

2019 Annual Report



VALLEY

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Agenda

1. Call to Order
2. Motion to Approve Agenda
3. Report on Registration
4. Approval of Annual Report
(including all committee reports)
5. Review and Approval of Financial Statements
6. Appointment of Auditors
7. Appointment of Directors
8. Adjournment

Board of Directors Attendance



Martin Gillis
10/10



Andrea Martin
10/10



Doug Oldford
10/10



Brian Sturney
9/10



Carol Tobin
10/10



Debbi Eldridge
10/10



Rick Graham
10/10



David George
10/10



Wayne Fowler
9/10



Kathleen Hutchinson
5/6 (Started in April)

2019 Annual General Meeting Minutes

Call to Order

The Annual General Meeting of the membership of Valley Credit Union Limited was held at the Cornwallis Inn, Kentville, NS on Thursday, April 25, 2019. The meeting was called to order by the Chairman of the Board, Martin Gillis at 7:02 p.m.

Welcome

Martin Gillis, Chair of the Board, welcomed the members, staff, Board, committee members and invited guests to the meeting. The invited guests were Laura Lewis, PriceWaterhouseCooper; Mike Hurley, CUDIC; Collen Roberts, CUDIC; Rhonda Ashby, League Savings and Mortgage; Dawn MacNeil, League Savings and Mortgage; Darrell Evasuk, Concentra; Tammy LeBlanc, League Data; Carrie Forbes, League Data.

Presentation guest speakers: Logan Morse and Sam Doucette, Valley regional Hospital Foundation; Kirk Longmire, Coldbrook & District Lions Club (Valley Drive-In Theatre); Hilton Seymour, Annapolis County Ground Search & Rescue.

The National anthem was played, followed by one minute of silence in memory of deceased Credit Union members and friends.

Motion to Approve the Agenda

Moved by Wayne Fowler, seconded by Debbie Eldridge, to accept the agenda for Valley Credit Union's Annual General

Meeting held on April 25, 2019. Motion carried.

Introduction of the Board of Directors

The Chair of the Board, Martin Gillis, introduced the Board of Directors to the Membership.

Report on Registration

There were 71 members registered and 11 guests reported. Twenty-five members are required to establish a quorum, therefore Martin Gillis, Chair of the Board, declared a quorum present.

Adoption of Minutes - April 26, 2018

Moved by Jennifer DeAdder, seconded by Carol Tobin, to accept the minutes of the 2018 Annual General Meeting held on April 26, 2018, as included in the Annual Report. Motion carried.

Business Arising from the Minutes

NIL

Report from the Chairman of the Board of Directors

Martin Gillis, Chair of the Board, turned the meeting over to the Vice Chair, Andrea Martin. Andrea Martin introduced Martin Gillis, Chair of the Board.

Martin Gillis, Chair of the Board, gave his report to the membership which was included in the 2018 Annual Report. The Chair highlighted the major activities the Board performed during the 2018 year:

- In addition to regular Board and Committee meetings, Directors attended Provincial, Atlantic, and National meetings.
- Staff committed much time, effort and funds to numerous causes which demonstrates their continued commitment to their communities.
- Financially, Valley Credit Union had another successful year as a result of the excellent leadership of the management team and excellent staff.
- A number of years ago Valley Credit Union was the first major donor to the Valley Hospice Foundation, and after delays, we attended the sod turning ceremony. Construction is finally underway.

In closing, Mr. Gillis thanked Len Ells, President & CEO, for his dedication to Valley Credit Union and his leadership has helped us achieve our current success. He also thanked the Board for their ongoing dedication and the staff for their continued support of Valley Credit Union.

Moved by Carol Pettigrew, seconded by Wayne Fowler, to accept the Chair's Report included in the Annual Report and the verbal report given by Martin Gillis, Chair of the Board. Motion carried. The Vice-Chair, Andrea Martin, turned the meeting back over to the Chair, Martin Gillis.

