

Stronger. Together.



Our Community. Your Credit Union.™

2014
ANNUAL REPORT

Agenda



1. Reading and Approval of the Minutes of the 69th AGM.
 2. Business Arising out of the Minutes.
 3. Director's Report.
 4. Credit Committee Report.
 5. CEO's Report
 6. Auditors' Report.
 7. Acclamation of Directors
 8. Appointment of Auditors.
 9. New or Unfinished Business.
 10. Guest Speakers:
Jacqueline Neligan
Ladysmith Family & Friends Resource Program (LAFF)
Kathy Holmes
Arts Council of Ladysmith & District
 11. Draw for Door Prizes.
- Adjourn.

DEPOSITS



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

Credit Union Team - Board



Brian Childs - Board President

Brian came to the Board in the fall of 1987 as a trainee, and was elected to the Board at the Annual Meeting in 1988. Brian has been a Credit Union and Co-operative supporter since the early 1970's when he helped found the Co-op in the Parksville area and served as President for a number of years. Brian is an active member on the Board having previously served as Vice-President, a member of the Audit Committee, and is now the President. Brian is a self-employed building contractor and is active in the community serving on the Heritage Commission.

Committees: Member, Conduct Review Committee, Management Committee

Other Board Appointments: Town of Ladysmith Advisory Design Panel



Elaine Layman - Vice President

Elaine has served on the Board since 2009 and has recently completed all the Board Member Accreditation courses. This makes her one of only 50 accredited directors in all of Canada. Elaine and her family have lived in Ladysmith since 1992 when they moved here from Alberta. Elaine has a Business Admin degree and is a Certified Management Accountant. She owns and operates Layman Financial Services, a family run, full service accounting practice in Ladysmith

Committees: Chair, Audit Committee Member, Governance Committee, Management Committee, Bursary Committee

Other Board Appointments: Spider Lake Springs Campers Assoc.



Tim Richards - Secretary

Tim joined the Board of Directors at the Annual General Meeting in April of 2005. He has lived in Ladysmith since 2000. 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 operates his own Parks and Recreation consulting busi-

ness and has done so since 1980.

Committees: Chair Investment and Lending Committee, Audit Committee, Management Committee, Nominating Committee



Rob Viala - Director

Rob has been a long standing Credit Union member having joined the Credit Union in 1972. He first joined the Board as a trainee in the fall of 1990 and was officially elected to the Board in 1991. Rob is a very active Board member serving for many years as the Vice-President. Rob is a graduate of the Credit Union system's "CUDA" director achievement program.

Committees: Chair, Governance Committee; Member, Conduct Review Committee



David O'Connor - Director

David has been a member of the Credit Union since 1995 and was appointed to the Board in the fall of 2010. His appointment was confirmed at the Annual General Meeting in April of 2011. David is a practicing lawyer who has been a member of the Law Society of BC for almost 25 years. David is very involved in the local community having served as a director of the Ladysmith Resources Center Association for five years.

Committees: Chair, Nominating Committee; Member, Governance Committee

Other Board Appointments: Ladysmith Resources Association



Ross Davis - Director

Ross was born and raised in Ladysmith and did the same with his family. Ross has earned a certificate in Business Administration and has been employed by Catalyst Paper for 33 years. He is presently the Manager of Purchasing and Millstores in Crofton. Over the years Ross has donated time and energy to many nonprofit groups in Ladysmith. He and his family look forward to continue supporting those businesses and services that make Ladysmith a special place.

Credit Union Team

Committees: Chair, Conduct Review Committee; Member, Audit Committee, Investment & Lending Committee, Bursary Committee

Credit Committee



Marie Polachek

Marie has been a long-time supporter of Ladysmith & District Credit Union having first become a member in 1970. Marie first joined the Board as a trainee in the spring of 1988, and was elected a full director in 1989. Marie served on

the Investment and Lending Committee in addition to the Credit Committee.

Committees: Member, Credit Committee

Other Board Appointments: HealthCare Auxiliary



Joan Adair

Joan has been a member of the Credit Union since 1988. After joining the Board in 1989 as a trainee, she was elected to the Board in 1990, serving on the Conduct Review Committee, Audit Committee and Credit Committees.

Committee: Member, Credit Committee



Ted Girard

Ted has been a member of the Credit Union since 1981 and first joined the Board in 2003. Ted is a retired teacher and has lived on Vancouver Island since 1975. He works tirelessly on many stage productions for Yellowpoint Theatre as

well as the Ladysmith Little Theatre. Ted is a previous Vice-President of the Board. He served on the Conduct Review and Governance committees and has served on the Credit Committee since 2003.

Committees: Member, Credit Committee

Past Director

Aaron Stone - Director

Aaron was born and raised in Ladysmith before moving away. Once he moved back he opened a computer store which he has owned and operated for over 10 years. He is well versed in the areas of marketing, technology and finance. He leveraged these skills to bring the strongest ideas to the Ladysmith and District Credit Union as he felt the Credit Union mirrored his own core values.

“We are thankful for the hard work and dedication to our Credit Union team, who continue to develop their talents and abilities to better serve our members and our community.”

Staff

Cindy Adams
Carrie Alexander
Kay Bafaro
Jennifer Bakker
Danielle Buck
Cindy Cawthra
Kim Clark
John de Leeuw
Kelsey Dentoom
Megan Dougan
Connie Forrest
Susan Fox
Gwen Gilson
Debbie Grant
Kim Hansen
Kendre Haugen
Nancy Hunter
David Jamieson
Deborah Jones
Shelley Jones

Kim Judson
Calvin King
Linda King
Jenna Layzell
Michelle Levasseur
Linda Lockhart
Luda Marchenko
Susan McMurtrie
Brenda Moore
Meghan Playford
Roberto Qualizza
Melissa Reilly
Shelly Rickett
Mikel Smith
Lauren Steele
Nick Symons
Denine Vadeboncoeur
Mitch Wilson
Cherie Yeomans

Our Community. Your Credit Union.™

Why we say Our Community. Your Credit Union.™

We are all stronger together.

In 1944, a few community minded people had a vision for a Credit Union that practiced democratic principles and would protect the values and assets of its membership and return excess profit back to each member.

LDCU exists for the benefit of our membership, and for the enhancement of the community around us. We have grown from a small group of people, uniquely bound together through their common workplace to an organization that is focused on the growth and strength of its membership and town.

Through many scholarships, bursaries, sponsorships and donations, LDCU remains committed to the welfare of our youth, our members and the larger community in which we live.

From inception, our commitment has always been “Our Community. Your Credit Union.” We are all stronger together.



