

Taking Care of Business

Online. Anytime. Anywhere.



2022
ANNUAL REPORT

LDCU - The Board



Elaine Layman - President

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 financial planning 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 where she currently serves as President, and is a member of the Governance, Credit, and Audit & Risk Committees. Elaine is a graduate of the Credit Union Director

Achievement Program, and has her Accredited Canadian Credit Union Director (ACCUD) and Canadian Credit Union Director (CCD) degrees. She has also attained the prestigious Institute of Corporate Directors designation (ICD.D).



Gerry Clarke - Director

Gerry has lived in Ladysmith since 1988 and joined LDCU shortly thereafter. He has been active in the Ladysmith community for many years, having joined the Ladysmith Eagles Club in 1996 where he served on their Board for more than twenty years, including two terms as President. He also served on the Town of Ladysmith Advisory Planning Commission. Gerry started G.R. Clarke Contracting Ltd. in 2001 and is a ticketed Red Seal Carpenter. He married his wife Erica in 1989 and they have three children. His many hobbies include antique automobiles, automotive swap meets, and yard work. He currently serves on the Investment and Lending, Governance, Audit & Risk, Conduct Review, Credit and Bursary committees. Gerry is also a graduate of the Credit Union Director Achievement Program.



Ross Davis - Vice President

Ross was born and raised in Ladysmith, was appointed Director in 2012, and has been associated with the Credit Union since the early 60's. Ross was Manager of Millstores/Purchasing for the Crofton Division of Paper Excellence and, since retirement, works as consultant in the procurement/inventory management field. His interests include travel and camping with family and friends. He is also a member of Ladysmith's, Royal Canadian Marine Search and Rescue. Ross currently serves on the Governance, Conduct Review, Donation, Scholarship & Bursary Committees, and is the Chairperson of the Audit & Risk Committee. Ross has a Business Administration Certificate from UVIC, is a Credit

Union Director Achievement Program Graduate, and an Accredited Canadian Credit Union Director.



David O'Connor - Director

David has lived in Ladysmith since 1985 and raised his family here with his wife Terrena. He joined the Credit Union in 1995 and became a board member in 2010. David practiced law in Ladysmith for 34 years as a self employed lawyer, and is now retired from the practice of law. David has a strong commitment to community values which, together with his legal expertise, makes him well suited to serve on the Board. David has served on LDCU's Audit, Governance, Nomination, Investment and Lending, Bursary, and Conduct Review Committees. Dave is also a graduate of the Credit Union Director Achievement Program.



Rob Viala - Director

Rob has been a member of the Credit Union since 1972; he joined the Board as a trainee in the fall of 1990 and 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 Chairperson 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 currently serves on the Nominations Committee, Bursary Committee and is

the Chairperson of the Governance Committee. Rob is a graduate of the Credit Union Director Achievement Program.

LDCU - Staff

Alexander, Carrie	Lending Services
Armishaw, Matthew	IT Services
Armstrong, Hana	Member Services
Bakker, Jennifer	Member Services
Boschman, Nicholas	IT Services
Bradbury, Carolyn	Insurance Services
Bryson, Ashley	Member Services
Cawthra, Cindy	Insurance Services
Copiak, Sherri	Member Services
de Leeuw, John	Executive Services
Dice, Tyga	Member Services
Dougan, Megan	Executive Services
Forrest, Connie	Support Services
Gresmak, Kanisha	Member Services
Gresmak, Chandler	Member Services
Harte, Valerie	Member Services
Haugen, Kendre	Mobile Mortgage Services
Henn, Courtney	Member Services
Jamieson, David	Lending Services

AGENDA



Carol Warkentin - Director

Carol moved to Ladysmith in 1983, and has been here since, raising her three children and now enjoying her grandchildren in this great community. After moving here and purchasing her first home in 1985 she has continued to be a grateful member of LDCU, who helped her with the purchase of her first home during a time when rates were very high and employment was scarce. Since "Giving back to community" is one of her core values, Carol has and continues to be a member of different service groups and committees, such as the Fraternal Order of Eagles, Ladysmith Rotary, and the Ladysmith Ambassadors. Her passion for real estate led her to becoming a licensed real estate agent in 2010. Prior to that, she was (and still is) heavily involved in building and land development,

as a Licensed Builder and Developer. In her spare time she enjoys travelling and exploring, spending time with her children/grandchildren, along with camping and fishing. Carol is also a graduate of the Credit Union Director Achievement Program.



Julie Fraser - Director

Julie and her family have lived in Ladysmith since 2008 and are active members of our Community. Julie joined the Board of Directors in January 2023, and brings extensive experience in financial services, including:

- project and strategic management;
- coordinating service, product, and systems training programs; and
- corporate and branch audit and compliance.

She has served as an Executive on two Ladysmith schools Parent Advisory Councils, and has helped local community organizations with volunteering and fundraising campaigns.

Julie and her family are avid animal lovers, and they have adopted rescue cats and chinchillas. Julie's hobbies include pickleball, rollerblading, and sea glass hunting at the beach. Since joining the board, Julie has served on the Investment & Lending, Governance, and Conduct Review Committees.

1. Reading and Approval of the Minutes of the 77th AGM.
2. Business Arising out of the Minutes.
3. Director's Report.
4. Credit Committee Report.
5. CEO's Report.
6. Auditor's Report.
7. Election of Directors.
8. Appointment of Auditors.
9. New or Unfinished Business.
10. Good and Welfare.

King, Linda
 Kong, Charlene
 Malli, Victor
 Marchenko, Luda
 Moore, Brenda
 Orr, Brooke
 Qualizza, Roberto
 Reilly, Melissa
 Robinson, Kailee
 Schellenberg, Alwena
 Schaefer, Nicole
 Smith, Madeline
 St Laurent, Anne
 Stevens, Kaite
 Vadeboncoeur, Denine
 Vugteveen, Samantha
 Wilson, Mitch
 Zoumanigui, Richard

Executive Services
 Insurance Services
 Wealth Mangement Services
 Support Services
 Lending Services
 Insurance Services
 Lending Services
 IT Services
 Insurance Services
 Member Services
 IT Services
 Support Services
 Member Services
 Member Services
 Insurance Services
 Insurance Services
 Insurance Services
 Support Services

Thank You

“With every passing year our staff show their dedication and loyalty to this community-based Credit Union that was started back in 1944. The vision conceived so long ago remains even more important as we face the challenges of today’s fast-paced world.”