Report from the President & CEO
Martin Gillis, Chair of the Board,

introduced Len Ells, President & CEO.

Len Ells, President & CEO reported on some of the highlights of 2018.

- Continued with Strategic Priorities
- Deposits, lending, and member growth was positive
- Departure of our passbook printers. We appreciate the patience of members and the work of staff. The receipt printers are coming.
- New ATM issues; still working on resolving. Thanked members for their patience
- Increased training internally for succession. Increased learning and development plans for staff
- 2018 was a very successful year for Valley Credit union

In closing, Mr. Ells thanked the staff of Valley Credit Union for their hard work that contributed to a successful 2018, the Board for their dedication, and the members for increasing their business with Valley Credit Union and sharing their positive stories with others.

Moved by Carol Tobin, seconded by Shae Griffith, to accept the President & CEO report included in the Annual Report and as presented by Len Ells, President & CEO. Motion carried.

Member Question

VCU member, Carol Pettigrew, asked the CEO to explain why e-transfers between

US and Canada are not straight forward. Currently the only way to send funds to the US is a cheque or wire transfer. The US is updating their systems will Canada in the future. The CEO advised that the two systems work independently and there is currently not a way for transfers between the countries other than US money orders, cheques, or wire transfers.

Credit Committee Report

Brian Sturney presented the Credit Committee Report as included in the Annual Report.

CSER Committee Report

Shae Griffith presented the CSER Committee Report as included in the Annual Report.

Audit Committee Report

Andrea Martin presented the Audit Committee Report as included in the Annual Report.

Moved by Wayne Fowler, seconded by Jennifer DeAdder, to accept the Credit, CSER, and Audit Committee Reports as included in the Annual Report and as presented. Motion carried.

Review of Financial Statements

Denise Morine, Senior Vice President Finance, gave a brief overview of Valley Credit Union's Consolidated Financial Statements for the year 2018.

Moved by Wayne Fowler, seconded by Christy Bishop, to accept the report of the

Consolidated Financial Statements as included in the annual meeting package and as presented. Motion carried.

Auditor's Report

PriceWaterhouseCooper representative, Laura Lewis, gave the Auditor's Report, as included in the Consolidated Financial Statements included in the annual meeting package. The Audit report was clean and Valley Credit Union had a successful year. Laura thanked the Audit Committee, Denise Morine, Senior Vice President Finance, and her team for their help with the audit.

Moved by Wayne Fowler, seconded by Carol Tobin, to accept the Auditor's Report, as included in the Consolidated Financial Statement package and as presented. Motion carried.

Appointment of Auditors

Andrea Martin, Chair of the Audit Committee, recommended PriceWaterhouseCooper to be the Auditors for the 2019 Year.

Moved by Carol Tobin, seconded by Wayne Fowler, that the firm of PriceWaterhouseCooper be appointed as the auditing firm for Valley Credit Union for the 2019 year. Motion carried.

Nomination Committee Report

Andrea Martin, presented the Nomination Committee Report.

Four Directors' terms were up for renewal: Martin Gillis, Gordon Rodgers, Shae Griffith, and Andy Vermeulen. Only one Director is re-offering: Martin Gillis. There was only one nomination: Kathleen Hutchinson. Both nominees are elected by acclamation, as there were no further nominations and not all positions were filled.

Moved by Debbie Eldridge, seconded by Christy Bishop, to accept the verbal report of the Nominating Committee as presented by Andrea Martin. Motion carried.

New Business
NIL

Board Retiree Recognitions
Three current Directors are retiring from

the Board after many years of service. Shae Griffith, Andy Vermeulen, and Gordon Rodgers (not in attendance) were presented with gifts of recognition and thanks for their dedication and service to the Board of Valley Credit Union.

