



Lafleche Credit Union

This past year we celebrated the 80th anniversary of Lafleche Credit Union. On March 29, 1938 the Lafleche Credit Union was granted Charter #12 and history was made. Three quarters of a century after the founding of Sask's 1st rural credit union, we can look back with thanks at the vision and co-operative spirit of the men and women who joined together to build the strong financial institution we have today. We can be very proud of what we have accomplished together.

Lafleche Credit Union aims to be the financial service provider of choice within our market area. We are a dynamic, high growth, community oriented organization that offers a full range of leading-edge products and services through a variety of delivery channels, including 2 branches, an Automated Teller, Mobile banking and MemberDirect Internet home banking. Lafleche Credit Union boasts assets of \$78.7 million, a membership of 1,854 and 13 full and part-time staff serving our 2 full service branch locations.

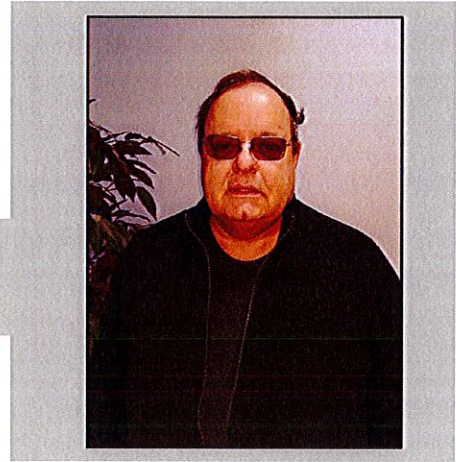
Vision Statement: "Working together to build a better community and provide exceptional financial service to members"

The Board, Management and Staff continuously strive to achieve this Vision and believe that employees are a key contributor to our success. We recruit progressive-minded people that will help us to move towards our Vision. Employees are recognized and rewarded for their commitment and contribution to our success.

For further information, refer to the Lafleche Credit Union's website at www.laflehecu.com.



uy Monette



Lafleche Credit Union would like to recognize Guy Monette for his dedication to the credit union network.

Guy has served for almost 40 years, starting back in 1990 as Director of the Meyronne Credit Union, a position he held for six years before it merged with the Lafleche Credit Union. Since that time, Guy spent 2 years as president and 21 years as a Director of the Lafleche Credit Union before retiring from the board.

Besides the many contributions he made during his years of serving on the board, Guy was also honoured as a graduate of the Credit Union Director Achievement Program.

Alongside his service to the credit union, Guy worked his farm in Meyronne. He and his wife Maria now live in Saskatoon.

The Lafleche Credit Union is proud to honour Guy as recipient of the Saskatchewan Credit Union Order of Merit Award and thank him for his many past years of dedicated service.



Submitted in 2019 by Lafleche Credit Union

LAFLECHE CREDIT UNION - SERVICES

- **FULL SERVICE ATM AT MAIN BRANCH** (*Available 24 hours a day – everyday!*)
- **DEPOSITS FULLY GUARANTEED BY CREDIT UNION DEPOSIT GUARANTEE CORP.**
- **“MEMBERDIRECT”** INTERNET HOMEBANKING AVAILABLE AT **NO CHARGE** WHICH PROVIDES ACCESS TO E-STATEMENTS, CHEQUE IMAGES, ETC.
- **FREE E-TRANSFERS** PROVIDED WITH MEMBERDIRECT INTERNET HOME BANKING
- **“MOBILE WEB”** – AN OPTIMIZED VERSION OF MEMBERDIRECT FOR USE WITH A SMART PHONE (ie. Blackberry, iPhone, Android, etc.)
- **“MOBILE BANKING”** - ACCOUNT BALANCES, HISTORY, ETC USING A “SMART PHONE”
- **“MEMBERCARDS”**, WITH “CHIP”, ACCESS TO ATM'S & POINT OF SALE MERCHANTS
- COLLABRIA **“MASTERCARD CREDIT CARDS”**, WITH REWARDS PROGRAM
- COLLABRIA **“U.S. MASTERCARD CREDIT CARD”** AVAILABLE
- FINANCIAL PLANNING SERVICES AVAILABLE (*By appointment with Financial Planner*)
- 1–5 YEAR NON-REDEEMABLE TERM DEPOSITS, RRSP's, RRIF's & TFSA's
- DAILY TERM DEPOSITS (30 TO 364 DAYS)
- **AGRI-INVEST** ACCOUNTS
- CONSUMER, AG AND COMMERCIAL LOANS, LINES OF CREDIT & QUICK LOANS
- **CALA** (FARM IMPROVEMENT LOANS) AVAILABLE AT GREAT RATES
- **CALIDON LEASING QUOTES** AVAIAABLE UPON REQUEST
- **STUDENT LOAN** SERVICES AVAILABLE
- **1 – 5 YEAR** FIXED RATE **MORTGAGE** LOANS
- OPTIONAL CREDIT DISABILITY &/or LIFE INSURANCE ON LOANS
- OPTIONAL MEMBER TERM LIFE INSURANCE AVAILABLE (Ag & Commercial only)
- FREE NIGHT DEPOSITORY SERVICE
- U.S. CHEQUING ACCOUNTS AVAILABLE
- SAFETY DEPOSIT BOXES (VARIOUS SIZES & PRICES)
- CANADIAN AND INTERNATIONAL **WIRES** AVAILABLE (FEES APPLY)

LAFLECHE CREDIT UNION LIMITED

LAFLECHE, SASKATCHEWAN

Incorporated: March 29, 1938

Credit Union Charter No.12

EXECUTIVE

President.....Lynn Sutherland
Vice-President.....Glenn Sproule
Recording Secretary...Carmen Ellis
Treasurer.....Bruce Anderson

DIRECTORS

<u>NAME</u>	<u>OCCUPATION</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Debbie Ash	Ranching	Glentworth	2019
Kathy DeWulf	Farming	Lafleche	2019
Dawn Mitchell	Rancher	Glentworth	2019
Lynn Sutherland	Business Owner	Lafleche	2020
Glenn Sproule	Farming	Thomson Lake	2020
Marg Clark	Business Owner	Glentworth	2021
Larry Wall	Co-op Manager	Hazenmore	2021

STAFF

Bruce Anderson	Lori McLean
Marcia Clermont (P/T)	Jody Packet (P/T)
Carmen Ellis	Dallas Rusk (Casual)
Laura Greffard (P/T)	Trudy Sewell (P/T)
Tracy Johnson	Jill Starke (P/T)
Christine Kelly	Sandra Watteyne (P/T)
Beth Tallon (Casual)	

2018 was another successful year for the Lafleche Credit Union, and we thank our members for their continued support. Many thanks also to the staff for your commitment to teamwork, and your continued excellence in providing service to members. You are the key to our continued success and viability.

