

A Path to Prosperity

Engage. Empower. Embrace.



2023
ANNUAL REPORT



LDCU - The Board



Ross Davis - 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 Audit & Risk Committee and is the Chairperson of the Donation 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 - Vice President

Gerry moved to Ladysmith in 1988 and became a member of LDCU shortly thereafter and has resided in Cedar by the Sea since May of 2021.

He has been active in the Ladysmith and area community for many years, having joined the Ladysmith Eagles in 1995 having served two terms as president and has been a board member of the Eagles Home Society since 1996, he has also served on the Town of Ladysmith Advisory Planning Commission serving two years as Commission Chair.

Gerry started G.R. Clarke Contracting in 2001 and is a ticket Red Seal Carpenter.

He married his wife Erica in 1989 and they have three children, his many hobbies include antique automobiles, Labrador Retrievers, gardening and working on his farm. He currently serves on the Investment & Lending, Governance, Audit & Risk, Conduct Review and Credit Committees. Gerry is also a graduate of the Credit Union Director Achievement Program.



Elaine Layman - Secretary

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, she is Past President, and currently serves as secretary. In addition, she is a Chairperson of the Audit & Risk Committee and on the Conduct Review, Governance, Credit and

Scholarship 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).



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 currently serves as Chairperson for the Conduct Review Committee and Nominating Committees and is also on the Investment and Lending, Credit and Scholarship Committees. Dave is also a graduate of the Credit Union Director Achievement Program.



Rob Viala - Director

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

AGENDA



Julie Fraser - Director

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

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

Julie and her family are avid animal lovers, and they have adopted rescue cats and chinchillas. Julie’s hobbies include pickleball, rollerblading, and sea glass hunting at the beach.

Julie currently serves on the Audit & Risk, Governance, Investment & Lending, Conduct Review, Nominating, Credit, and Scholarship Committees. She is also a graduate of the Credit Union Director Achievement Program.

“Engage the community,
Empower through education, and
Embrace transformation.”

By actively engaging and participating in local initiatives, we build trust and loyalty. Empowering our members with financial knowledge ensures they can make informed decisions. Embracing change and technology builds resilience and enhances our members experiences. That’s how we build a path to prosperity.

1. Reading and Approval of the Minutes of the 78th AGM.
2. Business Arising out of the Minutes.
3. Director’s Report.
4. Credit Committee Report.
5. CEO’s Report.
6. Auditor’s Report.
7. Election of Directors.
8. Remuneration of Directors.
9. Appointment of Auditors.
10. New or Unfinished Business.
11. Good and Welfare.

LDCU - Staff

Alexander, Carrie	Lending Services	Kong, Charlene	Insurance Services
Armishaw, Matthew	IT Services	Lowery, Megan	Member Services
Armstrong, Hana	Member Services	MacDougall, Sheila	Member Services
Bakker, Jennifer	Member Services	Malli, Victor	Wealth Mangement Services
Boschman, Nicholas	IT Services	McNall, Bailey	Member Services
Bradbury, Carolyn	Insurance Services	Moore, Brenda	Lending Services
Bryson, Ashley	Member Services	Orr, Brooke	Insurance Services
Copiak, Sherri	Member Services	Ponsford, Kailee	Insurance Services
de Leeuw, John	Executive Services	Qualizza, Roberto	Lending Services
Dougan, Megan	Executive Services	Reilly, Melissa	IT Services
Forrest, Connie	Support Services	Robertson, Carolyn	Support Services
Forsyth, Breanna	Member Services	Schaefer, Nicole	IT Services
Gresmak, Kanisha	Member Services	Smith, Madeline	Support Services
Gresmak, Chandler	Member Services	St Laurent, Anne	Member Services
Ham, June	Member Services	Stevens, Kaite	Member Services
Harte, Valerie	Member Services	Stirling, Millie	Insurance Services
Haugen, Kendre	Mobile Mortgage Services	Tufts, Crystal	Member Services
Henn, Courtney	Member Services	Vadeboncoeur, Denine	Insurance Services
Jamieson, David	Lending Services	Vugteveen, Samantha	Insurance Services
King, Linda	Executive Services	Wilson, Mitch	Insurance Services
		Zoumanigui, Richard	Support Services

Minutes of the 78th Annual General Meeting of Ladysmith & District Credit Union May 9, 2023

1. Welcome:

President, Elaine Layman welcomed members and guests to the 78th Annual General Meeting (AGM) of the Ladysmith & District Credit Union (LDCU).

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:

Board President Elaine introduced the following members of the Board of Directors: Ross Davis, Gerry Clarke, Carol Warkentin, Julie Fraser, David O'Connor (attending virtually) and Rob Viala (attending virtually).

She also introduced Chief Executive Officer (CEO) John de Leeuw and CPA Brad Derbyshire from the accounting firm of MNP (attending virtually).

3. Quorum:

Board President Elaine declared a quorum as there were 147 members and 6 guests in attendance.

4. Meeting Documents Review:

CEO John de Leeuw advised that today's meeting documents were provided to members on the AGM registration page of the LDCU website and include the Agenda, Minutes of the 77th AGM and the 2022 Annual Report (which includes our audited summarized financial statements).

5. Viewing, Voting and Questions:

CEO John de Leeuw outlined how to best view the AGM virtually along with the procedures for virtual voting and member questions.

6. Rules of Order:

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

7. Agenda Approval:

Board President Elaine outlined the Meeting Agenda to the membership and asked for questions. There were none. She then called for a motion to approve the Meeting Agenda. This was moved by Kendre Haugen and seconded by Brenda Moore. Carried by the membership.

8. 77th AGM Minutes:

Board President Elaine called for a motion to approve the minutes of the 77th Annual General Meeting contained in the meeting documents. This was moved by Elizabeth de Leeuw and seconded by Chandler Gresmak. Carried.

9. Business Arising:

Board President Elaine then asked if there was any business arising from the 2022 AGM minutes. None were raised.

10. Board Report:

Board President Elaine advised that she trusts everyone has read the Board Report contained in the meeting documents. She thanked, on behalf of all the directors, everyone for their attendance at this AGM noting that this is our fourth virtual AGM and we hope to have a meeting both in person and virtually at next year's AGM. She then highlighted the Board Report as follows:

- The post-pandemic economy was outlined noting the significant increase in the housing prices and, despite this, all of LDCU's growth metrics exceeded their goals. In addition, all of LDCU's financial ratios remained at the top of the Credit Union system in BC in 2022.
- She outlined the following 2022 numbers in detail explaining each area in detail:

	LDCU	BC Credit Union System Average
Asset Growth	8.24%	5.47%
Loan Growth	16.13%	7.33%
Deposit Growth	6.44%	4.59%
Membership Growth	6.44%	1.54%
- She noted that LDCU has donated in excess of \$400,000 to our community over the past six years, bringing value to both our members and our community.
- She announced that the Board of Directors was proud to declare 2022 dividends on Member Equity Shares at 3.75%.

She then advised that tonight's theme is "Taking Care of Business" noting that it references both LDCU's history of stewardship of our members' money and also references LDCU taking care of our members business by helping them purchase their first car or home, starting a new business or growing an existing one.

She then thanked recently retired Director Tim Richards for 16 years of service on LDCU's Board of directors noting the Board will sorely miss his passion for the Credit Union system, high standards, and mindfulness.

She thanked CEO John de Leeuw, his management team and all the staff for their hard work. She thanked her fellow directors for their continued service to the Credit Union noting their long-range vision, decision-making, and unflinching commitment to remain a strong, independent, community-based Credit Union for both our members and our community.

Board 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 Melanie Davis and seconded by Terena O'Connor. Carried by the membership.

11. Credit Committee Report:

CEO John de Leeuw outlined the local economic conditions along with the strong growth LDCU had in 2022. He outlined a comparison summary of the loans and mortgages granted in 2022 & 2021.

Board President Elaine called for a motion to approve the 2022 Credit Committee Report as outlined in the meeting documents. This was moved by Roberto Volkman, seconded by Elizabeth de Leeuw. Carried by the membership.

