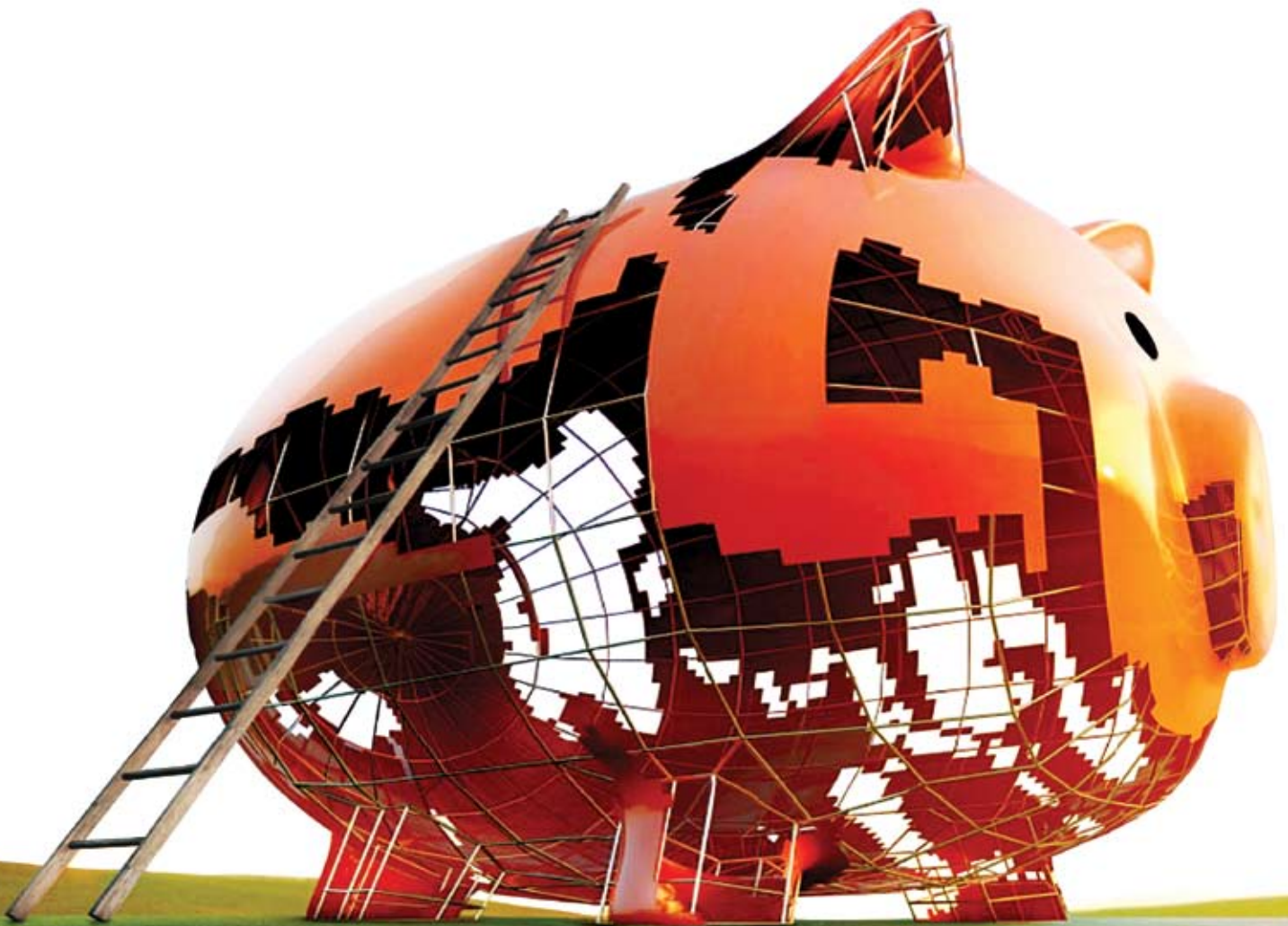




We're building ...
a stronger Credit Union.



2017
ANNUAL REPORT

AGENDA

1. Reading and Approval of the Minutes of the 72nd 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;
Aaron Stone - Mayor Ladysmith



A husband, father, foster parent, entrepreneur, and community advocate, Aaron has been heavily involved in our community development. From School PAC Co-Chair and key member of the Ladysmith Working Group on schools, to Director and later President of the Ladysmith Chamber of Commerce, he has worked to enable economic growth throughout our community and to improve the welfare of all of our citizens.

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, Bursary and Management committees.



Elaine Layman

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



Tim Richards

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



Rob Viala

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



David O'Connor

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

graduate of the Credit Union Director Achievement Program.



Ross Davis

Ross was born and raised in Ladysmith and has been associated with the Credit Union since the early 60's. He was appointed as a director in 2012. 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. Ross is currently the Chairperson for the Conduct Review 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 currently live in their beautiful new home across Ladysmith Bay in Shellbeach. Krista is active in many business endeavors including her business, Perrault Landscaping & Backhoe Contracting. Krista is an active proponent of high professional standards and holds a certification as a Forestry Technician and Heavy Equipment Operator as well as Tourism and Hospitality Management. She is a volunteer with the Civil Air Search and Rescue Association as well as the local Emergency

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

THANK YOU

“The dedication of our entire team is responsible for our success.

