



Management's Discussion & Analysis

2014 Q2 Update

Financial Summary

Net Income:

DUCA Financial Services Credit Union Ltd. ("DUCA") is pleased to report that net income for the quarter ended 30 June 2014 was \$2.5 million and \$5.2 million for the half year-ended 30 June 2014. Second quarter results are \$700k ahead of the same quarter period in 2013 and \$1.2 million (30%) ahead of the six month period ended 30 June 2013. DUCA had good loan growth in 2014 both in the residential and commercial books and as a result, higher net interest margin is driving the majority of the improvement in net income for both periods.

Operating Efficiency

DUCA's cost efficiency ratio* at 30 June 2014 was 62% compared with 67% for the corresponding period in 2013.

Return on Equity ("ROE")

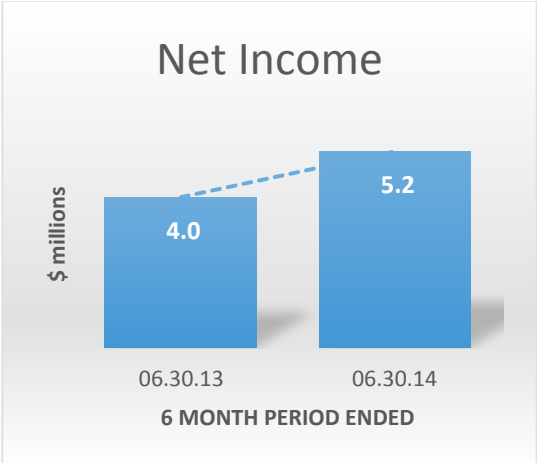
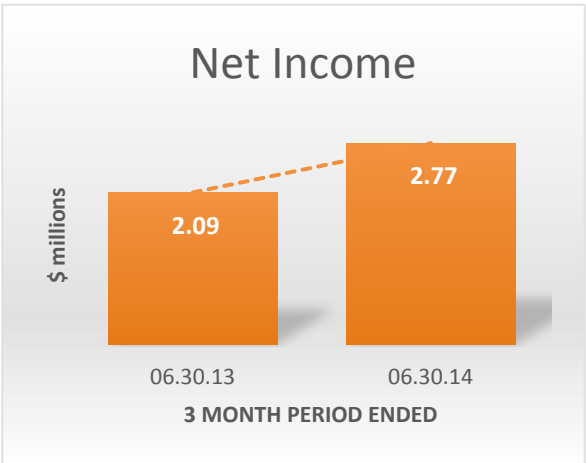
Our Return on Equity ("ROE") was 10% for the first half period ended 30 June 2014 up from 8% in 2013.

Loans and Assets

DUCA ended the quarter with \$1.376 billion in loans and \$1.569 billion in assets. Loans and assets increased \$132 million (21% annualized) and \$177 million (25% annualized) from 31 December 2013, respectively.

Capital Expenditures

Our capital expenditures totaled \$840k for the first half of 2014 and are in line with our operating plan for 2014.

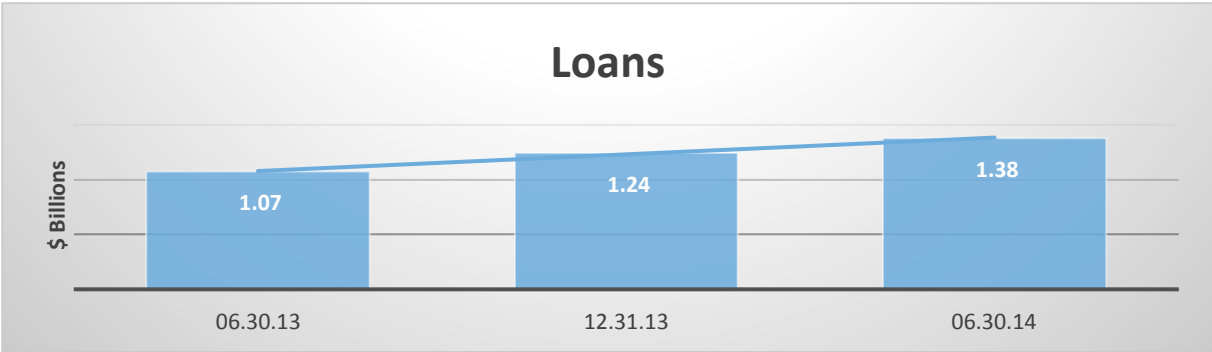


*Operating expenses divided by net interest margin and other income

Financial Commentary

Net Interest Margin

For the quarter ended 30 June 2014, net interest margin totaled \$8.8 million, up \$1.5 million from the corresponding quarter in 2013. For the six months ended 30 June 2014, net interest income was \$17.3 million and up \$3.2 million (21% annualized) compared to the previous six month period ended 30 June 2013. DUCA experienced good growth in our loan portfolio as a result of a renewed focus both in the residential and commercial space.



