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STZ'UMINUS BRANCH

REWARD **WINNER** PROSPERITY
SATISFACTION

BUSINESS TEAM
DIVIDEND



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2016
ANNUAL REPORT

AGENDA

1. Reading and Approval of the Minutes of the 71st 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 Speaker; Chief John Elliott
 11. Draw for Door Prizes.
- Adjourn.

LDCU - The Board



Brian Childs - Board President

Brian has been a Credit Union and co-operative supporter since the early 1970's when he helped found the co-op in the Parkville area and served as President for a number of years. Brian joined the Board in the fall of 1987 and was elected as a full director at the annual meeting in April 1988. Brian is a local building contractor and is very active in the Ladysmith community. He has served for many years as a director on both the Town's Advisory Design Panel and for Heritage BC. In addition to his role as President of the Board, Brian also serves on the Conduct Review and Management committees.



Elaine Layman - Vice 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 investment company in Ladysmith. Elaine has been active in the Ladysmith community for many years; she has previous experience serving on boards as she was the President of the Ladysmith Resource Centre and the Ladysmith Chamber of Commerce for several years. Elaine was appointed to the Credit Union Board in the fall of 2009 and currently serves as Vice-President of the Board and Chairperson of the Audit committee. In addition she serves on the Governance, Management and Bursary committees. Elaine is a graduate of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director. In addition she has attained the prestigious Institute of Corporate Directors designation.



Tim Richards - Secretary

Tim has lived in Ladysmith since 2000 and joined the Board of Directors at the annual general meeting in April of 2005. Tim's involvement with the Credit Union system has roots from his childhood as his father was the manager of the Dogwood Credit Union for many years. Tim has a background in public sector management and has operated his own parks and recreation consulting business since 1980. He has been instrumental in the construction and upgrading of several parks in Ladysmith. He is the Recording Secretary of the Board and serves as the Chairperson of the Investment and Lending Committee. In addition he serves on the Audit, Nominating and Management committees.



Rob Viala - Director

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

Credit Committee



David O'Connor - Director

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

also a graduate of the Credit Union Director Achievement Program.



Ross Davis - Director

Ross was born and raised in Ladysmith and has been associated with the Credit Union since the early 60's. He was appointed as a director in 2012. Ross is the Manager of Millstores/Purchasing for the Crofton Division of Catalyst Paper and has been with them for over 35 years. His interests include travel and camping with family and friends. Ross has a Business Administration Certificate from UVIC and sits on the Town of Ladysmith's Liquid Waste Management Committee. He is currently the

Chairperson for the Conduct Review Committee, the Nominating Committee and serves on the Audit Committee, Investment and Lending Committee and Bursary Committee. Ross is a graduate of the Credit Union Director Achievement Program and is an Accredited Canadian Credit Union Director.



Krista Perrault

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

and Rescue Association as well as the local Emergency Management Committee. She brings with her many years' experience sitting on various community boards and committees both for her Nation and neighboring communities including communications, housing, forestry management and aquaculture. Krista serves on the Governance and Investment and Lending committees.



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. Committee: Member, Credit Committee

Staff

Carrie Alexander
Michelle Badall
Jennifer Bakker
McRae Berrow
Danielle Buck
Cindy Cawthra
Kim Clark
John de Leeuw
Megan Dougan
Connie Forrest
Susan Fox
Kendre Haugen
Courtney Henn
Nancy Hunter
David Jamieson
Shelley Jones
Calvin King
Linda King

Monica Kovachich
Jenna Layzell
Linda Lockhart
Luda Marchenko
Brenda Moore
Linda Parmar
Daimon Perry
Kanisha Phillip
Roberto Qualizza
Melissa Reilly
Shelly Rickett
Kailee Robinson
Desiree Samuel
Nicole Schaefer
Mikel Smith
Denine Vadeboncoeur
Mitch Wilson
Cherie Yeomans

Minutes of the 71st Annual General Meeting of Ladysmith & District Credit Union May 3, 2016

President Brian Childs welcomed members and guests.

President Childs introduced the members of the Board of Directors in attendance namely David O'Connor, Elaine Layman, Rob Viala, Tim Richards, Ross Davis and Krista Perrault. In addition he introduced CEO John de Leeuw and Debbie Bass from Meyers Norris Penny (MNP). President Childs reviewed the packages provided for members at this meeting and noted they should include the Annual Report, the Rules for the meeting and giveaways. He declared a quorum present with 63 members and 3 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". He noted that only voting paddles will be used for voting during this meeting and the registration table will provide paddles to qualified members. President Childs noted that "Board Remuneration" has been added to the agenda as presented and he called for a motion to approve the revised agenda for the AGM. This was moved by Rob Johnson and seconded by Patrick Dunae. Carried by the membership.

President Childs asked if everyone had a chance to read the minutes of the 70th 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 70th Annual General Meeting. This was moved by Tracy Paterson and seconded by Mitch Wilson. Carried by the membership.

Business arising from the 2015 AGM minutes was called for. There was no business arising from the 2015 AGM minutes.

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

Brian then touched on the highlights from the report and noted the following:

- Our vision of a one stop financial service center is almost complete with our Wealth Management Division, Commercial Services Centre and Contact Centre. In addition, a realtor's office is located in our newly renovated buildings next to the main branch and a lawyer's office will soon be located there as well.
- We have signed an historic lease with Stz'uminus First Nation at their new Oyster Bay development for our new branch and plan to start the leasehold improvements in fall.
- LDCU has one of the best governance models for its size of any Credit Union in BC. This level of governance has been achieved through the Credit Union's Director Achievement program (CUDA). We congratulate the following directors for their director education achievements in 2015:
 - o Dave O'Connor for becoming a CUDA graduate.
 - o Ross Davis for becoming a CUDA Accredited Director.
 - o Elaine Layman for attaining an Institute of Corporate Directors designation, the highest director designation in Canada.

Brian thanked CEO John de Leeuw, his management team and staff for their hard work over the past year. Brian also thanked the directors for providing excellent governance and oversight of the operations over the past year.

Brian inquired if there were any questions about the Board Report. None were raised. A motion to approve the Board Report was made by Courtney Henn and seconded by Brenda Moore. Carried by the membership.