12. CEO Report:

CEO John de Leeuw then presented the CEO Report noting:

- 2022's local economy noting it was one of the most tumultuous in our industry with rapidly rising rates, inflation, and labour shortages. He outlined in detail the conditions that lead to these conditions.
- He noted that, despite the tumultuous economy, the Credit Union had the largest net growth in our loans' portfolio in its history, having accomplished that with no sacrifice to underwriting or to our conservative values (evidenced by another year-end with no delinquencies).
- He noted that our local housing market continued to defy predictions of a crash in both prices and sales which prices continued to rise throughout the year, hitting a median sales price of \$800,000 in Ladysmith, a year over year increase of over 20%.
- He noted that 2022 was another terrific year with our financial performance in 2022 outperforming the Credit Union system in all objective productivity ratios (asset growth, loan growth, deposit growth and membership growth).
- Specifically, CEO John outlined LDCU's 2022 financial results with a slide presentation as follows:
 - o LDCU grew by \$19.5 million to over \$263.8 million and, since the beginning of 2018, we have grown by over \$96 million. This represents growth of 57.5% in the past 5 years bringing our total assets under administration in December to almost \$333 million.
 - o The Loans Portfolio grew by more than \$30 million which is phenomenal. In the past five years, our portfolio has increased by over \$80 million (with no delinquencies in 2022).
 - o Deposit growth showed continued resilience, despite the low interest rate environment with growth of \$14.6 million it totalled over \$242 million. In the past five years our deposit portfolio has grown by over \$85.6 million.
 - o Asset, loans and deposit growth over the past five years were consistently strong and have enabled us to withstand major fluctuations in interest rates and market volatility.
 - o Personal and commercial mortgages account for \$200 million of our total loan portfolio of \$222 million as of December 31st, 2022.
 - o Our demand deposit portfolio was down slightly in 2022, but our term deposits rose by \$15 million. Our total deposit portfolio is now over \$242 million dollars.
 - o Interest Income rose dramatically by \$1.3 million reaching over \$8 million for the first time. Interest expense also rose dramatically by about \$1.3 million, reaching \$3.7 million, the largest financial expense in our history.
 - o Our Financial Margin (the difference between the interest we receive on loans and mortgages and the interest that we pay on deposits) improved slightly and came in at \$4.68 million for the first time ever.
 - o Other Income was down from last year despite strong income from our subsidiaries, LCU Insurance, and LDCU Financial (this number includes Credit Union fees and service charges). The reason it was lower than in

2021 is that, in 2021 LDCU received a \$400,000 one-time gain on early redemption for its Liquidity Portfolio (we re-investing the funds into a fixed income portfolio). In addition, with low mortgage rates in 2021, we received significantly higher income from mortgage payout penalties.

- o Operating Expenses rose in 2022 by \$340,000 (less than in 2021 and well below other Credit Unions of our asset size). It has risen 30.46% over the past five years or about 6% per year. This category includes advertising, data processing, salaries and benefits, etc.
 - The largest Operating Expense of Salary and Benefits rose by \$244,000 in 2021 to just over \$3.66 million We expect this trend to continue over the next few years despite the increase in automation and consolidation.
 - o Other significant operating costs are the categories that hold the largest amounts and are:
 - Depreciation which rose by \$78,000 (in 2021 as we converted to a datacenter for our banking system and are amortizing our hardware and intangible costs associated with that conversion).
 - Dues and Assessment Expense rose significantly in 2021 by approximately \$100,000 (due to a major increase in Credit Union Deposit Insurance Corporation premiums).
 - Service Charges
 - Professional Fees & Dues (includes our premium for Credit Union Deposit Insurance Corporation which remains very high, at over \$175,000, even as our risk profile improves).
 - o Net Operating Income from operations came in just under \$1 million. In 2021 we recorded a record Net Operating Income due to Gain on Redemption, and prepayment penalties. Although it fell in 2022, it compares very favorably with pre-Covid years.
 - o Net Income (after taxes) was transferred to Retained Earnings and, when Other Comprehensive Income is added, we now hold over \$15 million in members' equity for the first time in our history.
- John then asked members if they had questions in regards to the financials. There were none.
 - John congratulated all staff who received service awards and noted that an in-person staff meeting was held for these awards. The membership then viewed a list showing each staff person being recognized and their length of service.
 - John congratulated recently retired Manager of Insurance Services, Cindy Cawthra for 24 years of dedicated service.
 - John thanked HR Manager Megan Dougan who, despite current labour shortages, has worked closely with the other managers to assemble a truly amazing team that he is proud of and honoured to work beside. He also thanked LDCU's IT Team and other staff members who worked diligently to set up tonight's virtual AGM.
 - John discussed the US and Switzerland bank failures in 2023 and explained what lead to these failures. He advised that financial institutions in Canada have the most stringent regulations in the world with strong regulatory and capital requirements. In addition, he noted that we are a conservative community-based Credit Union with a 100% deposit guarantee by the Credit Union Deposit Insurance Corporation.

Minutes of the 78th Annual General Meeting of Ladysmith & District Credit Union May 9, 2023 continued

Board President Elaine asked for a motion to approve the CEO's Report as presented. This was moved by Robert Volkman and seconded by Richard Zoumanigui. Carried by the membership.

13. Auditor's Report:

The Auditor's Report was then presented by Brad Derbyshire, CPA of MNP. Brad advised that he was pleased to report that MNP has issued a clean unmodified audit opinion and the full set of LDCU's 2022 consolidated statements fairly represent the financial position of LDCU. Brad asked if there were any questions on the Auditor's Report. There were no questions.

Board President Elaine thanked Brad Derbyshire along with Debbie Bass and their MNP team. She asked for a motion to approve the Auditor's Report as presented. This was moved by Lindsay Cote and seconded by Chandler Gresmak. Carried.

14. Nominating Committee Report:

Nominating Committee Chairperson Ross Davis, presented the Nominating Committee report. Ross outlined the guidelines followed when directors reach the end of their term and outlined the newsletter sent to the LDCU's membership stating the expiration of the terms of three of our directors. Ross advised that the three directors whose terms are expiring are David O'Connor, Carol Warkentin and Julie Fraser, noting they each have completed a nomination package and no other nominations were received. Ross advised that pursuant to Article 4.14 of the Credit Union Rules, David O'Connor, Carol Warkentin, and Julie Fraser are elected via acclamation. David O'Connor, Carol Warkentin, and Julie Fraser will each serve three years and their terms will expire at the 2026 AGM. Ross thanked David O'Connor, Carol Warkentin, and Julie Fraser for letting their names stand for another term.

Board President Elaine asked for a motion to accept the Nominating Report as presented. This was moved by Brenda Moore and seconded by Robert King. Carried by the membership.

15. Appointment of Auditors for 2023:

Board President Elaine asked for a motion that MNP be appointed auditors for 2023 with the Board given the authority to set their remuneration. It was moved by Jeff Cote and seconded by Tracy Paterson. Carried by the membership.

16. LDCU's New On-Line Videos:

CEO John presented LDCU's two new videos with "Sunny" a cartoon character that pops out of the sun in LDCU's logo and provides introductions to our members on our products and services and also provides instructions on online processes like e-transfers, text alerts or paying bills.

17. New or Unfinished Business:

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

18. Announcement of Gift Certificates:

Board President Elaine advised that every member attending this meeting is able to choose a \$75 gift certificate to one of the following local businesses which will be available for pick up in our main branch mid-next week.

- Cottonwood Golf Course
- Wild Poppy
- Plantitude
- White Space Living
- Old Town Bakery
- Bouma Meats
- Wordly Gourmet
- High Street Hair
- Chopstix
- Bayview Brewing
- Fox & Hounds

19. Thank you and Adjournment:

Board President Elaine thanked all members for attending our 78th AGM. In addition, she discussed the tragic wildfires in Northern Alberta and BC and advised members where they could donate to help those affected.

She advised that we are planning to have our AGM in person next year, or a hybrid of in-person and virtual.

In addition, she thanked the Directors and the Staff for another excellent year and their hard work and, in particular, she thanked the IT Department for putting on another successful virtual AGM.

She advised, that in order to provide good governance and succession planning for LDCU, she will be stepping down as Board President after this year, but will be proud to continue on the Board from a different seat at the Board table.

The meeting was adjourned at 8:27 pm through a motion by Tim Richards.



A Path to Prosperity

For 19 years in a row,
Credit Unions finished #1 in the IPSOS award for
Customer Service Excellence!