Presentation of Service Awards
5 Years – Dana MacDonald, Vickie Comeau, Tracey Fry, and Amanda Rudderham
15 Years – Sheila Veinotte

Adjournment
Moved by Carol Tobin, seconded by Andrea Peach, that the April 25, 2019 Annual General Meeting be adjourned at 7:53pm. Motion carried.

Staff Service Awards

5 Years Dana MacDonald
Vickie Comeau
Tracey Fry
Amanda Rudderham

15 Years Sheila Veinotte

Chair of the Board Report



I would like to take this opportunity to thank Valley Credit Union's management and staff for their dedication over the past year.

Our total number of members dropped slightly last year; however, we are still doing better than most other credit unions in this region. I would like to acknowledge our Hantsport Branch staff who had an increase of 101 members, largely due to their efforts before and after Scotiabank closed their local Branch.

During 2019 there were ten regular board meetings, five executive meetings, and numerous meetings by various committees. There was also a two-day strategic planning session in September attended by the Board and Senior Management. Valley Credit Union is well represented at the regional level; I am a member of Atlantic Central's Board and Len is actively involved with the CEO group. Len is also the Board Chair for the new regional wealth management company formed by sixteen credit unions in the Atlantic region. Board and Senior Management participated in Atlantic Central's annual and semi-annual meetings and representatives attended the National Conference hosted by CCUA in Winnipeg.

2019 was another successful year financially with total assets at year end just under \$200 million. This is a direct result of the efforts of management and staff and their ability to provide excellent service to our members.

Due to two unexpected Board resignations before last year's annual meeting, the Board consisted of ten members instead of the normal twelve this past year. Because our Bylaws simply state the board shall consist of no more than twelve members, we were able to continue with ten. Because of the dedication of your directors this has not adversely affected the effectiveness of the Board.

I would like to thank the staff for the dedication not only for the excellent service provided to our members but also for the countless volunteer hours in support of the many community programs we support. Their efforts definitely make a difference and is greatly appreciated.

On behalf of the Board I want to acknowledge our CEO. The relationship between the Board and Len has been excellent; he ensures that the Board receives all the pertinent information and background necessary to perform our

responsibilities. Len, thank you for your directness and honesty with the Board even when it may not be what we want to hear.

Finally, I would like to thank the Board for their commitment and dedication throughout the past year. They have worked professionally to ensure the success of the credit union not only this

year but also well into the future.

Sincerely,



Martin Gillis
Chair of the Board

Assets Under Management

2011	\$126,958,651	2015	\$152,503,506
2012	\$132,420,844	2016	\$154,151,945
2013	\$138,855,215	2017	\$171,591,058
2014	\$141,389,505	2018	\$176,898,469
2019	\$199,525,526		

President and CEO Report



Every year provides the opportunity to address different challenges and 2019 was no different as we transitioned from having very little surplus liquidity to having substantial

liquidity. Although we were grateful for the “swing”, effectively and prudently managing capital in this low interest rate environment was no small task.

To ensure our strategies remain up to date and reflect what board and management believe is best for shareholders, we update our strategic plan every three years and 2019 was an anniversary year. The months leading up to our strategic planning session provided many opportunities for board and management to give thought to how the continued digital momentum will impact VCU and our members and to assess the strategies we would need to execute on in order to remain competitive and to meet the needs of all of our members.

Our world has changed considerably since we completed our last Strategic Plan in May 2017. Consumers are considerably more comfortable with contactless payments, on-line shopping, and self-serve financial transactions. The result has been retailers and financial institutions spending billions on digital solutions in order to gain an advantage.

Our focus ahead will remain somewhat

consistent with the path we have been on, focusing on continued sustainable growth with increased effort on creating awareness and ensuring our staff are knowledgeable and able to proactively deliver value to our members. In addition, we are committed to more proactively engaging technology partners to ensure they understand our needs. Inwardly, we are committed to taking a more proactive approach to managing, understanding, leveraging, and adopting technology and technology partner relationships.