Ted Girard, Chairperson of the Credit Committee presented the Credit Committee Report for 2015. Brian asked if there were any questions and the following question was noted:

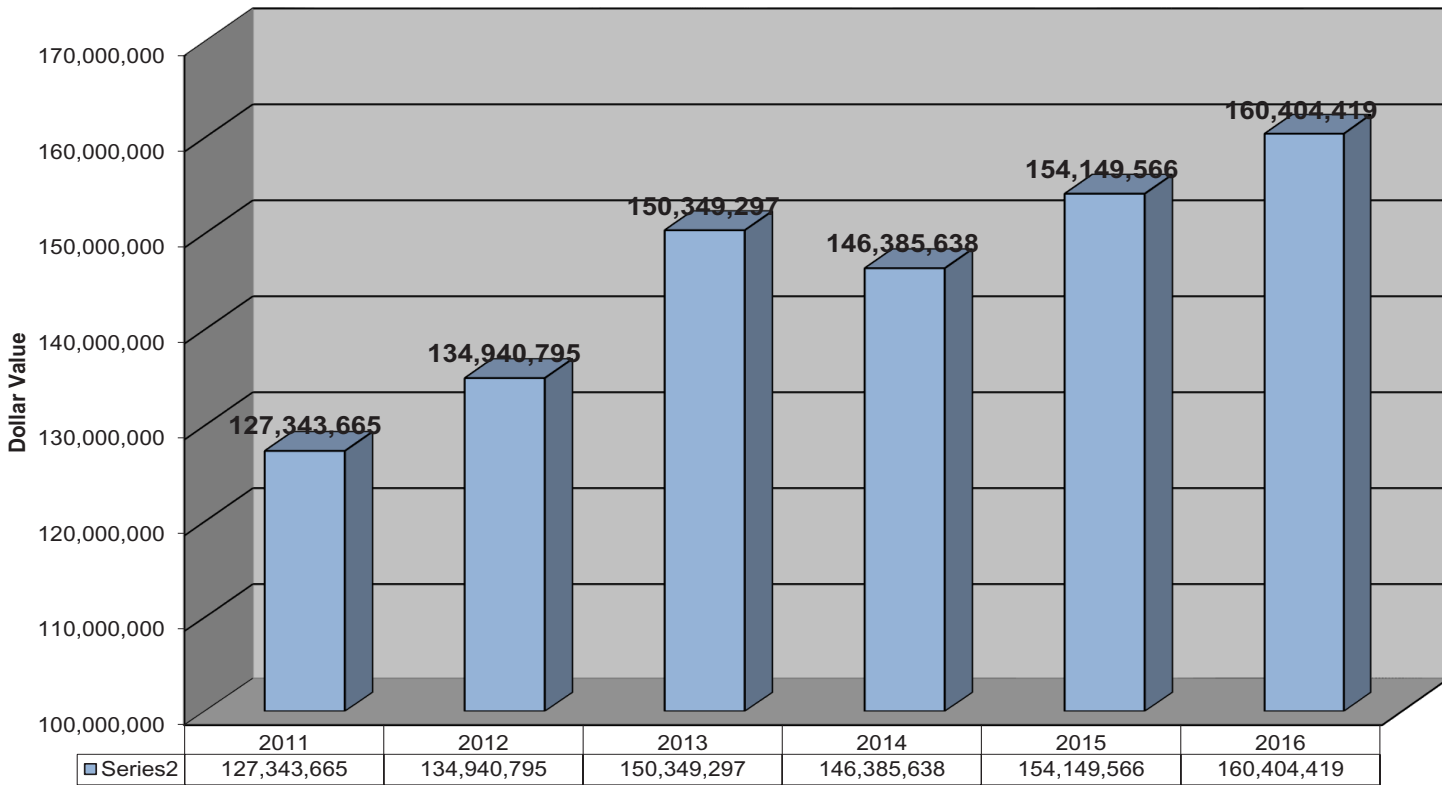
- Rob Johnson asked about the exposure to LDCU of large commercial loans with the increase in the business and commercial portfolio.
 - o John advised that LDCU is a conservative lender and has a conservative portfolio. John noted that LDCU's largest loans are being syndicated with other lenders in order to lower the risk. In addition, the Investment and Lending policy limits total commercial loan amounts for one connection (business individual) to \$2MM.

A motion to approve the Credit Committee Report as presented was made by Duck Paterson, seconded by David DeClark. Carried by the membership.