LAFLECHE CREDIT UNION LIMITED

81st ANNUAL MEETING

WEDNESDAY, APRIL 17TH, 2019

WOOD RIVER MEMORIAL HALL BASEMENT

PROPOSED AGENDA

- 1. REGISTRATION**
- 2. CALL TO ORDER**
- 3. ADOPTION OF AGENDA**
- 4. MINUTES OF THE PREVIOUS ANNUAL MEETING**
- 5. BUSINESS ARISING FROM MINUTES**
- 6. PRESIDENT'S MESSAGE**
- 7. MANAGEMENT DISCUSSION & ANALYSIS**
- 8. NOMINATIONS COMMITTEE REPORT**
- 9. AUDITORS REPORT & PRESENTATION OF FINANCIAL STATEMENTS**
- 10. ADOPTION OF REPORTS**
- 11. APPOINTMENT OF AUDITOR FOR 2019**
- 12. PRESENTATION OF SERVICE AWARDS**
- 13. DRAW FOR DOOR PRIZES (Winners must be present)**
- 14. ADJOURNMENT**

80th ANNUAL MEETING OF THE LAFLECHE CREDIT UNION LIMITED
WEDNESDAY, APRIL 18, 2018

The evening started at 6:00 p.m. with a beef supper, catered by the Wood River Community Hall, with 53 in attendance.

President Lynn Sutherland called the meeting to order at 6:45 p.m.

Robert Faith/Marilyn Lamont: Moved to adopt the agenda as presented. Carried

Jeannette Bouvier/Yvonne Jalbert: Moved that the minutes of the last annual meeting be adopted as presented. Carried

Lynn Sutherland presented the Board of Directors report.

Bruce Anderson summarized the Management discussion & analysis report.

Kathy DeWulf presented the Nominations Committee report.

Rod Sieffert representing our audit firm, Meyers Norris Penny, presented the audited summary financial statements that are included in the annual meeting report. Rod also noted that complete sets of financial statements are available for any member to review.

Germaine Booth/Loretta Eastley.: Moved to approve the reports from the Board of Directors, Nominations Committee, General Manager & Auditor. Carried

Glenn Sproule/Marge Clark: Moved that we appoint Meyers Norris Penny as our auditors for 2018. Carried

The following Service Awards were presented; DIRECTORS: Marge Clark- 3 yrs, Dawn Mitchell- 3yrs, Glenn Sproule- 12yrs. STAFF: Tracy Johnson- 20 yrs,

General Manager Bruce Anderson presented Wally Sutter with the Sask Credit Union Order of Merit Award for his dedication and invaluable contribution to the Credit Union system. Wally served on the Lafleche CU Board for 21 years as director, with 6 years served as President. Wally also served on the Woodrow Co-op Board & Sask. Wheat Pool Committee.

Various door prizes of Lafleche CU promotional items were drawn and handed out.

Debbie Ash adjourned the meeting at 7:33 p.m.



President



Secretary

President's Message

Welcome to the Lafleche Credit Union 81st Annual General Meeting.

As President of the Board of Directors, I am pleased to announce that once again we had a profitable year.

The Agriculture sector faced a variety of challenges this year. Weather, over supply, as well as tariffs imposed by protectionist governments all played a supporting role. Despite these challenges our deposits continued to grow as did our loan portfolio. Lafleche Credit Union's average asset growth over the last five years is over 5%, bringing our Assets to a record level of over \$78,000,000.

On behalf of the entire board I would like to thank you the members for your continued support. I would also like to thank the management and staff for making 2018 another successful year for Lafleche Credit Union. This credit union's success is very much due to the hard work of management and staff, and this is reflected in our most recent performance assessments by internal and external auditors.

Our **Vision**: Working together to build a better community and provide the best financial service – anywhere, anytime, anyway.

Our **Mission**: We are Saskatchewan's First Rural Credit Union – leading, developing, and supporting our communities through our members' financial success.

I would also like to thank the Board for the support they have given me as Chairman during the past year; for the dedication and commitment they gave to serving our members; and most importantly to their dedication towards discharging their duties. We will continually strive to provide the financial services that meet the needs of our members.

Last, I am pleased to announce that the management and Board has decided to share this success with the members. We will make a patronage allocation of \$350,000 to our members this year. This allocation is a 14% rebate on loan interest paid and 14% bonus on deposit interest earned by members in 2018.

Respectfully submitted,



Lynn Sutherland, President

Management Discussion and Analysis – presented by Bruce Anderson, General Manager

Management Discussion and Analysis:

The following discussion and analysis on the financial position and operations of Lafleche Credit Union Limited, hereinafter referred to as LCU, at December 31, 2018, should be read in conjunction with the Consolidated Financial Statements and accompanying notes, and is presented to enable readers to assess material changes in the financial condition and operating results of the credit union.

Our Vision, Mission and Values:

Vision: Working together to build a better community and provide exceptional financial service to members.

Mission Statement: We are Sask's 1st Rural Credit Union – leading, developing and supporting our communities through our members' financial success.

