsidiaries to diversify our revenue and make us less dependent on interest rate fluctuations;
- have worked hard to keep our delinquency low and work to find opportunities to grow.
- Our 2023 financial performance outdistanced most of the Credit Union system in almost all productivity ratios (asset, loan, deposit and membership growth). In fact, our Return on Assets is among the best in the province, and our financial forecasts for the next three years are even stronger.
- Specifically, CEO John outlined LDCU's 2023 financial results in detail with a slide presentation.

Questions:

- CEO John de Leeuw then asked the membership if they had any questions. The following questions were asked
 - Ken Hiebert asked: How do the demographics of Ladysmith affect LDCU?
 - CEO John advised that he had just completed research on our demographics for our regulators and it showed that the market share of LDCU exceeds 40% in every age category of the demographics in the Ladysmith community and in some cases significantly higher and noted:
 - LDCU mirrors Ladysmith's demographic in having an older demographic that has contributed solidly to our deposit growth.
 - Many new and young families have been moving to Ladysmith as Ladysmith is central and has more affordable housing compared to other areas of Vancouver Island.
 - Keith Heibert also noted that LDCU is consistently a friendly place to come to.

Staff Service Awards

CEO John de Leeuw called staff up who were receiving their awards, he thanked them for their hard work and efforts and presented them with their annual service awards. He presented one, three, five and ten-year awards for 2024 and also awards to staff members who missed 2023 award's meeting.

In addition, CEO John de Leeuw thanked:

- HR Manager, Megan Dougan for finding such amazing staff and the managers who helped in the process.
- The IT Department and Kanisha Gresmak who have worked hard on this hybrid meeting.
- Executive Assistant, Linda King who works both for himself and the Board.
- Carrie Alexander for baking tonight's LDCU cookies.
- All the staff for their immense contribution noting that, without which we would not have achieved these amazing results.

Motion for CEO Report

Board President Ross asked for a motion to approve the CEO's Report as presented. This was moved by David Little and seconded by Mitch Wilson. 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 2023 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 Ross thanked Brad Derbyshire along with Debbie Bass and their MNP team. He asked for a motion to approve LDCU's 2023 Auditor's Report as presented. This was moved by Jeff Cote and seconded by Elizabeth de Leeuw. Carried by the membership.

14. Nominating Committee Report:

Nominating Committee Chairperson Dave O'Connor, presented the Nominating Committee report. Dave 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 two of our directors. Dave advised that the directors whose terms are expiring are Rob Viala and Gerry Clarke noting each have completed an incumbent nomination package and no other nominations were received. Dave advised that pursuant to Article 4.14 of the Credit Union Rules, Rob Viala and Gerry Clarke are elected via acclamation. They will each serve three years with their terms will expire at the 2027 AGM and thanked them for letting their names stand for another term.

Board President Ross asked for a motion to accept the Nominating Report as presented. This was moved by Kelsey Dentoom and seconded by Kendre Haugen. Carried by the membership.

15. Remuneration for Directors:

Director Elaine Layman presented to the members the Board recommended changes to Director Remuneration noting they are proposing a step increase model for honorariums based on years of service.

She noted the increasing regulatory obligations which, in turn, increases the number of Board and Committee meetings and their preparation as well as noting they want to retain qualified directors and attract new directors to adequately plan the strategic direction of the Credit Union. She outlined slides that showed:

- The number and hours spent by directors for 2023 Board and Committee meetings along with preparation time (noting that preparation time is not considered under remuneration).
- The estimated 2023 director time spent on all LDCU work (prep work, courses and meetings).
- Policies which were created or significantly updated in the last 12 to 18 months (total of eleven).

- The proposed honorarium step model compared to the current model (shown below) noting that the Board motioned to recommend these changes to the Membership on December 5, 2023. In addition, she noted they recommend grandfathering one existing director in at \$2,750 during their first term.

Service	Term 1	Term 2	Term 3	Term 4	Term 5	Term 6
	(1-3 Years)	(4-6 Years)	(7-9 Years)	(10-12 Years)	(13-15 Years)	(16-18 Years)
Current Annual Allocation	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750	\$2,750
Proposed Annual Allocation	\$2,500	\$3,000	\$3,500	\$4,000	\$4,500	\$4,500

- Director Elaine stated the impact to the Credit Union for 2024 was \$6,750 and no other increases to director compensation are being requested.

She outlined the Board and Committee structure and noted that:

- All seven directors are graduates of the Credit Union Director Achievement (CUDA) program, two directors are Accredited Canadian Credit Union (ACCU) directors, and one director holds an Institute of Corporate Directors designation (ICD.D).
- She outlined the Board responsibilities and the remarkable performance by the Credit Union over the past several years noting, we are one of the last remaining independent Credit Unions in the Province and it is important for us to be able to attract dedicated, well-informed people to our Board.
- She asked if there were any questions or comments.
 - Tim Richards, past LDCU director, advised the following:
 - I served on the Board for 18 years and this minor adjustment to compensation is long overdue. If any member would like to see what goes on, please ask to sit in on an LDCU Board meeting. We need Board members, but it is a lot of work.
 - Elaine noted that Tim is correct in that we need Board members if you are interested, please let us know.

Board President Ross asked for a motion to approve the recommended changes to Director Remuneration (changing Director Honorarium to the tiered model as presented tonight). It was moved by Erica Clarke and seconded by Faith Maslen. Carried by the membership.

16. Appointment of Auditors for 2024:

Board President Ross asked for a motion that MNP be appointed auditors for 2024 with the Board given the authority to set their remuneration. It was moved by Roberto Qualizza and seconded by Connie Forrest. Carried by the membership.

17. LDCU's New Instructional Videos:

CEO John presented LDCU's original Sunny video (a cartoon character that pops out of the sun in LDCU's logo and provides instructions to our members in an entertaining way). In addition, two new Sunny videos were shown. These videos outlined how to use e-transfer and Deposit Anywhere. John noted that more videos are in the works.

18. New or Unfinished Business:

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

19. Announcement of Gift Certificates:

Board President Ross advised that every member attending this meeting (virtually or in-person) 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
- Jas Café

20. Thank you and Adjournment:

Board President Ross thanked all members for attending our 79th AGM. He advised that we are commissioning a Strategic Research firm to conduct a Member Satisfaction Survey and encouraged all members to participate. He noted that we look forward to sharing the results at next year's 80th AGM.

In addition, he thanked staff for another excellent year and their dedicated service and, in particular, he thanked LDCU's IT Department for putting on a successful hybrid AGM. He also thanked the Ladysmith Secondary School for allowing the use of their facility and, in particular, Bill Taylor and Principal Steven Epp. President Ross noted that, as we look forward to the remainder of 2024, let's continue to walk the Path to Prosperity together as a Credit Union community. We will continue to look ahead and remain steadfast in our commitment to a strong, resilient, independent Credit Union in service to Ladysmith and the surrounding area.

The meeting was adjourned at 8:46 pm through a motion by David Little