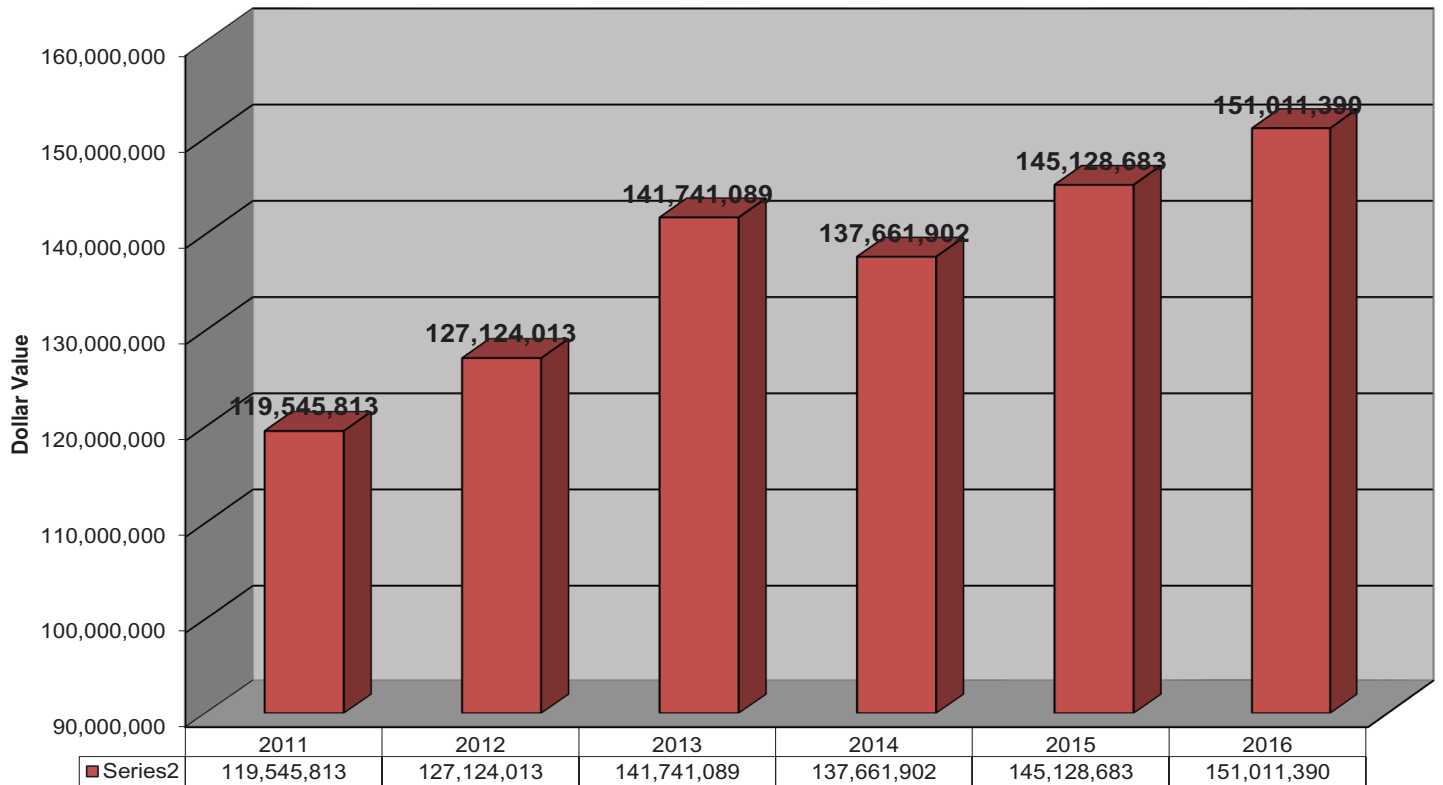
Next up was the report from John de Leeuw, the Chief Executive Officer. John gave this report noting the following:

- Economy:
 - o We have had another strong year in 2015.
 - o Interest rates continue to be low but, as they remain steady, it has allowed us to adapt.
 - o Our assets, liabilities and foreign currencies must be revalued at year end and in 2015 this had a detrimental impact on earnings.
 - o The local housing market has been steady.
- LDCU Results
 - o Asset growth is above \$7.7M bringing total assets to \$154M at year end.
 - o Loan growth is at \$5MM with personal mortgages at \$4.6MM.
 - o Our financial margin increased by \$165K, a good increase during these economic times and indicates we are pricing our loan and deposits well.
 - o Operating expense decreased by \$14K and have decreased year over year showing we are watching our costs.
 - o Net income from operations was over \$500k.
- Banking System Conversion:
 - o Our banking system was converted in May and came in on time and on budget due to a tremendous job from our staff. Staff members involved were thanked.
 - o This conversion was required as our previous banking system was being retired. We were able to negotiate a financial reward to convert to the newest system.
- Restructure
 - o The Commercial Services Centre was created next door to LDCU and holds two dedicated Commercial Member Services staff.
 - o The Main Branch was restructured and now Lending Services is located on the main level so all retail banking is together. This allows LCU Insurance additional needed space upstairs.
 - o Our new Contact Centre was also added to the main level. We are proud of our Contact Centre as it is the central hub for communication with our members and handles all incoming inquiries (phone, web or web chat).
- LCU Insurance
 - o John congratulated LCU Insurance for their excellent service noting that they have been with us for over twenty five years and they consistently receive top marks from ICBC year over year. In addition, the last two years were record revenue years.
 - o Cindy Cawthra thanked her staff and asked them to stand to be recognized.
- Staff Service Awards
 - o John thanked all staff and presented the annual service awards.

Total Assets



Total Deposits



Minutes of the 71st Annual General Meeting of Ladysmith & District Credit Union May 3, 2016

- Ambassador Program
 - o John noted that LDCU has for many years been a strong supporter of the Ladysmith Ambassador Program.
 - o John introduced LDCU's candidate, Maria de Leeuw and LCUI's candidate Bronwyn Morgan. The candidates thanked their sponsors and advised of their experiences and what they've learned from the program.
 - o Cindy Cawthra thanked the candidates and provided a gift to each of them.

Brian inquired if there were any questions about the CEO's Report. None were raised. A motion to approve the CEO's Report was made by Rob Johnson and seconded by Michael Furlot. Carried by the membership.

The Auditor's Report was then presented by Debbie Bass of MNP. Debbie advised that she was pleased to report that MNP has issued a clean unmodified audit opinion and the full set of LDCU's 2015 consolidated statements fairly represent the financial position of LDCU. Debbie noted that LDCU closed the year with \$7.8MM in retained earnings which meets all regulatory requirements.

Debbie asked if there were any questions on the Auditor's Report.

- Rob Johnson asked what was meant by "net gains on derivatives designated as cash flow hedges" under "Other Comprehensive Income".
 - o John advised that cash flow hedges are used to off-set interest rate risk. He noted that LDCU has very large portfolio of variable rate interest rate loans within our loans portfolio and are subject to changes in interest rates. Last year the Bank of Canada lowered its benchmark rate twice and, without cash flow hedges, the rates on our loans would have declined as well. To hedge against this LDCU enters into interest rate swaps. We receive a fixed interest rate and pay a variable rate so the liability of the variable rate paid offsets the income received from our variable loans. This is revalued every month end and at year end. There may be a change in market value depending on what happens with interest rates. \$34K was the change in market value in 2015.
- Michael Furlot asked about CUPP Services and what it is:
 - o John advised that CUPP Services is an insurance service that underwrites some of LDCU's master property insurance and is owned by the Credit Union system. LDCU pays premiums on this insurance and receives dividends back.
- Rob Johnson asked about "Interest on Borrowed Funds" under "Financial Expense":
 - o John noted that this number includes standby fees for a credit line through Central 1 and noted that, although LDCU does not use this credit line, it is available in case cash flow gets into a debit position while we wait for deposits to come in.