Values: Service Excellence; Product Excellence and Creativity; Stability, Security and Long-term prosperity; Leadership and Community Involvement; Teamwork; Employee Satisfaction; Financial Performance, Productivity & Growth; Democratic Process; Marketing

Credit Union Market Code:

LCU voluntarily adheres to the Credit Union Market Code. This code has been jointly developed by Saskatchewan credit unions, SaskCentral, and Credit Union Deposit Guarantee Corporation to ensure the protection of credit union members. The code sets forth guidelines for the following areas:

- **Complaint handling**, which outlines the process for dealing with all complaints regarding the service, products, fees or charges of LCU.
- **Fair sales** by outlining the roles and relationship of staff to all member/clients and in accordance with the financial services agreement.
- **Financial planning process** to advise member/clients on the risks and benefits associated with financial planning services.
- **Privacy** to protect the interests of those who do business with LCU. Privacy is the practice to ensure all member/client information is kept confidential and used only for the purpose for which it was gathered.
- **Professional standards** to preserve a positive image of LCU among our members, clients and communities.
- **Capital management** to ensure our capital structure aligns with our risk philosophy.
- **Financial reporting** to adhere to business and industry standards.
- **Governance practices** to adhere to the intent and stipulation of our corporate bylaws, which are approved by the membership of LCU.
- **Risk management** to ensure all risks are measured and managed in an acceptable fashion.

Co-operative Principles

As a true co-operative financial institution, LCU acts in accordance with internationally recognized principles of co-operation:

Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Introduction

LCU is an independent regional Saskatchewan credit union owned by our members. Under current credit union legislation, LCU is able to provide financial services to members and non-members. At **Dec 31, 2018**, LCU had **1,854** members and did not have any non-members. Non-members would not participate in the democratic processes of the credit union, nor in any patronage distribution should it be declared in any particular year.

Our credit union serves the communities of Lafleche, Glentworth and the surrounding districts through our two (2) branch offices and various electronic delivery channels. We also provide financial services through some third party arrangements enabling the underwriting of credit through our alliance with Calidon Financial Services and investees such as Concentra Bank. Through these channels' we are able to access lease contracts and syndication arrangements, etc. This allows LCU to further diversify our loan portfolio by type and geographic location. We also provide a referral **Wealth Management** Program through our alliances with Thrive Wealth Management and Sunstone Retirement Specialists.

Strategy

The Vision of LCU is to be the financial service provider of choice within our service area. To monitor specific objectives throughout the year that support this vision, the board regularly monitors our five-year *Strategic Plan*.

Our key strategic objectives in 2018 were: 1) succession planning for the GM position; 2) training and education of staff and directors; 3) have the right mix of products and services to meet member needs and 4) continue with and build on alliances to enhance services provided to members.

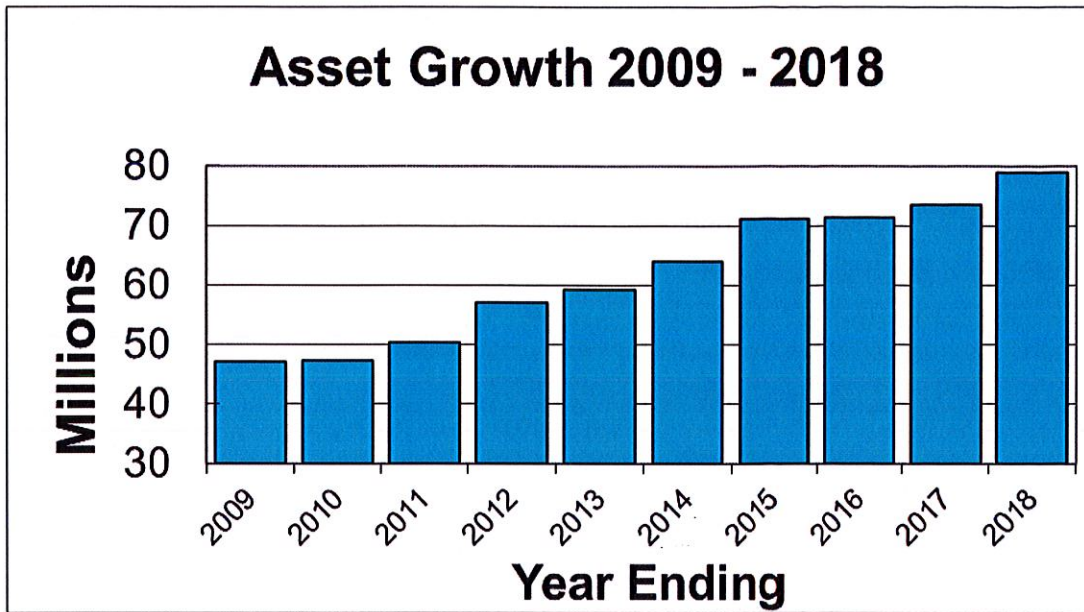
Margins continued to be tight in 2018, however we did have very good Loan and Deposit growth, even though our memberships declined slightly during the year.

Meeting the goal of our vision requires that LCU not only attract new members, but even more important is to preserve our existing membership. To support our objective of increased member loyalty, staff training is completed as necessary, with special emphasis on product knowledge. Staff once again attended numerous educational webinars and some classroom training sessions throughout 2018.