Our major sponsorship initiatives include:

- Ladysmith/Nanaimo School District Foundation
- Ladysmith Festival of Lights fireworks
- Ladysmith Days Kids count Fun Zone
- Ladysmith Days Fireworks
- Ladysmith Ambassador Program

Donations and sponsorships support these local students, groups & charities:

- Arts on the Ave
- Chamber of Commerce Golf Tournament
- Chamber of Commerce Halloween Howl
- Cops for Cancer Tour de Rock
- Cottonwood Shots for Kids
- Ladysmith Arts Council
- Ladysmith Downtown Business Association
- Ladysmith Family and Friends Outdoor Program (LaFF)
- Ladysmith Family and Friends Santa's Breakfast
- Ladysmith Food Bank
- Ladysmith Legion
- Ladysmith Little Theatre
- Ladysmith Minor League Baseball
- Ladysmith Museum
- Ladysmith RCMP Community Policing
- Ladysmith RCMP Victim Services Program
- Ladysmith Resources Centre
- Ladysmith Rotary Club
- North Oyster Community Centre
- Old English Car Club - Brits on the Beach
- Stock the lockers Program
- Stz'uminus First Nations
- Variety Hearts Club
- Yellow Point Drama Club
- Yes Camp

NOTICE TO ALL MEMBERS

Members who have loans or mortgages with the Ladysmith & District Credit Union are reminded that, if you have pledged any chattels or any real estate as security for your loan or mortgage, it is your responsibility to maintain insurance or the full value of the security, with the loss made payable to the Ladysmith Credit Union as the lender.

Minutes of the 69th Annual General Meeting of Ladysmith & District Credit Union April 29, 2014

President Brian Childs welcomed members and guests to the 69th Annual General Meeting of the Ladysmith & District Credit Union (“Credit Union”). Brian introduced the members of the Board of Directors namely Aaron Stone, David O’Connor, Elaine Layman, Rob Viala, Ross Davis and Tim Richards. Also sitting at the head table was CEO John de Leeuw and Sang Ly from the accounting firm of KPMG. The President reviewed handout packages for members and noted they include the Annual Report, the Rules for the meeting and giveaways. He declared a quorum present with 104 members and 10 guests.

President Childs asked if everyone received a copy of the Rules of Order and if there were any questions on them. No one inquired. President Childs called everyone’s attention to the section in the rules titled “Voting” and reminded members to register at the voting registration table in order to vote during this meeting. Once registered, qualified members will receive a voting paddle and only this paddle will be used for voting at this meeting. President Childs called for a motion to approve the Agenda for the AGM. This was moved by Tracy Paterson and seconded by Barbara Little. Carried by the membership.

President Childs asked if everyone had a chance to read the minutes of the 68th Annual General Meeting and if anyone wanted them read out loud. No one requested this. President Childs called for a motion to approve the minutes of the 68th Annual General Meeting. This was moved by Robert Volkman and seconded by Dave Alexander. Carried by the membership.

Business arising from the 2013 AGM minutes was called for. There was no business arising from the 2013 AGM minutes.

The Report from Board and Management was presented by President Brian Childs. Brian asked if anyone wanted him to read the report out loud. No one requested this.

Brian then noted the following important points:

- One of our proudest accomplishments in the past year is the launch of the wealth management subsidiary, offering members many different investment products. It is located right next to the Credit Union in one of the three buildings purchased for long term planning.
- A local architect, Angela Queck, was hired to amalgamate our buildings into a one-stop financial services center.

Angela presented her conceptual drawings to the membership.

Brian thanked CEO John de Leeuw, his management team and the staff for their hard work as we continue to build on our past successes and shape the future of the Credit Union. He also thanked the Directors for their hard work and dedication and advised there is excellent governance and oversight of the operations.

Brian noted that Ted Girard retired as a director from the Credit Union Board this past spring and he thanked him for all the work and time he invested over the ten years he was on the Board. He presented him with a token of appreciation for his service.

Brian inquired if there were any questions about the Board and Management Report. None were raised. A motion to approve the Board and Management Report was made by David Little and seconded by Fran Barfaro. Carried by the membership.

Ted Girard presented the Credit Committee Report for 2013. A motion to approve the Credit Committee Report as presented was made by Duck Patterson, seconded by Rob Johnson. Carried by the membership.

Next up was the report from John de Leeuw, the Chief

Minutes of the 69th Annual General Meeting of Ladysmith & District Credit Union April 29, 2014

Executive Officer. John de Leeuw gave this report and noted the following:

- The housing market continues to be slow in Ladysmith with fierce mortgage competition.
- We are working hard to develop a great flexible mortgage product of our own soon to be launched.
- Our financial margin increased and exceeded \$3,000,000 for the first time in our history.
- There is now competition for deposits within the industry. We can hold our own with anybody.
- We launched the iPhone app and are looking at the android app as well. Technology continues to evolve and we have to evolve with it
- The Deposit Anywhere product is still in the works and will be coming this upcoming year.

John introduced Kim Judson, Manager of Human Resources and Communications at the Credit Union. Kim asked the staff to stand and she mentioned how privileged she is to work with this committed and passionate group of people. In addition Kim thanked them for being a positive force within the community and handed out the Credit Union service awards to staff.

It was moved by David Little and seconded by Mitch Wilson that the CEO's report be accepted as presented. Carried by the membership.

The Auditor's Report was then presented by Sang Ly of KPMG. Sang reviewed the Independent Auditor's Report as outlined in the 2013 Annual Report and noted that the financial statements listed in the 2013 Annual Report are summarized statements that adequately reflect the full report. The full report is located on the Credit Union's website and available at the Credit Union. Mr. Ly noted that the statements are complet-

ed under International Financial Reporting Standards (IFRS) as this is required for all financial institutions. Mr. Ly reviewed the balance sheet, income statement, changes in member's equity and cash flow statement. Sang asked attendees if there were any questions on the Auditor's Report.

Rob Johnson asked Sang about the changes in income tax paid by the Credit Union. Sang advised that federal tax changes altered the rate that credit unions paid on their net income. These changes take away the credit unions preferred small business tax rate. Rob Johnson then asked if credit unions pay the same rate as the banks. Sang advised that the banks may feel that the playing field was just getting leveled by taking away the credit union's preferred tax rate.

It was moved by Kendre Hagen and seconded by Mike McAdam that the Auditor's Report be accepted as presented. Carried by the membership.

Rob Viala presented the Nominating Committee Report. Rob outlined the guidelines that are followed when directors reach the end of their term. Rob mentioned the newsletter sent out to the Credit Union membership, stating the expiration of the terms of Board members Tim Richards, David O'Connor and Aaron Stone (Aaron is an interim director appointed to the Board after Ted Girard's retirement). Rob advised that these members have completed the nomination kit and no other nominations were received. Rob advised that pursuant to rule 4.14 Tim Richards, David O'Connor and Aaron Stone were elected by acclamation and will serve on the Board for three more years. Their terms will expire at the 2017 AGM. It was moved by Tracy Patterson and seconded by Joan Adair to accept the Nominating Committee's Report as presented. Carried by the membership.