We would like to thank each and every one of our Board, Management and Staff for a job well done.”

Staff

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

Jenna Layzell
Luda Marchenko
Brenda Moore
Linda Parmar
Daimon Perry
Kanisha Phillip
Roberto Qualizza
Melissa Reilly
Marissa Reyes
Shelly Rickett
Kailee Robinson
Nicole Schaefer
Madeline Smith
Mickel Smith
Denine Vadeboncoeur
Mitch Wilson
Cherie Yeomans

Minutes of the 72nd Annual General Meeting of Ladysmith & District Credit Union May 9, 2017

“We continue to adhere to the principles that have defined us for over 73 years:

INTEGRITY

in all our business dealings;

PROSPERITY

for our members;

INNOVATION

in products;

SOCIAL RESPONSIBILITY

within our community.

STEWARDSHIP

of our members’ finances.”

President Brian Childs welcomed members and guests to the 72nd Annual General Meeting of the Ladysmith & District Credit Union (LDCU).

President Childs introduced the members of the Board of Directors in attendance namely Ross Davis, Elaine Layman, David O’Connor, Krista Perrault, Tim Richards and Rob Viala. In addition he introduced Chief Executive Officer (CEO) John de Leeuw and Debbie Bass from the accounting firm of 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 73 members and 2 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 continue to provide paddles to qualified members. President Childs called for a motion to approve the agenda for the AGM. This was moved by Tracy Patterson and seconded by Mickel Smith. Carried by the membership.

President Childs asked if everyone had a chance to read the minutes of the 71st 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 71st Annual General Meeting. This was moved by Melanie Davis and seconded by Mitch Wilson. Carried by the membership.

Business arising from the 2016 AGM minutes was called for. There was no business arising from the 2016 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 noted the theme of this AGM was Financial Tools and Highlights and touched on the highlights and accomplishments this year noting:

- The opening of our new Oyster Bay branch, the first branch in our history.
- The renovation of our financial building in close proximity to LDCU.
- The many donations provided to our community by LDCU.
- The sponsorship of the dynamic anti-drugs and anti-bullying presenter, Marc Mero, at the high school.
- LDCU’s first TV commercial aired on Chek TV.

In addition, Brian thanked John de Leeuw, his management team and all the staff for their hard work. He also thanked the directors for their devotion and commitment and noted the high regulatory responsibility continually placed on them.

Brian inquired if there were any questions about the Board and CEO Report. None were raised. A motion to approve the Board Report was made by Courtney Van Horne and seconded by Duck Patterson. Carried by the membership.

President Childs asked if everyone had a chance to read the 2016 Credit Committee report and if anyone wanted them read out loud. No one requested this. A motion to approve the minutes of the 2016 Credit Committee report was made by Mickel Smith, seconded by Marion Rodall. Carried by the membership.

Next up was the report from CEO John de Leeuw. John provided a detailed presentation of LDCU’s 2016 financials noting:

- We had another strong year in 2016 despite the low rate environment.
- The housing market in Ladysmith grew stronger and was robust in 2016.
- Our new Oyster Bay branch was opened with a positive response from the community.
- He thanked the staff for all their hard work and efforts this past year and presented the annual service awards congratulating two of the staff for their 25 years of service.
- Shelly Rickett introduced LDCU's Ambassador Program candidate, Chandler Gresmak. Chandler thanked LDCU and spoke on her experiences and what she learned from the program.
- John thanked the directors noting their unwavering support for the community and this Credit Union.

Brian inquired if there were any questions about the CEO's Report and Rob Johnson asked the following questions:

- Does the Credit Union growth pattern reflect the growth of the Town?
 - o John advised that we have been steadily growing our membership and doing quite well.
- What is the percentage of on-line banking compared to branch traffic?
 - o John advised that our reports show a significant decrease in branch traffic and increase in on-line banking.
 - o He noted there is now an increased importance to the value added conversations we have with our members on our products and services.
 - o As an example he outlined our new product called Click Switch that easily enables members to electronically move their accounts and bill payments to our Credit Union.
- What is LDCU's position on a merger with another Credit Union?
 - o John advised that this is a Board's decision, but based on his twenty-two years here, we are fiercely independent and have no desire to merge with another Credit Union.
 - o In addition, financially we are holding our own despite the current interest rate environment.
 - o Our biggest challenge is the regulatory burden placed on us and we are exploring cost sharing with other Credit Unions on this.

With no further questions a motion to approve the CEO's Report was made by Shelly Rickett and seconded by Courtney Van Horne. 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 2016 consolidated statements fairly represent the financial position of LDCU. Debbie noted that LDCU closed the year with \$8.2MM in retained earnings meeting all regulatory requirements. Debbie asked if there were any questions on the Auditor's Report. It was moved by Connie Forrest and seconded by Kendre Haugen that the Auditor's Report be accepted as presented. Carried by the membership.