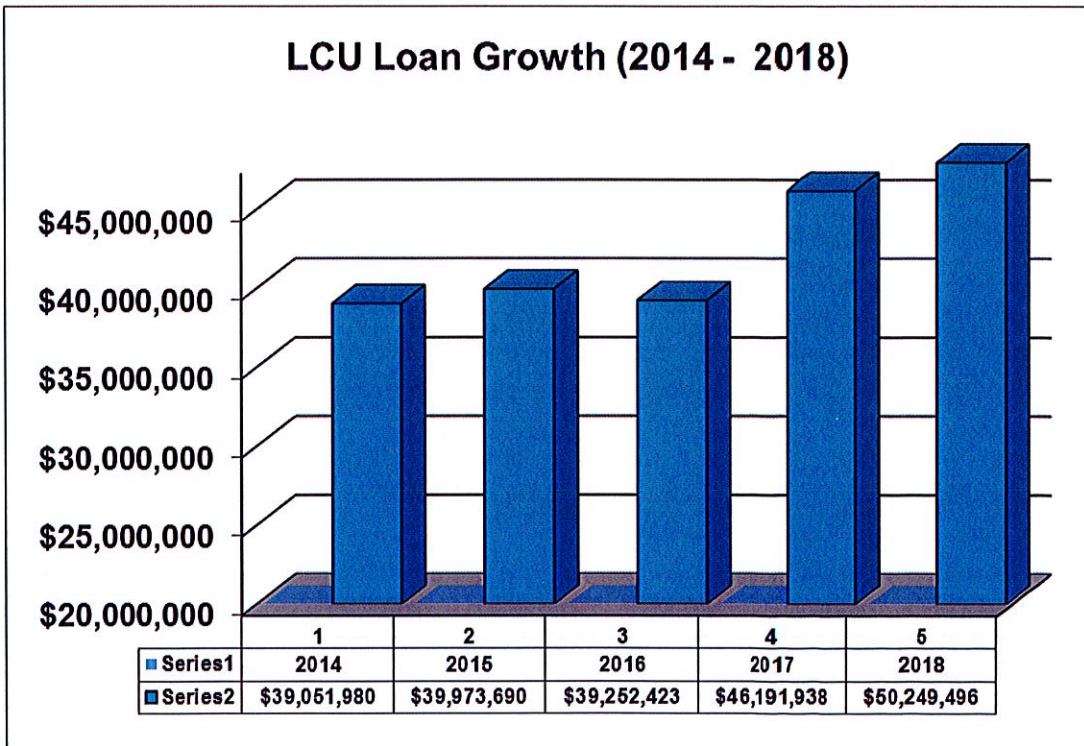
Financial Performance

LCU establishes annual financial performance objectives through a business plan that is reviewed and approved each year by the board of directors. Each month the board receives an accrued financial statement showing assets, liabilities, income and expenses, as well as a number of key ratios, percentages, and changes to the statement from last month and from last year to date. Each quarter the board also reviews a comparison of actual figures to budget from the business plan. This report is reviewed in detail to measure our success compared to the budget projections.

Balance Sheet – LCU had a very successful year financially in 2018. Assets of Lafleche CU grew by **7.00%** to end the year at **\$78.7** million. This represents growth in dollars of **\$5.2** million for 2018. The graph on the following page illustrates our 10-year Asset growth, which has been **6.7%** per year on average, which has consistently exceeded our annual budget projections:



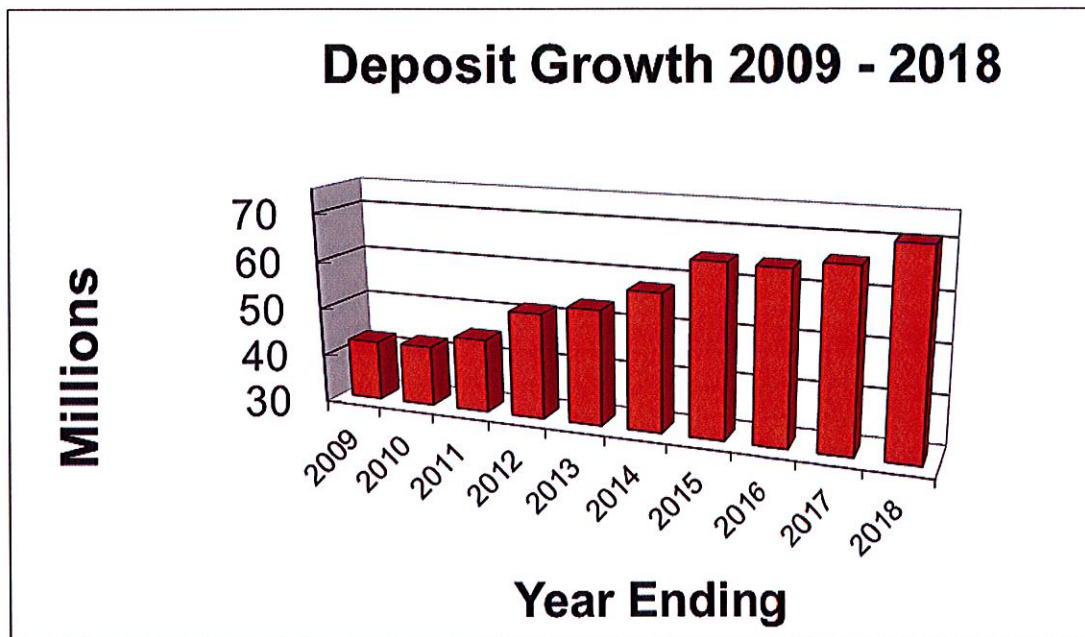
A key measurement of liquidity is the ratio of total loans to total assets. LCU monitors and manages this ratio to ensure a strong return to the organization while at the same time ensuring a position of sufficient liquidity. Accounting for **63.8%** of total assets, our loan portfolio ended the year at **\$50.2 million**, which represented an **8.7%** increase. It is our goal to manage loan growth towards our loan portfolio target of 65-70% of total Assets. In 2018, we disbursed loans totaling **\$6.0 million**, which was a decrease from the **\$6.5 million** disbursed the previous year (this does not include syndications funded during the year). We also were funding **\$2.5 million** in leases and **\$18.2 million** in syndicated loans at year-end. Loan delinquency ended the year at **0%**, which was the same as 2017, and the Loan loss provision expense was **\$0**, same as 2017 year-end as well.



Member Deposits increased by **\$4.9 million** or **7.2%** to end the year at **\$71.1 million**. Management continues to monitor and manage deposit growth to ensure the liquidity requirements of the credit union is met or exceeded. As we have noted in the past, we do like to see growth happen, however the significant growth we have experienced over the last few years, combined with new capital standards, continues to provide some challenges for us. Over the last 10 years, as illustrated on the Deposit Growth graph on the following page, our deposits have increased from **\$42.3 million** to **\$71.1 million**, which is growth of **68%**, or **6.8%** per year. This has been due to the excellent support of our members!