2005

IPSOS Customer
Service Excellence

2006

IPSOS Customer
Service Excellence

2007

IPSOS Customer
Service Excellence

2008

IPSOS Customer
Service Excellence

2009

IPSOS Customer
Service Excellence

2010

IPSOS Customer
Service Excellence

2011

IPSOS Customer
Service Excellence

2012

IPSOS Customer
Service Excellence

2013

IPSOS Customer
Service Excellence

2014

IPSOS Customer
Service Excellence

2015

IPSOS Customer
Service Excellence

2016

IPSOS Customer
Service Excellence

2017

IPSOS Customer
Service Excellence

2018

IPSOS Customer
Service Excellence

2019

IPSOS Customer
Service Excellence

2020

IPSOS Customer
Service Excellence

2021

IPSOS Customer
Service Excellence

2022

IPSOS Customer
Service Excellence

2023

IPSOS Customer
Service Excellence

Engage. Empower. Embrace.

Message from the Board and CEO



Ross Davis
President



John de Leeuw
CEO

We remain a financial institution that focuses on long term, stable growth and conservative values. ... Our steadfast adherence to our fundamental values has stood us in good stead during these past few years.

“Contributing to our success are our core values of knowledgeable and professional staff, innovation of products and services, best practices contributing to profitability, and our commitment to social responsibility in our community.”

As our Credit Union entered 2023, the economy and consumer confidence were feeling marginally positive. The previous year had been challenging to say the least. Although Covid-19 had been in the rearview mirror, the results of the global shutdown and unfettered government spending came back to haunt the Canadian consumer. These policies resulted in skyrocketing house prices, the highest inflation in the last 40 years, and the fastest rate increases by the Bank of Canada in its history.^(Fig 1) As we wrote last year, the trifecta of trouble. We also explained last year that we were aware of the economic headwinds building, and we were making decisions to ensure the strength and resilience of LDCU, and the protection of our members' deposits.

Despite the challenges of 2022, it appeared there were reasons for optimism at the beginning of 2023. Based on the messaging of the Bank of Canada (BoC), although rates remained elevated, everyone expected they would remain relatively stable for approximately the next 12 – 18 months. Many consumers felt they had weathered the worst of the storm. Inflation was falling slowly, and even though it had not yet reached the target level of the BoC, there were expectations no further increases would be necessary. Unfortunately, the economy confounded all the experts with its resilience and strength, even while inflation remained stubbornly high. With this as the backdrop, the BoC chose to increase its overnight rate in January 2023. But even this increase was shrugged off by the economy and the consumer, as the message accompanying the rate hike was that further increases would be unnecessary and unlikely.

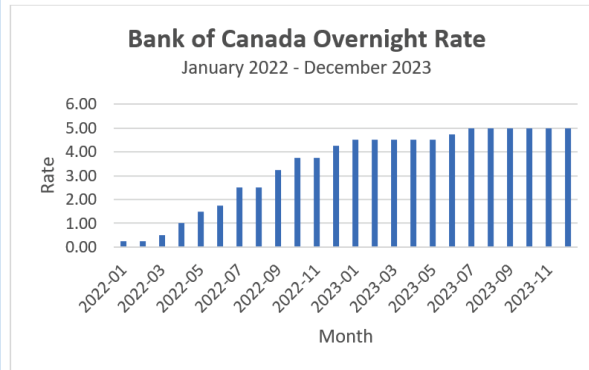


Figure 1

Unfortunately, this messaging created more enthusiasm and confidence than it should have. The housing and mortgage markets continued to climb. In terms of LDCU this sense of optimism was manifest in a very strong housing market in Ladysmith and the surrounding area. As a result, we had a reasonable first quarter in mortgage growth. Our personal mortgage portfolio increased by over \$3.5 million

in the first three months of 2023. With those results, we were anticipating another year like 2022, where our overall loans portfolio grew by over \$30 million. These expectations were further fueled by even more growth during the second quarter when our residential mortgage growth exceeded \$7.7 million. To the end of June 2023 our personal mortgage portfolio alone had increased by over \$11 million. It seemed like the economy, and the housing market were unstoppable. However, the inflation numbers and real estate activity, (aka prices), remained far more elevated than the BoC was comfortable with, and they would not be caught sitting on the sidelines as they had in 2022. With consumer confidence still riding higher than anticipated, the BoC surprised the market with two unexpected rate increases in June and July. To say the increases were a shock is an understatement. There were no further 'words of encouragement' to be found in the Bank of Canada's commentary either. The Bank made it very clear they would act decisively should further rate hikes be necessary. The increases and the message were unexpected, and the markets were caught off guard. Turmoil and uncertainty were almost immediate. House sales and mortgage approvals dropped to levels not seen since pre-Covid. For the first time since before 2017, median sale prices in Ladysmith fell, even if only by 4.37%.^(Fig 2)

²⁾ The negative impact on mortgage lending at LDCU was significant. In the fourth quarter of 2023 residential mortgage approvals fell to \$2.4 million. This was the lowest quarterly value for LDCU since the first half of 2019.

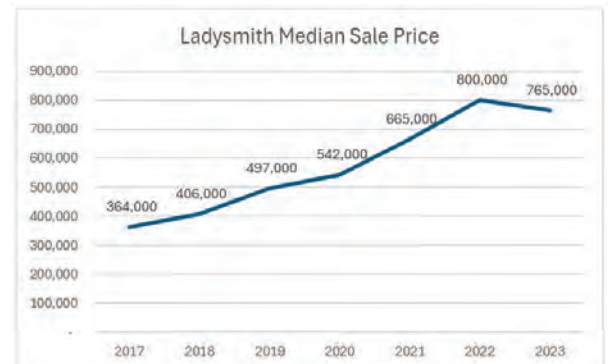
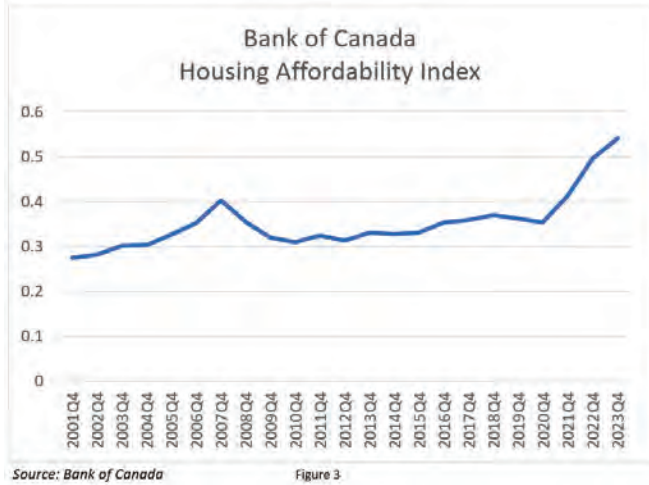


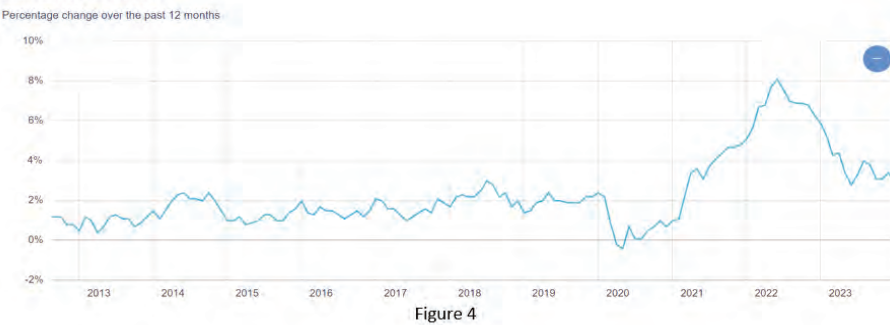
Figure 2

The other major implication for higher mortgage rates was something we wrote about last year, the Housing Affordability Index. This figure is the ratio of housing-related costs (mortgage payments and utilities) to household disposable income. The higher the ratio, the more difficult it is to afford a home. The ratio was uncomfortably high in 2022, but the issue has persisted and worsened. At the end of 2022 the Housing Affordability Index was at 48.8%, the third highest quarterly figure ever. Unfortunately, in 2023 the Index calculation rose even higher, to 54%.^(Fig 3) This marks 2023 with the dubious distinction of the second highest Affordability Index in Canadian history, behind only the number in 1980, (62.6%), the last time interest rates rose to unprecedented heights. So, despite the slight decline in median house prices in Ladysmith, consistently higher mortgage rates have made home ownership more challenging for Canadians.



