



The Path Forward

2021
ANNUAL REPORT



LDCU - The Board



Elaine Layman - President

Elaine joined the Credit Union in 1992 when she and her family first moved to Ladysmith. Elaine is a Chartered Professional Accountant and owns and operates The Layman Group, a full service accounting and financial planning company in Ladysmith. Elaine has been active in the Ladysmith community for many years; she has previous experience serving on boards as she was the President of the Ladysmith Resource Centre and the Ladysmith Chamber of Commerce for several years. Elaine was appointed to the Credit Union Board in the fall of 2009 where she currently serves as President, and is a member of the Governance, Credit, and Audit & Risk Committees. Elaine is a graduate of the Credit Union Director

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



Rob Viala - Director

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

a graduate of the Credit Union Director Achievement Program.



Ross Davis - Vice President

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

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



Gerry Clarke - Director

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



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 in a consulting role, as well as involvement with the Parks, Recreation and Culture Advisory Committee to Town Council. He currently serves as the Recording Secretary for the Board, and is a member of the Management, Conduct Review, and Investment

& Lending Committees. In addition, Tim is a graduate of the Credit Union Director Achievement Program.

LDCU - Staff

Alexander, Carrie	Lending Services
Armishaw, Matthew	IT and Support Services
Bakker, Jennifer	Member Services
Berrow, McRae	Member Services
Boschman, Nicholas	IT and Support Services
Bradbury, Carolyn	Insurance Services
Bryson, Ashley	Member Services
Cawthra, Cindy	Insurance Services
Clark, Kimberley	Support Services
Cooke, Madison	Support Services
Copiak, Sherri	Member Services
de Leeuw, John	Executive Services
Dice, Tyra	Member Services
Dougan, Megan	Executive Services
Forrest, Connie	Support Services
Harte, Valerie	Member Services
Haugen, Kendre	Mobile Mortgage Services
Henn, Courtney	Member Services
Jamieson, David	Lending Services
King, Calvin	IT and Support Services
King, Linda	Executive Services
Kong, Charlene	Insurance Services

AGENDA



David O'Connor - Director

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



Carol Warkentin - Director

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

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

1. Reading and Approval of the Minutes of the 76th AGM.
2. Business Arising out of the Minutes.
3. Director's Report.
4. Credit Committee Report.
5. CEO's Report.
6. Auditor's Report.
7. Special Resolution.
8. Election of Directors.
9. Remuneration of Directors.
10. Appointment of Auditors.
11. New or Unfinished Business.
12. Good and Welfare.

Layzell, Jenna
Malli, Victor
Marchenko, Luda
McDonnell, Hannah
Moore, Brenda
Orr, Brooke
Phillip, Kanisha
Qualizza, Roberto
Qualizza, Sandra
Reilly, Melissa
Reinhart, Hana
Rickett, Shelly
Robinson, Kailee
Schaefer, Nicole
Sibanda, Bryan
Smith, Madeline
St Laurent, Anne
Vadeboncoeur, Denine
Yugteveen, Samantha
Wilson, Mitch
Zoumanigui, Richard

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

Thank You

"Since our inception in 1944, we have been a community based Credit Union. LDCU would not have gotten to where we are today without the strong support of our community and the hard work of staff and directors whose dedication is manifest in continuing personal education and development to better serve our members and our community."

We've Got You.

LDCU \$75 Gift Certificate rewards members and helps the economy.

To support our community and to reward our members, we will give everyone who attends our AGM a \$75 gift certificate to spend at local businesses. Last year, that amounted to almost \$13,000 injected directly to help stimulate the Ladysmith economy.



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Our Community. Your Credit Union.™

Minutes of the 76th Annual General Meeting of Ladysmith & District Credit Union May 4, 2021

1. Welcome:

President Elaine Layman welcomed members and guests to the 76th Annual General Meeting of the Ladysmith & District Credit Union (LDCU) noting it was now our second virtual meeting due to BC Provincial Health Orders.

She acknowledged that we stand on the traditional territories of the Stz'uminus First Nation and thanked them, as original keepers of this land, for their work and dedication to this land we call home.

2. Introductions:

President Elaine introduced the members of the Board of Directors as follows: Ross Davis, Tim Richards, Rob Viala, David O'Connor, Gerry Clark and Carol Warkentin. She then introduced Chief Executive Officer (CEO) John de Leeuw and Debbie Bass from the accounting firm of MNP.

3. Quorum

President Elaine declared a quorum with 171 members present and noted there are 5 guests in attendance.

4. Meeting Documents

CEO John de Leeuw advised that today's meeting documents were provided to members on the AGM registration page of the LDCU website and include the Agenda, Minutes of the 75th AGM and the 2020 Annual Report.

5. Viewing, Voting and Questions

CEO John de Leeuw outlined how to best view the AGM on electronic devices. CEO John de Leeuw then outlined in detail the new procedures in place for virtual voting and member questions.

6. Rules of Order

CEO John de Leeuw then displayed the Rules of Order and read them out. He asked if anyone had any questions. No one inquired.

7. Agenda Approval

President Elaine called for a motion to approve the agenda for this AGM as outlined in the meeting documents. This was moved by Melanie Davis and seconded by Robert Volkman. Carried by the membership.

8. 75th AGM Minutes:

President Elaine called for a motion to approve the minutes of the 75th Annual General Meeting, located in the meeting documents. This was moved by Sam Aurala and seconded by Kanisha Phillip. Carried by the membership.

9. Business Arising:

President Elaine then asked if there was any business arising from the 2020 AGM minutes. None was raised.