It was moved by Michael Furlot and seconded by Rob Johnson that the Auditor's Report be accepted as presented. Carried by the membership.

Brian then congratulated the CEO, John de Leeuw for twenty years of excellent service with LDCU.

Dave O'Connor presented the Nominating Committee Report. David outlined the guidelines followed when directors reach the end of their term. Dave mentioned the newsletter sent to the LDCU's membership, stating the expiration of the terms of Board members Elaine Layman, Ross Davis and Krista Perrault. Dave advised that these members have completed the nomination kit and no other nominations were received. Dave advised that pursuant to rule 4.14

Elaine Layman, Ross Davis and Krista Perrault are elected by acclamation and will serve on the Board for three more years. Their terms will expire at the 2019 AGM. It was moved by Duck Paterson and seconded by Cindy Cawthra to accept the Nominating Committee's Report as presented. Carried by the membership.

Rob Viala presented the review of director remuneration to the membership. Rob noted the following:

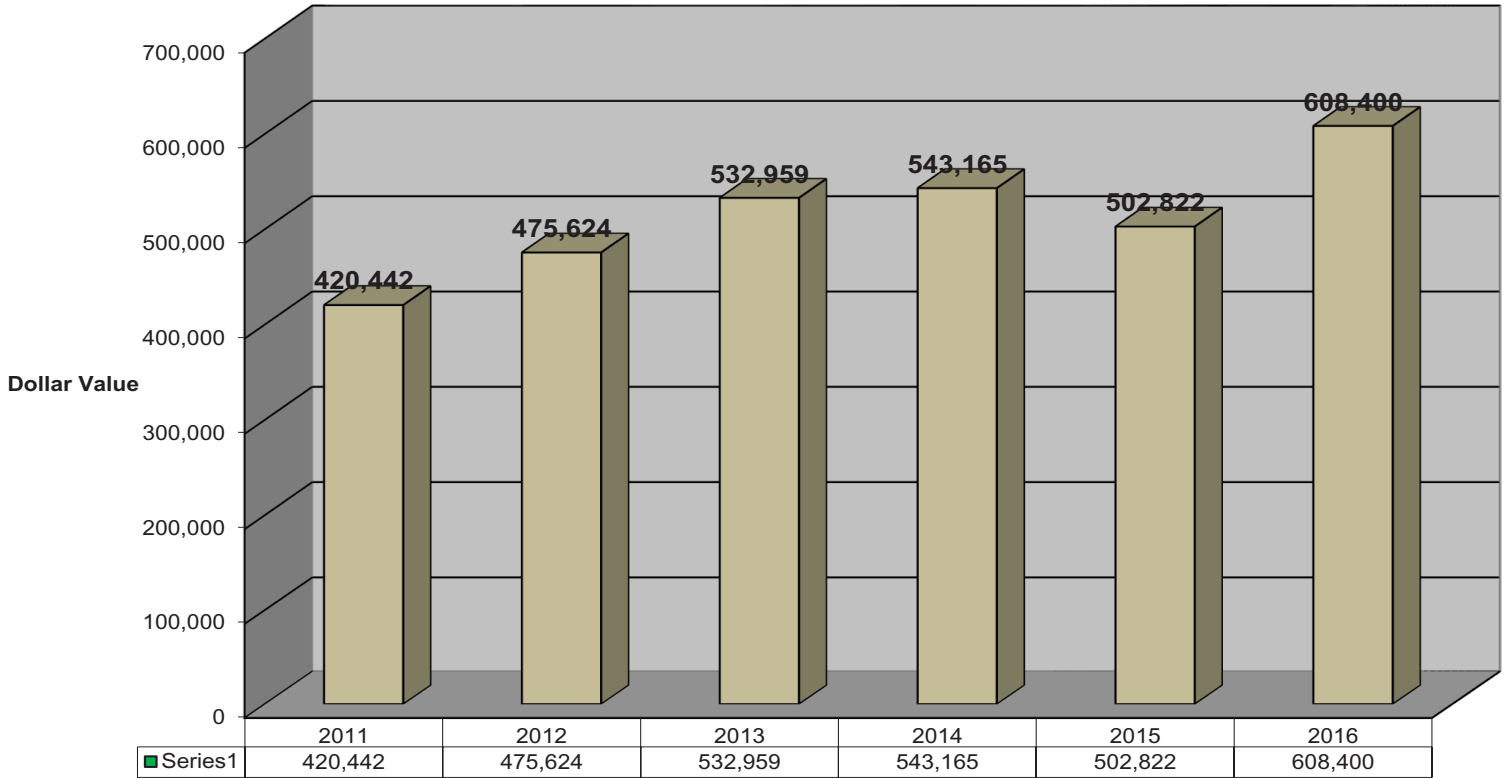
- LDCU directors are required to attend significant education workshops to be qualified. In addition they spend significant time preparing for board and committee meetings and attend LDCU's strategic planning session.
- It important to attract dedicated well informed people to the LDCU Board and want our current and future board members to feel their contribution is respected and valued.
- Rob outlined the high level of education LDCU directors have attained and a chart was viewed which showed LDCU directors currently at the bottom pay level compared to directors of similar sized credit unions. Rob advised the proposed increase in remuneration would put LDCU's directors to the middle of the pay level.
- Rob outlined the proposed remuneration increase to the members and asked for questions or comments.
- It was moved by Robert Qualizza and seconded by Linda Brown to change director compensation as follows:
 - o Increase Committee meetings by \$25 per meeting per director (not including Donation or Credit Committee meetings).
 - o Increase Board meetings by \$50 per meeting per director.
 - o Increase Honorarium by \$500 per director per annum.
- Rob asked if there were any questions and the following question was noted:
 - o Rob Johnson asked John de Leeuw to advise the membership the increased regulations that have been added:
 - John advised that the difference in regulatory requirements from twenty years ago are significant and includes:
 - § The move from the GAAP Accounting standard to IFRS.
 - § Requirements for a Liquidity Plan, a Capital Plan, stress and liquidity testing, new liquidity ratios and cumulative cash flow ratios.
 - § Additional committees aside from Statutory Committees have been added such as the Governance Committee. In addition, the level of work required within each committee (i.e. work plan) has increased significantly.
 - o There were two other comments by members in support of this increase.
- The motion was Carried by the membership.