As the Bank of Canada increased rates throughout 2022 and 2023, inflation started to come down, albeit slowly. The annualized figure for inflation in 2022 topped out at 6.8% before falling in 2023 to a more modest 3.90%.^(Fig 4) While falling inflation was great news to consumers struggling with record debt

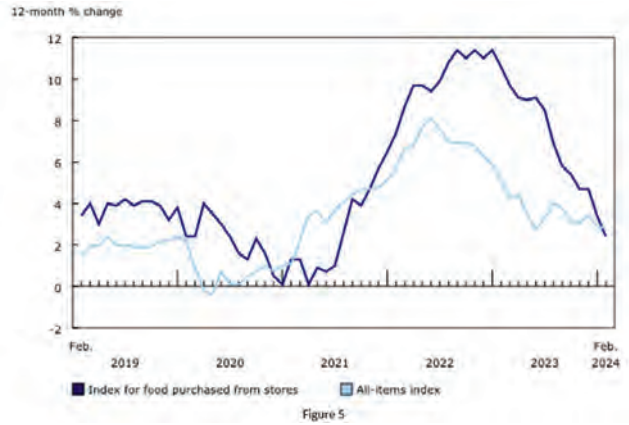
Consumer Price Index



and higher interest rates, affordability remained, and remains a concern.

One of the most significant costs for Canadians has been higher grocery prices. Despite the decline in overall CPI, the outlay for groceries remains at all-time highs. Consumers had realized substantial savings during Covid with annual increases in grocery prices bottoming out in December 2020, rising only 0.5%. When the economy opened back up in 2021 and beyond, grocery prices also came roaring back, reaching their peak in January 2023 when prices rose a staggering 11.4% year over year. Thankfully, this trend reversed itself in 2023, and annual price increases started to fall. At the end of 2023 the annual increase in grocery prices was down to 4.7%.^(Fig 5)

While 2022 was a tumultuous year, 2023 continued to present LDCU with challenges. As outlined earlier, interest rates remained stubbornly high. While the news media focused on mortgage rates and housing affordability, consumers had other issues to wrestle with. On the flip side of higher

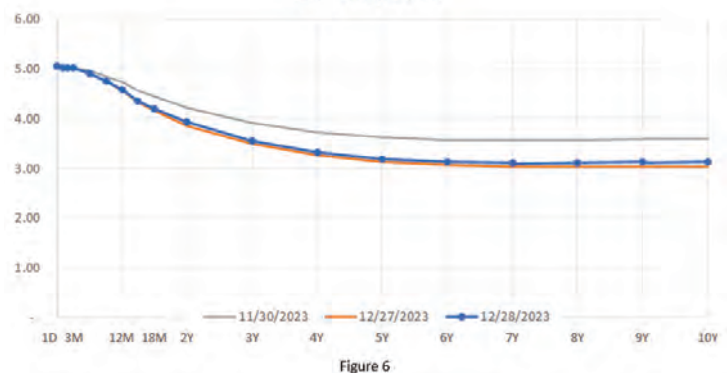


mortgage rates, interest rates on deposits were also elevated significantly. While this was great news for depositors, it presented our Credit Union and members with difficult questions. The main issue for members was the balance between higher deposit rates, and how long to invest their money for. Why would this be a problem? The main reason for the uncertainty was something called an inverted yield curve. In essence, shorter term rates were higher than longer term rates. Under normal economic conditions, longer term rates (5 – 10 years) are higher, but on rare occasions, this trend is reversed. What happened throughout 2023 was unprecedented as we have been under the longest inverted yield curve in Canadian history. The yield curve first inverted, (2 year rates higher than 10 year rates by definition), in July 2022, and remained inverted to the end of 2023. This represents an unprecedented 548 days, and is continuing in 2024.^(Fig 6) This inversion presented depositors with a conundrum: invest for the highest rate, even if it was short-term, or invest in lower, longer term rates? Most depositors opted for the former, one year rates at the height of the yield curve inversion. However, as rates start to fall, many depositors will be reinvesting at lower rates in the coming months.

In spite of all these challenges, we are excited to present our members with our 2023 results. As we have maintained for the past number of years, we remain a financial institution that focuses on long term, stable growth and conservative values. Certainly, the past few years have presented a myriad of opportunities for financial institutions to encounter difficulties or make decisions that don't go according to plan. One only needs to remember what happened with the Silicon Valley Bank in 2023 to see how quickly a bank or Credit Union can experience catastrophic failure. But our steadfast adherence to our fundamental values has stood us in good stead during the past few years, and we are proud to present our results for this past year.

In 2023, LDCU experienced our largest, single year of growth in our history, smashing the record we set in 2021. Our total increase in assets was just under an astonishing \$33 million beating our next-best year by over \$5.8 million!^(Fig 7)

CAD Swap Curve



With this year's excellent results, your Board of Directors have demonstrated their commitment to our membership by announcing a 4% dividend on Membership Equity Shares.

“As an annual return, this dividend compares very favourably with other Credit Union or bank dividends. As an example, the annual dividend in 2023 from Canada’s largest chartered bank was 3.97%. This demonstrates we offer a very competitive return on investment in our Membership Equity Shares.”

“Our total Members’ Equity has surpassed \$17 million for the first time.^(Fig 11) Having powerful Members’ Equity is a very important component of the Credit Union’s capital base. Legislation requires all Credit Unions in BC to have a minimum capital ratio of 8%. At the end of 2023, LDCU’s capital ratio was 15.77%, demonstrating our commitment to financial growth, and protection for our membership.”



Figure 7

This growth left our Credit Union just shy of the \$300 million mark as we finished the year at \$296.7 million in assets. When you take into account our two subsidiaries, we finished 2023 with over \$370 million in assets under administration. This continued strong growth is a testament to our commitment to safe stewardship of the trust our members place in us.

As previously mentioned, deposit rates reached levels not seen for over a decade, and our community certainly took advantage. At the Credit Union we experienced a significant amount of growth in our deposit portfolio which rose by almost \$35 million in 2023.^(Fig 8) Definitely the highest deposit growth in our history! In fact, over the past 5 years our total deposit portfolio has increased by over \$109 million, and finished the year at \$277.7 million.

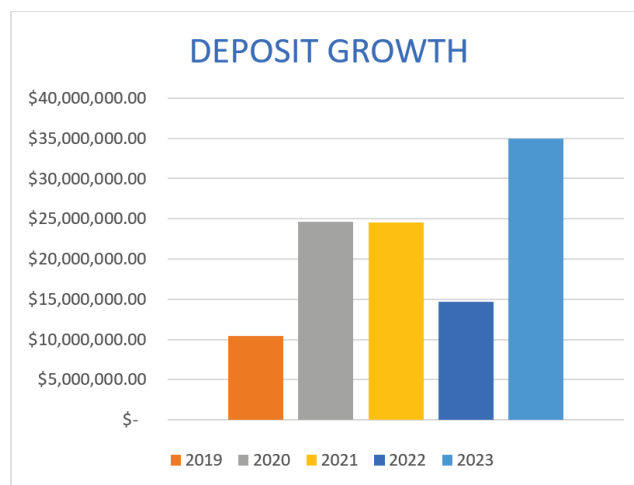


Figure 8

During the past few years our loans portfolio has grown exponentially, and while 2023 was a slower year, this was not unexpected. With minor loan growth, this lull in lending has allowed us to rebuild our liquidity reserves, which is welcome after so many years of unprecedented loan growth. Even though our increase this past year was lower, we managed to grow our portfolio by over \$16 million. At the end of 2023 our total loans portfolio stood at just over \$238 million.^(Fig 9)

As we have outlined in previous years, stable interest rates are the most beneficial, both for members and for our Credit Union. Rapid increases or decreases can play havoc with asset liability management and financial margin. At LDCU we have worked diligently to maintain as neutral a balance sheet as possible. This enables us to avoid the negative impact of interest rate fluctuations on our Credit Union's operating income. In addition, it is