Minutes of the 77th Annual General Meeting of Ladysmith & District Credit Union May 10, 2022

1. Welcome:

Board Secretary Tim Richards welcomed members and guests to the 77th Annual General Meeting (AGM) of the Ladysmith & District Credit Union (LDCU) noting that he will be the Chairperson for this meeting as both President Elaine Layman and Vice-President Ross Davis are out of town this evening due to work commitments.

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 Secretary Tim introduced the following members of the Board of Directors: David O'Connor, Gerry Clark and Carol Warkentin and noted that President Elaine Layman, Vice-President Ross Davis and Rob Viala are attending virtually. He also introduced Chief Executive Officer (CEO) John de Leeuw and noted that CPA Brad Derbyshire from the accounting firm of MNP is also attending virtually.

3. Quorum:

Board Secretary Tim declared a quorum as there were 162 members and 7 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 76th AGM, the 2021 Annual Report (which includes our audited summarized financial statements) and the notice of our Special Resolution.

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 Secretary Tim 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 Bradley Harder and seconded by Robert Volkman. Carried by the membership.

8. 76th AGM Minutes:

Board Secretary Tim called for a motion to approve the minutes of the 76th Annual General Meeting contained in the meeting documents. This was moved by Betty Garnett and seconded by William Vandergrift. Carried by the membership.

9. Business Arising:

Board Secretary Tim then asked if there was any business arising from the 2021 AGM minutes. None were raised.

10. Board Report:

Board Secretary Tim advised that he trusts everyone has read the Board Report contained in the meeting documents. He thanked, on behalf of all the directors, everyone for their attendance at this AGM noting that this is our third virtual AGM and, again this year we have high attendance numbers and last year our attendance was the highest in our history allowing us to communicate our annual message to more members. He then highlighted the Board Report as follows:

- He outlined Covid's continued impact noting that, despite its impact, members have received exceptional service from our staff and he admired the resilience shown throughout our Town and its surrounding areas.
- 2022 brought the best year in history in terms of growth and income. All of our growth metrics succeeded our goals for the year and all of our financial ratios remained at the top of the BC Credit Union system.
 - o Our accomplishments are no accident, they are rooted in strategic decisions and solid effort from everyone associated with the Credit Union.
 - o Our loan growth was the highest it has ever been due to the incredibly strong housing market in our area and, even with our strong growth, our liquidity ratios remained very high.
 - o Our capital ratio grew as well and we transferred a record amount to our retained earnings or members equity.
 - o Our revenue also rose in conjunction with our asset growth, defying the record low interest rate environment.
 - o Both of our subsidiaries continued to deliver strong contributions to our bottom line and exceeded budget targets for the year.
 - o The strong income from all sources produced the highest net operating income we have ever had, and these results, in the midst of the ongoing pandemic, are nothing short of extraordinary and a testament to our long-term decision making.
 - o We continue to be at the forefront of protecting our members and have introduced two-factor authentication for on-line account access, an important line of defense against fraudsters.
 - o With record income in 2021 and the Board has proudly declared a 3.5% dividend on member equity shares.

Board Secretary Tim then advised that our theme this year is "The Path Forward" as, despite the challenging past few years, our success is evident that LDCU is a safe port during calm or powerful seas. He thanked:

- CEO John de Leeuw, his Management Team and all the staff for their hard work especially during another incredibly difficult year.
- His fellow directors for their continued tireless service to the Credit Union noting that, without their diligent efforts, long-term decision making and unflinching commitment, we would not be in the position we are today.

Board Secretary Tim 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 Joanne Schneider and seconded by Steve Arnett. Carried by the membership.

11. Credit Committee Report:

CEO John de Leeuw outlined the strong growth LDCU had in 2021 showing comparison graphs.

Board Secretary Tim called for a motion to approve the 2021 Credit Committee Report as outlined in the meeting documents. This was moved by Megan Dougan, seconded by Tracy Paterson. Carried by the membership.

12. CEO Report:

CEO John de Leeuw then presented the CEO Report noting:

- Much of 2021 was still focused on Covid and, although the year started with uncertainty, it was soon replaced with optimism as vaccines became available.
- In addition, CEO John outlined:
 - o Challenges with supply chain disruptions, material and labour shortages, high inflation rates.
 - o How the Credit Union has kept focused on their long-term strategic

objectives, helping members achieve their financial goals and dreams.

- o Ladysmith's vibrant commercial district and congratulated Bayview Brewing on its opening.
- o The current higher interest rate environment and its impact on borrowers and savers.
- CEO John de Leeuw advised he was pleased to report on the record-breaking 2021 Credit Union results noting:
 - o It was one of LDCU best years in our history, if not the best.
 - o We set growth records in many areas and most of our quantitative ratios were at the top of all BC Credit Unions.
 - o As we realized the trend in higher interest rates, we have been structuring our balance sheet to insulate the Credit Union from significant market swings.
- Specifically, CEO John outlined LDCU's 2021 financial results with a slide presentation as follows:
 - o LDCU grew by a record breaking \$26 million to over \$244 million and, with the growth in 2020 and 2019 of \$26 million and \$11 million respectively, your Credit Union has grown by almost \$63 million in the past three years bringing our total assets under administration in December to almost \$323 million.
 - o The Loans Portfolio grew by more than \$21 million which is phenomenal. In the past five years, our portfolio has increased by over \$50 million.
 - o Deposit growth showed continued resilience, despite the low interest rate environment with growth in 2021 of \$24.9 million, totaling over \$230 million for the first time ever. In the past five years our deposit portfolio has grown by over \$70 million.
 - o Asset growth continued to mirror our deposit and loan growth very closely. We have worked incredibly hard to ensure our balance sheet has been structured this way.
 - o Personal and commercial mortgages account for \$166 million of our total loan portfolio of \$191 million as of December 31st, 2021.
 - o Our demand deposit portfolio had a tremendous year in 2021, rising by over \$29 million. Our total deposit portfolio is now over \$230 million dollars.
 - o Our Financial Margin (the difference between the interest we receive on loans and mortgages and the interest that we pay on deposits) topped \$4.5 million for the first time ever growing by approximately \$310,000.
 - o Other Income increased to a record of over \$3 million. This was mainly due to record income from our subsidiaries, LCU Insurance, and LDCU Financial (this number includes Credit Union fees and service charges).
 - o Operating Expenses rose in 2021 by \$629,000 totaling \$5.7 million. This includes advertising, data processing, salaries & benefits, etc. Operating expenses has risen by over \$800,000 in the past three years.
 - The largest Operating Expense is Salary and Benefits which rose by \$335,000 in 2021 to just over \$3.4 million.
 - o Other significant operating costs are the categories which 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 to approximately \$100,000 due to a major increase in Credit Union Deposit Insurance Corporation premiums.
 - o Net Operating Income from operations was a record of over \$2 million, up by more than \$530,000 from 2020.
 - o Net Income (after taxes) of more than \$1.4 million was transfer to Retained Earnings and when Other Comprehensive Income is added, we