10. Board Report

President Elaine advised that she trusted everyone had a chance to read the Board Report contained in the meeting documents and highlighted them as follows:

- Thank you everyone for attending our 76th AGM to learn more about LDCU and our 2020 successes. This AGM is held virtually for the second time due to the pandemic and, with a record number of attendees, we are able to reach more members and usher in a new era. We are proud of how we have handled the pandemic implementing emergency relief loans, mortgage deferrals, pandemic protocols, all with exceptional service. We hope for a return to normal once vaccinations are completed.

- The Credit Union had another very strong year. Our growth was well above our goals, and all our financial ratios remain at or above industry standards.
 - o Even with the highest loan growth in our history, our liquidity ratios remained high.
 - o Our capital ratio grew as well, and we transferred a record amount to our retained earnings.
 - o Our revenue defied all expectations that would accompany a pandemic and the resulting interest rate decline.
 - o Our subsidiaries had record years in terms of gross income, and both exceeded their budgetary targets.
 - o Our Net Operating Income for the year was among the best we have ever had.
- These results, in the midst of an economic shut down are nothing short of extraordinary and a testament to our long-term decision-making and to our staff.
- We came up with some creative ideas to support our community during the pandemic. Due to the limited events for the graduating high school graduates, we sponsored large signs, each holding a high school graduates' picture. They were placed on the school grounds during graduation for all to see and were a huge hit. This was in addition to the thousands of dollars in Bursaries and Scholarships we provide to our graduates.
- I am pleased to be able to offer another message of the Credit Union's strength and its commitment to our members. Our recent history has held consistent growth which is rooted in strategic decisions and a solid effort from directors, management and staff. We have weathered the recent economic upheaval as well, or better than we could have ever expected. We continue to work hard building our future with continued dedication to our original ideals of cooperation and democratic ownership of a strong and resilient community-based Credit Union.
- I would like to thank CEO John de Leeuw, his management team and the staff for their hard work. I would also like to thank my fellow directors for their continued tireless service to the Credit Union. I am honoured to serve as your President and fellow stake-holder in the Credit Union.

President Elaine then inquired if there were any questions about the Board Report. None were raised. She then called for a motion to approve the Board Report. This was moved by Elizabeth de Leeuw and seconded by Kendre Haugen. Carried by the membership.

11. Credit Committee Report

CEO John de Leeuw outlined the strong growth LDCU had in 2020 showing comparison graphs.

President Elaine called for a motion to approve the 2020 Credit Committee Report as outlined in the meeting documents. This was moved by Tracy Paterson, seconded by Tyya Dice. Carried by the membership.

12. CEO Report

CEO John de Leeuw then presented the CEO Report noting:

- CEO John noted that 2020 was unprecedented with the pandemic effecting every family and industry. He outlined the effect on businesses, our community, the Credit Union and noted how the low interest rates environment along with the surge in housing demand has increased home prices in Ladysmith.
- John outlined LDCU's 2020 financial results noting:
 - o LDCU grew by \$26 million to over \$217 million and, with the growth in 2018 and 2019 of \$12.7 million and \$11 million respectively, your Credit

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But few who offer guidance.”

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Minutes of the 76th Annual General Meeting of Ladysmith & District Credit Union May 4, 2021

Union has grown by almost \$50 million in the past three years bringing our total assets under administration to almost \$290 million.

- o The Loans Portfolio grew by more than \$21 million, a record year and almost double our previous record. In the past five years, our portfolio has increased by over \$40 million.
- o Deposit growth was very impressive with a growth of \$24.5 million, totaling over \$200 million for the first time ever. In the past five years our deposit portfolio has grown by over \$52.5 million.
- o Asset growth continued to mirror our deposit and loan growth very closely.
- o Personal and commercial mortgages account for \$149 million of our total loan portfolio of \$169 million.
- o Our demand deposit portfolio had a tremendous year in 2020, rising by over \$21 million.
- o Our financial margin increased to over \$4 million for the first time. This is due to a further decrease in financial expense (\$2.7 million) compared to the decrease in financial income (almost \$200,000).
- o Other Income increased to \$2.3 million. This was mainly due to record income from our subsidiaries, LCU Insurance, and LDCU Financial.
- o Operating Expenses rose by \$174,000 totaling \$5.1 million. This category includes advertising, data processing, salaries & benefits, etc. The majority of this increase has been salaries and benefits, rising by over \$527,000 in the past two years, and is the single largest expense of the Credit Union, surpassing even interest expense.
- o Total Income to Salary/Benefit ratio was 32.80%, representing the fifth consecutive year it has exceeded 30%, a ratio that starts to impair long-term sustainability. We need to find ways to keep this significant operating expense at a level that enables the Credit Union to be financially strong for the long-term future of our employees and our members.
- o Other significant operating costs were outlined to the members and it was noted that the categories that hold the largest amounts are Premises and Equipment and Depreciation. Depreciation will continue to lead the way for the next few years as we continue to amortize our banking system conversion along with the purchase of our wealth management portfolio.
- o Net Operating Income from operations was over \$1.4 million and up significantly from 2019.
- o The transfer to Retained Earnings was more than \$1.2 million and LDCU currently holds over \$12.2 million in members' equity.
- John advised that he held an in-person meeting with staff for service recognition and the membership viewed a presentation of each staff person being recognized along with their length of service and noted:
 - o Our staff demonstrated courage and commitment during the pandemic, never losing their desire to serve our members and community, they continue to do so with smiles and humour. I am honoured to work beside them.
- John specifically thanked the IT Team for setting up this virtual meeting and Executive Assistant Linda King for her work on behalf of himself and the Board.

President Elaine asked for a motion to approve the CEO's Report as presented. This was moved by Greg Robinson and seconded by Brenda Barber. Carried by the membership.