Ross Davis presented the Nominating Committee Report. Ross outlined the guidelines followed when directors reach the end of their term. Ross mentioned the newsletter sent to the LDCU's membership, stating the expiration of the terms of Board members David O'Connor and Tim Richards. Ross advised that these members have completed the nomination kit and

no other nominations were received. Ross advised that pursuant to rule 4.14 David O'Connor and Tim Richards are elected by acclamation and will serve on the Board for three more years. Their terms will expire at the 2020 AGM. It was moved by Melanie Davis and seconded by Tracy Patterson to accept the Nominating Committee's Report as presented. Carried by the membership.

Next on the agenda was the appointment of auditors for the year 2017. It was moved by Ed Polachek and seconded by Mickel Smith that MNP be appointed auditors for 2017 with the Board given the authority to set their remuneration. Carried by the membership.

Brian Childs welcomed guest speaker John Elliott, Chief of the Stz'uminus First Nation. John Elliot spoke about the plans of the Coast Salish Economic Development Corporation, and the on-going partnership with LDCU.

John then led a financial fitness contest for all attendees. The winner of this financial quiz was David Osborne.

President Childs called for any New or Unfinished Business.

- Rob Johnson congratulated Elaine Layman for her ICD.D (Institute of Corporate Directors) designation.

Door prizes were drawn for attendees and the meeting was adjourned at 8:30 pm. Refreshments were served.

We're Building... more innovation

FINANCIAL MARGIN GREW 4.53%

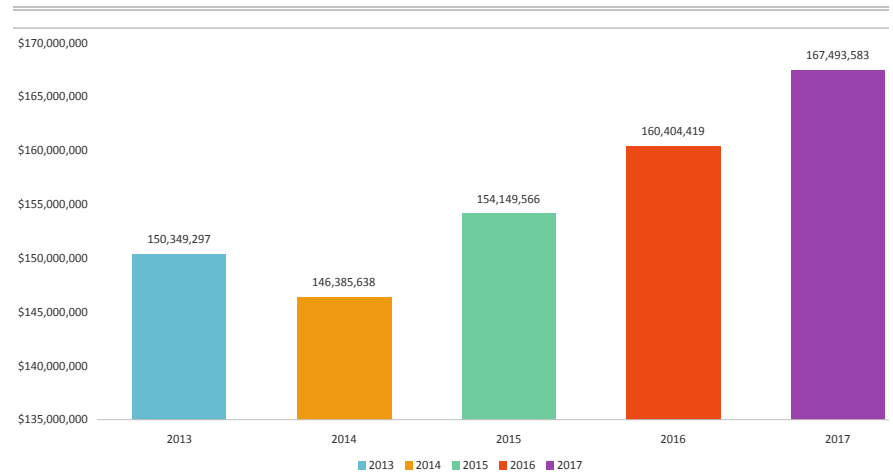
“In 2017, our financial margin grew for the second year in a row, this year by \$156 thousand or 4.53%. This is a strong and positive trend for LDCU.”

OUR NET COMPREHENSIVE INCOME IS SUBSTANTIALLY HIGHER.

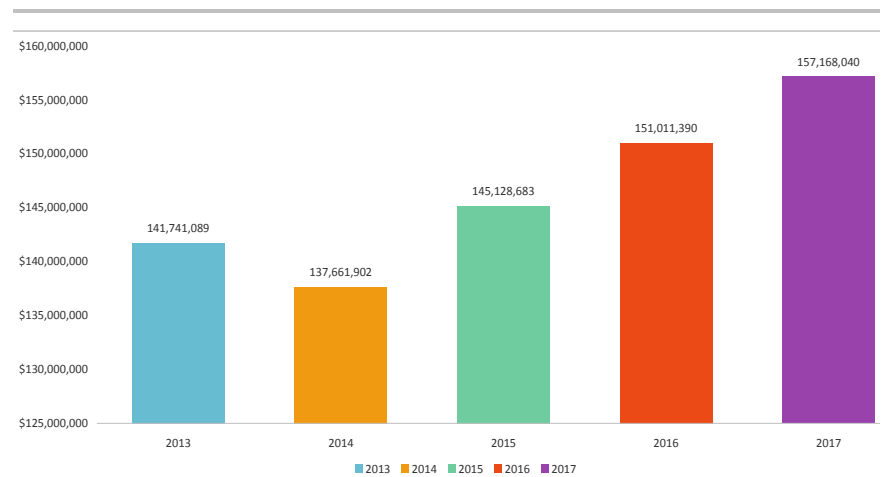
LOAN GROWTH GREW 9.45%

Our loan growth broke a record for the second year in a row with growth of \$12.25 million or 9.45%.”