Non-Interest Income

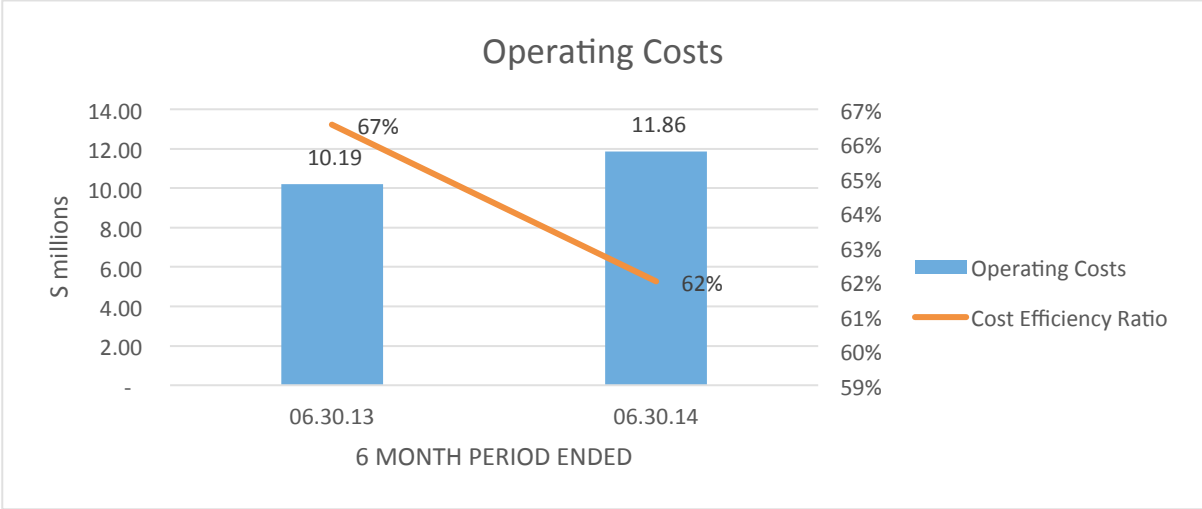
Non-interest income commercial increased to \$1.0 million for the quarter ended 30 June 2014 and up \$0.3 million from the corresponding quarter in 2013. For the six months ended 30 June 2014, fee income was \$1.9 million and up \$0.6 million (32%) from the corresponding period in 2013.

Loan Loss Provision

Our loan loss provision was up slightly from 2013 as a result of the growth in the loan portfolio. The loan portfolio continues to perform to expectations with low levels of delinquency. We expect to continue to increase non-specific loan loss provisioning to align with regulatory guidelines as noted in the 2013 Annual Statements.

Operating Expenses

Operating expenses were \$5.9 million and \$11.9 million for the quarter and six months ended 30 June 2014, respectively. Operating expenses were up \$1.1 million and \$1.7 million from the corresponding three month and six month periods ended 30 June 2013, respectively. DUCA continues to make strategic investments in people, business channels and compliance as it builds a framework for sustainable growth.



Membership

A key metric to sustainable and future growth is DUCA’s membership. DUCA’s total membership at 30 June 2014 was 44,985 and up 16% (annualized) from 30 June 2013; another good news story after a long period of flat membership figures.

As some of you may have read, DUCA was featured in the Financial Post a few months ago on a story about DUCA Broker Services (“DBS”). DUCA has invested in this channel to diversify growth channels and DBS will be an area of focus going forward to build the residential loan portfolio and to diversify risk within the asset portfolio.

DUCA’s commercial business continues to expand and is undergirded by increased management capacity over the past few months and renewed focus.

DUCA’s results for the first half of 2014 are ahead of our annual operating plan.

Outlook for balance of 2014

DUCA expects to continue the first half success into the balance of 2014. DUCA has invested and continues to invest in new talent and new business opportunities as it continues to grow profitability and to transform the overall business to meet current and future member needs.

The very successful first half of 2014 is a direct result of collaboration within DUCA and cooperation within the Credit Union sector. Management is humbled and beholden by the stretch contribution of the Staff and Managers. Moreover, the leadership of the Board Directors and the Executive Leadership Team are to be commended for enhancing enterprise-wide risk management practices while continuing to develop and deliver on a sustainable growth strategy.