Next on the agenda was the appointment of auditors for the year 2016. It was moved by Ted Girard and seconded by Melanie Davis that MNP be appointed auditors for 2016 with the Board given the authority to set their remuneration. Carried by the membership.

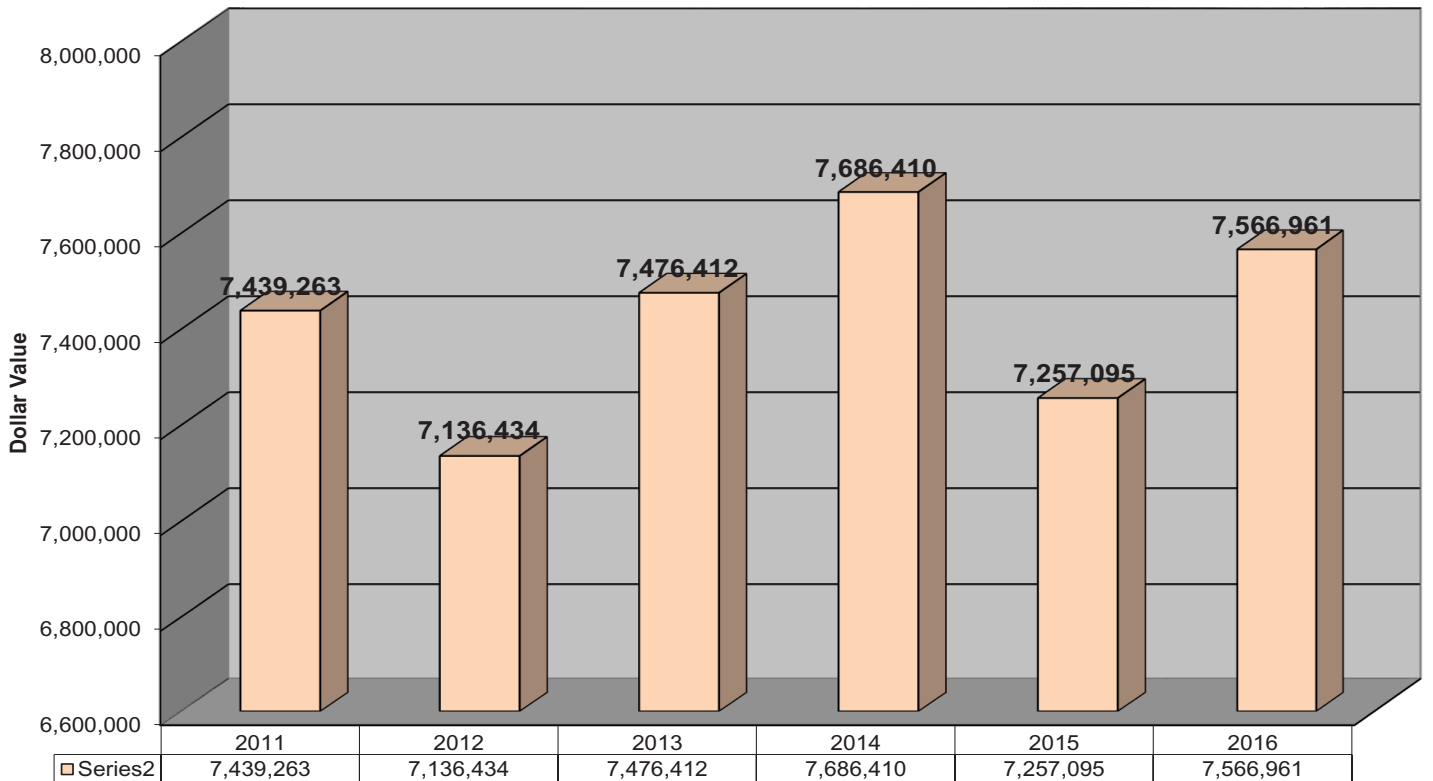
President Childs called for any New or Unfinished Business. There being no further new or unfinished business John lead a financial fitness contest for all attendees.

Door prizes were drawn for attendees and the meeting was adjourned at 7:30 pm. Moved by Fran Bafaro. Refreshments were served.

Net Income



Total Income



Message from the Board and CEO

Every year brings its challenges and its successes. The year of 2016 was no exception. As seems to be the norm, we faced a challenge of our physical space, we launched an innovative new service and we wrestled with historic low interest rates. Sometimes the more things change, the more they stay the same. Despite the challenges faced, it was another excellent year for your local Credit Union.

One of the most exciting things to happen to your local Credit Union since its inception happened in 2016. We opened our first ever new branch! The planning for this branch has been on-going since as early as 2007, when it was first recognized that our local First Nations community was not having their financial needs met. When the new Oyster Bay development was announced, we were the first organization to sign a lease. Our goal was that we wanted to be open to serve the community by the end of 2016. To that end, we worked very hard with our landlord, vendors, and various contractors to achieve this. And we succeeded! We were happy and proud to announce the opening of our branch in December of 2016. In order to minimize the cost to our membership, the decision was made to move our Commercial Services Center to the new location. This enables all our commercial members from north of Ladysmith to access their accounts without driving all the way into town. In order to accommodate our in-town commercial members, we now have a full-time dedicated commercial teller wicket in-branch. We are very excited about the prospects of our new branch and invite all of our members to attend for a very quick tour.



As for the rest of our building, we now have all our commercial space rented out with the addition of an office of the law firm Robson O'Connor renting out the building at 318 1st Avenue. With this final piece in place our vision of a one-stop financial services center is complete. There is an incredible amount of knowledge and expertise situated at our end of the commercial sector. Members can get a mortgage, a loan, deposit products, insurance products, wealth management, realtor services, and conveyancing services, all within three buildings on Main Street Ladysmith.