Elaine Layman presented the Audit Committee's report. Elaine advised that the audit firm of Meyers Norris Penny was suggested by the Audit Committee and endorsed

Minutes of the 69th Annual General Meeting of Ladysmith & District Credit Union April 29, 2014

by the Board so they are asking members tonight to approve them as Auditors for the Credit Union for the next five years. It was moved by Keith Wyndlow and seconded by Roberto Qualizza to accept the Audit Report and the appointment of Meyers Norris Penny as auditors for the next five years. Carried by the membership.

President Childs called for any New or Unfinished Business.

Rob Johnson rose and personally thanked the Credit Union for their continued support of the Ladysmith Museum Historical Society.

There being no further new or unfinished business, Brian introduced guest speaker Dr. Patrick Dunae, a writer and historian who is affiliated with both the University of Victoria and Vancouver Island University. Dr. Dunae graciously accepted the commission of researching and writing a history book on the Credit Union.

Dr. Patrick Dunae, spoke on writing the history of the Credit Union and his privilege and discovery in writing and reaching this book.

Brian thanked Dr. Dunae for all the work he had done in on the history book.

Mayor Rob Hutchins spoke on behalf of Town Council. He thanked and congratulated the Credit Union for over 70 years of service in the Town of Ladysmith. He noted the many significant contributions made by the Credit Union over the 70 years.

Brian presented the first copies of the history book entitled "Ladysmith Our Community, Your Credit Union. A History" first to Rob Johnson (as Rob recommended commissioning this book) then to the honored guests (or their descendants) who shaped and served the Credit Union, and finally to the Membership.

The meeting was adjourned at 8:30 pm. Moved by David Little. Refreshments were served.

**Our profits go
back to our members
and our community.**



**Our Board of Directors is
pleased to announce a
3% dividend on Member Equity
Shares.**

This dividend is more than triple a one year investment and continues to demonstrate our commitment to our members as the largest and strongest financial institution in Ladysmith.

Message from the Board and CEO

This past year of 2014 brought with it more challenges for the financial industry and more successes from your local Credit Union. While interest rates remained stable for the majority of the year, competition within the industry lowered mortgage rates to unprecedented levels. At the Credit Union we were not idle in the past year as we continued building on our legacy as the largest and strongest financial institution in Ladysmith.

As reported last year, we purchased the two commercial buildings right beside the Credit Union and spent a great deal of the year renovating them for specific uses. It was with great pride that we opened up our wealth management subsidiary early in 2014. LDCU Financial Management offers our membership a full line of investment options including mutual funds, segregated funds, life insurance, and estate planning. Look for more communication coming from this rapidly growing subsidiary later this spring.

We also reported last year that our admin division called Support Services would be moving into the upstairs of the new building and they did just that, moving in during the middle part of 2014. They now have their own space where they continue to oversee all the back office functions of the organization. The most recent renovations to the building continue with a new board room that will house all board and committee meetings. This upstairs board room will have external access and be available for meetings of other organizations and service clubs in Ladysmith. In fact, this is where LDCU Financial Management will be hosting informational seminars for our membership. The final area is still being renovated and will be occupied by a new business in the near future.

As detailed above, mortgage rates have dipped to levels our industry has never seen before. By the end of 2014, 5 year bond yields, which serve as a benchmark for mortgage loan rates, were at record lows. There has been increasing worry that these historically low rates have been contributing to a housing

market bubble, similar to that experienced by the US in the lead up to 2008. House prices in super-hot markets such as Toronto, Calgary and Vancouver continued to rise to the point where the average price for a single detached home in Vancouver now exceeds \$1 million dollars. In Ladysmith the market was much slower but still showed surprising resilience. Sales were up and prices improved over the previous year. In addition to fueling

a hot housing market, these ultra-low rates have led to significant competition for mortgage borrowers between financial institutions. Discounted 5 year mortgage rates are now routinely approaching 2.50%. However, it should be noted that rates are not the sole feature of a great mortgage. Research as indicated that flexibility with payment and prepayment options rank directly behind rate as the most

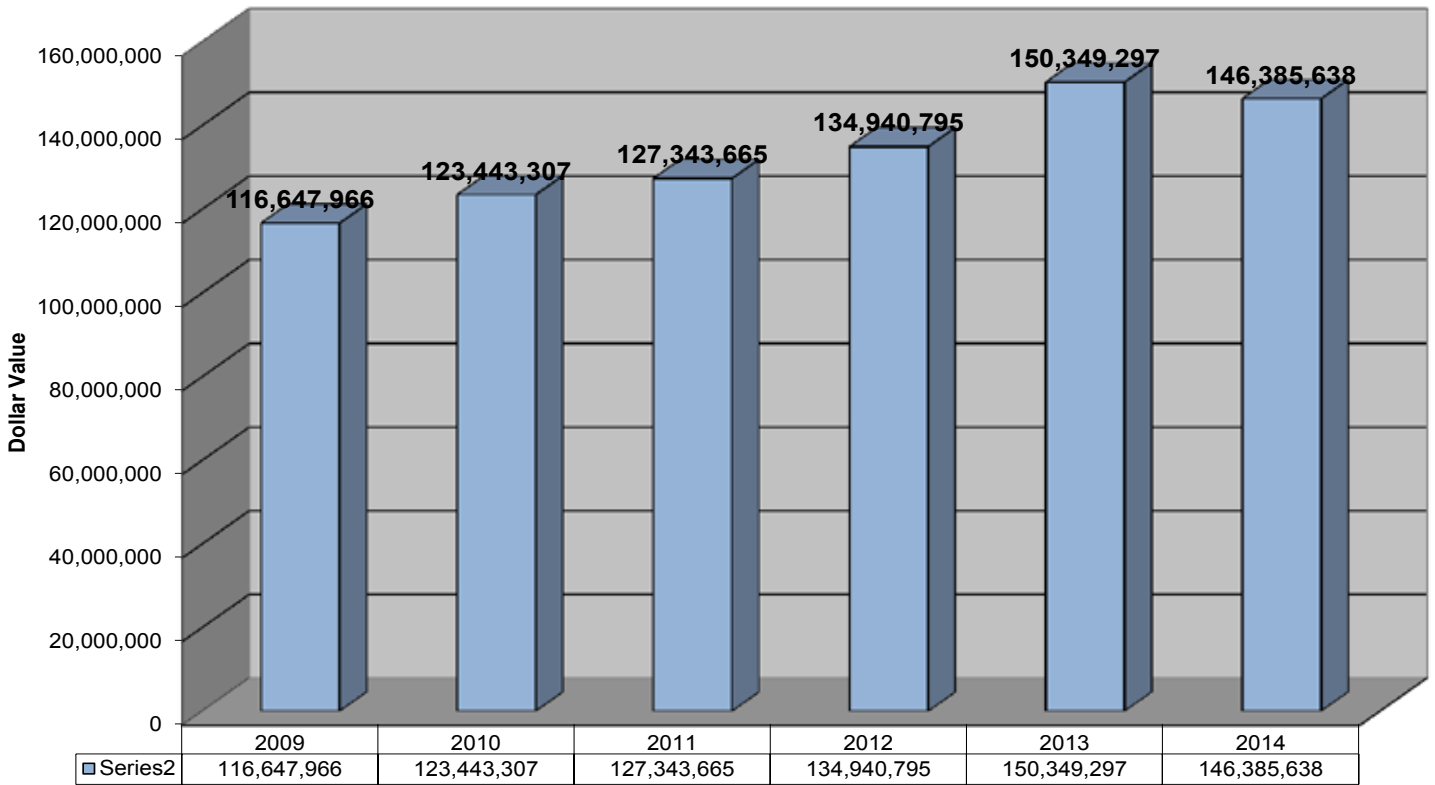
important feature for borrowers. Our new mortgage product, **More Than a Mortgage™**, features very flexible payment and prepayment terms, and even the ability to skip a mortgage payment should a member encounter some unexpected expenses in any given month. Couple this with a very competitive interest rate, (1.99% as an introductory offer), and we believe we have the strongest mortgage product in the market. This new product, in addition to excellent pricing, allowed the Credit Union to experience excellent growth in our mortgage portfolio in the past year. Overall our loans portfolio grew by over \$2.1 million dollars, the majority coming from personal mortgages.