13. Auditor's Report

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 2020 consolidated statements fairly represent the financial position of LDCU. Debbie asked if there were any questions on the

Auditor's Report. There were no questions.

President Elaine thanked Debbie and her entire team and asked for a motion to approve the Auditor's Report as presented. This was moved by Brian King and seconded by Ross Davis. Carried by the membership.

14. Nominating Committee Report

Nominating Committee Chairperson, Director David O'Connor, presented the Nominating Committee report. David outlined the guidelines followed when directors reach the end of their term and outlined the newsletter that was sent to the LDCU's membership stating the expiration of the terms of two directors. David advised that the two directors whose terms are expiring are Rob Viala and Gerry Clarke, each who have completed a nomination package and that no other nominations were received. David advised that pursuant to Article 4.14 of the Credit Union Rules, Rob Viala and Gerry Clarke are elected via acclamation. Rob Viala and Gerry Clarke will serve three years and their terms will expire at the 2024 AGM. David thanked Rob Viala and Gerry Clarke for letting their names stand for another term.

President Elaine asked for a motion to accept the Nominating Report as presented. This was moved by Anita McLeod and seconded by Ralph Olson. Carried by the membership.

15. Appointment of Auditors for 2021

President Elaine asked for a motion that MNP be appointed auditors for 2021 with the Board given the authority to set their remuneration. It was moved by Gary Redmond and seconded by Kara Olson. Carried by the membership.

16. New or Unfinished Business

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

17. Fraud Prevention Presentation

John presented to the membership a presentation on Fraud Prevention.

18. Announcement of Gift Certificates

President Elaine advised that every member attending this meeting is able to choose through a Webex drop down box a \$75 gift certificate to one of the following local businesses:

- Cottonwood Golf Course
- Wild Poppy Market
- Plantitude
- White Space Living
- Old Town Bakery
- Bouma Meat Market
- Worldly Gourmet Kitchen Store
- Chopstix Salon

She noted that these gift certificates will be available for pick up in our main branch on Monday, May 10th, 2021.

19. Thank you and Adjournment:

President Elaine thanked all members for attending our 76th AGM. In addition, she thanked the Directors and the Staff for another excellent year and their hard work and, in particular, the IT Department for putting on another successful virtual AGM.

The meeting was adjourned at 8:00 pm through a motion by Anita McLeod.

The Path Forward

Message from the Board and CEO



Elaine Layman
Board President



John de Leeuw
CEO

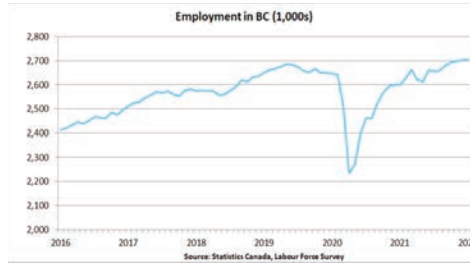
With the incredibly strong results this year, your Board of Directors have demonstrated their commitment to our membership by announcing a 3.50% dividend on Membership Equity Shares.

This is an extremely high dividend considering a 5 year term deposit is currently still less than 1%.

“Our Path Forward for our Strategic Plan calls for strong, steady and sustainable growth

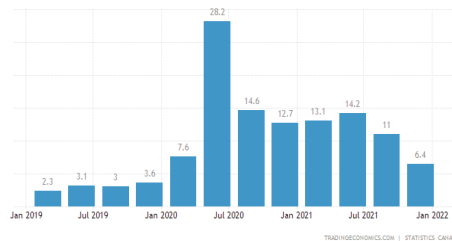
We will continue to make decisions with the long-term benefits of our members and our community as our top priority.”

In 2021, we experienced another year of Covid-19. This year however, was different than 2020 in that the pandemic felt more entrenched into everyday life. We realized the virus was here to stay, so we needed to learn to deal with it. And we did. People were getting vaccinated at unprecedented rates, they were wearing masks, and businesses were adapting. While there was still significant uncertainty, the level of outright fear had declined. We fought back against the virus, and cases started to decline precipitously. We turned fear into determination, and our economy responded. Employment in BC rebounded to pre-pandemic levels. In fact, employment in BC is now higher than the peak of 2019.



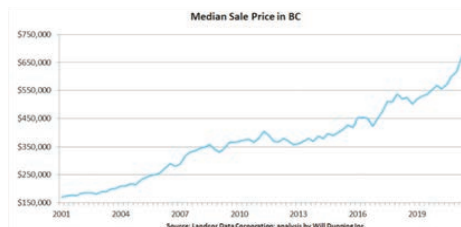
A year ago we reported that government intervention poured billions of dollars into the economy, and Canadians were taking the opportunity to save at unparalleled rates. With the global economy basically shut down, there was nowhere for anyone to spend this windfall. Travel was restricted, stores were shuttered, and people were staying close to home. Now a year later, the economy is on track to return to a new normal, travel is opening up, and people are eager to get back to a sense of normalcy. This has led to increased spending, driving down this unprecedented rate of saving. Despite this change, the degree of saving remains more than double pre-pandemic levels.

Canada Household Saving Rate



As was the case a year ago, interest rates have not contributed to this healthy return for Canadians' savings accounts. Interest rates throughout 2021 remained at historically low levels. This did little to encourage super-savers, but was rocket fuel to the housing market and house prices. Mortgage rates remained at all-time lows for the entire year of 2021, with variable rates falling as low as 1.25% for a 5 year term.