Deposit growth creates Asset (Investment) growth, which in turn requires more capital to meet regulatory requirements. With more emphasis on increasing capital in recent years, and this degree of growth, our focus over the past few years has been on increasing our capital. That said, the Board of Directors recognizes the need to reward our members for their strong support and have approved a Patronage Payment for 2018 as was noted in the Board of Directors report.

We would like to remind everyone that LCU deposits are **100% guaranteed** by the regulator of Saskatchewan credit unions, namely the Credit Union Deposit Guarantee Corporation (CUDGC).



Profitability – The profitability of LCU is determined by our ability to manage net interest margin, non-interest revenues and non-interest expenses. Our pre-tax and pre-patronage income for 2018 was **\$793,048**, compared to **\$504,642** the previous year. Total interest income of **\$2.9 million** was up slightly from 2017, due to the loan growth noted earlier and a one-time extra dividend payment from SaskCentral. Non-interest revenue includes insurance commissions, loan fees, account service fees and foreign exchange revenue. Non-interest revenue decreased slightly in 2018, and as a percent of Assets, it has remained fairly consistent over the past few years. Non-interest expenses include personnel, administration, occupancy, organizational, and member security costs. Total non-interest expenses were **\$1.61 million** as compared to **\$1.56 million** in 2017. Non-interest expenses as a percentage of Assets were **2.05%**, which was down slightly from the previous year. This percentage continues to fall well below the Sask. credit union system average of **2.34%**.

Capital Ratio – One of the primary measures of financial strength in a financial institution is its capital position. Capital levels are managed in accordance with policies and plans that are reviewed and approved by the Board of Directors. Credit Unions measure capital using 2 methods, the first of which is a simple comparison of Tier 1 (total) capital to total assets.

The 2nd ratio compares capital to our risk weighted assets. Our regulator, CUDGC, requires that all Sask credit unions hold a minimum of 6% Tier 1 capital, with a recommended minimum of 7%. Under the 2nd key ratio calculation CUDGC requires Sask credit unions to hold a minimum of 8% risk weighted (eligible) capital with a recommended minimum of 10%.

As of Dec 31, 2018 LCU's eligible capital was **14.48%** compared to Sask CU system average at **13.92%**. Total (Tier 1) Capital as a percentage of total assets was **13.22%** compared to the system average at **12.97%**. LCU's total Tier 1 capital is made up of retained earnings and member equity held as shares. While our capital levels have been stable, we must continue our efforts to increase capital due to the growth we have experienced in the past several years. Our regulators continue to monitor our capital levels going forward to ensure strength of our credit union.

For several years now we have been measuring our capital through a method known as Internal Capital Adequacy Assessment Process or **ICAAP** for short. This is part of CUDGC's regular supervisory review process and all Sask credit unions are required to have ICAAP in place to assess capital requirements. Our December 31, 2018 assessment indicates that we continue to exceed the required capital levels as set out by CUDGC.

Lafleche CU recognizes the need to sustain and build the credit union's capital position in order to continue to meet regulatory and sound business practices. Adequate capital enables the credit union to sustain its liquidity requirements, to safely fund development initiatives, and provide leverage to effectively manage performance standards.

In general, the purpose of the Capital Plan is to identify optimal capital ranges for LCU and the actions that Board and Management will employ to work towards those optimal ranges.

- Too little capital restricts the credit union's ability to grow and generate good returns. It also increases the risk of having insufficient funds to cushion against unexpected losses or liquidity needs.
- Too much capital could be perceived that the credit union is not generating sufficient return on its capital.

LCU's capital plan is directly related to its service delivery strategies and risk philosophy. The credit union has traditionally held a moderate appetite for risk. It has focused on traditional financial services, and maintained a relatively low level of risk in its loan and investment portfolio. Liquidity has been maintained within a very comfortable range. This has proven to be an effective strategy through this extended period of low interest rates. Lafleche CU continues to grow its balance sheet and maintain profitability in this ever increasing competitive financial services market.

Enterprise Risk Management (ERM)

As a financial institution, Lafleche Credit Union must manage the risks it faces to achieve its business objectives. In doing so, it must balance the risk with the potential reward for optimum return. The fundamental strength of a credit union is the level of capital it holds to protect against normal, anticipated and unexpected business events. Our credit union has a strong level of capital, but have chosen to take a moderate approach to risk. Our main

objective is to preserve and build capital while maintaining market share and growing wallet share by providing our members with competitive products and excellent service.

As our credit union continues to grow and experiences further product and service diversification, the risk profile of the organization will change. Capital adequacy measurements have evolved from the asset allocation of the balance sheet to the lines of business, operating, technology, reputation and other known risks. Allocation of capital is required to offset these various risks.

A second element of risk management is liquidity. The liquidity standards have changed significantly with the introduction in 2017 of a liquidity coverage ratio and stress testing. The objective of the new standards is to ensure that credit unions have an adequate stock of unencumbered high quality liquid assets that consist of cash or assets that can be converted to cash at little or no loss of value; and meet its liquidity cash needs for a 30 calendar day stress scenario. After 30 days it is assumed corrective actions have been taken. Credit Unions are expected to conduct stress tests to assess the level of liquidity they should hold. Our risk management process has evolved to the point where we:

- Identify risks to which the credit union is exposed
- Measure our exposure to identified risks
- Ensure that an effective risk monitoring program is in place
- Monitor risk exposure on an ongoing basis
- Control and mitigate risk exposures
- Report to the Board and Senior management on risk exposures

We do this through our risk management regime, which consists of the following:

- **ERM Review** – risks are identified and tracked
- **Risk Appetite Statement** – identifies the amount and type of risk the credit union is able and willing to accept in pursuit of its business objectives
- **ICAAP Report** – determines LCU's ability to absorb financial and economic stress
- **Capital Plan** – determines the capital levels that are considered appropriate given the current risk profile and risk appetite
- **Liquidity Plan** – establishes the credit union's ability fund its business activities
- **Strategic/Business Plan** – sets strategic direction and related operational plans
- **Budget** – projects the effect of any steps taken through the capital & liquidity plans

Our risk management framework manages risks in the following categories:

Strategic Risk

Strategic risk is the risk that adverse decisions, ineffective or inappropriate business plans or failure to respond to changes in the competitive environment, customer preferences, obsolete products or resource allocation will impact the ability to meet our objectives. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed against these goals and the quality of implementation. Lafleche Credit Union has formal planning processes which result in a strategic business plan focused on strategic objectives outlined in this report. The credit union has reporting processes in place to monitor performance relative to plans and provides regular updates to the Board. The ERM process further identifies emerging risks and formulates plans as risks are identified. In addition, directors attend training sessions, as well as system meetings and conferences, to hear other perspectives and learn from other credit union directors.