Something else we were very excited to launch in 2016 started at our

annual strategic planning session held by your directors last year. It was recognized that we need to make it very easy for members to switch their accounts to the Credit Union. Whether it was a bill payment or payroll deposit, we wanted to find a product or a service that would enable our membership to transition from another financial institution to us. So we were very happy to launch the innovative product called Click-Switch™. This pioneering program enables our new and existing members to quickly and easily change payroll deposits, bill payments, and account balances to the Credit Union with a few simple mouse clicks. In fact, we can do this for you directly at the branch, or through our Contact Centre. We are proud to say we were the first Credit Union in BC to launch this advanced new product!

Are Automatic Payments
Pulling From Old Accounts?

Consolidate to
One Account Today!

Ask us about **ClickSWITCH** to get started.



While we were working hard designing our physical space, and developing new products and services in 2016, we did not ignore the most important aspect of our business: our financial success. Something that we have discussed for the last several years remained with us in 2016: historically low interest rates. Once again competition for mortgages was fierce and intense. With the growing popularity of mortgage brokers, we found ourselves competing with yet another entity for our members' attention besides other financial institutions. While mortgage brokers provide a service, they simply find a mortgage for their client, and then move on to the next client. Oftentimes if that client then has a problem with their mortgage, they lack complete knowledge of who to contact for resolution, and the mortgage broker cannot help them. We are proud of our reputation, and our flexibility to help our members during times of financial stress. To that end we have created our most innovative financial product to date: More Than A Mortgage.



Our More Than A Mortgage product is loaded with flexibility to help our members face any financial quandary, at any time during their mortgage term. Or it simply helps them to pay off their mortgage faster. Two of the most attractive features include the ability to increase the payment by 25% each year, or to pay a lump sum on their mortgage of up to 25% on the anniversary date of their mortgage. There are many other options that make this the most flexible mortgage product on the market. Once again your local Credit Union demonstrates that we can be among the most innovative financial institutions in the industry.

In Ladysmith, the housing market was very robust in 2016. This strong market was fueled by low interest rates, strong employment, and low

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Over \$76,000 given back to our community

inventory. Prices rose for the second year in a row as did the number of residential properties sold. With a strong housing market comes a demand for mortgages and lending. This was no exception last year as our loans portfolio increased by over \$8,000,000 and has now reached almost \$130,000,000. Our personal mortgage portfolio increased by over \$7,000,000 and our commercial mortgage portfolio by \$1,100,000. Overall our assets increased by over \$6,200,000 or just over 4.00%, lifting our total assets to just over \$160,000,000. As in the past we focus very strongly on our financial margin and for the second consecutive year we have managed to increase this figure significantly. In 2016 our financial margin grew in excess of \$289,000 or just over 9.17%. In this market of low interest rates, this is one of our most gratifying achievements. As we have stated in the past, our main goal is for solid, sustainable growth. This will allow us to operate, grow, and plan for the future. With another year of healthy results building on our already strong foundation, your board has declared a dividend of 3.25% on Membership Equity shares. This dividend is the highest dividend declared in the last several years and was posted to members' accounts in April. With annual interest rates on deposits continuing to hover at less than 1%, a 3.25% annual dividend clearly shows it pays to invest in your local Credit Union.

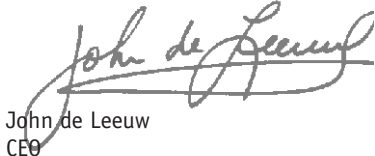
“Your board has declared a dividend of 3.25% on Membership Equity shares.

This dividend is the highest dividend declared in the last several years.”

It seems time after time we congratulate our directors, staff and management for another successful year. And this year is no exception. We should consider ourselves very fortunate that we can continue to report strong growth and strong results in the challenging environment that we find ourselves. As always, the dedication of our entire team is responsible for this success. We would like to thank each and every one of them for a job well done. Through them we will continue to strive to keep the Ladysmith & District Credit Union the largest and strongest financial institution in Ladysmith and the surrounding area.



President, Board of Directors



John de Leeuw
CEO

1st Ladysmith Scouts - *Halifax Trip*
Cedar Community Secondary School - *Grad Fundraiser*
Chemainus Secondary School - *Dance Showcase Event*
Chemainus Theatre Festival Society - *Theatre Show*
Cinnamon Bun Fun Run - *Event*
Ladysmith Eagles Auxiliary - *Fundraiser*
Ecole Elementary School - *Read a Thon*
Ecole North Oyster School - *Family Literacy Program*
Emergency Services Bonspiel - *Fundraiser*
Fuller Lake Skating Club - *Fundraiser*
Ladysmith Ambassador Program - *Ambassador Candidate Sponsorship*
Ladysmith Ambassador Program - *Event Sponsorship*
Ladysmith Arts Council - *Arts on the Ave and Light Up the Night Event*
Ladysmith Baseball Association - *Youth Softball Shirts*
Ladysmith Downtown Business Association - *Grand Christmas Event*
Ladysmith Family and Friends - *Breakfast with Santa Event*
Ladysmith Family and Friends - *LAFF Outside*
Ladysmith Fire and Rescue - *Haunted House Event*
Ladysmith Little Theatre Society - *2016 Theatre Sponsorship*
Ladysmith Little Theatre Society - *Fundraiser*
Ladysmith RCMP Victim Services - *Training*
Ladysmith Secondary School - *Scholarships and Bursaries*
Ladysmith Seniors Society Centre - *Fundraiser*
Ladysmith Show and Shine
Ladysmith Soup Kitchen - *Christmas Dinner for the Less Fortunate*
Ladysmith Sportsmen's Club - *Fundraiser*
Mid-Island Soccer Club - *Youth Jerseys*
Mount Brenton Men's Amateur - *Hole Sponsorship*
North Oyster Historical Society - *Fundraiser*
Old English Car Club - *Brits on the Beach Car Show*
Pacific Salmon Foundation - *Fundraiser*
Rotary Club of Ladysmith - *Disaster Aid Canada*
Rotary Club of Ladysmith - *Rotary Garden Show*
Royal Canadian Legion - *Fundraiser*
Stz'uminus Secondary School - *Fundraiser*
The Chamber of Commerce - *Ladysmith Home and Business Show*
Tier II Soccer Fundraiser - *Fundraiser*
Ladysmith Festival of Lights Society - *Light Up the Night Event*
Ladysmith Celebrations Society - *Ladysmith Days*
Champions of Choices - *Inspirational School Presentations*

Marc Mero, Former WWE Champion Inspires LSS Students



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Credit Committee Report 2016

In 2016, lending at your Credit Union showed a sizeable increase. This increase was led by renewed confidence in our local housing market. After years of suffering through a buyer's market and bloated inventory, we were suddenly confronted with a plethora of SOLD signs, and a lack of inventory. According to the BC Real Estate Association, the inventory of homes for sale on Vancouver Island at the end of 2016 was at its lowest level since 2004.¹ By the end of the year, the housing market had improved to the point where there were actually bidding wars on homes for sale.