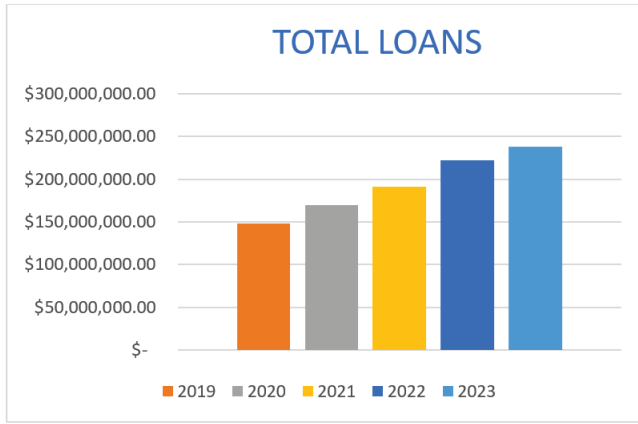


Figure 9

vitaly important to LDCU's future that we price our products appropriately in order to maintain a strong financial margin. A strong financial margin contributes to overall Credit Union operations and a healthy bottom line. In 2023 we were proud to continue our tradition of maintaining and growing our financial margin. This past year our margin increased by 8.69%, to \$5.06 million, the first time our margin has conquered the \$5 million dollar mark in our history! (Fig 10)

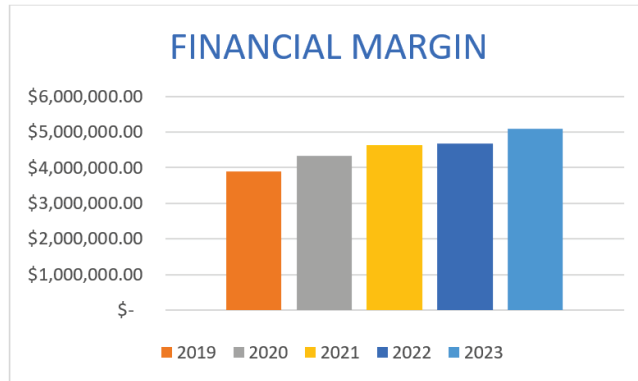


Figure 10

With this increase to margin, and very strong contributions from our subsidiaries, LCU Insurance Agencies Ltd and LDCU Financial Management Ltd, we are proud to announce our Net Operating Income (NOI) was the second best in our history. Strong growth and revenues from our two subsidiaries are part of our foundation of an all-inclusive financial services provider to our members and community. We are very pleased that our NOI reached a very impressive \$1.49 million. This, coupled with strong Other Comprehensive Income, allowed for the Credit Union to show a yearend total of \$1.91 million in Total Comprehensive Income. Truly a remarkable year despite very challenging economic times!

With another year of strong financial results, our total Members' Equity has surpassed \$17 million for the first time. (Fig 11) Having powerful Members' Equity is a very important component of the Credit Union's capital base. Legislation requires all Credit Unions in BC to have a minimum capital ratio of 8%. At the end of 2023, LDCU's capital ratio was 15.77%, demonstrating our commitment to financial growth, and protection for our membership.

With this year of excellent results, your Board of Directors have demonstrated their commitment to our membership by announcing a **4.00%** dividend on Membership Equity Shares. As an annual return, this dividend compares very favourably with other Credit Union or bank dividends. As an example, the annual dividend in 2023 from Canada's largest chartered bank was 3.97%. This demonstrates we offer a very competitive return on investment in our Membership Equity Shares. Membership at LDCU pays dividends!

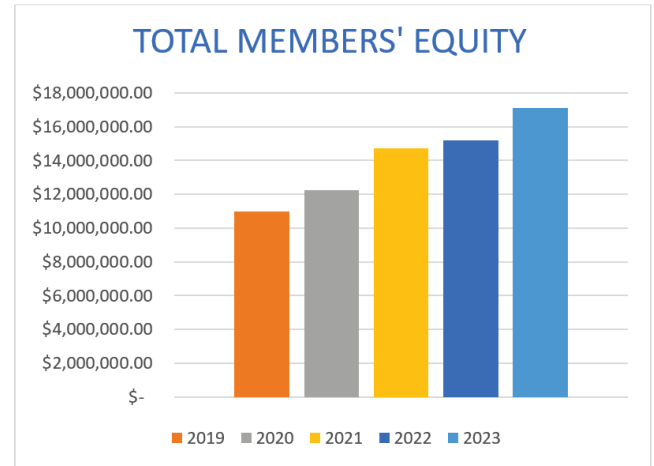


Figure 11

A Path to Prosperity. Engage. Empower. Embrace.

The theme of our AGM this year has never resonated more clearly. Engaging our community through sponsorship and expertise has built trust and loyalty. We've Empowered our members through financial literacy and knowledge, enabling them to make necessary and important financial decisions. And finally, we've Embraced change and utilized technology to enhance our members' experience. In truth, for almost 80 years we have demonstrated our ongoing commitment to give our members the best options for their financial health. We've provided leadership and stability for our entire community. As other financial institutions show vulnerability, we show strength and resilience. While the past several years have beset the financial industry with a myriad of obstacles, and individuals have lost their money and faith in their financial institutions, LDCU continues to maintain a steady path. We have never once wavered from our vision. Our innate philosophies of conservative growth and governance continue to demonstrate their value through crisis after crisis and through year after year. Our financial results remained near the top of Credit Unions in BC this past year, and all our projections continue to showcase ongoing strength and profitability. As always, our members will benefit from our ongoing dedication to our Path to Prosperity.

Once again, we would like to thank our staff and directors for their ongoing commitment and dedication. As the years change, our staff complement will also vary, but our ongoing theme of service to our members and our community is ageless. Since the early days of May 1944, this tiny community-based Credit Union that started with \$5 on deposit has grown into a powerful financial institution of more than \$370 million of assets. But no matter how large we become, we will never forget our history, and always remain deeply committed to Credit Union principles and to our members.

And as always, we thank you, our members. We remain dedicated to A Path to Prosperity for our members, our staff, and our community. We will never take your trust and support for granted.