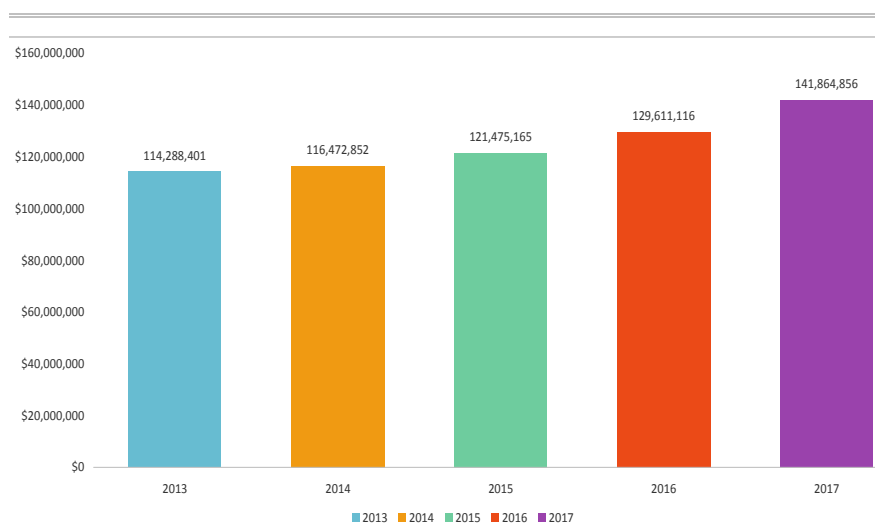
TOTAL ASSETS



TOTAL DEPOSITS



TOTAL LOANS



We're Building... a better community

LDCU DECLARED A 2.50% ANNUAL DIVIDEND

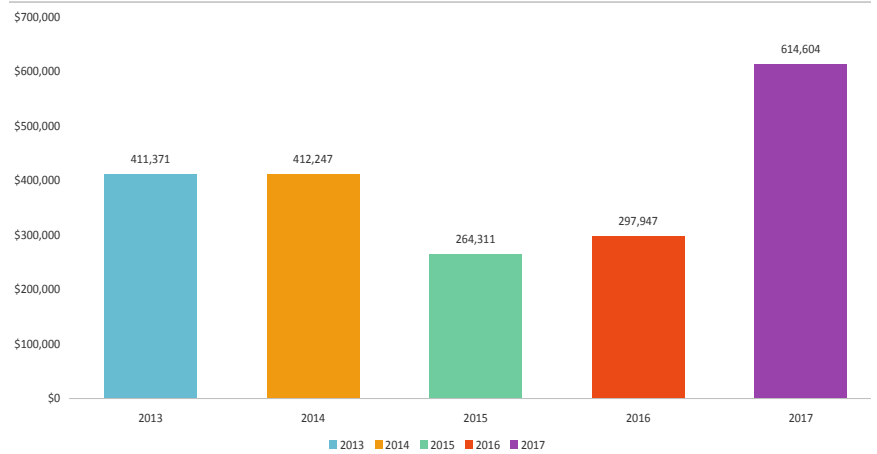
“Strong financial results have enabled your Board of Directors to declare a 2.50% annual dividend on Membership Equity Shares.”

SINCE 2013, LDCU HAS AVERAGED ALMOST \$70,000 PER YEAR IN COMMUNITY DONATIONS

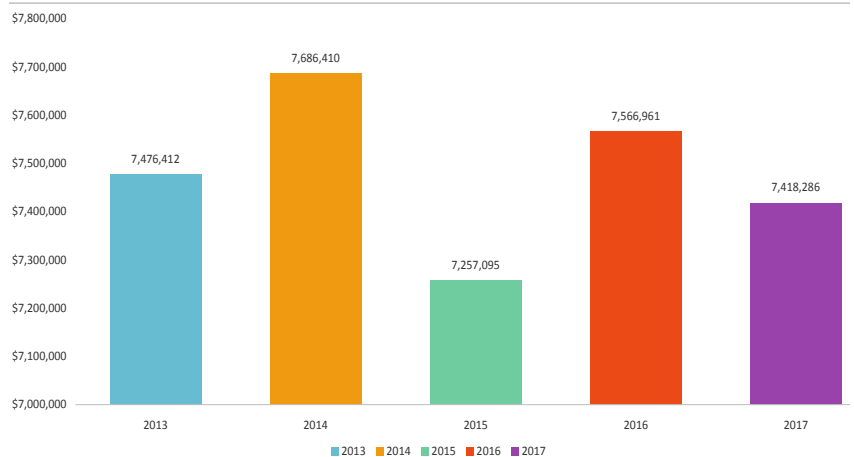
“In 2017 LDCU donated almost \$65,000 to support many community initiatives including:

*Light Up Night,
Ladysmith Days,
Student Bursaries,
Show ‘n’ Shine,
Brits on the Beach,
Arts on the Avenue,
Ladysmith Little Theater,
sports teams
and others.*