These ultra-low rates have contributed to an incredibly hot housing market in BC and on Vancouver Island. Coupled with these historically low rates has been a lack of available inventory of properties for sale. As detailed in our Credit Committee Report, inventory on Vancouver Island fell to just 223 single detached units for sale in December of 2021. The low rates and declining inventory could best be described as the “perfect storm” for house prices. Indeed, prices throughout BC continued to rise to unheard of levels all though 2021, culminating in a median sale price of \$700,000 by the end of the year. This new median price represents an increase of 17% in a single year! Since 2001, house prices have risen by 7% annually, increasing from \$160,000 to the aforementioned \$700,000.



As for Vancouver Island specifically, the median sale price of a detached home increased by 21.8% in the past year. These ever-increasing prices have made it very difficult for many to realize the dream of home-ownership, but the challenge is only just beginning. There are storm clouds on the horizon. With the federal government printing vast sums of Canadian dollars, and spending on the rise, the inevitable result

is higher inflation. During the first quarter of 2022, inflation rose to 5.7%, the highest rate since 1991. With this rising inflation, the Bank of Canada will have no choice but to raise interest rates to slow that rising number. The downside is that rising rates, united with high prices, makes housing costs significantly higher and erodes affordability. In fact, the chart below demonstrates rapidly rising mortgage costs for home owners in BC. With the average over time showing as an affordability index of 100, costs are now at 126.2 as at the end of December 2021. With rates already rising in 2022, mortgage costs will only continue to rise.



The housing market in Ladysmith has mirrored that of the rest of BC: low inventory and rising prices. It seems every year we report a new record for the median sale price of detached homes. This report will not be an exception to that rule.

In fact, the median sale price of a detached home in Ladysmith rose from \$542,857 last year to \$665,000 in 2021. That is an increase of 22.69% year over year.

With rising inflation, rising prices, and rising interest rates, the future holds significant challenges for the Bank of Canada; federal and provincial governments; for Canadians; and for the Ladysmith & District Credit Union. We have all demonstrated our resilience in the past two years, and we are confident your Credit Union has positioned itself to weather the new economic environment. In fact, we can celebrate 2021 to be the strongest year of growth in our history! Each year we continue to gain strength and momentum, and demonstrate our ongoing commitment to our membership and our community. This past year our assets grew by more than \$26,000,000 or 12%. As at the end of 2021 our consolidated assets exceeded \$244 million.



For the second year in a row, our loans portfolio grew by over \$21,000,000 surpassing \$190,000,000 for the first time. In the past two years alone our loans portfolio has grown by over 26%! This is the result of the strong housing market in Ladysmith and the surrounding area. Leading this growth was our personal mortgage portfolio which increased by 14.35% year over year. Not to be

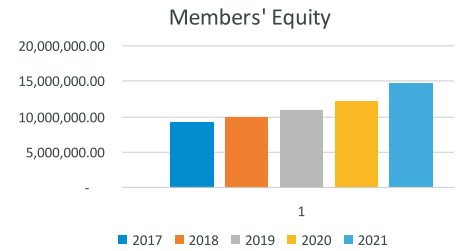
outdone, our deposit portfolio had another strong year of growth, increasing by over \$21,000,000, finishing just shy of a record year. Our total deposits are now approaching \$230,000,000.

On the income side, we can report another outstanding year. Our total income increased by 6.90% in 2021 to more than \$10,000,000. Also a record! Leading the way was another improvement in our financial margin which increased by over \$310,000 finishing the year at \$4.6 million. Our financial margin has increased by more than 18% in the last two years alone. Where does this impact us the most? Our Net Operating Income (NOI), of course. And in 2021 we had a record for NOI which exceeded \$2,000,000 for the first time in our history. Contributing to this incredibly strong NOI was the performance of our two subsidiaries: LCU Insurance Agencies Ltd., and LDCU Financial Management Ltd. Both experienced challenges this year from ICBC changes, to volatile financial markets. Despite these trials, both entities performed strongly, delivering above budget results. We continue to benefit from the strong leadership teams within the Credit Union and its two subsidiaries.

These solid financial results have enabled us to post incredibly strong quantitative ratios as at the end of 2021. One of our strongest ratios was our Return on Assets (ROA). At the end of 2021 this ratio was calculated at 92 bps. In comparison, the Credit Union system average was 65 bps. This clearly demonstrates how well LDCU

has performed when equated to the rest of the Credit Unions in BC. This robust NOI has allowed us to increase our Members' Equity by almost \$2,500,000 to over \$14.7 million.

Our Members' Equity has a direct impact on our Capital Ratio. As a provincially regulated Credit Union, we are required by the Financial Institutions Act to carry a minimum of 8% capital. At the end of 2021, our Capital Adequacy Ratio was 15.17%, almost double the statutory requirement. Despite our record levels of loan growth, we maintained our liquidity ratio well above statutory requirements as well. At the end of the year our Liquidity Ratio was 18.53%, more than 131% above the minimums prescribed by the Financial Institutions Act.



With the incredibly strong results this year, your Board of Directors have demonstrated their commitment to our membership by announcing a 3.50% dividend on Membership Equity Shares. This is an extremely high dividend considering a 5 year term deposit is currently still less than 1%. In fact, if you had deposited \$1,000 in your Membership Equity Shares five years ago, that investment would have grown by an annual average of 3.07% compared to an average of 1.55% for a 5 year term invested at the same time. That's a difference of 98.79% more Return on Investment for Membership Equity Shares as compared to a 5 year term deposit. Membership has its benefits!

The theme of our AGM this year is: The Path Forward. We think this is appropriate based on the experiences of the past two years. These years have been filled with uncertainty, and even fear. We have all suffered at the hands of an implacable virus. The economy remains unclear at best, and negative at worst. There has been volatility, the likes of which some of us have never experienced. Interest rates appear to be heading significantly higher, and this is instilling more fear. However, as we continue to navigate uncertain waters, we can reassure our members and our community of the steady hands piloting your Credit Union. We have circumvented the worst the pandemic has to offer, and continue to walk the Path Forward with strength and courage.