Another significant event in the past year has been the continuing depreciation of the Canadian dollar. During the year it fell another 7.50% against its US counterpart. While this continues to help exports, commodities, and tourism, it makes many products more expensive on the home front. There have been talks from some economists that the dollar could trend as low as 0.70 cents. The impact has not been significant on our exports as of yet, but the global economy is still some what anemic. Another factor contributing to our slower economy has been the collapse of oil prices. The price

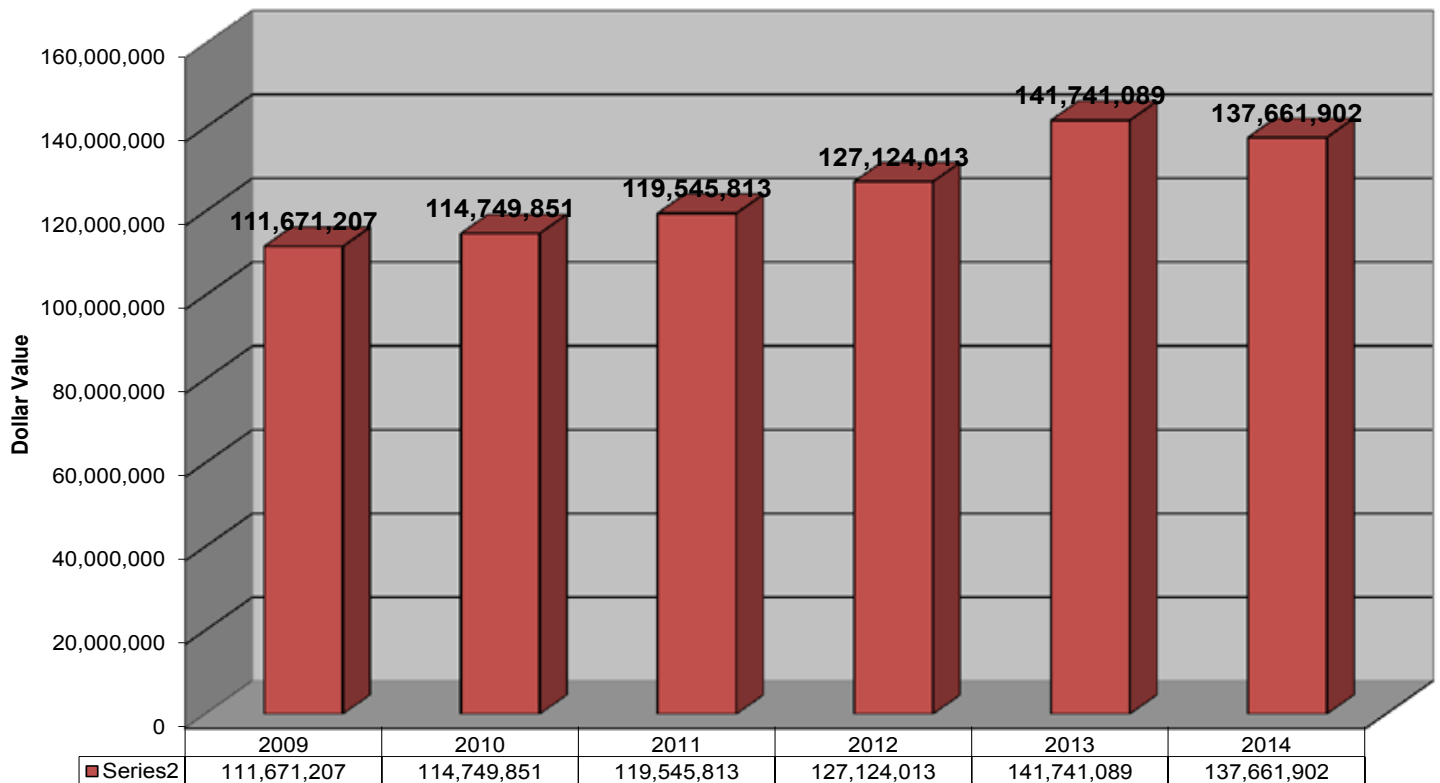
“2014 saw strong alliances forged with several other Credit Unions, the Town of Ladysmith, and Stz’uminus First Nations”

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Total Assets



Total Deposits



Message from the Board and CEO

of oil has dropped by 50% and is making it challenging for economies like Alberta's and Ottawa's. Hopefully the lower price of oil will decrease manufacturing costs and will help kickstart the global economy.