Mid-year, the staff was asked to reflect on the role we play in our communities and the importance of fulfilling our commitment to be an active community partner and supporter. In response, the staff decided to create a committee dedicated to ensuring our impactful and supportive engagement with communities and organizations across the Annapolis Valley. The Valley Credit Union Kindness Crew is a team of staff from each of our locations whose goal is to lead a number of successful valley-wide initiatives, which included “random acts of kindness” and culminated with an initiative late in 2019 that saw us raise and contribute more than \$16,000 to a cause close to the hearts of many of our staff – mental health. Funds raised will help Kingston Greenwood Mental Health Association deliver mental health first aid training to individuals, groups, and workplaces throughout the valley region. From a business perspective, 2019 was much different than 2018. Deposit gathering efforts actioned in 2018 began to bear fruit and gain momentum throughout 2019. Deposit growth of more than \$20MM helped alleviate the liquidity crunch of 2018 and

allowed us to maintain a “cash cushion” and assess a variety of investment options throughout the year.

The deposit growth allowed us to comfortably grow our own loan book by more than \$9MM while still maintaining our mortgage referral relationship with League Savings and Mortgage, providing our members market competitive rates while maintaining the profitability of our own loan portfolio. Much of our net loan growth in 2019 was in our Small Business offer, as the team successfully continued the momentum of the past few years. This is a key area of growth for Valley Credit Union as it provides higher margins and we have the good fortune of having a very capable team.

We used League Savings and Mortgage quite considerably in 2019, referring both mortgages and deposits at times. This arrangement allows us to better manage our

own balance sheet and returns by placing low yielding debt and surplus deposits elsewhere for the mutual benefit of both Valley Credit Union and our members.

We experienced much change on the wealth side of our business, as Credential, QTrade, and NEI began the process of joining businesses to become Aviso Wealth. We look forward to the long-term vision but acknowledge that bringing the operations together was somewhat challenging for both members and employees. With this new entity came a renewed desire for Atlantic Credit Unions to combine their wealth offers. A successful “push” late in 2019 resulted in sixteen credit unions agreeing to move forward as shareholders in a single wealth & insurance company. The result will be an Atlantic wide credit union owned wealth offer consisting of twenty-five staff and ½ billion dollars in assets.

Increase in Usage of MemberDirect® Features

<i>Interac Flash®</i> Transactions	28%
<i>Interac®</i> Online Payments	49%
<i>Interac e-Transfer®</i>	26.5%
Deposit Anywhere™	24%

Closer to home, Valley Credit Union had a very strong year on the wealth side. Annual growth was, once again, more than 20% with an increasing number of referrals coming from our membership. The success experienced is due to the hard work of the wealth and branch teams working together to more proactively address the needs of our members.

A small group of credit unions, in conjunction with Atlantic Central, developed two shared services opportunities for credit unions, one for compliance and the other for human resources. We investigated both options but struggled to see the cost benefit for either and chose not to participate. We do believe that scale has benefits and we look forward monitoring the progress.

Financially, 2019 was arguably the best year Valley Credit Union has ever had. This is the result of several successive years of above average growth as well as maintaining respectable interest spreads. Costs were well controlled on all fronts and we experienced improved returns from both wealth and insurance offerings. The strong financial performance saw us finish the year with a very respectable efficiency ratio. Although 2019 was a very strong year for Valley Credit Union, our continued growth in an environment of low interest rates and low loan spreads has resulted in deterioration of our equity ratio; something we need to proactively manage.

Over the next few years, Valley Credit Union, along with Atlantic Credit Unions, will make considerable investment in our systems. This planned investment, which includes delivery

of a digital channel for our members, will be costly but is essential if we are to remain a relevant financial institution. Although much of the expense over the next few years will be paid for by reserves accumulated by our technology partner League Data, beginning in 2020 there will be considerable operational costs borne by credit unions as well as additional future capital costs. For this reason, your board and management have made the decision to curtail patronage rebates.