Credit/Concentration Risk

Credit risk is the risk of financial loss arising from a borrower or counterparty's inability to meet its obligations, and the risk that the credit union is unable to meet loan growth targets. LCU is affected primarily by its direct lending activities. In addition to lending to members, LCU assumes risks related to loans purchased from other credit unions and affiliates, leases financed by Calidon Leasing, and to a lesser extent, by holdings within its investment portfolio. Some key individual credit risks are: default risk, portfolio concentration risk, inadequate allowance risk and policy exceptions risk. Our loan portfolio and lending practices undergo regular and ongoing independent assessment through external audits, internal audits and regulatory reviews by Deposit Guarantee Corp. Reports are provided to management and to the Board of Directors through the Audit & Risk Committee (ARCO). LCU had both internal and external audits performed during 2018, and there were no significant concerns or issues identified.

Liquidity Risk

Liquidity is required to meet the day to day cash needs and members' loan requirements. This risk arises from general funding activities and through management of assets and liabilities. It is the risk of having insufficient cash resources, or equivalents, to meet members' demand for loans or drawdown of deposits. At Dec 31, 2018 Lafleche Credit Union held 10.46% of its member liabilities in a Statutory Liquidity Account with SaskCentral and LCU has never had to draw upon this facility to fund its liquidity requirements. Adjustments are made to this account four times a year in Feb, May, Aug and November to ensure that the amount held remains at or just above the 10% level. Due to the fact LCU's loan to asset ratio was 63.8% (target is 65-70%) at Dec 31st, the liquidity risk for our organization continues to be quite minimal.

Market Risk

Market risk is the exposure to potential loss from changes in market prices and foreign exchange risk. Losses can occur when value of assets and liabilities or revenues are adversely affected by changes in market conditions, such as interest rate or foreign exchange movement.

LCU's market risk is impacted primarily by movements in interest rates, specifically from the timing differences that exist between re-pricing of loans, investments, and deposits. Our exposure to changes in interest rates is monitored by management in two ways. The first is through our contract for financial services with Innovation Credit Union who monitor and measure our exposure and provide reports to management, board and auditors. The second is by monitoring reports from Concentra Bank and other articles, periodicals, etc. regarding rate forecasts and market trends.

Legal and Regulatory Risk

Regulatory risk is the risk arising from potential violation of, or nonconformance with, laws, rules, regulations, prescribed practices, or ethical standards. No matters came before the Audit & Risk Committee or MNP, our external auditors, which would indicate any such violations occurred in 2018. LCU operates in a highly regulated environment and undergoes numerous audits from entities such as MNP, SaskCentral Internal Audit, FINTRAC, and the Credit Union Deposit Guarantee Corporation. Due to this high degree of regulatory oversight, the risk in this area is greatly diminished.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Exposures to this risk arise from deficiencies in internal controls, technology failures, human error, employee integrity, and natural disasters.

Regulatory Matters

Corporate Structure and Governance

The governance of LCU is anchored in the co-operative principle of democratic member control. Our "*member representative*", **Debbie Ash**, attends provincial meetings on our behalf and keeps the Board & management apprised of what is happening at SaskCentral.

Board of Directors

Mandate and Responsibilities:

The board is responsible for the strategic oversight, business direction and supervision of the General Manager. By acting in the best interests of the credit union and its members, the board's actions adhere to the standards set out in *The Credit Union Act 1998*, the *Standards of Sound Business Practice* and other applicable legislation.

Directors

Name	Term Expires
Debbie Ash (Member Representative)	April 2019
Dawn Mitchell	April 2019
Kathy DeWulf	April 2019
Lynn Sutherland (President)	April 2020
Glenn Sproule (Vice-President)	April 2020
Marg Clark	April 2021
Larry Wall	April 2021

Board Composition:

The board is composed of 7 individuals elected on an "at large" basis by members. Terms are usually for 3 years and tenure is limited to 15 years (5 terms). Nominations are made by filing out a nomination paper during the allotted time period prior to the annual meeting. Voting is by paper ballot, done in-branch, and election results are announced at LCU's annual general meeting.

Committees:

The responsibilities of the board serving a modern financial services organization involves an ever-growing list of duties. LCU maintains a number of committees comprised of directors. This partitioning of responsibilities enables a clear focus on specific areas of activity vital to the effective operation of our credit union.

- **Executive Committee**

This committee is comprised of the President, Vice-President, and one other director and they act as the official representatives of the Board. The Executive Committee is the most senior committee and can act on behalf of the board in between meetings where timely decisions are required.