One other sign of improvement: prices rose for the second straight year as the average house price in the Cowichan Valley rose to \$389,947 from \$360,631 a year earlier.² That represents an 8% increase from 2015. Rising house prices can indicate a strong market, but the best indicator is always the number of sales. In 2016, there were 1,031 residential home sales in the Cowichan Valley. Compared to one year ago, that represents growth of 31%, as there were 785 sales in 2015.²

On the lending side, we granted a total of 281 loans and mortgages, an increase of 51% from 2015. While the number of loan approvals do not represent a record, the dollar value of approvals certainly does. In 2016 we granted in excess of \$45.5 million of loans and mortgages. Not only does that represent an increase of 41% from 2015, but it also represents the greatest dollar value of loans granted in our history. Leading the way were personal mortgages where our lending increased by over \$12 million which was up by almost 82% year over year. In addition to the increase in personal mortgage lending, we had an excellent year in commercial lending as well. Although the total dollar value of approved credit facilities declined marginally, the total number of loans increased by over 41%. Our commercial portfolio has grown four out of the last five years, as we continue to support our local business community.

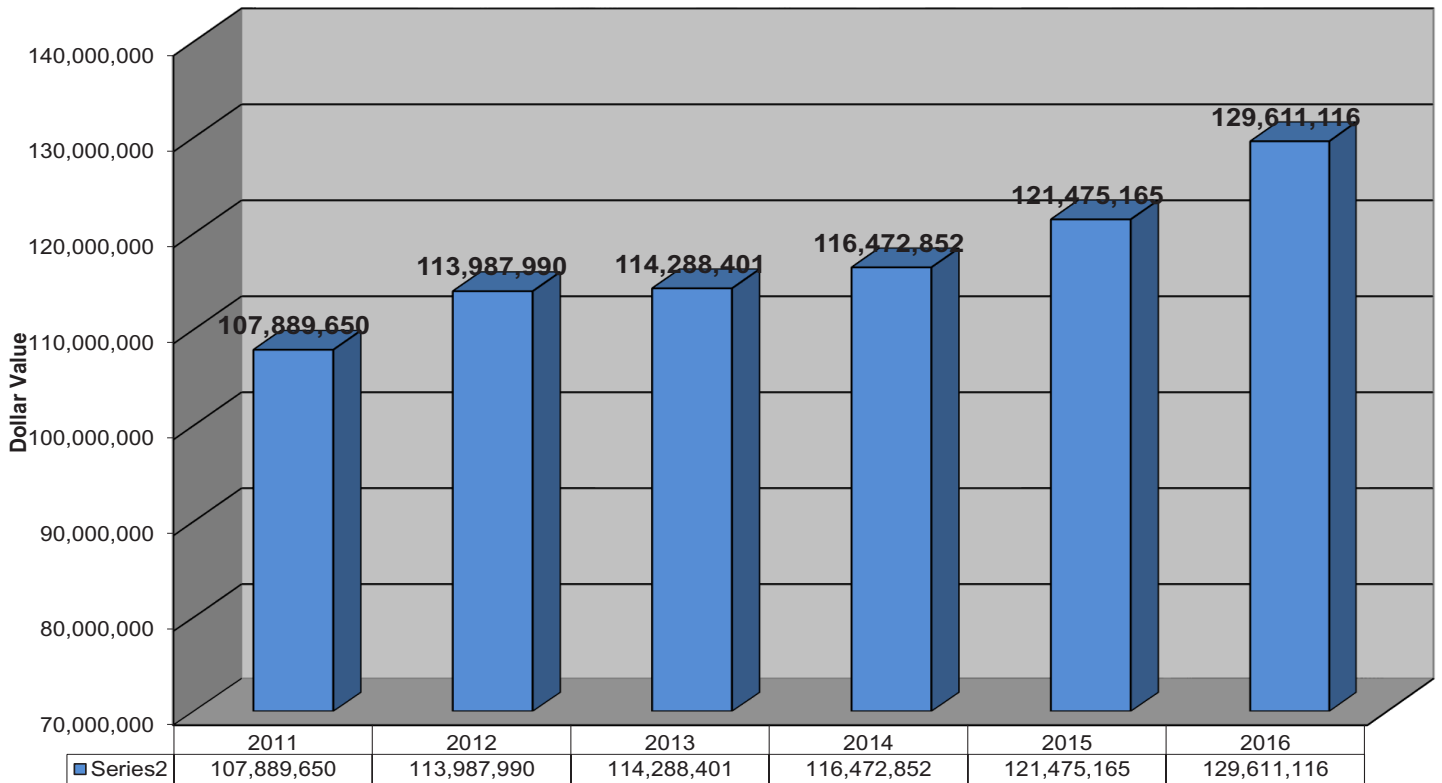
The following is a complete summary of the loans and mortgages granted in 2016 & 2015:

	#	2016	#	2015
Personal Mortgages	125	27,743,500	73	15,246,814
Business/Commercial	34	11,759,347	24	13,059,625
Miscellaneous	12	162,794	6	148,325
Automobile	17	256,327	16	238,424
RV's, Boats, etc.	3	26,252	6	125,833
Mobile Homes	35	239,687	5	469,247
Taxes, RSP's, etc.	0	0	0	0
Consolidation	23	610,479	8	247,961
Lines of Credit	64	4,741,340	48	2,617,550
Totals	281	45,540,046	186	32,153,779

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

1. <http://www.bcrea.bc.ca/sf-images/economics/vireb.gif?Status=Temp&sfvrsn=10>
2. http://www.vireb.com/assets/uploads/2016_annual_sales_summary_1939.pdf

Total Loans



DEPOSITS



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

The Credit Union Deposit Insurance Corporation (CUDIC) a government corporation, guarantees deposits and non-equity shares of BC Credit Unions up to the limits prescribed by the Financial Institutions Act.