transferred a record of over \$2.4 million to Retained Earnings and we now hold over \$14.7 million in members' equity.

- 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 thanked all staff for their poise and professionalism during this challenging few years. In addition, he thanked the IT Team and the Executive Assistant for their work towards this virtual AGM.

Board Secretary Tim asked for a motion to approve the CEO's Report as presented. This was moved by Roberto Qualizza and seconded by Anita McLeod. Carried by the membership.

13. Auditor's Report:

The Auditor's Report was then presented by CPA Brad Derbyshire 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 2021 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 Secretary Tim thanked Brad and his team and asked for a motion to approve the Auditor's Report as presented. This was moved by Brooke Orr and seconded by Denine Vadeboncoeur. Carried by the membership.

14. Special Resolution - LDCU Rules:

Board Secretary Tim, outlined in detail to the members, the Special Resolution with the AGM notice informing our members the intent to undated our Credit Union Rules noting:

- Our virtual AGM's are permitted by British Columbia Financial Services Authority (BSFSA) under emergency conditions due to the pandemic, however, future AGM's may hold a virtual component and we want to amend our Rules to allow for this.
- There are seven Rules changes brought forward for amendment to allow for electronic voting and for the tallying of the electronic votes at in-person, virtual and hybrid AGM.

Board Secretary Tim outlined the specific changes to the rules as noted below (changes highlighted in red) explaining each change in detail:

Rule 4.16 Method of Voting – Voting in an election of directors shall be:

- a) by written vote, or
- b) by electronic means, or
- c) by both.

Rule 4.23 Voting, Counting, and Announcement of Results – The returning officer or, if there is no returning officer, the Nominating Committee shall supervise the election of directors and:

- a) may require a member to provide proof and particulars of membership and may require a member to provide a declaration that the member has not previously cast a ballot in the election then in progress;
- b) shall obtain all ballots, including electronic ballots and, after the close of balloting, shall cause a tally to be made of all ballots, such tally to be made in a manner that ensures the secrecy of the balloting;

Your DEPOSITS

100%
GUARANTEED

As a BC Credit Union member, your deposits carry **unlimited deposit insurance protection**, as outlined by the Credit Union Deposit Insurance Corporation.



Minutes of the 77th Annual General Meeting of Ladysmith & District Credit Union May 10, 2022 continued

Rule 4.26 Recount Policy – If, in an election of directors, the number of votes received by an elected candidate or candidates who received the least votes in the election is less than ten (10) votes, including electronic votes, in excess of those received by the unelected candidate or candidates who received the most votes in that election, an official recount of votes cast at such election shall be held, provided that:

Rule 4.42 Notice of Meetings - Reasonable notice of a meeting of directors specifying the place, day and hour of such meeting shall be given by mail, postage prepaid, addressed to each of the directors at his or her address as it appears on the books of the Credit Union or by leaving it at his or her usual business or residential address or by any method of transmitting legibly recorded messages. It shall not be necessary to give notice of a meeting of directors to any director:

Rule 5.11 Method of Voting – Voting in an election, or on a resolution, or a special resolution, or as to any other matter, shall be:
a) by show of hands, or
b) by written vote, or
c) by electronic means, or
d) by any combination of them.

Rule 9.3 Voting – Voting on special resolutions shall be:
a) by show of hands, or
b) by written vote, or
c) by electronic means, or
d) by any combination of them.

Rule 9.7 Tally – The returning officer shall cause all ballots, either physical or electronic, to be returned to the returning officer following the close of voting and shall cause a tally to be made of all ballots, such tally to be conducted in a manner which ensures the secrecy of the voting.

Board Secretary Tim then asked for a motion to approve the Special Resolution to LDCU Rules as presented. This was moved by Kendre Haugen and seconded by Marc St. Laurent. Carried by the membership.

15. Nominating Committee Report:

Nominating Committee Chairperson, Director David O'Connor, presented the Nominating Committee report. David outlined the guidelines followed when directors reach the end of their term and outlined the newsletter that was sent to the LDCU's membership stating the expiration of the terms of two of our directors. David advised that the two directors whose terms are expiring are Elaine Layman and Ross Davis, each who have completed a nomination package and that no other nominations were received. David advised that pursuant to Article 4.14 of the Credit Union Rules, Elaine Layman and Ross Davis are elected via acclamation. Elaine Layman and Ross Davis will each serve three years and their terms will expire at the 2025 AGM. David thanked Elaine Layman and Ross Davis for letting their names stand for another term.

Board Secretary Tim asked for a motion to accept the Nominating Report as presented. This was moved by Faith Maslen and seconded by Kristy Rawa. Carried by the membership.

16. Director Remuneration Proposal:

Director Gerry Clarke, Governance Committee member, outlined the Director Remuneration Proposal stating that the AGM notice informed our members our intent to update Director Remuneration and noted:

- Director compensation is reviewed every three years as part of our governance model and was last updated in 2019.
- The Governance Committee reviewed Central1 Credit Union's director survey and recommended the proposed changes to the Board of Directors, who unanimously approved them on November 30, 2021.

Director Gerry Clarke outlined the significant increase in the requirements for directors in terms of education, meetings (quantity and preparation), governance and strategic planning. In addition, he noted the importance of attracting dedicated, well informed board members.