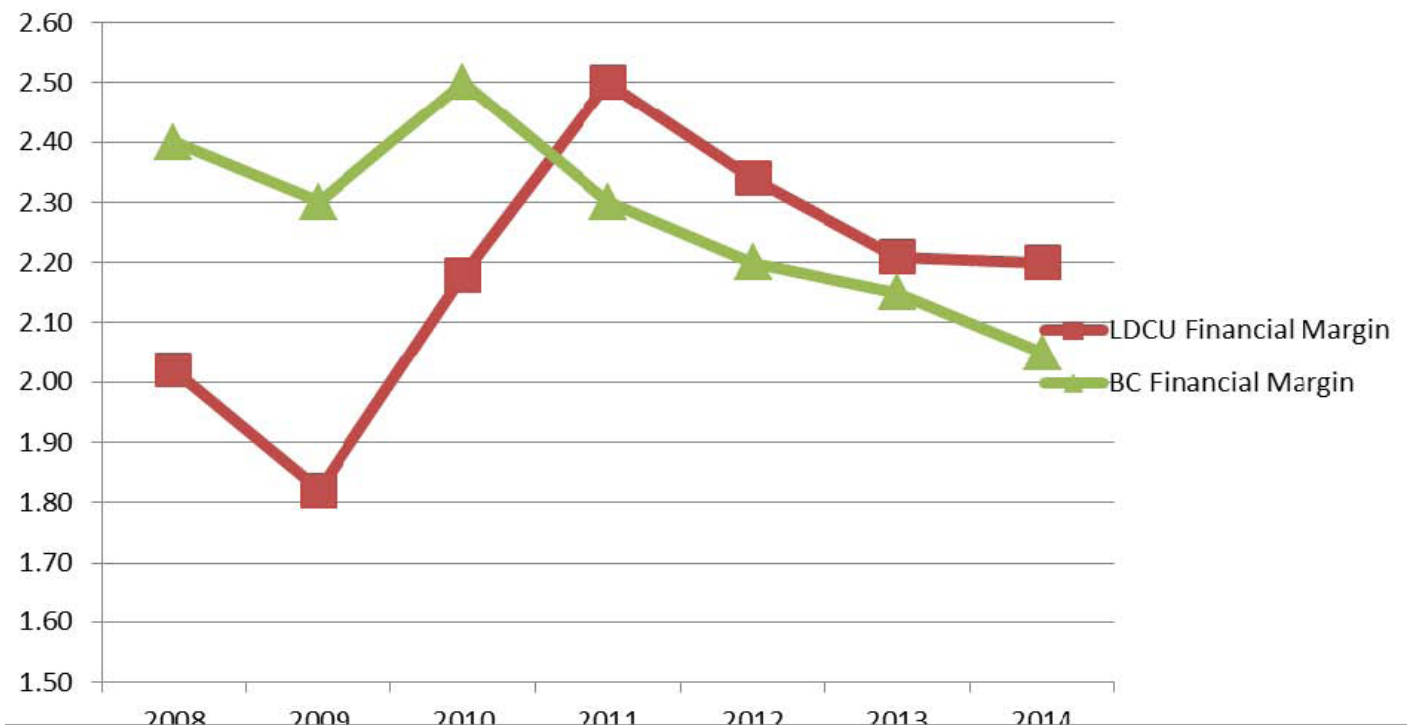
Despite all of the challenges facing our national economy, your Credit Union had another strong year in 2014. Even though our overall assets dipped in this past year by 1.87% or \$2.8 million, many of our financial ratios improved. The main reason for the decline in assets was the decrease in our deposit portfolio. In total our deposits fell by \$2.9 million or 2.07%. The main cause of this was brokered deposits which have a history of being transient. Our demand portfolio showed a healthy increase, the decline was almost entirely felt in our term deposit portfolio. On a brighter note, our loan portfolio performed well showing an increase of almost 2%. Even though our loans portfolio increased, our actual financial margin declined slightly bringing it under \$3 million. Financial margin has been under pressure for many years as evidenced by the chart below.

You can see from the chart that, since 2010, margin has decreased by 30 basis points. At our Credit Union we have managed to maintain a strong margin, although it continues to decline each year. This past year was no different as margin declined by 2.60% or \$79,873 in 2014. With mortgage rates continuing to fall margin will continue to erode. In order to combat this, the Credit Union needs to find other sources of income. In this past year we were very successful in that regard

as other income increased by \$148,683 or 9.35%. The main contributor to this increase was insurance commission income from our insurance subsidiary. LCU Insurance had a phenomenal year as their revenue was up over \$100,000. In addition

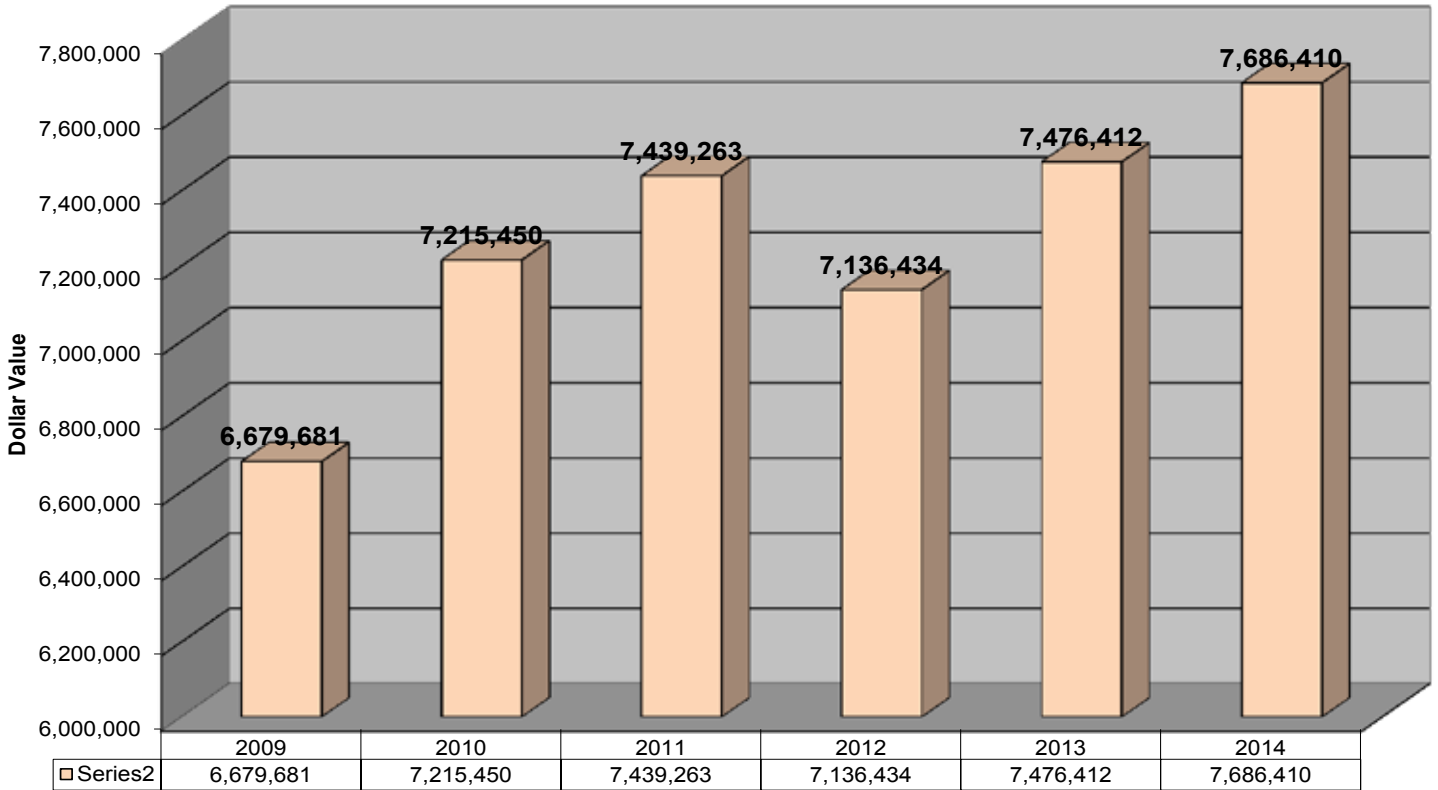
to increasing revenue, it is also vitally important that we keep a tight lid on expenses. We did this in 2014 by keeping operating expenses on par with the previous year. Operating expenses declined by a marginal \$7,392. With the changes to our income and expenses, total income from operations increased by almost 2.00% or \$10,206 to \$543,165. With this year's transfer to retained earnings, we now have more than \$8 million in member's equity. This is an excellent re-