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Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2016

Full financial statements are available at the branch or www.ldcu.ca.

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Report of the Independent Auditor on the Summarized Consolidated Financial Statements

To the Members of Ladysmith & District Credit Union

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2016, and the summarized consolidated statements of profit, comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Ladysmith & District Credit Union and its subsidiaries for the year ended December 31, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 28, 2017.

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

Management's Responsibility for the Summarized Financial Statements

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

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 consolidated financial statements derived from the audited consolidated financial statements of Ladysmith & District Credit Union and its subsidiaries for the year ended December 31, 2016 is a fair summary of those consolidated financial statements.

Abbotsford, British Columbia

March 28, 2017



Chartered Professional Accountant

Ladysmith & District Credit Union

Summarized Consolidated Statement of Financial Position

As at December 31, 2016

	2016	2015
Assets		
Cash and cash equivalents	7,698,295	5,849,168
Financial investments	16,797,581	20,327,942
Derivative financial instruments	298,445	662,647
Trade and other receivables	702,084	705,025
Income taxes recoverable	35,892	4,971
Loans to members	129,611,116	121,475,165
Deferred tax assets	19,900	19,900
Property classified as held for resale	-	182,229
Premises and equipment	3,978,015	3,532,788
Intangible assets	1,265,771	1,389,731
	160,407,099	154,149,566
Liabilities		
Member deposits	151,011,390	145,128,683
Other liabilities	562,478	466,599
Deferred tax liabilities	221,000	240,000
	151,794,868	145,835,282
Members' equity		
Retained earnings	8,245,026	7,797,460
Accumulated other comprehensive income	367,205	516,824
	8,612,231	8,314,284
	160,407,099	154,149,566

Approved on behalf of the Board of
Directors




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, 2016

	2016	2015
Financial income		
Interest on member loans	4,991,680	4,772,347
Cash resources and investments	934,790	1,073,061
	5,926,470	5,845,408
Financial expense		
Interest on member deposits	2,476,536	2,684,037
Interest on borrowed funds	10,413	10,986
	2,486,949	2,695,023
Financial margin	3,439,521	3,150,385
Provision for impairment on loans to members	181,306	84,683
	3,258,215	3,065,702
Other income	1,640,491	1,411,687
Operating margin	4,898,706	4,477,389
Operating Expenses	4,290,306	3,974,567
Income from operations	608,400	502,822
Distribution to members	57,202	58,091
Income before income taxes	551,198	444,731
Provision for (recovery of) income taxes		
Current	122,632	29,732
Deferred	(19,000)	72,000
	103,632	101,732
Profit for the year	447,566	342,999

The accompanying notes are an integral part of these financial statements

Ladysmith & District Credit Union
Summarized Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

	2016	2015
Profit for the year	447,566	342,999
Other comprehensive income (loss):		
Net gains/(losses) on derivatives designated as cash flow hedges	(292,106)	34,517
Income tax recovery (expense) relating to gains/(losses) on derivatives designated as cash flow hedges	52,600	(4,650)
Change in unrealized losses on available for sale assets	(205,052)	-
Income tax recovery relating to the change in unrealized losses on available for sale assets	36,900	-
Change in unrealized gains/(losses) on revaluation of land and buildings	258,039	-
Change in unrealized gains/(losses) on the disposal of revalued land and buildings	-	(108,555)
Other comprehensive loss for the year, net of income tax	(149,619)	(78,688)
Total comprehensive income for the year	297,947	264,311

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, 2016

	<i>Retained earnings</i>	<i>Accumulated other comprehensive income</i>	<i>Total equity</i>
Balance January 1, 2015	7,454,461	595,512	8,049,973
Profit for the year	342,999	-	342,999
Other comprehensive loss for the year	-	(78,688)	(78,688)
Balance January 1, 2016	7,797,460	516,824	8,314,284
Profit for the year	447,566	-	447,566
Other comprehensive loss for the year	-	(1,495,619)	(1,495,619)
Balance December 31, 2016	8,245,026	(978,795)	7,266,231

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, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	447,566	342,999
Unrealized losses on revaluation of land and buildings through profit and loss	226,900	-
Change in unrealized gains on the disposal of revalued land and buildings	-	(108,555)
Depreciation of premises and equipment	120,597	106,499
Depreciation of intangible assets	169,017	107,716
Deferred income taxes	(19,000)	72,000
Gain on disposal of premises and equipment	-	(14,701)
Gain on sale of property held for resale	-	(3,142)
Provision for impairment on loans to members	181,306	84,683
Hedge ineffectiveness on derivative financial instruments	7,115	1,612
Changes in working capital accounts		
Trade and other receivables	2,941	(103,223)
Income taxes recoverable	58,578	41,187
Other liabilities	95,883	(39,160)
Accrued interest on loans to members	40,587	(26,642)
Accrued interest on member deposits	(149,973)	(134,705)
Accrued interest on interest rate swaps	64,981	(39,100)
	1,246,498	287,468
Financing activities		
Net change in member deposits	6,032,680	7,601,485
Investing activities		
Net change in loans to members	(8,357,845)	(5,060,355)
Net change in financial investments	3,325,309	899,061
Purchases of premises and equipment	(534,685)	(304,977)
Purchases of intangible assets	(45,057)	(550,510)
Proceeds from disposal of premises and equipment	-	919,701
Acquisition of / improvements to property for resale	-	22,983
Proceeds from sale of property held for resale	182,229	346,286
	(5,430,049)	(3,727,811)
Increase in cash and cash equivalents	1,849,129	4,161,142
Cash and cash equivalents, beginning of year	5,849,168	1,688,026
Cash and cash equivalents, end of year	7,698,297	5,849,168

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, 2016

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, 2016 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, 2016. Those audited consolidated financial statements were approved by the Credit Union's Board of Directors on March 28, 2017 and can be obtained at our branch.



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

www.ldcu.ca