Director Gerry Clark advised that they recommend the following director compensation changes:

- Increase the Annual Honorarium by \$750 per director.
- Increase the per meeting remuneration by \$25 per Board/Strategic Planning meeting
- Increase the per meeting remuneration for Committee Chairs by \$75 per committee meeting
- Increase the per meeting remuneration by \$50 per committee meeting

Board Secretary Tim then asked for a motion to approve the Director Remuneration as presented. This was moved by Michael Robinson and seconded by Courtney Henn. Carried by the membership.

17. Appointment of Auditors for 2022:

Board Secretary Tim asked for a motion that MNP be appointed auditors for 2022 with the Board given the authority to set their remuneration. It was moved by Connie Forrest and seconded by Anita McLeod Carried by the membership.

18. Fraud Prevention Presentation:

CEO John presented to the membership a presentation on Fraud Prevention.

19. Congratulations:

Board Secretary Tim congratulated Director Carol Warkentin on her recent graduation from the Credit Union Director Achievement Program and presented her with a certificate of accomplishment.

20. New or Unfinished Business:

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

21. Announcement of Gift Certificates:

Board Secretary Tim 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
- White Space Living
- Bouma Meat Market
- Worldly Gourmet Kitchen Store
- Boatshed Waterfront Grill
- Plantitude
- Old Town Bakery
- Uforik Computers
- High Street Hair
- Bayview Brewing

22. Thank you and Adjournment:

Board Secretary Tim thanked all members for attending our 77th AGM. In addition, he thanked the Directors and the Staff for another excellent year and their hard work and, in particular, the IT Department for putting on another successful virtual AGM.

The meeting was adjourned at 8:33 pm. Motioned by William Vandergrift.

Taking Care of Business

Message from the Board and CEO



Elaine Layman
Board President



John de Leeuw
CEO

With another year of strong results, your Board of Directors have demonstrated their commitment to our membership by announcing a 3.75% dividend on Membership Equity Shares.

As an annual return, this dividend compares very favourably with other Credit Union or bank dividends.

“With inflation remaining stubbornly high, and rising rates causing havoc for borrowers... Ladysmith & District Credit Union has weathered these economic challenges with strength and resilience. Over the past several years we have maintained our commitment to stable growth and conservative values. These traits have been the hallmark of our strategy for decades and been instrumental in our safe and steady growth throughout the years.”

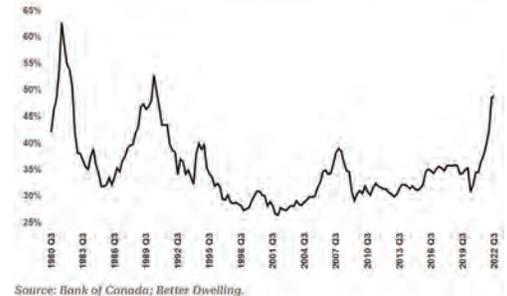
The year of 2022 presented significant challenges. Coming on the heels of our record year in 2021, there was reason for optimism. Indeed, in 2021 the Credit Union experienced records in overall growth, deposit growth, financial margin, and in net operating income. In fact, in almost all quantitative measurements, 2021 was the best year in the Credit Union’s history. While there was satisfaction in our response to Covid-19 and our rebound year, we were realistic in our expectations for 2022. We could see the dark clouds on the horizon, and quietly prepared ourselves to weather the coming storm. All economic indicators pointed to rising interest rates and unsustainable housing costs. Significant and rapid changes in interest rates, either up or down, frequently have a negative impact on a financial institution’s balance sheet. Knowing this, we have worked hard over the years to structure our balance sheet to be neutral to smaller



changes in rates. Unfortunately, 2022 produced substantial and unprecedented increases in interest rates. There were many causes for these rate changes: national inflation and unsustainable increases in house prices. Resting on the back of ultra-low interest rates set during the pandemic, house prices have been rising at an alarming rate. Sale prices all over

BC have been increasing exponentially, and Ladysmith has been no exception. As you can see from the graph above, single-detached house prices in Ladysmith have risen from \$364,000 in 2017, to \$800,000 in 2022. This is an staggering increase of 119.78% over the past 5 years! Included in this gigantic increase is a 20.30% increase in 2022 alone.

Directly related to prices all over the country rising astronomically, the ability for a regular household to purchase a new home has eroded. In fact, in 2022, the Housing Affordability Index rose to 48.8%. This was a major increase in a very short time as the Index number was 30.7% as recently as the second quarter of 2020. As you can see in the graph on the right, the Housing Affordability Index is at it’s highest level since the second quarter of 1990 when it was at 52.7%. Indeed, the numbers in 2022 represent the third highest quarterly figure ever, falling below only the third quarter of 1980 which had an Index of 62.6%, and the aforementioned second quarter of 1990.

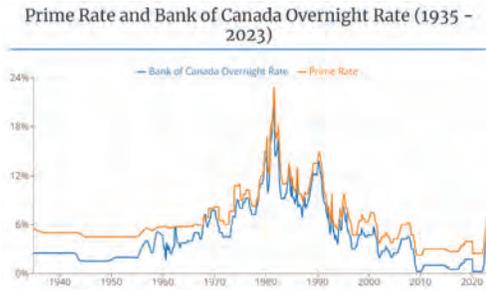


In addition to the high cost of housing, inflation also came back from it’s long-dormant state. Inflation numbers had idled close to, or below 2% for decades before roaring out of the gate in 2022 reaching numbers not seen in over 40 years. Prior to the onset of Covid-19, CPI in Canada was 2.20%, (December 1, 2019). During Covid, CPI numbers dipped into recessionary territory, falling to 0.40% as of May 1, 2020. When the economy recovered and demand for goods and services started rising, there were huge inflationary pressures. As we reported last year, Canadians saved at record numbers during the pandemic. With the fears easing, pent-up demand was felt in all areas of the economy from travel to new cars to retail services. Everyone was looking to spend money they had saved over the past two years. Coupled with supply chain issues, this demand drove up prices precipitously. From that low of 0.40%, Canadian CPI rose to levels not seen since the early 1980’s, peaking at 8.10% in June 2022. In the chart below, it is apparent that CPI was in stratospheric territory not seen in the last 25 years. The shaded area



in the graph is the Bank of Canada's target CPI range, so it is clear 2022 was an extraordinary year for inflation.