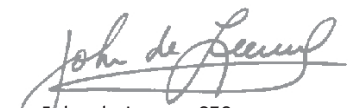
We will not relax our vigilance, nor will we take last year's achievements for granted. Our Strategic Plan calls for strong, steady and sustainable growth. It also calls for LDCU to contribute to making Ladysmith the best place to live, work and play. As such, we will continue to make decisions with the long-term benefits of our members and our community as our top priority.

As always, and even more so as we journey on the Path Forward, we would like to thank our staff and directors for their ongoing courage, commitment and service. With every passing year they show their loyalty and perseverance to the ideal of a community based Credit Union. That vision was created almost 78 years ago, by individuals who believed our town would best be served by a financial institution that had its roots imbedded deeply in the soil of our community. And today, we stand on the shoulders of these giants, preserving their legacy, and striding boldly into the 21st century, a strong, vibrant, financially sound Credit Union.

And as always, we thank you, our members. We remain forever grateful for your trust and support, without which we could not continue to thrive and prosper. The vision created almost 78 years ago is never been more important. Let us walk The Path Forward together, a resilient membership, Credit Union, Town, and community.

Respectfully submitted,


Elaine Layman, President


John de Leeuw, CEO

We've Got You.

3.50%

DIVIDEND

The LDCU Board of Directors is proud to announce a 3.50% Dividend on Member Equity Shares. Come in today, become a member and start sharing in our success.



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The Path Forward

Credit Committee Report 2021

The total dollar value of loans granted was \$79,707,474, up more than \$15 million compared to 2020, a jump of over 24.5%.

“Leading this growth was our personal mortgage portfolio which increased by 14.35% year over year.”

“Even with our record levels of loan growth, we maintained our liquidity ratio well above statutory requirements as well.

At the end of the year our Liquidity Ratio was 18.53%, more than 131% above the minimums prescribed by the Financial Institutions Act.”

Despite another year under the influence of Covid-19 restrictions, the Vancouver Island real estate market showed surprising statistics. It could very well have been a record year for residential home sales except the market was continually dogged with low inventory. In fact, the active listings of single-family detached properties throughout Vancouver Island were 223 in December 2021, down 47% from December of 2020, once again setting a record for the lowest number of active listings ever.¹ Notwithstanding the lower inventory numbers, total sales in the Cowichan Valley rose for the second year in a row, from 809 in 2020 to 884 in 2021, an increase of 9.27%.² With the continued buyer's market conditions persisting throughout Vancouver Island, prices continued their historic rise. In the Cowichan Valley, the average sale price of a single-family residential home rose to \$742,103 in 2021, an increase of 29.89% year over year.³ This annual increase coupled with the rise in 2020 has resulted in the average sale price of a home in the Cowichan Valley rising by over 42% in the past two years alone. Specific to Ladysmith, total residential sales in 2021 were 245 units as compared to 196 in 2020. This represents an increase of 25%, which is incredibly impressive considering the low market inventory. As with the rest of Vancouver Island, prices in Ladysmith climbed substantially, with the median sale price for a detached residential home rising from \$542,857 in 2020 to \$665,000 in 2021. This represents an annual increase of 22.69%.⁴

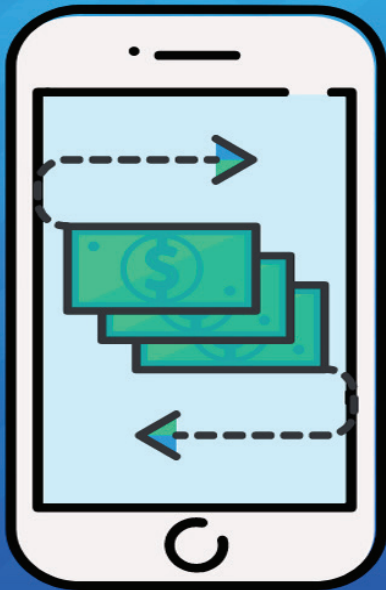
At LDCU, our loans portfolio statistics remained vibrant. Despite the slightly lower number of approved loans, we once again set a record for the highest dollar value of loans approved in our history. This is the second consecutive year in a row with that distinction. The total dollar value of loans granted was \$79,707,474 which was up more than \$15 million compared to 2020, a jump of over 24.5%. As for number of loans approved, we granted a total of 291 loans, down slightly from 2020. Leading again in 2021 were personal mortgages with over \$45 million approved, an increase of 23% over 2020. While the totals for commercial lending appear to be slightly lower, it should be noted we approved 59 CEBA loans in 2020 which inflated our commercial numbers that year. Overall, it was another amazing year of lending for LDCU, with a terrific effort from all our lending personnel, and demonstrating our on-going commitment to our community.

The following is a complete summary of the loans and mortgages granted in 2021 & 2020:

	#	2021	#	2020
Personal Mortgages	123	45,712,549	112	36,949,873
Business/Commercial	60	20,634,244	91	21,439,275
Miscellaneous	4	69,050	15	133,565
Automobile	4	76,615	8	142,970
RV's, Boats, etc.	2	50,072	1	16,500
Mobile Homes	3	415,366	1	59,280
Taxes, RSP's, etc.	1	2,000	0	0
Consolidation	6	91,217	9	105,117
Lines of Credit	88	12,656,361	58	5,175,151
Totals	291	79,707,474	295	64,021,731

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

1. http://www.vireb.com/assets/uploads/12dec_21_vireb_stats_media_release_64846.pdf
2. http://www.vireb.com/assets/uploads/2021_annual_res_sales_summary_1939.pdf
3. http://www.vireb.com/assets/uploads/2021_annual_res_sales_summary_1939.pdf
4. Landcor Data Corp.