*“other income increased
by 9.35%.”*

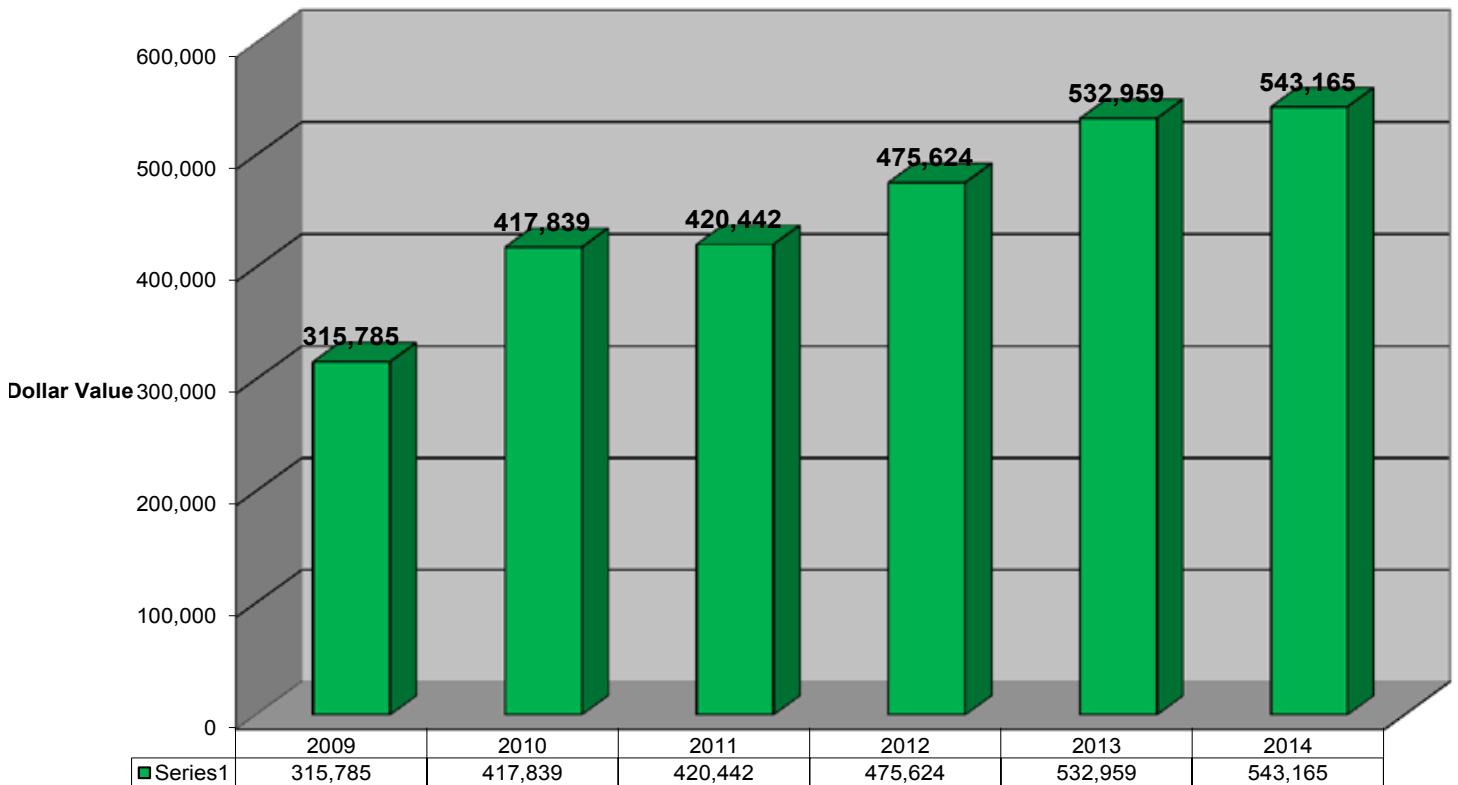


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Total Income



Net Income



Message from the Board and CEO

sult and demonstrates the commitment of the Credit Union to building our capital base. The continued strong results in 2014 has enabled your Board to declare a dividend of 3% on Membership Equity shares. This dividend was posted to members' accounts in April. With a one year deposit rate under 1%, this dividend is a very strong annual return on investment.

The Ladysmith & District Credit Union has always maintained a strong role within our community, and in 2014 this did change. In 2014 we donated over \$56,000 to charities, service groups and high school bursaries. We have worked very hard to build strong partnerships in and around Ladysmith. This past year has seen strong alliances forged between us and several other Credit Unions, the Town of Ladysmith, and Stz'uminus First Nations. These relationships will contribute to a strong and vibrant future for your Credit Union.

Finally we are working hard on our new banking system conversion which was reported to our members last year. This new system called DNA will enable us to remain competitive in our industry for many years to come. It will come with many new features and will give us the ability to forge stronger financial relationships with all our members. This conversion

has had a tremendous impact on our internal resources, but we are in the last stages and are very excited about the opportunities that will be available to our members in the future.

As always we are thankful for the hard work and dedication to our Credit Union team, from directors and staff alike. Our staff continue to develop their talents and abilities to better serve our members and our community. As we have discussed for many years, we remain committed to the development and independence of your Credit Union, the largest and strongest financial institution in Ladysmith.