In all of our plans and projections, we could not foresee the speed at which those inflation numbers rose and the dramatic response of the Bank of Canada. With little weapons at their disposal, the Bank of Canada used interest rates like a blunt instrument to attempt to tame inflation. Whether this was effective, or the right path has yet to be fully determined. What cannot be debated is that the meteoric increase in interest rates was unprecedented. As you can see from the graph on the right, the Bank of Canada overnight rate rose from 0.25% to 4.50% by the end of the year. This increase of 425 bps in less than one year has not been seen in over 40 years. As outlined previously, our Credit Union thrives on stable interest rates and our balance sheet is structured to remain in a neutral rate position. With rates rising rapidly, we were forced to follow the Bank of Canada's direction, raising rates on a monthly, and sometimes weekly basis.



With inflation remaining stubbornly high, and rising rates causing havoc for borrowers and for some financial institutions, it can be comforting to know that Ladysmith & District Credit Union has weathered these economic challenges with strength and resilience. Over the past several years we have maintained our commitment to stable growth and conservative values. These traits have been



the hallmark of our strategy for decades and been instrumental in our safe and steady growth throughout the years. In fact, the growth experienced by LDCU over the past five years has been a phenomenal 53.46%, including growth of over \$19.4 million this past year. As at the end of 2022, total Credit Union assets now exceed \$263.8 million.

Despite the record-setting pace of interest rate hikes throughout 2022, our loans portfolio grew by the largest dollar amount in our history: \$30.9 million! In the past three years our portfolio has grown by over \$73.7 million. At the beginning of the year we hoped our portfolio would grow to \$200 million. In fact, the remarkable growth we experienced allowed our loans portfolio to surpass \$222 million. Leading this growth was our personal mortgage portfolio which increased by 23.73% year over year. On the other side of the balance sheet, deposits rose effectively, but not at the pace of loans. Rising by over \$14.6 million, our total deposit portfolio now exceeds \$242 million.

As already detailed, interest rates rose exponentially in 2022, impacting every area of the economy. LDCU was no exception. However, the structure of our balance sheet allowed for a steady financial margin which remained at just over \$4.67 million up by less than 1%. Total income also rose marginally as higher interest income was offset by lower amounts in Other Income. There were two significant extraordinary income amounts in 2021 that inflated overall income and these were not present in 2022. Once again contributing to our steady income this past year was the performance of our two subsidiaries: LCU Insurance Agencies Ltd., and LDCU Financial Management Ltd. While LCUI showed marginal growth of 3.84% to net income, LDCU Financial had a more difficult year. Volatility in financial markets negatively impacted their earnings during

2022. Despite the challenges, both subsidiaries performed well, and remain cornerstones to our strategic objective of delivering full comprehensive financial services to our members and our community. We continue to benefit from the strong leadership teams within the Credit Union and its two subsidiaries.

With another year of strong financial returns, our total Members' Equity has surpassed \$15 million for the first time in our history. Strong Members' Equity is a very important component of the Credit Union's capital. Legislation requires all Credit Unions in BC to have a minimum capital ratio of 8%. At the end of 2022, LDCU's capital ratio was 15.09%, demonstrating our commitment to financial growth, and protection for our membership.



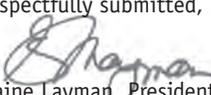
Finally, despite the record growth in our loans portfolio throughout 2022, we were able to maintain our liquidity ratio well above statutory requirements as well. Legislation requires a minimum liquidity ratio of 8%. In addition to this, our strategic target range for liquidity is 11 - 14%. As of the end of the year, our ratio stood at 13.82%, well above the legislated requirements.

With another year of strong results, your Board of Directors have demonstrated their commitment to our membership by announcing a 3.75% dividend on Membership Equity Shares. As an annual return, this dividend compares very favourably with other Credit Union or bank dividends. As an example, the annual dividend from Canada's largest chartered bank was 4.09%, so LDCU's dividend represents a positive and competitive return on investment in our Membership Equity Shares. Membership has its benefits!

The theme of our AGM this year is: Taking Care of Business. We feel this is an important and timely message. The past three years have been tumultuous to say the least. Interest rates have skyrocketed; markets have been volatile and unpredictable; and the banking systems in other parts of the world have shown themselves to be fragile. At LDCU we continue to demonstrate our commitment to conservative growth and leadership for our members and our community. We have exhibited an enduring commitment to taking care of our business. But at LDCU we don't just take care of our business, we take care of our members' and clients' business as well. For over 78 years we have been protecting the assets of our members, and we have never taken this responsibility lightly. Our financial results remain near the top of Credit Unions in BC, and our members have benefited from our ongoing dedication to this stewardship. But that is not the full meaning of our theme this year. This coming year our focus will be on our members, both personal and business. We will be Taking Care of Business, Online. Anytime. Anywhere.

As always, and especially as we deliberate on Taking Care of Business, we would like to thank our staff and directors for their ongoing commitment and service. With every passing year they show their dedication and loyalty to this community-based Credit Union that was started back in 1944. The vision conceived so long ago, remains even more important as we face the challenges of today's fast-paced world. No matter how large we grow, no matter how complex the financial services industry becomes, we will remain solidly devoted to this community. Because we live here too.

And as always, we thank you, our members. We remain focused on Taking Care of Your Business, and we will never take your trust and support for granted.

Respectfully submitted,

 Elaine Layman, President


 John de Leeuw, CEO

Taking Care of Business

3.75%
DIVIDEND

Your LDCU Board of Directors is proud to announce a 3.75% Dividend on Member Equity Shares. Membership has its benefits.



Taking Care of Business

Credit Committee Report 2022

Throughout 2022, our loans portfolio grew by the largest dollar amount in our history: \$30.9 million!

“Leading this growth was our personal mortgage portfolio which increased by 23.73% year over year.”

“Even with record growth in our loans portfolio throughout 2022, we were able to maintain our liquidity ratio well above statutory requirements.