E-transfer Autodeposit

- Register for autodeposit - Autodeposit will allow you to have money automatically deposited without answering a security question.
- This makes it more difficult for fraudsters to intercept the transfer.
- Beware of unexpected transfers - do not click on any links in e-Transfer notifications from a sender you don't recognize.
- Be careful what you share on social media – fraudsters visit social media pages to find relevant information about you.



Protect Yourself Online

- Don't overshare – be careful what personal information you share online.
- Create Strong Passwords – use combination passphrases that are easy for you to remember but hard for others to guess.
- Use Multifactor Authentication – take advantage of multifactor authentication for your online accounts when available.
- Protect your devices – install antivirus software and keep your device secure with a screen lock.
- Beware if you receive a message that pressurizes you to act.



Remote Deposit Capture

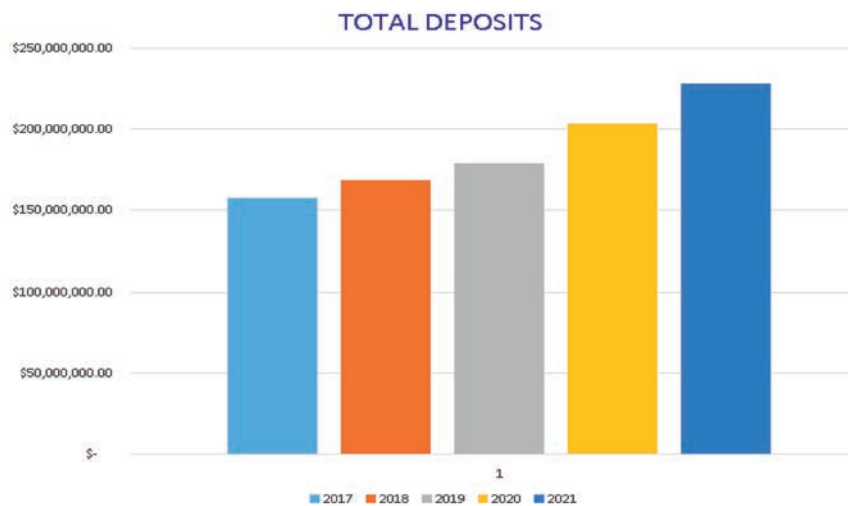
- Be sure that you use the original version of the cheque, not a photocopy, PDF, or printout.
- Look out for red flags indicating a cheque might not be valid such as spelling errors, out of country banks etc.
- Keep the physical copy of the cheque until 5/10 business days or until the cheque is cleared.
- If you are unsure if a cheque is legitimate, please bring the cheque to your local credit union branch.

The Path Forward

**AS AT THE END OF 2021
OUR CONSOLIDATED ASSETS
EXCEEDED \$244 MILLION.**



**OUR TOTAL DEPOSITS ARE NOW
APPROACHING \$230,000,000.**



**IN THE PAST TWO YEARS
ALONE OUR LOANS PORTFOLIO
HAS GROWN BY OVER 26%!**



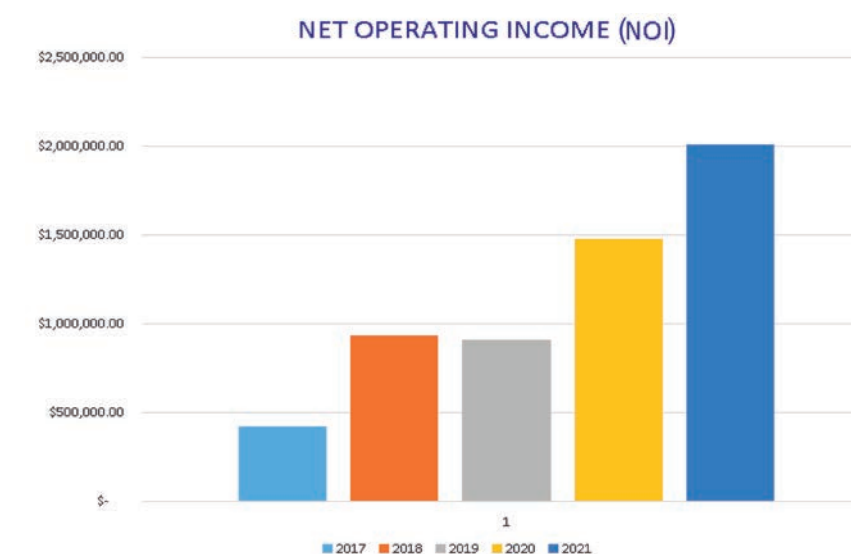
The Path Forward

WE CAN CELEBRATE 2021 TO BE THE STRONGEST YEAR OF GROWTH IN OUR HISTORY! THIS PAST YEAR OUR ASSETS GREW BY MORE THAN \$26,000,000 OR 12%.

WE CAN REPORT ANOTHER OUTSTANDING YEAR. OUR TOTAL INCOME INCREASED BY 6.90% IN 2021 TO MORE THAN \$10,000,000.