Valley Credit Union paid out more than \$4MM in patronage rebates to our members over the past fifteen years. In 2019 we were one of only 3 credit unions in Nova Scotia to pay a rebate. As much as we would like to continue to do so, balancing off the expectations of our members has resulted in the difficult decision to use these funds to reinvest in Valley Credit Union's future relevance.

I would like to thank the Board for its unfailing support and commitment to our members, my Executive Team and our staff for their ongoing commitment to improving the financial well being of those we serve, and our members for their continued belief in and advocacy for community banking and its importance in rural communities.

Sincerely,



Len Ellis
President and CEO

Credit Committee Report



As a standing committee of your Board of Directors, the Credit Committee's mandate is as stipulated in the Credit Union Act; that being

to "ensure the compilation, clarity and accuracy of the data required by the act, while recommending policies and procedures for approving and granting credit at the Valley Credit Union.

For fiscal 2019 the Credit Committee consisted of Rick Graham (Chair), Brian Sturney, and David George, and was assisted by Glenn Jordan (Manager of Credit Risk) and Steve Groves (VP of Member Experience). The committee met six times to examine, review, and compare loan activity to budgets and targets, while ensuring the ratio of personal, mortgage, and business lending with the credit portfolio is maintained within the range approved by the Board. In addition, our reviews included delinquency causes and remedial actions undertaken to ensure members are assisted in managing their obligations, while concurrently ensuring that efforts are demonstrated to be timely and diligent to protect Valley Credit Union's assets.

We are pleased to report the following:

- Loan loss provisions amounted to 0.09% of the total portfolio and 93% of the approved budget.
- Delinquency levels remained at 0.24% on average for the year and finished at 0.30% for fiscal year end.
- Lending activity remained strong, in accordance with our strategies, and the solutions provided were diverse and well-suited to meet member needs. Portfolio growth amounted to approximately \$9.4 million or 6.10% during the year under review. We continued to refer residential mortgages to our partner, League Savings and Mortgage, to sustain said growth, maintain accretive loan spreads, and manage our liquidity.

In all, and as evidenced by the above, our lending portfolio remains of very good quality.

All staff are to be congratulated on our lending successes in 2019, for their continuous focus on meeting our members' needs, and their continued investment in skill development as full-service advisors.

On behalf of the Credit Committee,

A handwritten signature in black ink, appearing to be 'R. Graham', written over a thin horizontal line. The signature is fluid and cursive.

Rick Graham, Chair

CSER Committee Report



The Valley Credit Union (VCU) Corporate Social and Environmental Responsibility (CSER) Committee seeks to help our credit union

respond to the different demographics and evolving social needs of our members by helping valuable community groups and organizations thrive and prosper.

The CSER Committee is comprised of representatives from the Board of Directors and VCU staff members. Len Ells, President and CEO, acts as a resource and gives guidance to the committee. The committee reviews requests for support and allocates resources to organizations and causes that will have a positive impact on the majority of our members.

The CSER Committee is committed to the long-term wellbeing of our members and the communities we serve. Our priority areas of focus for support and sponsorship in 2019 were:

- Education - to sponsor events and activities that support youth and life-long education
- Sports - to support community strength and healthy living

- Health and Wellness - to support organizations/events that benefit the community.

In keeping with our mandate, we offered support to the following community-minded organizations in 2019:

- Kings Co 4 H
- Precision Dance Company
- 4 H Fundraising Dinner Donation
- Friendly Neighbors
- NSCC match funds for Chrysalis House
- V Star Hockey Development Program
- Canning Library
- Light 4 Learning
- Kingston Village Commission – Library
- Valley Search and Rescue (Kings)
- Annapolis County Ground Search and Rescue
- West Hants Ground Search and Rescue
- Kings County SPCA

I would like to thank the CSER committee and a special thank you to staff member Andrea Peach for guiding me through the first season as chair of this committee and ensuring things transitioned smoothly.