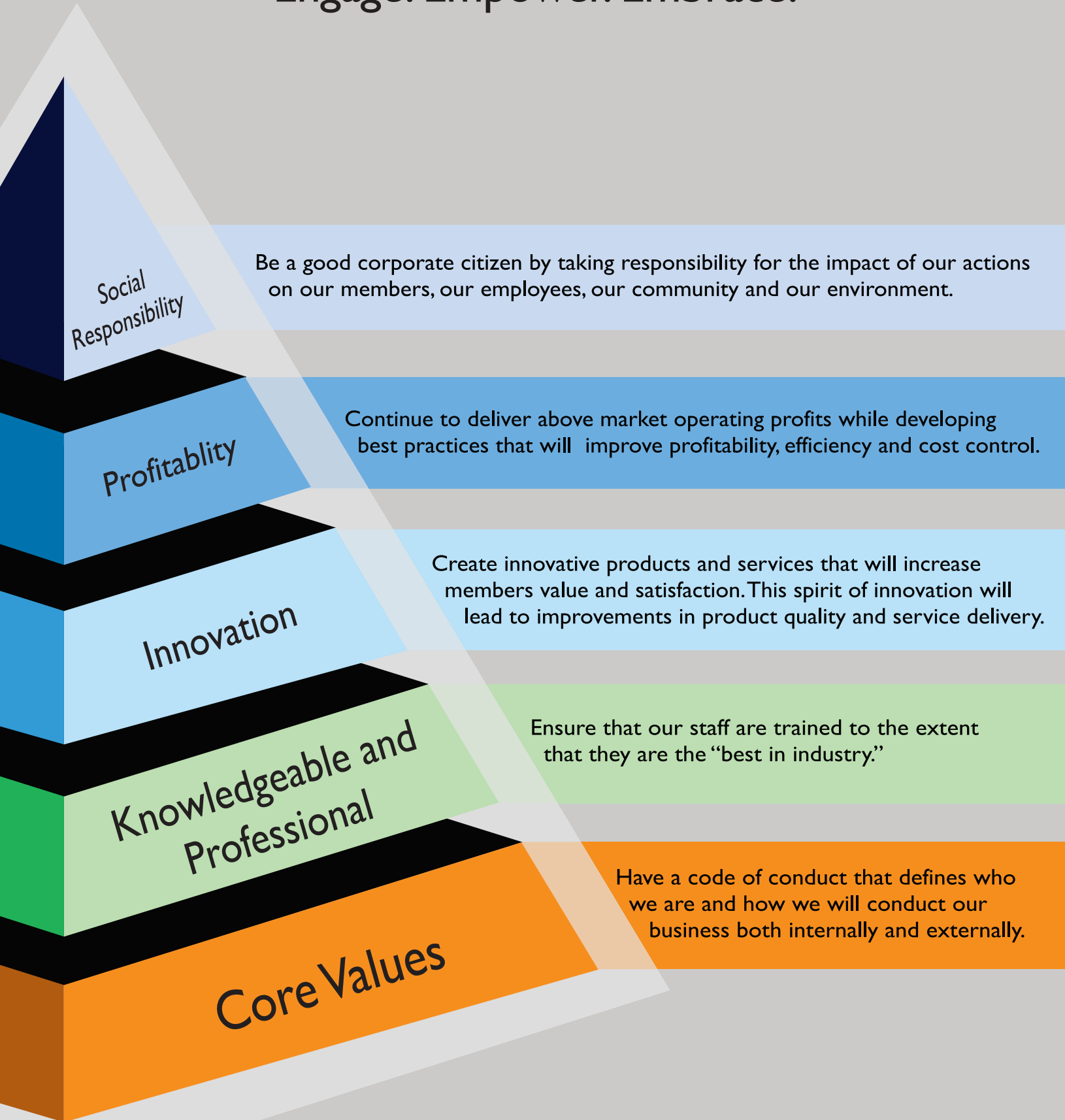
Respectfully submitted,

Ross Davis, President
President, Board of Directors

John de Leeuw,
CEO

A Path to Prosperity

Engage. Empower. Embrace.



Engage. Empower. Embrace.

Credit Committee Report 2023

“The two surprise rate increases in July and August put a damper on the housing market in Ladysmith... Overall, the total dollar value of loans granted in 2023 declined 32.62%. Despite this, it should be noted that our overall loans portfolio still increased by over \$16 million.

While residential mortgage and Line of Credit approvals fell, our personal loan approvals rose by almost \$453,000 or 82.72%.”

This past year was very different from the previous 3 or 4 years. There was guarded optimism within the housing market at the start of 2023. After a 0.25% increase in January 2023, it appeared the Bank of Canada (BoC) Overnight Rate would not be rising any further as there were no increases in March or April. This resulted in a fairly robust spring mortgage market. Then, in a surprise move, the BoC increased the Overnight Rate by 0.25% in both June and July. The impact of this was immediate and severe, as house sales and mortgage lending dropped precipitously. As a result the sales figures for the Cowichan Valley were the worst in recent memory, falling for the second year in a row. Total sales of single-family homes in the Cowichan Valley fell to 673 in 2023 compared to 711 in 2022. This represents a decline of 5.34%. Combine that with the decrease of over 19% in 2022, and total sales have fallen by 25% over the past two years.¹ With the rise in mortgage rates, homeowners across Vancouver Island decided to hold off on listing their homes for sale, as the inventory of active listings fell from 895 in 2022 to 796 at the end of December, a decline of over 11%.² In addition to lower sales and inventory, house prices in the Cowichan Valley posted their first drop since 2019, declining by 5.54% from an average sale price of \$833,115 in 2022 to \$786,935 in 2023.³ Meanwhile in Ladysmith, total residential sales actually increased marginally from 196 in 2022 to 203 last year. This tiny increase of 3.57% was actually quite positive in comparison to other jurisdictions on the Island. However, in contrast to the slight increase in overall sales, the price for a detached residential home declined for the first time since before 2017, falling by 4.58% to \$765,000 from \$800,000 in 2022.⁴

At LDCU, the positive start to 2023 could not be sustained throughout the year. The first three quarters of the year started very strong, with just over \$32 million in personal mortgages funded. However, the two surprise rate increases in July and August put a significant damper on the housing market in Ladysmith. The result was only \$2.4 million in mortgages funded in the last three months of the year. Overall, the total dollar value of loans granted in 2023 fell to \$52,426,706 from last year's total of \$77,809,607, a decline of 32.62%. Despite this incredible shift in dollar values, it should be noted that our overall loans portfolio still increased by over \$16 million. While residential mortgage and Line of Credit approvals fell, our personal loan approvals rose by almost \$453,000 or 82.72%. In addition, commercial loan approvals rose marginally, demonstrating confidence within our business sector.

The following is a complete summary of the loans and mortgages granted in 2023 & 2022:

	#	2022	#	2021
Personal Mortgages	85	34,302,183	125	51,847,214
Business/Commercial	27	10,023,387	27	9,946,696
Miscellaneous	5	67,808	4	25,480
Automobile	10	200,828	3	45,412
RV's, Boats, etc.	2	68,090	0	-
Mobile Homes	4	455,280	2	301,610
Taxes, RSP's, etc.	0	-	0	-
Consolidation	3	35,630	3	80,445
Lines of Credit	43	7,273,500	83	15,562,750
Totals	179	52,426,706	247	77,809,607

Respectfully submitted: Roberto Qualizza, Chair; Elaine Layman; Gerry Clarke, Carol Warkentin, Dave O'Connor, Julie Fraser & John de Leeuw
Credit Committee, Ladysmith & District Credit Union

- <https://vireb.com/wp-content/uploads/2024/01/12-Dec-23-VIREB-Stats-Package.pdf>
- <https://vireb.com/wp-content/uploads/2024/01/12-Dec-23-VIREB-Stats-Package.pdf>
- <https://vireb.com/wp-content/uploads/2024/01/12-Dec-23-VIREB-Stats-Package.pdf>
- Landcor Data Corp.

A Path to Prosperity

Engage. Empower. Embrace.

4.0%
DIVIDEND
on Member Equity Shares.

The LDCU Board of Directors is proud to announce a 4% Dividend on Member Equity Shares.

As a leading financial cooperative, LDCU champions a philosophy of engagement, embracing, and empowering our members. Through a commitment to these principles, we have achieved substantial financial success, reflected in significant dividends on Member Equity Shares. Our positive financial results not only signify our collective achievement but also underscore our dedication to enriching the lives of our members and community, ensuring mutual growth and prosperity for all.

Come in today, become a member and start sharing in our success.

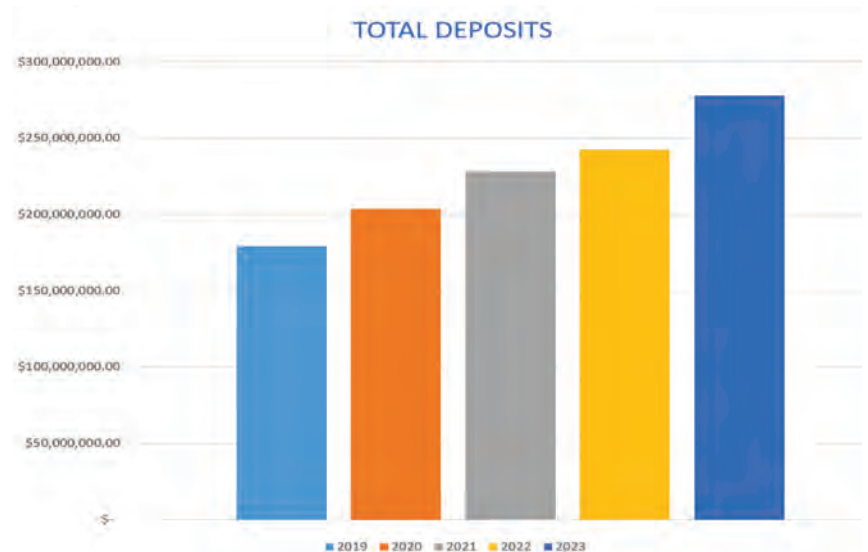


Engage. Empower. Embrace.

OUR GROWTH IN 2023 LED US TO FINISH THE YEAR AT \$296.7 MILLION IN ASSETS.



OVER THE PAST 5 YEARS OUR TOTAL DEPOSIT PORTFOLIO HAS INCREASED BY OVER \$109 MILLION, AND WE FINISHED THE YEAR AT \$277.7 MILLION.