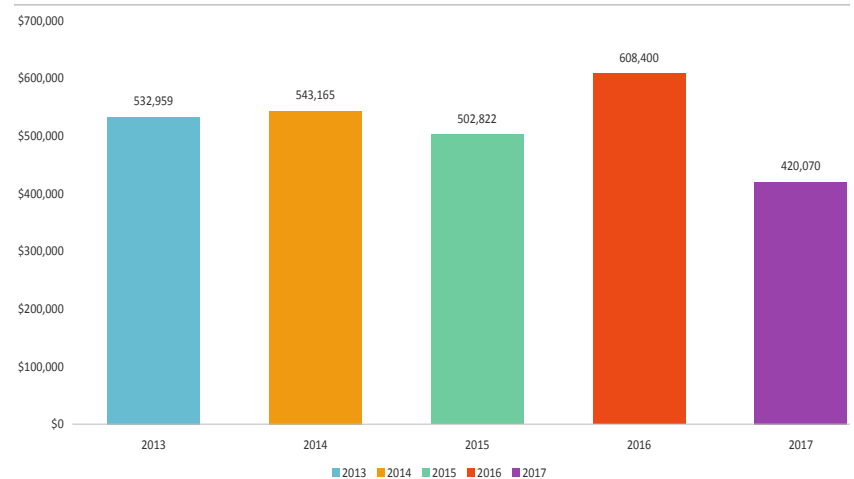
NET INCOME



TOTAL INCOME

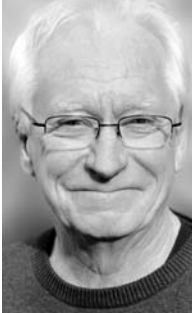


NET OPERATING INCOME



We're Building... a stronger Credit Union

Message from the Board and CEO



Brian Childs
Board President



John de Leeuw
CEO

In comparison to previous years, Ladysmith & District Credit Union, (LDCU), had a relatively quiet year in 2017. Our new branch demonstrated solid growth, interest rates were mostly stable, our insurance subsidiary had another excellent year, and our financial performance remained strong.

In December 2016, we opened our first ever branch in the Oyster Bay commercial development on the Stz'uminus reserve. The results in 2017 demonstrated it was the right thing for our community and our members. In 2017 we opened a total of 160 new accounts at our Stz'uminus branch. That represented 44% of all new accounts opened during the year. Since our opening, the Esso and Tim Hortons have opened, the hotel is nearing completion, and a second building has started construction. Truly a great success story!

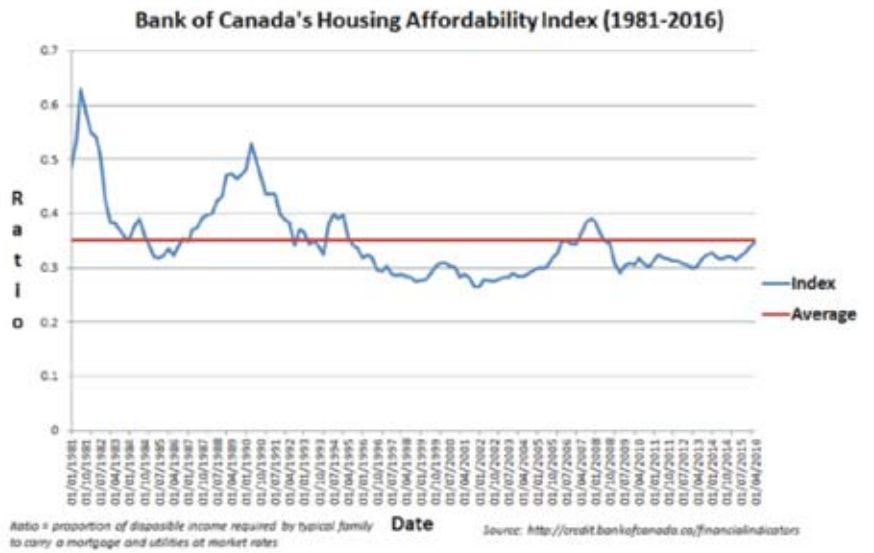
As reported for the last number of years, our industry is still operating within a very low interest rate environment. The impact of this situation will be felt for years, but in 2017 there was finally some upward movement on rates. The Bank of Canada increased their Prime Rate twice, once in July and again in September. These increases affected mainly variable rate loans and mortgages, but this upward trend spilled over into fixed rate mortgages as well. Posted rates for 5-year mortgages jumped above 5% for the first time in almost a decade. Many homeowners have never seen rates this high before and it seems more increases are on the horizon. In addition, the Office of the Superintendent of Financial Institutions announced new stress-testing for mortgage approvals for chartered banks. What does this mean for borrowers? It means that anyone borrowing for a mortgage needs to qualify at the Bank of Canada benchmark rate, or 2% higher than the rate they have negotiated with their financial institution, whichever is higher. The effect of this new stress test and higher rates may be to cool some of the very over-inflated housing markets in major centers in Canada. But higher rates will also have an impact on the Housing Affordability Index.

WE HAVE AGAIN SURPASSED OUR GOALS

Your Board has set the goal of an annual growth rate of 3%, so once again, we have surpassed that goal.

OUR PERSONAL MORGAGE PORTFOLIO GREW BY 11.73%

Personal mortgage growth grew by \$9 million or 11.73% This contributed to our overall loans portfolio which is in excess of \$140 million and growing.



As seen by the above graph, with interest rates remaining near all-time lows, Canada's housing affordability index has been below average since the financial crisis started in 2008. But with house prices spiking in many urban centers like Vancouver, Victoria and Toronto, the index has been moving upwards for the last few years. With interest rate increases in 2017, we are now above the index average for the first time since 2008. The Bank of Canada has a solid resolve to ensure a soft landing in Canada's over-heated housing markets.