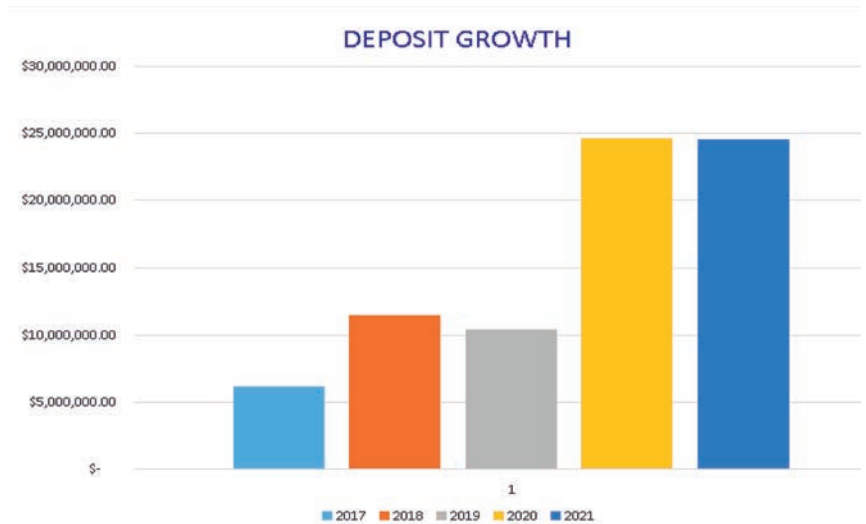
IN 2021 WE HAD A RECORD FOR NOI WHICH EXCEEDED \$2,000,000 FOR THE FIRST TIME IN OUR HISTORY.

We continue to benefit from the strong leadership teams within the Credit Union and its two subsidiaries.

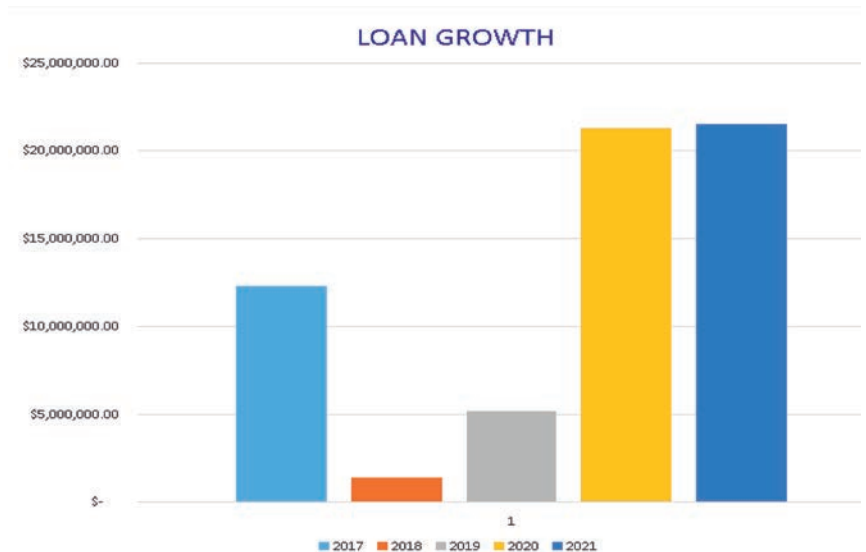


The Path Forward

OUR DEPOSIT PORTFOLIO HAD ANOTHER STRONG YEAR OF GROWTH, INCREASING BY OVER \$21,000,000, FINISHING JUST SHY OF A RECORD YEAR.

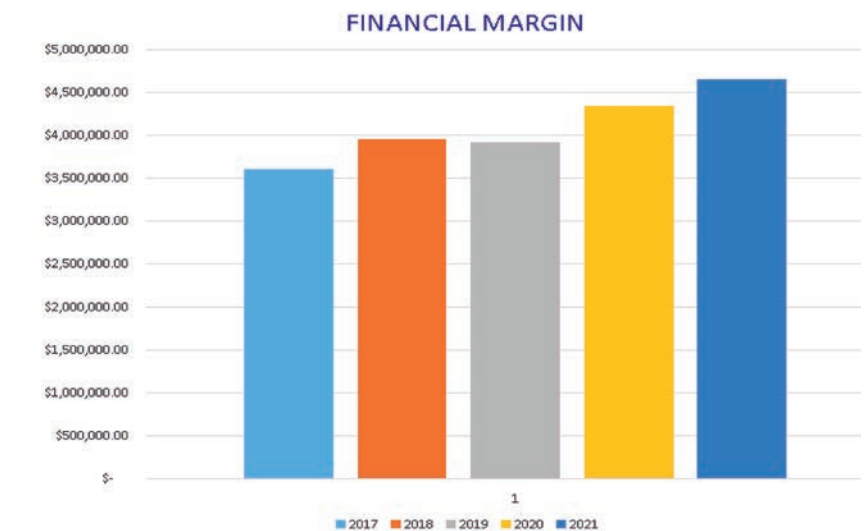


OUR LOANS PORTFOLIO HAS GROWN BY OVER 26%!, SURPASSING \$190,000,000 FOR THE FIRST TIME



OUR FINANCIAL MARGIN HAS INCREASED BY MORE THAN 18% IN THE LAST TWO YEARS ALONE.

RISING BY OVER \$310,000 FINISHING THE YEAR AT \$4.6 MILLION.



Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2021

Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Members of Ladysmith & District Credit Union:

Opinion

The summary consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2021, and the summarized consolidated statements of profit, comprehensive income, changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Ladysmith & District Credit Union (the "Credit Union") for the year ended December 31, 2021.

In our opinion, the accompanying summary financial statements are a fair summary of the audited consolidated financial statements, in accordance with International Financial Reporting Standards on the basis described in Note 2 of the audited consolidated financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, Engagements to Report on Summary Financial Statements.