Sincerely,

Wayne Fowler, Chair

Audit Committee Report



The Audit Committee consisted of Doug Oldford, Carol Tobin, and Andrea Martin at the end of 2019. We had four regular meetings last year and met

in March 2020 with the auditors from PricewaterhouseCoopers. The committee has a responsibility to review the financial position of the credit union. We also review any recommendations made by external auditors, and other audit or examination reports received by Valley Credit Union.

The committee has adopted a mandate which covers all the duties specified to be performed by audit committees in the Credit Union Act, 1994.

The Audit Committee is pleased to report to the members of Valley Credit Union that your credit union continues to meet the requirements within the policies established by the Board of Directors and is well positioned for 2020.

Respectfully submitted,

A handwritten signature in black ink that reads "Andrea Martin".

Andrea Martin, Chair

Approved Credit

Consumer Loans	\$20,092,711
Commercial Loans	\$43,776,835
Personal LOC	\$16,606,144
Residential Mortgages	\$73,855,789
Commercial Mortgages	\$8,334,636

Community Support Report

In addition to the CSER Committee activities, Valley Credit Union (VCU) continued to uphold its commitment to helping build better communities by giving back in a variety of ways in 2019. VCU donated money, sponsored events and programs, and gave items for fundraisers and auctions. Our staff hosted fundraisers and gave their time to volunteer and participate in events in support of community organizations.

Community support is managed at the branch, corporate, CSER Committee, and Board levels. Branches handle support requests specifically within the communities they serve, corporate handles those that benefit the Annapolis Valley as a whole, the CSER Committee handles larger valley-wide requests, and the Board handles large, long-term commitments.

Valley Credit Union has on-going sponsorship relationships with Credit Union Rec Complex, the Coldbrook and District Lions Club's Valley Drive-In, Valley Regional Hospital Foundation, and the Credit Union Centre. In 2019 we also initiated a multi-year relationship with the Hantsport Memorial Community Centre.

When deciding what organizations to support, preference is given to members and those likely to provide lasting benefits to the community and whose values best reflect those of VCU

membership. During the reporting period, we supported approximately 100 groups and events throughout the Annapolis Valley.

In the middle of 2019 the entire Valley Credit Union team was asked to reflect on our commitment to support our communities; Were we happy with what we were doing? Was it enough? Did we want to do more? Were there causes or organizations we were passionate about and wanted to help? How did we want to help? Etc. From this conversation it became very clear that staff wanted to do more, but on their own terms. It had to be something the majority wanted to support, something meaningful and rewarding, something the group chose and rallied behind - they wanted to own it! A group of eight staff, one representative from each of our locations, came together to form the VCU Kindness Crew whose purpose is to encourage and organize staff support of events and

Patronage Rebates

**\$4.153 million
returned to our
members since
2005!**

activities benefitting our communities.

The VCU Kindness Crew started off “small” with a Random Act of Kindness (RAK) challenge to the staff as a fantastic and fun way to get our staff members out into the communities and more importantly, thinking about how we can contribute to our communities in ways that are important to us! We saw everything from delivering coffee to hardworking Nova Scotia Power staff after Hurricane Dorian, to delivering sweet treats to summer day camps, to helping strangers with car troubles. The goal was for each location (8) to complete 2 RAK’s. We are thrilled to report that 31 RAK’s were performed

approximately 6 weeks! The first ‘big’ initiative the VCU Kindness Crew took on was to support the Kingston Greenwood Mental Health Association (KGMHA). They spearheaded participation and fundraising for the One Team for Mental Health Walk and Run, whose proceeds all go towards the KGMHA. Staff exceeded the \$10,000 fundraising goal and, in total, Valley Credit Union donated \$16,714.74 to KGMHA! In addition, more than 53 staff and 5 board members (more than 80% of our team) attended the walk! We are very exciting to see what the VCU Kindness Crew achieves in the coming years.







VALLEY