As for Ladysmith and the surrounding area, 2017 was a very strong year for the housing market. Invariably, this leads to very strong growth in loans and mortgages. That is in fact what happened at LDCU. Our loan growth broke a record for the second year in a row with growth of \$12.25 million or 9.45%. Our loans portfolio is now in excess of \$140 million and growing. The largest contributor to the growth in 2017 was personal mortgages which grew by \$9 million or 11.73% year over year. Our commercial portfolio grew by \$2.3 million or 7.19%. This growth contributed to our overall growth in assets which was \$7 million or 4.41%. Your Board has set the goal of an annual growth rate of 3%, so once again, we have surpassed that goal. On the deposit side, our deposits grew by over \$6.1 million or just over 4%. With such significant loan growth last year, and much lower deposit growth, our overall liquidity declined significantly, but we remain well above all statutory limits. As reported last year, the on-going low interest rate environment presents challenges to our financial margin. Financial margin is in effect, the difference between how much we collect in loan interest and how much we pay in deposit interest. This figure represents necessary income to maintain operations and growth. In 2017, our financial margin grew for the second year in a row, this year by \$156 thousand or 4.53%. This is a strong and positive trend for the Credit Union.

Several years ago, at our annual Strategic Planning retreat, your Board of Directors updated the Credit Union's Mission, Vision and Values. Each year at our annual retreat we review these core principles to ensure they remain valid. We feel very strongly our current statements represent the core of who LDCU is. They are:



Total income fell slightly from 2016, coming in at just over \$7.4 million. The main reason for the slight decline was the loss on an investment entered into in 2016 that was redeemed in 2017. Operating expenses were up marginally, as we maintain strict cost controls wherever possible. Even as our loan portfolio grows substantially, we work very hard to ensure its safety and soundness. Our provision for loan losses decreased in 2017 and we are proud to report our overall delinquency is also down from last year. Our Net Operating Income is lower than 2016, again as a result of the loss on an investment. With strong results from Other Comprehensive Income, we are proud to report our Net Comprehensive Income is up substantially from 2016. As always, we continue to focus on solid, sustainable growth.

These statements outline who we are, and impact all decisions made from the Board level down. We continue to adhere to the principles that have defined us for over 73 years, Integrity in all our business dealings; Prosperity for our members; Innovation in products; and Social Responsibility within our community. We can add one other principle: Stewardship. We have been stewards of our members' finances for many years, and with leadership and innovation, we will continue to be the largest and strongest financial institution in Ladysmith and the surrounding area.

These strong financial results allow us to continue to support many community initiatives, including Light Up Night, Ladysmith Days, Student Bursaries, Show 'n' Shine, Brits on the Beach, Arts on the Avenue, Ladysmith Little Theater, sports teams and other community events. In 2017 LDCU donated almost \$65,000 to the above named and more. Since 2013, LDCU has averaged almost \$70,000 per year in community donations. In addition, 2017's strong financial results have enabled your Board of Directors to declare a 2.50% annual dividend on Membership Equity Shares. Even with some upward movement in interest rates, a one-year term deposit is still less than 2%, so investing in Equity Shares still makes sense for members at LDCU!

As we look forward to the challenges facing us in 2018, we can look back on the directors and staff that have contributed to LDCU's strong position. In 2017, we had three past directors officially retire from service to LDCU. These past directors had continued to serve on LDCU's Credit Committee, even after retiring from the Board. We would like to formally thank these individuals for their long service to the Credit Union: Marie Polachek who had served as a director since 1988; Joan Adair who had served since 1989; and Ted Girard who had served since 2003. The professionalism and dedication of these, and other directors, has been a hallmark of those who have served selflessly since our incorporation in 1944. Thank you, Marie, Joan and Ted!

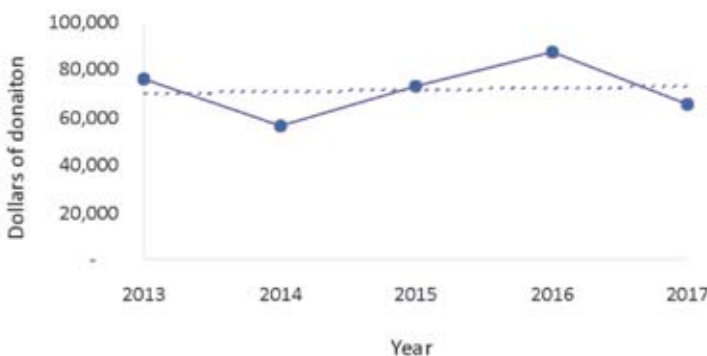
With continued strong growth, solid net income, and service to our community as our trademark, LDCU will continue to thrive and bring strong, innovative, and responsible financial services to our membership and our community. As always, the dedication of our entire team is responsible for our success. We would like to thank each and every one of our Board, Management and Staff for a job well done.

Respectfully submitted,

Brian Childs
President, Board of Directors

John de Leeuw
CEO

Donations 2013-2017



We're Building... stronger local businesses

Credit Committee Report 2017

THE DOLLAR VALUE OF APPROVALS SET A RECORD FOR THE SECOND CONSECUTIVE YEAR

“2017 was underpinned by a strong economy, employment growth and rising wages.”