Abbotsford, British Columbia

March 21, 2022



Chartered Professional Accountants

Ladysmith & District Credit Union

Summarized Consolidated Statement of Financial Position

As at December 31, 2021

	2021	2020
Assets		
Cash and cash equivalents	6,334,124	13,427,263
Financial investments	37,862,127	26,650,402
Derivative financial instruments	140,486	297,713
Trade and other receivables	906,419	853,699
Income taxes recoverable	98,333	-
Loans to members	191,141,366	169,652,630
Premises and equipment	5,448,249	4,474,303
Intangible assets	2,447,150	1,880,275
	244,378,254	217,236,285
Liabilities		
Member deposits	228,129,184	203,573,834
Income taxes payable	-	124,757
Other liabilities	673,668	622,386
Lease liability	148,282	176,716
Deferred tax liabilities	716,100	491,600
	229,667,234	204,989,293
Members' equity		
Accumulated other comprehensive income (AOCI) - Revaluation surplus	2,313,228	1,176,090
Retained earnings	12,302,093	10,846,268
Accumulated other comprehensive income (AOCI) - Other	95,699	224,634
	14,711,020	12,246,992
	244,378,254	217,236,285

Approved on behalf of the Board



Director



Director

Ladysmith & District Credit Union
Summarized Consolidated Statement of Profit
For the year ended December 31, 2021

	2021	2020
Financial income		
Interest on member loans	6,470,742	6,276,329
Interest on investments	594,028	801,686
	7,064,770	7,078,015
Financial expense		
Interest on member deposits	2,405,928	2,723,228
Interest on borrowed funds	11,172	17,152
	2,417,100	2,740,380
Financial margin	4,647,670	4,337,635
Provision for (recovery of) impairment on loans to members	(100,779)	86,222
	4,748,449	4,251,413
Other income	3,002,366	2,339,026
Operating margin	7,750,815	6,590,439
Operating expenses	5,743,146	5,114,715
Income from operations	2,007,669	1,475,724
Distribution to members	47,780	40,830
Income before income taxes	1,959,889	1,434,894
Provision for (recovery of) income taxes		
Current	279,564	325,393
Deferred	224,500	(30,500)
	504,064	294,893
Profit for the year	1,455,825	1,140,001

Ladysmith & District Credit Union
Summarized Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	<i>2021</i>	<i>2020</i>
Profit for the year	1,455,825	1,140,001
Other comprehensive income:		
Net gains (losses) on derivatives designated as cash flow hedges	(155,344)	150,867
Income tax recovery (expense) relating to gains on derivatives designated as cash flow hedges	26,409	(25,648)
Unrealized gains on revaluation of land and buildings	1,137,138	-
Other comprehensive income for the year, net of income tax	1,008,203	125,219
Total comprehensive income for the year	2,464,028	1,265,220

Ladysmith & District Credit Union
Summarized Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2021

	<i>AOCI - Revaluation surplus</i>	<i>Retained earnings</i>	<i>AOCI - Other</i>	<i>Total members' equity</i>
Balance December 31, 2019	1,176,090	9,706,267	99,415	10,981,772
Profit for the year	-	1,140,001	-	1,140,001
Net gains on derivatives designated as cash flow hedges, net of tax	-	-	125,219	125,219
Balance December 31, 2020	1,176,090	10,846,268	224,634	12,246,992
Profit for the year	-	1,455,825	-	1,455,825
Net losses on derivatives designated as cash flow hedges, net of tax	-	-	(128,935)	(128,935)
Unrealized gains on revaluation of land and buildings	1,137,138	-	-	1,137,138
Balance December 31, 2021	2,313,228	12,302,093	95,699	14,711,020

Ladysmith & District Credit Union

Summarized Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	1,455,825	1,140,001
Unrealized gains on revaluation of land and buildings through profit and loss	(103,296)	-
Depreciation of premises and equipment	284,817	261,402
Depreciation of intangible assets	231,675	177,086
Depreciation of right-of-use buildings	28,062	27,873
Interest expense on lease liability	494	1,033
Deferred income taxes	224,500	(30,500)
Gain on disposal of premises and equipment	-	(1,500)
Provision for (recovery of) impairment on loans to members	(100,779)	86,222
Change in fair value of derivative financial instruments	29,578	(26,111)
	2,050,876	1,635,506
Changes in working capital accounts		
Trade and other receivables	(52,722)	(34,006)
Income taxes payable	(223,090)	39,727
Other liabilities	51,283	132,811
Accrued interest on loans to members	8,535	(23,732)
Accrued interest on member deposits	(160,220)	105,588
Accrued interest on derivative financial instruments	(1,286)	(25,023)
	1,673,376	1,830,871
Financing activities		
Net change in member deposits	24,715,570	24,480,599
Repayments of lease liability	(28,928)	(28,928)
	24,686,642	24,451,671
Investing activities		
Net change in loans to members	(21,396,492)	(21,345,895)
Increase in financial investments	(11,211,725)	-
Decrease in financial investments	-	1,695,082
Purchases of premises and equipment	(46,390)	(110,190)
Proceeds from disposal of premises and equipment	-	1,500
Purchases of intangible assets	(798,550)	(8,276)
	(33,453,157)	(19,767,779)
Increase (decrease) in cash and cash equivalents	(7,093,139)	6,514,763
Cash and cash equivalents, beginning of year	13,427,263	6,912,500
Cash and cash equivalents, end of year	6,334,124	13,427,263

Ladysmith & District Credit Union

Notes to the Summarized Consolidated Financial Statements

For the year ended December 31, 2021

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, 2021 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, 2021. Those audited consolidated financial statements were approved by the Credit Union's Board of Directors on March 21, 2022 and can be obtained at our branch.

Strength. Knowledge. Stability. Purpose.

The Path Forward



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

www.ldcu.ca