Respectfully submitted,

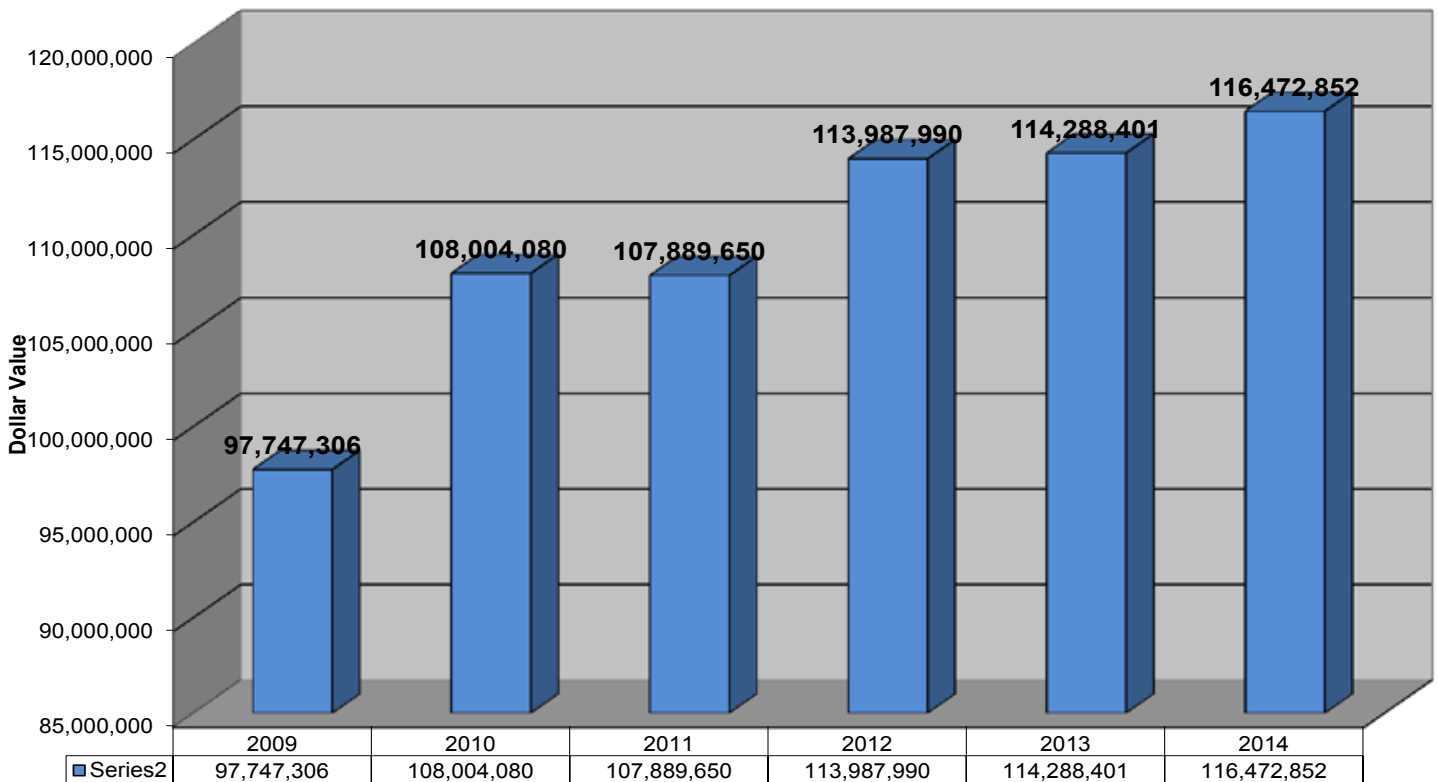


Brian Childs
President, Board of Directors



John de Leeuw
CEO

Total Loans



Credit Committee Report 2014

This past year was a mixed one for the lending department, there was a significant upswing in personal mortgage lending coupled with a slight increase in loans secured by mobile homes, but every other lending category experienced a decline, led by a dramatic fall in commercial lending.

The statistics for the housing market were also mixed as the dollar value of building permits in Ladysmith fell for the second year in a row. The total dollar value of permits in 2014 was \$4,736,000 as compared to \$7,097,000 in 2013. However house sales throughout the Cowichan Valley showed surprising growth in 2014. Total units sold were up by 22% over 2013 with 728 units sold versus 598 in 2013. The average sale price was also up in 2014 to \$339,163 compared to \$326,637 in 2013, an increase of 4%. These statistics mirror our own numbers in which personal mortgage approvals were up just over 36% with a dollar value in excess of \$4,000,000. Despite any news to the contrary, the housing market in Ladysmith and the surrounding area was quite robust in 2014.

Offsetting the increase in personal mortgage lending was the decline in commercial lending. Overall commercial loan approvals dropped by over 41% and almost \$3,800,000. This was the first decline in the last three years and is reflective of the lack of commercial growth in our area. We have been expanding our network for commercial lending, and are hoping to see an improvement in 2015.

Interest rates continue to decline to unprecedented levels which has touched off severe competition for mortgages. While rate is important, many of the rate specials handcuff borrowers in the future. As a smaller, local Credit Union we need to be careful and ensure our members are aware of the tremendous flexibility contained within our new **More Than a Mortgage™** product.

The following is a complete summary of the loans and mortgages granted in 2014 & 2013:

	#	2014	#	2013
Personal Mortgages	83	14,934,524	62	10,925,965
Business/Commercial	27	5,362,629	46	9,234,513
Miscellaneous	26	186,646	24	272,151
Automobile	23	536,791	18	329,250
RV's, Boats, etc.	4	95,458	3	97,280
Mobile Homes	2	145,734	1	80,719
Taxes, RSP's, etc.	4	19,811	7	43,957
Consolidation	12	232,018	14	288,890
Lines of Credit	53	3,727,195	66	5,175,960
Totals	234	25,240,806	241	26,448,685

Respectfully submitted: Ted Girard, Chair; Marie Polachek; & Joan Adair
Credit Committee, Ladysmith & District Credit Union

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Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2014

Report of the Independent Auditor on the Summarized Financial Statements

To the Members of Ladysmith & District Credit Union

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2014, and the summarized statements of comprehensive income, changes in retained earnings and cash flows for the year then ended, are derived from the audited financial statements of Ladysmith & District Credit Union for the year ended December 31, 2014. We expressed an unmodified audit opinion on those financial statements in our report dated March 24, 2015.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of Ladysmith & District Credit Union. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of Ladysmith & District Credit Union.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the fair summarization of the complete audited financial statements of Ladysmith & District Credit Union.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, "Engagements to Report on Summarized Financial Statements."

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of Ladysmith & District Credit Union for the year ended December 31, 2014 is a fair summary of those financial statements.

Other Matters

Prior year's figures were audited by another firm of chartered accountants.