- Cameron Muir,
BCREA Chief Economist

“We had an excellent year in commercial lending which contributed to the dollar value of approvals which set a record for the second consecutive year.”

The lending statistics at your Credit Union in 2017 absolutely mirrored the trend in the real estate market on Vancouver Island. The total number of single family detached homes sold were down from 2016, but prices were higher. According to the Vancouver Island Real Estate Board, the total sales in the Cowichan Valley in 2017 fell to 963 from 1,030 in 2016. That was a drop of 7%. However, the average sale price of a home increased from \$389,867 to \$454,533 in 2017. This represented a significant price increase of 17% year over year.¹

What were the factors that contributed to higher prices? “Robust housing demand in 2017 was underpinned by a strong economy, employment growth and rising wages,” said Cameron Muir, BCREA Chief Economist.² Another reason for the increase in house prices was the lack of inventory. According to the Vancouver Island Real Estate Board, at the end of December 2017, the total inventory of homes for sale on Vancouver Island stood at 762, the lowest level since they started tracking those statistics in 1999.³

At LDCU, the total number of loans approved dropped from 2016, but the total dollar value actually increased. This increase was led by higher prices for properties, despite lower sales volumes.

In 2017, we granted a total of 238 loans and mortgages, a decrease of 15% from 2016. While the number of loan approvals declined year over year, the dollar value of approvals set a record for the second consecutive year. In 2017 we granted in excess of \$48.8 million of loans and mortgages an increase of 7.32%. Once again personal mortgages led the way with over \$29 million dollars of approved mortgages. In addition to the increase in personal mortgage lending, we had an excellent year in commercial lending as well. Although the total number of approved credit facilities declined marginally, the total dollar value of loans increased for the second year in a row. Our commercial portfolio has grown five out of the last six years, as we continue to support our local business community.

The following is a complete summary of the loans and mortgages granted in 2017 & 2016:

| | # | 2017 | # | 2016 |
|---------------------|-----|------------|-----|------------|
| Personal Mortgages | 119 | 29,257,881 | 125 | 27,743,500 |
| Business/Commercial | 28 | 12,526,953 | 34 | 11,759,347 |
| Miscellaneous | 8 | 158,538 | 12 | 162,794 |
| Automobile | 12 | 248,950 | 17 | 256,327 |
| RV's, Boats, etc. | 3 | 85,518 | 3 | 26,572 |
| Mobile Homes | 1 | 114,631 | 3 | 239,687 |
| Taxes, RSP's, etc. | 0 | 0 | 0 | 0 |
| Consolidation | 10 | 141,735 | 23 | 610,479 |
| Lines of Credit | 57 | 6,339,800 | 64 | 4,741,340 |
| Totals | 238 | 48,874,006 | 281 | 45,540,046 |

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

1. http://www.vireb.com/assets/uploads/2017_annual_sales_summary_1939.pdf

2. <http://bcrea.bc.ca/news-and-publications/news-room/news-releases/2017-12-statistical-release>

3. http://www.vireb.com/assets/uploads/12dec_17_vireb_sales_summary_media_release_64293.pdf

A picture is worth a thousand words.

Let us review your insurance policies to ensure you're getting the right coverage at the right price.

Now that's smart.

SMART Insurance, available only at LCU Insurance.

Smart People. Smart Choice.

Exclusively from:



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.

Our Community. Your Credit Union.™

Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2017

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, 2017, 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, 2017. We expressed an unmodified audit opinion on those financial statements in our report dated March 27, 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, 2017 is a fair summary of those consolidated financial statements.

Abbotsford, British Columbia

March 27, 2018

MNP LLP

Chartered Professional Accountants

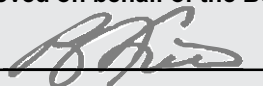
Ladysmith & District Credit Union

Summarized Consolidated Statement of Financial Position

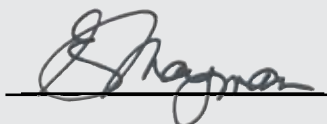
As at December 31, 2017

| | 2017 | 2016 |
|--|--------------------|--------------------|
| Assets | | |
| Cash and cash equivalents | 1,136,725 | 7,698,295 |
| Financial investments | 12,871,273 | 16,797,579 |
| Derivative financial instruments | - | 298,445 |
| Trade and other receivables | 5,688,122 | 702,084 |
| Income taxes recoverable | - | 35,892 |
| Loans to members | 141,864,856 | 129,611,116 |
| Deferred tax assets | 19,900 | 19,900 |
| Premises and equipment | 4,738,608 | 3,978,014 |
| Intangible assets | 1,174,096 | 1,265,771 |
| | 167,493,580 | 160,407,096 |
| Liabilities | | |
| Member deposits | 157,168,041 | 151,011,389 |
| Other liabilities | 483,139 | 562,476 |
| Deferred tax liabilities | 307,000 | 221,000 |
| Derivative financial instruments | 308,565 | - |
| | 158,266,745 | 151,794,865 |
| Members' equity | | |
| Retained earnings | 8,415,707 | 8,245,026 |
| Accumulated other comprehensive income | 811,128 | 367,205 |
| | 9,226,835 | 8,612,231 |
| | 167,493,580 | 160,407,096 |