- **Audit and Risk Committee (ARCO)**
 This Committee oversees the enterprise risk management (ERM) and financial reporting process, reviews financial statements, liaises with internal and external auditors and regulators, and reviews internal control procedures. The committee consists of 3 directors. The board determines the skills and abilities needed on the committee and chooses its members accordingly.
- **Conduct Review Committee**
 This committee ensures that LCU acts with the full integrity and objectivity of its directors and employees, by having in place policies, processes and practices that protect people and the organization from claims and from the perception of unfair benefit or conflict of interest. The committee is chosen at the annual reorganization meeting. It is comprised of 3 directors that are charged with reviewing the conduct of dealings that take place during the fiscal year with all directors, management and their family members.
- **Building Committee**
 Purpose is to work with management in the development of policies and plans relevant to the credit union service facilities. The committee also oversees the maintenance and improvements of all properties, within approved budgetary constraints, that are owned by the credit union for its' own use. The committee is comprised of 3 directors appointed each year by the board at the reorganization meeting.
- **Nominating Committee**
 This committee oversees the nomination and election processes for elections of credit union directors. The committee is comprised of the 2 or 3 directors elected in the prior year. Its primary purpose is to ensure that all those coming forward to run as a director of the credit union qualifies in all material respects before accepting the nomination papers. As well, the Nominating Committee has the role of seeking out members to run for vacant board positions who they feel would be an Asset to the Board of Directors. The Nominating Committee will always consult with management to ensure that the potential candidate operates their affairs in a satisfactory manner and that no conflict of interest is evident.

Compensation and Attendance:

Board members are volunteers, but are compensated for attending regular and committee meetings throughout the year, and are paid mileage for traveling as required. The budgeted amount for board remuneration and travel in 2018 was \$19,972 and actual expenditures for the year were \$20,624. The Board holds monthly board meetings plus Strategic Planning sessions, Budget meeting and GM performance plan/review meetings each year. In addition, the directors also attend special board meetings, committee meetings, and the annual general meeting. There were extra meetings required in 2018 due to the GM recruitment process.

Director Training:

Board members are encouraged to take Credit Union Director Achievement (CUDA) training to improve their governance skills. A few Lafleche CU directors are graduates of the national CUDA director training program, while others are working towards their designation. The Board also participated in various other in-house training sessions for anti-money laundering, privacy, market code and code of conduct in 2018.

Executive Management

The management structure of LCU is follows:

General Manager: Bruce Anderson, ACUIC
Manager of Lending and Branch Services: Tracy Johnson, FCUIC
Manager of Deposit Services: Carmen Ellis

Corporate Social Responsibility (CSR)

Concern for Community is one of the co-operative principles, and Lafleche CU is a strong believer in corporate social responsibility. Each year we make every attempt to support our communities through our efforts in staff & board volunteerism, charitable giving, and financial support within the communities that we serve. We continue to encourage staff to volunteer in the community in leadership and various other capacities with local organizations.

I have once again included a page in the annual report that provides a partial listing of some of the many donations and sponsorships provided in 2018. We are also proud of the fact our employees volunteered **1,005** hours of community service to various boards, committees, and other volunteer and/or elected positions during the calendar year.

Lafleche Credit Union measures success in terms of personal relationships, not market share, asset size or annual earnings. The staff and board's commitment is to the members and we believe it is in our member's best interest to keep things small for now. At Lafleche Credit Union, we are proud of our 2 branches with 13 full and part-time employees.

Some say that Canada's credit union system is at a turning point. As a relatively small player in the national financial services sector, credit unions face challenges such as an ageing membership base, high costs, and increasing demands for investment in technology and digital innovation. These factors combined with the complex regulatory environment, make it increasingly difficult for credit unions to compete effectively against Canada's big banks. We, as an organization know that we must respond to the ever-changing landscape, however, we are torn between the demands to create efficiencies through mergers and consolidations, and the need to uphold the co-operative value of local autonomy that has made us successful.

As a small credit union, we rely on our partnerships with other credit unions to provide back office support, products, services and technologies to meet member needs. We work with Innovation Credit Union to assist with our monthly reporting and managing our investment portfolio. We also work with other provincial credit unions to allow us ways to improve our back office efficiencies and share information.

We will continue our best efforts to ensure that members receive the best quality financial services we can provide with the resources that we have available. With our members' continued strong support this should be possible for many more years to come.

It has been my pleasure to serve in the capacity of General Manager for Lafleche Credit Union for the past 23 years. I will cherish the many relationships with the many past and present staff, directors and members during this time. However, I now look forward to the next chapter of my life and to spending more time with family, traveling, and getting away from our cold Sask Winters!

NOMINATION COMMITTEE REPORT

2019 Election Process:

The purpose of the Nomination Committee is to oversee the annual nomination and election of directors for the Lafleche Credit Union. Policy states that the Nomination Committee shall consist of directors that are not candidates for re-election in the current year's election.

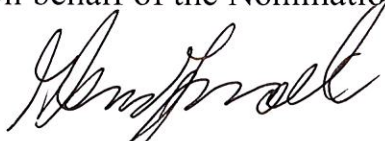
The Nomination Committee for **2019** was Larry Wall, Marg Clark and myself. The Board of Directors appoints a returning officer each year that is responsible for advertising for nominations, collecting the nominations, and advertising and supervising the election process. Carmen Ellis was appointed as the returning officer. The General Manager acts as a staff resource to the Nomination Committee.

It is the policy of Lafleche Credit Union to actively solicit qualified prospective candidates to seek election to the Board of Directors, and to provide director contact for any member who expresses an interest in running for the board, or to make inquiries about the election process.

The committee ensures that there are sufficient nominees to fill each vacancy on the Board. The Board consists of seven directors, with two or three director's terms expiring each year when possible, so that we are able to maintain some level of stability/experience on the Board.

During the 2019 nomination period Debbie Ash, Kathy DeWulf and Dawn Mitchell filed papers with the returning officer prior to the deadline. These 2 candidates were elected by acclamation, as no other nomination papers were received during the allotted time period. Thank you to all our current directors for your commitment to Lafleche Credit Union.

Respectfully submitted,
On behalf of the Nomination Committee



Glenn Sproule,
Chairperson

IT PAYS TO BE A MEMBER!
Lafleche
Credit Union's
Member Profit
Sharing Day 2019



Coming in June

\$350,000 TO BE RETURNED

to Lafleche Credit Union Members

• 12% on Loans (interest paid) • 12% on deposits (interest earned)

This represents 44% of our 2018 profits going back to our members!
Does your financial institution reward you this way?

See the many
benefits of being a
Lafleche Credit
Union Member!