March 24, 2015
Abbotsford, BC

MNP LLP
Chartered Accountants

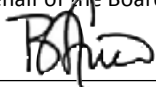
LADYSMITH & DISTRICT CREDIT UNION

Summarized consolidated Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 1,688,026	\$ 6,299,323
Financial investments	21,227,004	21,690,551
Derivative financial instruments	590,642	509,981
Trade and other receivables	601,803	589,661
Income taxes receivable	50,808	-
Loans to members	116,472,852	114,288,401
Deferred income taxes	19,900	4,900
Property classified as held for resale	548,356	941,754
Premises and equipment	4,239,310	4,148,592
Intangible assets	946,937	712,902
	\$ 146,385,638	\$ 149,186,065
Liabilities		
Member deposits	\$ 137,661,902	\$ 140,577,854
Other liabilities	505,762	856,860
Income taxes payable	-	59,351
Deferred income taxes	168,000	54,272
	138,335,664	141,548,337
Members' Equity		
Accumulated other comprehensive income	595,512	520,771
Retained earnings	7,454,462	7,116,957
	8,049,974	7,637,728
	\$ 146,385,638	\$ 149,186,065

Signed on behalf of the Board of Directors by:


 _____ Board Chair


 _____ Audit Chair

Note: Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures required for complete and fair presentation. Copies of the Ladysmith & District Credit Union full financial statements and auditors' report, can be obtained in branch.

LADYSMITH & DISTRICT CREDIT UNION

Summarized consolidated Statements of Profit or Loss

Years ended December 31, 2014 and 2013

	2014	2013
Financial income		
Interest on member loans	\$ 4,835,765	\$ 4,959,805
Cash resources and investments	1,112,208	926,645
	<u>5,947,973</u>	<u>5,886,450</u>
Financial expense		
Interest on member deposits	2,958,701	2,821,659
Interest on borrowed funds	4,385	31
	<u>2,963,086</u>	<u>2,821,690</u>
Financial Margin	2,984,887	3,064,760
Provision for impairment on loans to members	(140,144)	(125,197)
Other income	1,738,645	1,589,962
Loss on disposal of assets	(51,049)	-
	<u>4,532,339</u>	<u>4,529,525</u>
Operating expenses	3,989,174	3,996,566
Income from operations	543,165	532,959
Distribution to members	64,612	60,609
Income before income taxes	478,553	472,350
Provision for income taxes		
Current	42,320	166,071
Deferred	98,728	(47,315)
	<u>141,048</u>	<u>118,756</u>
Profit for the year	\$ 337,505	\$ 353,594

Note: Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures required for complete and fair presentation. Copies of the Ladysmith & District Credit Union full financial statements and auditors' report, can be obtained in branch.

LADYSMITH & DISTRICT CREDIT UNION

Summarized consolidated Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013
Profit for the year	\$ 337,505	\$ 353,594
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net gains (losses) on revaluation of land and buildings	-	154,136
Income tax relating to items that will not be reclassified	-	(20,976)
	-	133,160
Items that may be reclassified subsequently to profit or loss		
Net gains (losses) on derivatives designated as cash flow hedges	86,406	(93,446)
Income tax relating to items that may be reclassified	(11,665)	18,063
	74,741	(75,383)
Other comprehensive income for the year, net of tax	74,741	57,777
Total comprehensive income for the year	\$ 412,246	\$ 411,371

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LADYSMITH & DISTRICT CREDIT UNION

Summarized consolidated Statements of Changes in Members' Equity

Years ended December 31, 2014 and 2013

	Accumulated Other Comprehensive Income			Retained Earnings	Total
	Cash Flow Hedges	Revaluation Reserve			
Balance, January 1, 2013	\$ 406,245	\$ 56,748	\$ 6,763,363	\$ 7,226,356	
Profit for the year	-	-	353,594	353,594	
Net gains on derivatives designated as cash flow hedges, net of tax \$(18,063)	(75,382)	-	-	(75,382)	
Net losses on revaluation of land and building, net of tax \$20,976	-	133,160	-	133,160	
Balance, December 31, 2013	330,863	189,908	7,116,957	7,637,728	
Profit for the year	-	-	337,505	337,505	
Net gains on derivatives designated as cash flow hedges, net of tax \$11,665	74,741	-	-	74,741	
Net losses on revaluation of land and building, net of tax	-	-	-	-	
Balance, December 31, 2014	\$ 405,604	\$ 189,908	\$ 7,454,462	\$ 8,049,974	

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LADYSMITH & DISTRICT CREDIT UNION

Summarized consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Operating activities		
Profit for the year	\$ 337,505	\$ 353,594
Adjustments to determine cash flows:		
Depreciation of premises and equipment	245,270	124,503
Depreciation of intangible assets	134,377	45,295
Provision for income taxes	42,320	166,071
Deferred income tax expense	98,728	(47,315)
Loss on disposal of assets	51,049	-
Provision for impairment losses on loans	140,144	125,197
Provision for impairment of property held for resale	-	129,717
Loss on revaluation of land and buildings	-	103,265
Changes in interest rate swaps	590	(50,636)
Changes in investment interest accruals	(11,985)	(178,298)
Changes in member deposit interest accruals	34,590	(184,243)
Changes in loans to members interest accruals	(46,249)	18,246
Hedge ineffectiveness on derivative financial instruments	5,154	25,171
Amortization of settlement gain on derivative financial instruments	-	(23,294)
	1,031,493	607,273
Income taxes paid (recovered)	(164,144)	(114,576)
Change in trade and other receivables	(12,141)	(46,852)
Change in payables and accruals	(351,099)	372,962
Total cash inflows from operating activities	504,109	818,807
Investing activities		
Loans, net of repayments	(2,278,346)	(443,855)
Purchase of shares, net of rebalancing	(74,468)	(22,134)
Purchase of bid term deposit	2,000,000	(12,000,000)
Purchase of liquidity term deposits, net of redemptions	(1,450,000)	(1,400,000)
Purchase of land and buildings	(151,690)	(854,661)
Purchase of equipment	(184,298)	(56,292)
Purchase of intangible asset	(368,412)	(570,561)
Acquisition of /improvements to property for resale	(342,127)	(206,229)
Proceeds from sale of Myles Lake property	684,477	-
Total cash outflows from investing activities	(2,164,864)	(15,553,732)
Financing activities		
Deposits, net of withdrawals	(2,950,542)	13,638,085
Total cash inflows (outflows) from financing activities	(2,950,542)	13,638,085
Net decrease in cash resources	(4,611,297)	(1,096,840)
Cash resources, beginning of year	6,299,323	7,396,163
Cash resources, end of year	\$ 1,688,026	\$ 6,299,323

Note: Readers are cautioned that these summarized consolidated financial statements do not include all the disclosures required for complete and fair presentation of the financial statements of Ladysmith & District Credit Union. Full financial statements reports can be obtained in the branch.

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, 2014 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 Institutions 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, 2014. Those audited consolidated financial statements were approved by the Credit Union’s Board of Directors on March 24, 2015 and can be obtained at our branch.

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