Approved on behalf of the Board



Brian Childs
President of the Board



Elaine Layman
Chair, Audit Committee

Ladysmith & District Credit Union
Summarized Consolidated Statement of Profit

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|------------------|-----------|
| Financial income | | |
| Interest on member loans | 5,252,643 | 4,991,680 |
| Cash resources and investments | 723,025 | 934,790 |
| | 5,975,668 | 5,926,470 |
| Financial expense | | |
| Interest on member deposits | 2,370,213 | 2,476,536 |
| Interest on borrowed funds | 9,956 | 10,413 |
| | 2,380,169 | 2,486,949 |
| Financial margin | 3,595,499 | 3,439,521 |
| Provision for impairment on loans to members | 115,488 | 181,306 |
| | 3,480,011 | 3,258,215 |
| Other income | 1,442,618 | 1,640,491 |
| Operating margin | 4,922,629 | 4,898,706 |
| Operating Expenses | 4,502,559 | 4,290,306 |
| Income from operations | 420,070 | 608,400 |
| Distribution to members | 60,757 | 57,202 |
| Income before income taxes | 359,313 | 551,198 |
| Provision for (recovery of) income taxes | | |
| Current | 102,632 | 122,632 |
| Deferred | 86,000 | (19,000) |
| | 188,632 | 103,632 |
| Profit for the year | 170,681 | 447,566 |

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, 2017

| | 2017 | 2016 |
|--|------------------|-------------|
| Profit for the year | 170,681 | 447,566 |
| Other comprehensive income (loss): | | |
| Net losses on derivatives designated as cash flow hedges | (531,226) | (292,106) |
| Income tax recovery relating to losses on derivatives designated as cash flow hedges | 90,300 | 52,600 |
| Change in unrealized gains (losses) on available for sale assets | 205,052 | (205,052) |
| Income tax recovery (expense) relating to the change in unrealized gains (losses) on available-for-sale assets | (36,900) | 36,900 |
| Change in unrealized gains on revaluation of land and buildings | 716,697 | 258,039 |
| Other comprehensive income (loss) for the year, net of income tax | 443,923 | (149,619) |
| Total comprehensive income for the year | 614,604 | 297,947 |

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, 2017

| | <i>Retained</i> | <i>Accumulated other comprehensive</i> | <i>Total equity</i> |
|---|------------------|--|---------------------|
| | <i>earnings</i> | <i>income</i> | |
| Balance December 31, 2015 | 7,797,460 | 516,824 | 8,314,284 |
| Profit for the year | 447,566 | - | 447,566 |
| Other comprehensive loss for the year | - | (149,619) | (149,619) |
| Balance December 31, 2016 | 8,245,026 | 367,205 | 8,612,231 |
| Profit for the year | 170,681 | - | 170,681 |
| Other comprehensive income for the year | - | 443,923 | 443,923 |
| Balance December 31, 2017 | 8,415,707 | 811,128 | 9,226,835 |

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, 2017

| | 2017 | 2016 |
|--|--------------------|--------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Profit for the year | 170,681 | 447,566 |
| Unrealized (gains) losses on revaluation of land and buildings through profit and loss | (76,492) | 226,900 |
| Depreciation of premises and equipment | 179,739 | 120,597 |
| Depreciation of intangible assets | 162,793 | 169,017 |
| Deferred income taxes | 86,000 | (19,000) |
| Gain on disposal of premises and equipment | (474) | - |
| Provision for impairment on loans to members | 115,488 | 181,306 |
| Hedge ineffectiveness on derivative financial instruments | 15,147 | 7,115 |
| Changes in working capital accounts | | |
| Trade and other receivables | (4,986,038) | 2,942 |
| Income taxes payable/recoverable | 89,324 | 58,578 |
| Other liabilities | (79,369) | 95,880 |
| Accrued interest on loans to members | (22,292) | 40,587 |
| Accrued interest on member deposits | (8,013) | (149,973) |
| Accrued interest on interest rate swaps | 60,638 | 64,981 |
| | (4,292,868) | 1,246,496 |
| Financing activities | | |
| Net change in member deposits | 6,164,663 | 6,032,680 |
| Investing activities | | |
| Net change in loans to members | (12,346,936) | (8,357,845) |
| Net change in financial investments | 4,131,358 | 3,325,309 |
| Purchases of premises and equipment | (147,647) | (534,685) |
| Purchases of intangible assets | (71,118) | (45,057) |
| Proceeds from disposal of premises and equipment | 978 | - |
| Proceeds from sale of property held for resale | - | 182,229 |
| | (8,433,365) | (5,430,049) |
| Increase (decrease) in cash and cash equivalents | (6,561,570) | 1,849,127 |
| Cash and cash equivalents, beginning of year | 7,698,295 | 5,849,168 |
| Cash and cash equivalents, end of year | 1,136,725 | 7,698,295 |

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, 2017

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, 2017 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, 2017. Those audited consolidated financial statements were approved by the Credit Union's Board of Directors on March 27, 2017 and can be obtained at our branch.



Our Community. Your Credit Union.™

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