Legislation requires a minimum liquidity ratio of 8% ... As of the end of the year, our ratio stood at 13.82%, well above the legislated requirements.... ”

At the start of 2022, optimism for the housing market on Vancouver Island was high, and for most of the year, sales were strong and robust. However, housing affordability was an on-going concern as was inflation. In order to combat both, the Bank of Canada made the decision to aggressively raise interest rates starting in March. In the early part of the rate tightening cycle there was minimal impact, but as rates continued to rise precipitously, sales on the island slowed in response. In fact, total sales of single-family homes for the Cowichan Valley fell for the first time in several years with total sales of 713 in 2022 compared to 884 in 2021. This represents a decrease of over 19%. With this slowdown, the inventory of active listings rose for the first time since 2019. As of December 2022, active listings of single-family homes reached 895, a 301% increase from the end of 2021. Despite the negative impact of higher rates, house prices posted another year of gains in 2022. In the Cowichan Valley, the average sale price of a single-family residential home rose to \$833,708 during the year. This represents an increase of 12.34% from the average sale price of \$742,103 in 2021. Closer to home in Ladysmith, total residential sales declined by 20% from 245 in 2021 to 196 units this past year. Again, despite the headwinds of higher rates, the median sale price of a detached residential home continued to climb, reaching \$800,000 last year as compared to \$665,000 in 2021. This represents an increase in price of 20.30%.⁴ Combined with the 22.69% increase last year, prices have now risen by over 43% in the last 2 years.

At LDCU, we were enroute to another record year in loan approvals. However, the historically rapid rise in rates slowed down the number of approvals in the fall, and we fell just short of last year’s approval record. The total dollar value of loans granted fell slightly to \$77,809,607 from last year’s record total of \$79,707,474, a decline of 2.38%. Despite the lower dollar values, it should be noted that our overall loans portfolio rose by over \$30.9 million, the largest single year increase in our history. Leading again in 2022 were personal mortgages with over \$51 million approved, an increase of 13% over 2021. While the totals for commercial lending appear to be significantly lower, we granted 31 CEBA loans in 2021, which inflated our commercial numbers. Overall, it was another amazing year of lending for LDCU, with a terrific effort from all our lending personnel, and demonstrating our on-going commitment to our community.

The following is a complete summary of the loans and mortgages granted in 2022 & 2021:

	#	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	0	2	50,072
Mobile Homes	2	301,610	3	415,366
Taxes, RSP's, etc.	0	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

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

- http://www.vireb.com/assets/uploads/2022_annual_res_sales_summary_1939.pdf
- http://www.vireb.com/assets/uploads/12dec_22_vireb_stats_media_release_64850.pdf
- http://www.vireb.com/assets/uploads/2022_annual_res_sales_summary_1939.pdf
- Landcor Data Corp.

E-Transfer Interception

E-transfer interception can occur when a fraudster gains unauthorized access to an e-transfer recipient's email account or phone number. By gaining this access, the fraudster can use the deposit link to redirect funds into a different account, if they are able to answer the security question.

How to protect yourself:

Register for Autodeposit

Autodeposit will allow you to have money automatically deposited without answering a security question. This makes it more difficult for fraudsters to intercept the transfer.



Secure Your Questions

Choose a security question with an answer that is difficult to guess or discover. Communicate the answer to the recipient in-person or by phone call. Never share your security answer through email, text or social media. Also, do not include it in the e-transfer message area.



Beware of Unexpected Transfers

If you receive a deposit notification that you were not expecting, contact the sender through a different channel to confirm the transfer is real. Do not click on any links in e-Transfer notifications from a sender you don't recognize.



Be Careful with Social Media

Always be careful what information you share on social media. Fraudsters visit social media pages to find relevant information about you.



Taking Care of Business

AS AT THE END OF 2022, TOTAL CREDIT UNION ASSETS NOW EXCEED \$263.8 MILLION.



RISING BY OVER \$14.6 MILLION, OUR TOTAL DEPOSIT PORTFOLIO NOW EXCEEDS \$242 MILLION.



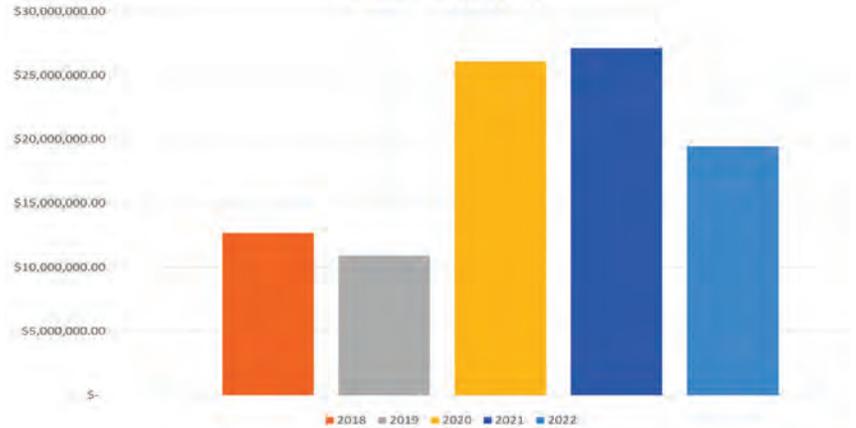
IN THE PAST THREE YEARS OUR PORTFOLIO HAS GROWN BY OVER \$73.7 MILLION... THE REMARKABLE GROWTH WE EXPERIENCED ALLOWED OUR LOANS PORTFOLIO TO SURPASS \$222 MILLION.



Taking Care of Business

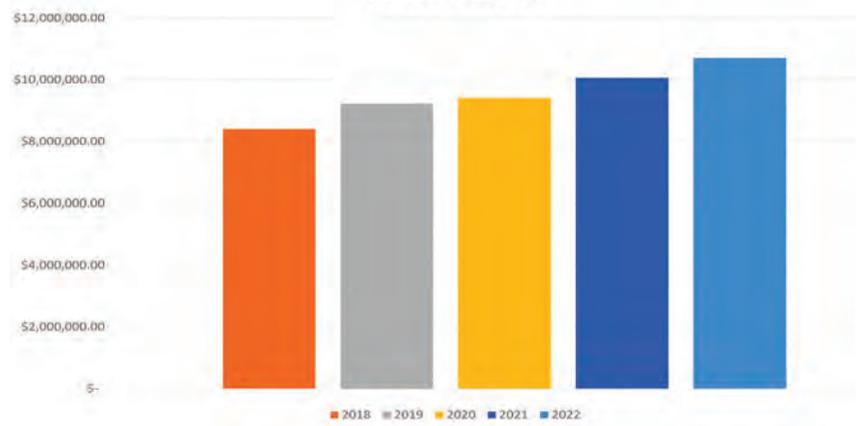
GROWTH EXPERIENCED BY LDCU OVER THE PAST FIVE YEARS HAS BEEN A PHENOMENAL 53.46%, INCLUDING GROWTH OF OVER \$19.4 MILLION THIS PAST YEAR.