AT THE END OF 2023 OUR TOTAL LOANS PORTFOLIO STOOD AT JUST OVER \$238 MILLION.

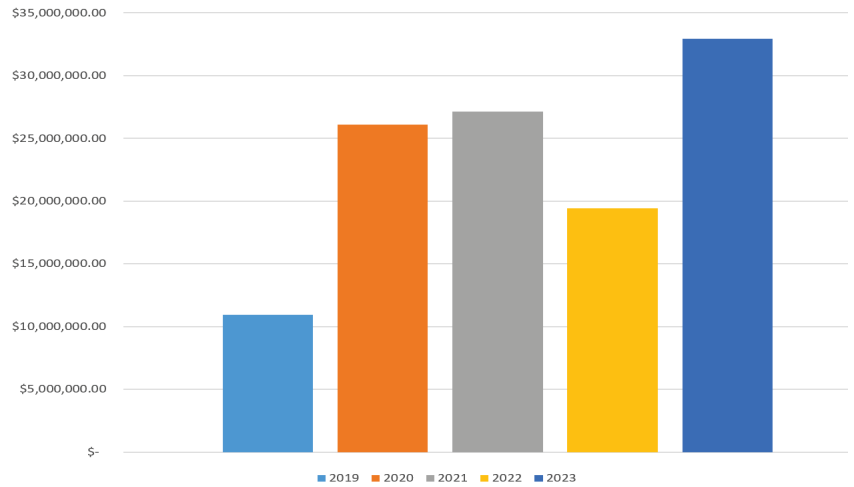


Our Community. Your Credit Union.™

Engage. Empower. Embrace.

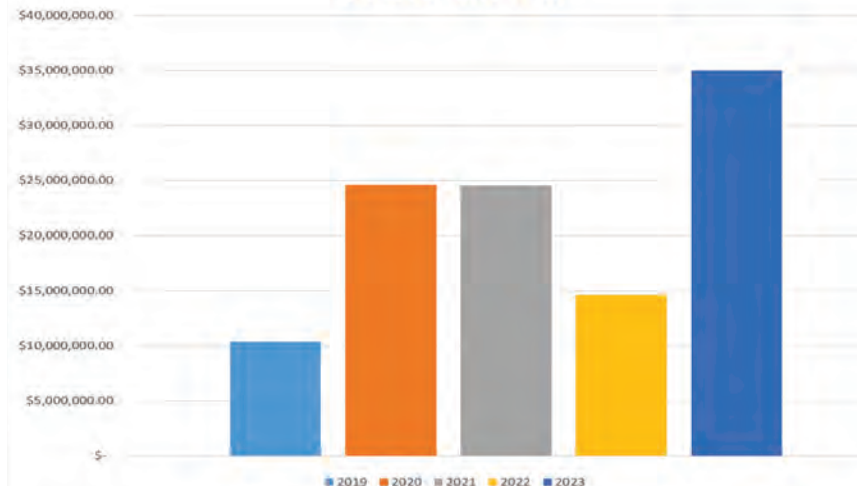
THE TOTAL INCREASE IN OUR ASSETS IN 2023 WAS AN ASTONISHING \$33 MILLION, BEATING OUR NEXT BEST YEAR BY OVER \$5.8 MILLION.

ASSET GROWTH



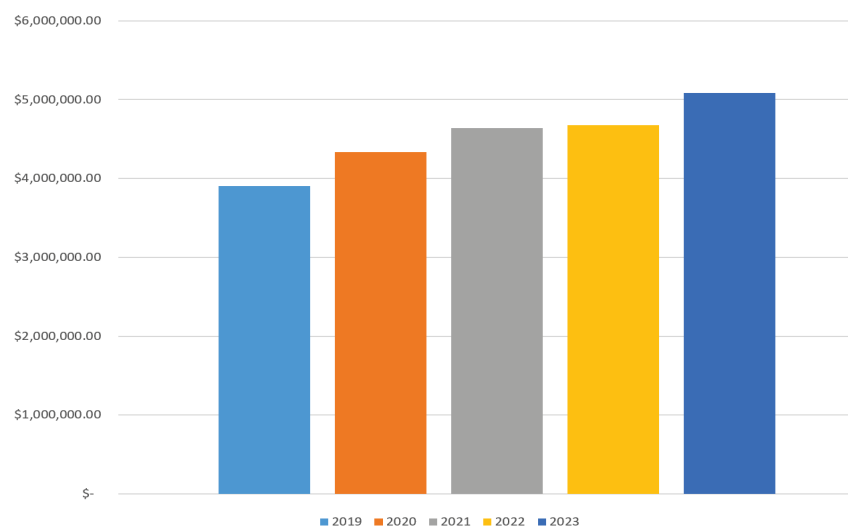
DEFINITELY THE HIGHEST DEPOSIT GROWTH IN OUR HISTORY.

DEPOSIT GROWTH



THIS PAST YEAR OUR MARGIN INCREASED BY 8.69%, TO \$5.06 MILLION, THE FIRST TIME OUR MARGIN HAS CONQUERED THE \$5 MILLION DOLLAR MARK IN OUR HISTORY.

FINANCIAL MARGIN

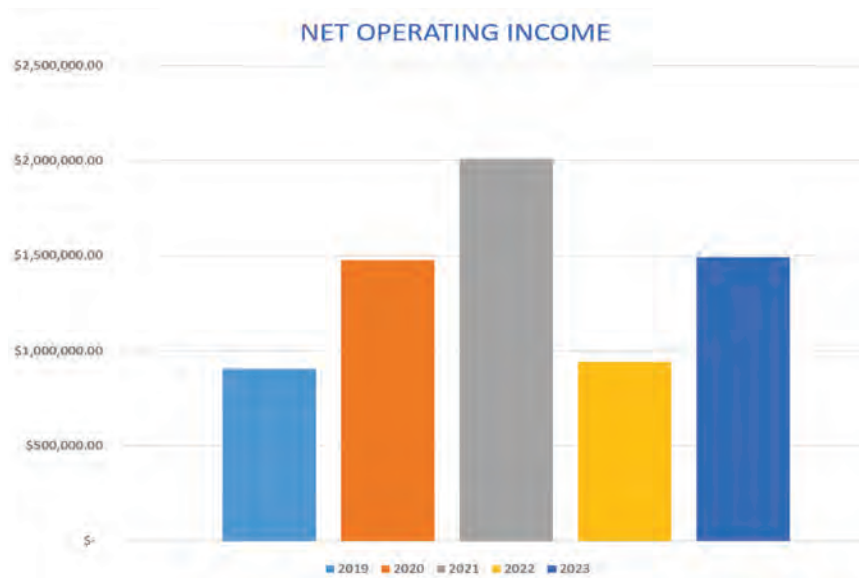


Engage. Empower. Embrace.

DESPITE HIGHER INTEREST RATES, OUR PORTFOLIO STILL REALIZED GROWTH OF OVER \$16 MILLION.

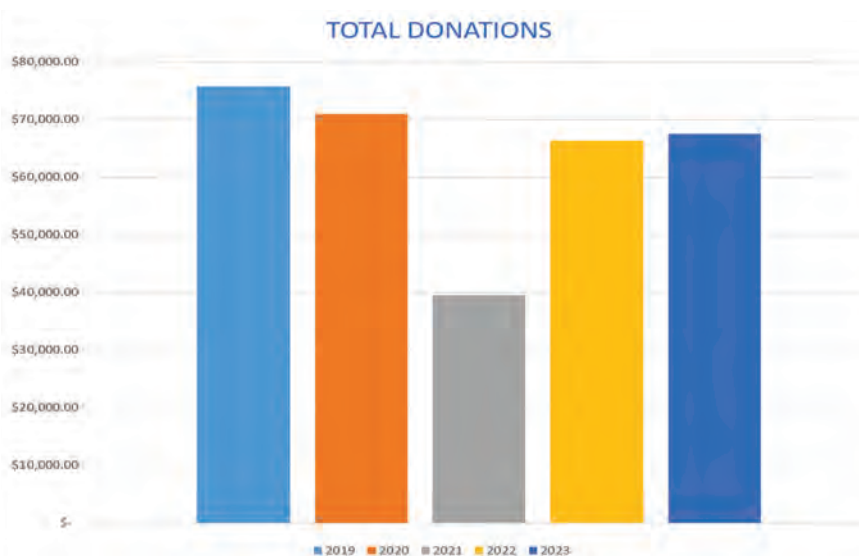


OUR NET OPERATING INCOME REACHED AN IMPRESSIVE \$1.49 MILLION. THIS MAKES 2023 THE SECOND BEST FOR NOI EVER.