- Package Accounts
- 24 Hour Automated Teller Machine
- Internet Banking with FREE e-transfers
- Unlimited Guarantee of Funds on Deposit
- Consumer, Commercial or Agricultural Loans



Lafleche

CREDIT UNION

Community minded...just like you!

Lafleche 472-5215
1-888-472-5215

Glentworth 266-4821
www.laflechecu.com

2018 Donations/Sponsorships

- Co-op Dev Foundation(CDF)
- Glentworth Curling Club
- Glentworth Giants Baseball
- Glentworth Minor Hockey
- Glentworth Senior Bowlers
- Glentworth Senior Thunder
- Golf Prizes - Men's, Ladies & Par 3 at Thomson Lake
- Kincaid School Calendar
- Lafleche Club 50
- Lafleche Curling Club
- Lafleche Legion
- Lafleche Lions Club
- Lake Crest Golf Club - Men's Night Sponsor
- LCS Yearbook, Grad and Hot noon meal sponsor
- Legion-Lafleche & Glentworth poppy funds
- Mankota 4H Club
- Music Festival - Lafleche
- St. Joseph's Hospital
- Stock Grower's Assoc
- Terry Fox Run's
- Wood Mountain Rodeo
- Wood Mtn Regional Park

Donations/Sponsorships over \$200 in 2018

- McCord & District Museum - \$2,000
- Humboldt Bronco's fund - \$1,000
- Co-op Development Foundation(CDF) - \$1,000
- School Grad Scholarships - \$ 900
(Lafleche, Glentworth & Kincaid)
- CUMA provincial curling event - \$ 500
- CU Sask Young Leaders Association - \$ 500
- Sask Summer Games sponsorship - \$ 500
- Thomson Lake Golf Scorecards - \$ 500
- Terry Fox Runs - sponsored lunches - \$ 300
- Wood Mountain Rodeo - \$ 275
- LCS Hot Noon Meals - \$ 250
- Kraft Hockeyville event - \$ 250

Lafleche Credit Union
Summary Financial Statements
December 31, 2018

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Lafleche Credit Union Limited:

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, and the summary statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Lafleche Credit Union Limited (the "Credit Union") for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with International Financial Reporting Standards.

Summary Financial Statements

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

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 20, 2019.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

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

Regina, Saskatchewan

March 20, 2019

MNP LLP

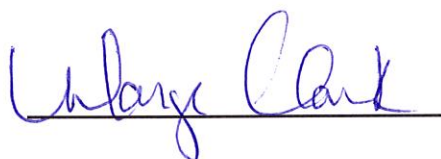
Chartered Professional Accountants

MNP

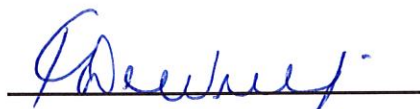
Lafleche Credit Union
Summary Statement of Financial Position
As at December 31, 2018

	2018	2017
Assets		
Cash and cash equivalents	9,399,852	7,842,396
Investments	18,608,357	18,824,412
Member loans receivable	50,249,496	46,191,938
Other assets	227,578	371,608
Property and equipment	209,871	243,220
Income taxes recoverable	-	38,269
	78,695,154	73,511,843
Liabilities		
Member deposits	71,113,300	66,228,330
Current tax payable	24,337	-
Other liabilities	751,862	884,550
Membership shares and equity accounts	501,990	487,454
	72,391,489	67,600,334
Members' Equity		
Retained earnings	6,303,665	5,911,509
	78,695,154	73,511,843

Approved on behalf of the Board



Director



Director

Lafleche Credit Union
Summary Statement of Comprehensive Income
For the year ended December 31, 2018

	2018	2017
Interest income		
Member loans	2,389,677	1,955,947
Investments	575,052	419,068
	2,964,729	2,375,015
Interest expense		
Member deposits	789,292	539,760
Borrowed money	3,086	1,864
	792,378	541,624
Gross financial margin	2,172,351	1,833,391
Other income	234,086	229,565
	2,406,437	2,062,956
Operating expenses		
Personnel	831,198	803,589
Member security	64,861	62,729
Organizational	54,483	63,042
Occupancy	85,937	85,483
Administration	576,910	543,471
	1,613,389	1,558,314
Income before provision for impaired loans and provision for (recovery of) income taxes	793,048	504,642
Patronage refund	350,000	244,000
Income before provision for (recovery of) income taxes	443,048	260,642
Provision for (recovery of) income taxes		
Current	52,069	27,722
Deferred	(1,177)	4,242
	50,892	31,964
Comprehensive income	392,156	228,678

Lafleche Credit Union
Summary Statement of Changes in Members' Equity
For the year ended December 31, 2018

	<i>Retained earnings</i>	<i>Total equity</i>
Balance December 31, 2016	5,682,831	5,682,831
Comprehensive income	228,678	228,678
Balance December 31, 2017	5,911,509	5,911,509
Comprehensive income	392,156	392,156
Balance December 31, 2018	6,303,665	6,303,665

Lafleche Credit Union
Summary Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Interest received from member loans	2,307,633	1,962,549
Interest and dividends received from investments	553,228	441,789
Other income received	234,086	229,565
Payments to suppliers and employees	(1,906,316)	(1,523,717)
Interest paid on deposits	(666,174)	(577,423)
Interest paid on borrowed money	(3,086)	(1,864)
Income taxes recovered (paid)	10,537	(59,218)
	529,908	471,681
Financing activities		
Net change in member deposits	4,761,853	1,557,650
Net change in membership shares and equity accounts	14,536	(17,374)
	4,776,389	1,540,276
Investing activities		
Net change in member loans receivable	(3,975,515)	(6,946,117)
Purchases of property and equipment	(11,205)	(21,978)
Net change in investments	237,879	6,460,919
	(3,748,841)	(507,176)
Increase in cash and cash equivalents	1,557,456	1,504,781
Cash and cash equivalents, beginning of year	7,842,396	6,337,615
Cash and cash equivalents, end of year	9,399,852	7,842,396