ASSET GROWTH



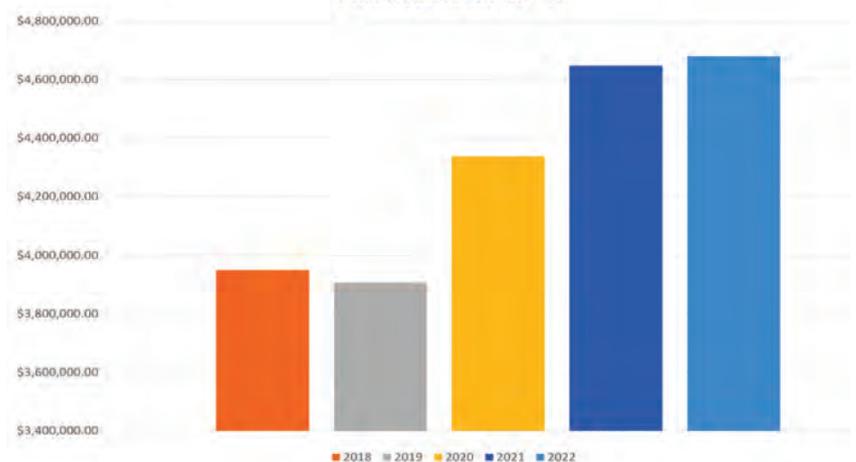
TOTAL INCOME ROSE MARGINALLY AS HIGHER INTEREST INCOME WAS OFFSET BY LOWER AMOUNTS IN OTHER INCOME.

TOTAL INCOME



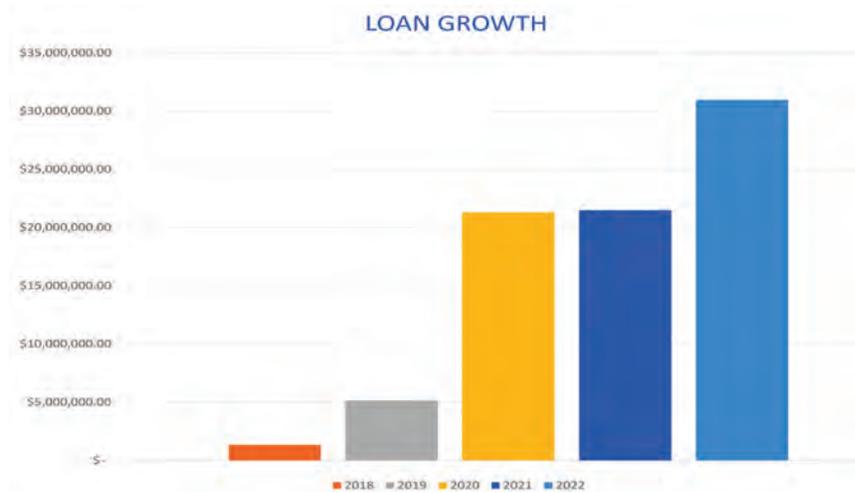
THE STRUCTURE OF OUR BALANCE SHEET ALLOWED FOR A STEADY FINANCIAL MARGIN WHICH REMAINED AT JUST OVER \$4.67 MILLION...

FINANCIAL MARGIN

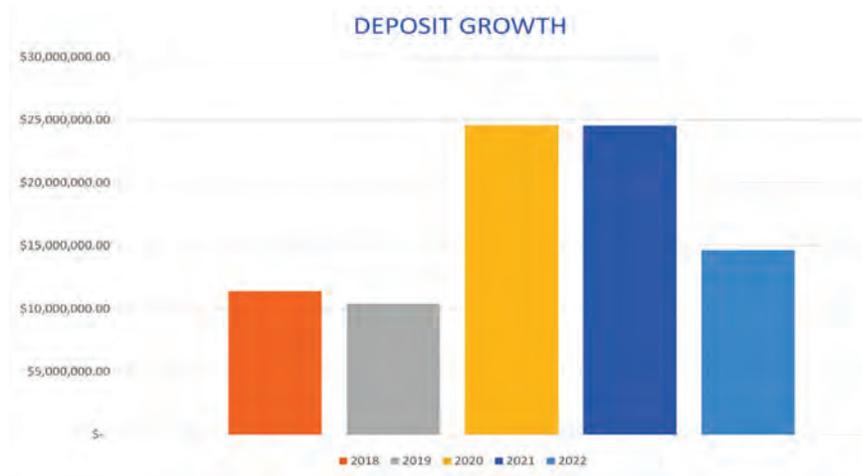


Taking Care of Business

IN THE PAST THREE YEARS OUR PORTFOLIO HAS GROWN BY OVER \$73.7 MILLION.

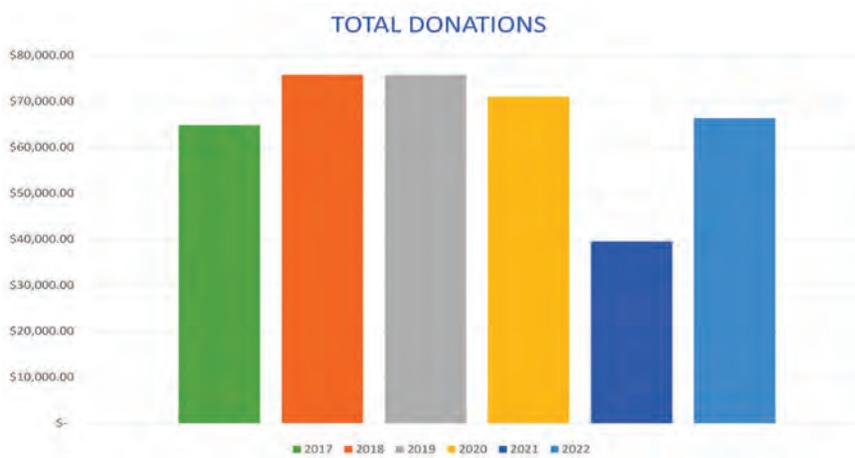


DEPOSITS ROSE... OVER \$14.6 MILLION,



SUPPORTING OUR COMMUNITY

“We have donated almost \$400,000 within our community over the last six years.”



Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2022

Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Members of Ladysmith & District Credit Union:

Opinion

The summary consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2022, and the summarized consolidated statements of profit, other comprehensive income (loss), 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, 2022.

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 2 of the audited consolidated 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.

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 20, 2023



Chartered Professional Accountants

Ladysmith & District Credit Union

Summarized Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
Assets		
Cash and cash equivalents	6,930,568	6,334,124
Financial investments	25,831,233	37,862,127
Derivative financial instruments	-	140,486
Trade and other receivables	1,223,091	906,419
Income taxes recoverable	94,793	98,333
Loans to members	222,117,425	191,141,366
Premises and equipment	5,353,061	5,448,249
Intangible assets	2,269,957	2,447,150
	263,820,128	244,378,254
Liabilities		
Member deposits	242,795,408	228,129,184
Other liabilities	809,391	673,668
Borrowings	4,002,382	-
Lease liability	118,907	148,282
Deferred tax liabilities	798,100	716,100
Derivative financial instruments	98,165	-
	248,622,353	229,667,234
Members' equity		
Retained earnings	12,924,636	12,302,093
Accumulated other comprehensive income (AOCI) - Revaluation surplus	2,313,228	2,313,228
Accumulated other comprehensive income (loss) (AOCI) - Other	(40,089)	95,699
	15,197,775	14,711,020
	263,820,128	244,378,254

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union

Summarized Consolidated Statement of Profit

For the year ended December 31, 2022

	2022	2021
Financial income		
Interest on member loans	7,964,468	6,470,742
Interest on investments	419,529	587,014
	8,383,997	7,057,756
Financial expense		
Interest on member deposits	3,543,292	2,405,928
Interest on borrowed funds	160,768	11,172
	3,704,060	2,417,100
Financial margin	4,679,937	4,640,656
Recovery of impairment on loans to members	(21,912)	(100,779)
	4,701,849	4,741,435
Other income	2,325,734	3,009,380
Operating margin	7,027,583	7,750,815
Operating expenses	6,083,034	5,743,146
Income from operations	944,549	2,007,669
Distribution to members	53,525	47,780
Income before income taxes	891,024	1,959,889
Provision for income taxes		
Current	186,481	279,564
Deferred	82,000	224,500
	268,481	504,064
Profit for the year	622,543	1,455,825

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union
Summarized Consolidated Statement of Other Comprehensive Income (Loss)

For the year ended December 31, 2022

	2022	2021
Profit for the year	622,543	1,455,825
Other comprehensive income (loss):		
Unrealized losses on derivatives designated as cash flow hedges	(163,599)	(155,344)
Income tax recovery relating to unrealized losses on derivatives designated as cash flow hedges	27,811	26,409
Unrealized gains on revaluation of land and buildings	-	1,137,138
Other comprehensive income (loss) for the year, net of income tax	(135,788)	1,008,203
Total comprehensive income for the year	486,755	2,464,028

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, 2022

	<i>AOCI - Revaluation surplus</i>	<i>Retained earnings</i>	<i>AOCI - Other</i>	<i>Total members' equity</i>
Balance December 30, 2020	1,176,090	10,846,268	224,634	12,246,992
Profit for the year	-	1,455,825	-	1,455,825
Unrealized losses on derivatives designated as cash flow hedges	-	-	(128,935)	125,219
Unrealized gains on revaluation of land and buildings	1,137,138	-	-	1,137,138
Balance December 31, 2021	2,313,228	12,302,093	95,699	14,711,020
Profit for the year	-	622,543	-	622,543
Unrealized losses on derivatives designated as cash flow hedges	-	-	(135,788)	(135,788)
Balance December 31, 2022	2,313,228	12,924,636	(40,089)	15,197,775

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, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	622,543	1,455,825
Unrealized gains on revaluation of land and buildings through profit and loss	-	(103,296)
Depreciation of premises and equipment	153,832	284,817
Depreciation of intangible assets	220,100	231,675
Depreciation of right-of-use buildings	30,143	28,062
Interest expense on lease liability	1,804	494
Deferred income taxes	82,000	224,500
Provision for (recovery of) impairment on loans to members	(21,912)	(100,779)
Change in fair value of derivative financial instruments	26,952	29,578
	1,115,462	2,050,876
Changes in working capital accounts		
Trade and other receivables	(316,672)	(52,722)
Income taxes recoverable	3,540	(223,090)
Other liabilities	135,721	51,283
Accrued interest on loans to members	(130,843)	8,535
Accrued interest on member deposits	340,433	(160,220)
Accrued interest on derivative financial instruments	75,911	(1,286)
Accrued interest on borrowings	2,382	-
	1,225,934	1,673,376
Financing activities		
Increase in borrowings	4,000,000	-
Net change in member deposits	14,325,792	24,715,570
Repayments of lease liability	(31,178)	(28,928)
	18,294,614	24,686,642
Investing activities		
Net change in loans to members	(30,823,304)	(21,396,492)
Net change in financial investments	12,030,894	(11,211,725)
Purchases of premises and equipment	(88,787)	(46,390)
Purchases of intangible assets	(42,907)	(798,550)
	(18,924,104)	(33,453,157)
Increase (decrease) in cash and cash equivalents	596,444	(7,093,139)
Cash and cash equivalents, beginning of year	6,334,124	13,427,263
Cash and cash equivalents, end of year	6,930,568	6,334,124

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, 2022

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, 2022 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, 2022. Those audited consolidated financial statements were approved by the Credit Union’s Board of Directors on March 20, 2023 and can be obtained at our branch.

Taking Care of Business

Online. Anytime. Anywhere.



Ladysmith & District
Credit Union™

service since 1944

Our Community. Your Credit Union.™

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

www.ldcu.ca