SUPPORTING OUR COMMUNITY.

“We have donated almost \$470,000 within our community over the last seven years.”



Our Community. Your Credit Union.™

A Path to Prosperity

Protect your Online Accounts

Use strong passwords. Where possible, create a combination of four or more random words and a minimum of fourteen characters.

Do not provide your personal information or log into your online accounts via an email or text message request. Also, avoid logging into important accounts while using public wifi networks.

Set up automatic alerts that notify you when changes are made to your accounts.



Ladysmith & District Credit Union
Summarized Consolidated Financial Statements
December 31, 2023



Independent Auditor's Report on the Summarized Consolidated Financial Statements

To the Members of Ladysmith & District Credit Union:

Opinion

The summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2023, and the summarized consolidated statements of profit, other comprehensive income (loss), changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Ladysmith & District Credit Union (the "Credit Union") for the year ended December 31, 2023.

In our opinion, the accompanying summarized 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.

Summarized Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized 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 Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summarized consolidated financial statements with the basis described in Note 2.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarized 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 Summarized Financial Statements.

Abbotsford, British Columbia

March 18, 2024

MNP LLP

Chartered Professional Accountants

MNP LLP

Suite 600, 32988 South Fraser Way, Abbotsford B.C., V2S 2A8

1.877.853.9471 T: 604.853.9471 F: 604.850.3672



MNP.ca


Ladysmith & District Credit Union

Summarized Consolidated Statement of Financial Position


As at December 31, 2023

	2023	2022
Assets		
Cash and cash equivalents	15,887,021	6,930,568
Financial investments	33,072,764	25,831,233
Trade and other receivables	1,201,515	1,223,091
Income taxes recoverable	-	94,793
Loans to members	238,185,030	222,117,425
Premises and equipment	6,370,072	5,353,061
Intangible assets	2,055,813	2,269,957
	296,772,215	263,820,128
Liabilities		
Member deposits	277,772,915	242,795,408
Other liabilities	681,237	809,391
Borrowings	-	4,002,382
Lease liability	89,137	118,907
Income taxes payable	88,530	-
Deferred tax liabilities	1,047,000	798,100
Derivative financial instruments	-	98,165
	279,678,819	248,622,353
Members' equity		
Retained earnings	14,049,330	12,924,636
Accumulated other comprehensive income (AOCI) - Revaluation surplus	3,044,066	2,313,228
Accumulated other comprehensive income (loss) (AOCI) - Other	-	(40,089)
	17,093,396	15,197,775
	296,772,215	263,820,128

Approved on behalf of the Board



Director



Director

Ladysmith & District Credit Union Summarized Consolidated Statement of Profit

For the year ended December 31, 2023

	2023	2022
Financial income		
Interest on member loans	11,277,031	7,964,468
Interest on investments	1,408,176	419,529
	12,685,207	8,383,997
Financial expense		
Interest on member deposits	7,572,556	3,543,292
Interest on borrowed funds	26,201	160,768
	7,598,757	3,704,060
Financial margin	5,086,450	4,679,937
Impairment on (recovery of) loans to members	117,016	(21,912)
	4,969,434	4,701,849
Other income	2,614,463	2,325,735
	7,583,897	7,027,584
Operating margin	7,583,897	7,027,584
Operating expenses	6,094,240	6,083,034
	1,489,657	944,550
Income from operations	1,489,657	944,550
Distribution to members	55,463	53,525
	1,434,194	891,025
Income before income taxes	1,434,194	891,025
Provision for (recovery of) income taxes		
Current	314,600	186,481
Deferred	(5,100)	82,000
	309,500	268,481
Profit for the year	1,124,694	622,544

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

For the year ended December 31, 2023

	2023	2022
Profit for the year	1,124,694	622,544
Other comprehensive income (loss):		
Unrealized losses on derivatives designated as cash flow hedges, net of income tax expense (recovery) of \$(11,230) (2022 - \$27,811)	54,828	(135,788)
Unrealized gains on revaluation of land and buildings, net of deferred income tax of \$254,000	730,838	-
Other comprehensive income (loss) for the year, net of income tax	785,666	(135,788)
Total comprehensive income for the year	1,910,360	486,756

Ladysmith & District Credit Union
Summarized Consolidated Statement of Changes in Members' Equity
For the year ended December 31, 2023

	<i>AOCI - Revaluation surplus</i>	<i>Retained earnings</i>	<i>AOCI - Other</i>	<i>Total members' equity</i>
Balance December 31, 2021	2,313,228	12,302,093	95,699	14,711,020
Profit for the year	-	622,543	-	622,543
Unrealized losses on derivatives designated as cash flow hedges	-	-	(135,788)	(135,788)
Balance December 31, 2022	2,313,228	12,924,636	(40,089)	15,197,775
Profit for the year	-	1,124,694	-	1,124,694
Realized gain on derivatives designated as cash flow hedges	-	-	40,089	40,089
Unrealized gains on revaluation of land and buildings	730,838	-	-	730,838
Balance December 31, 2023	3,044,066	14,049,330	-	17,093,396

Ladysmith & District Credit Union

Summarized Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating activities		
Profit for the year	1,124,694	622,544
Depreciation of premises and equipment	158,041	153,832
Amortization of intangible assets	220,544	220,100
Depreciation of right-of-use buildings	30,143	30,143
Interest expense on lease liability	1,408	1,804
Deferred income taxes	(5,100)	82,000
Gain on disposal of premises and equipment	(2,952)	-
Impairment on (recovery of) loans to members	117,016	(21,912)
Change in fair value of derivative financial instruments	(27,283)	26,952
	1,616,511	1,115,463
Changes in working capital accounts		
Trade and other receivables	23,022	(316,673)
Income taxes recoverable	183,323	3,540
Other liabilities	(128,150)	135,721
Accrued interest on loans to members	(233,689)	(130,843)
Accrued interest on member deposits	1,015,022	340,433
Accrued interest on derivative financial instruments	(30,796)	75,911
Accrued interest on borrowings	(2,382)	2,382
	2,442,861	1,225,934
Financing activities		
Increase in borrowings	-	4,000,000
Repayments of borrowings	(4,000,000)	-
Net change in member deposits	33,962,484	14,325,792
Repayments of lease liability	(31,178)	(31,178)
	29,931,306	18,294,614
Investing activities		
Net change in loans to members	(15,952,379)	(30,823,304)
Net change in financial investments	(7,241,531)	12,030,894
Purchases of premises and equipment	(223,023)	(88,787)
Proceeds from disposal of premises and equipment	5,619	-
Purchases of intangible assets	(6,400)	(42,907)
	(23,417,714)	(18,924,104)
Increase in cash and cash equivalents	8,956,453	596,444
Cash and cash equivalents, beginning of year	6,930,568	6,334,124
Cash and cash equivalents, end of year	15,887,021	6,930,568

Ladysmith & District Credit Union

Notes to the Summarized Consolidated Financial Statements

For the year ended December 31, 2023

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, 2023 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 the Summarized Financial Statements

Management has prepared the summarized consolidated financial statements from the December 31, 2023 audited consolidated financial statements, which are prepared in conformity with International Financial Reporting Standards. A full set of audited consolidated financial statements is available from the Credit Union. The detailed notes included in the audited consolidated financial statements are not included in these summarized consolidated financial statements.

The criteria developed by management for the preparation of the summarized consolidated financial statements is as follows: that the information included in the summarized consolidated financial statements is in agreement with the related information in the full set of consolidated financial statements, and that the summarized consolidated financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related full set of consolidated financial statements, including the notes thereto, in all material respects.

A Path to Prosperity

Engage. Empower. Embrace.



Our Community. Your Credit Union.™

Watch Sunny online
for helpful tips and videos
on services you need.





A Path to Prosperity

Engage. Empower. Embrace.

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

www.ldcu.ca