

2020
ANNUAL
REPORT



**CREDIT
UNION**

VALLEY

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AGENDA

Call to Order
Motion to Approve Agenda
Introduction of the Board of Directors
Report on Registration
Adoption of Minutes
Business Arising from Minutes
Message from the Chair of the Board of Directors
Message from the President & CEO
Credit Committee Report
CSER Committee Report
Audit Committee Report
Review of Financial Statements
Appointment of Auditors
Nomination Committee Report
New Business - Bylaw Amendments
Adjournment

2020 ANNUAL GENERAL MEETING MINUTES

Due to COVID-19 the Valley Credit Union Annual General Meeting was moved to a virtual, Facebook Live, platform.

6:00pm – Before the Call to Order

Len Ells, President & CEO, spoke to the viewers prior to the meeting being called to order:

- Direction on how the meeting would work on this live platform.
- Advised the Annual Report and Financial Statements were on the VCU website for viewing.
- As per instruction by our regulator, the virtual AGM Agenda has been reduced.
- Only ‘Nay’ responses will be requested. Type in the question box.
- Prior to the meeting starting submit any questions in the question box.

Len Ells thanked the staff for their hard work and commitment, especially during the previous five weeks. The commitment has allowed VCU to keep its branches open and serve members. He thanked VCU’s partners; Atlantic Central, League Data, and League Savings and Mortgage, for working with VCU to react quickly. Len Ells thanked the members for their patience, respect, and adherence to the measures needed to keep everyone safe.

2019 was a very good year for VCU with many accomplishments.

Len Ells encouraged members to read the Annual Report.

Len Ells called upon Board Chair, Martin Gillis, to call the meeting to order.

Call to Order

Martin Gillis asked for a moment of silence to remember those affected by the Portapique tragedy.

The Annual General Meeting, of the membership of Valley Credit Union Limited, was held virtually, through Facebook Live, from Head Office, in Cambridge, NS on Thursday, April 23, 2020. The meeting was called to order

by the Chairman of the Board, Martin Gillis at 6:00p.m.

Motion to Approve the Annual Report and Committee Reports

Moved by Rick Graham, seconded by Wayne Fowler, that the Annual Report and Committee Reports, as posted on the Valley Credit Union website, for Valley Credit Union’s Annual General Meeting held on April 23, 2020, be approved. Motion carried.

Report on Registration

There were 95 people watching. Twenty-five members are required to establish a quorum, therefore Martin Gillis, Chair of the Board, declared a quorum present.

Review of Financial Statements

Denise Morine, Senior Vice President Finance, gave a brief overview of the consolidated financial statement for Valley Credit Union for the year 2019.

Moved by Andrea Martin, seconded by Kathleen Hutchinson, to accept the report of the Audited financial statements, as of December 31, 2019, as included in the Annual Meeting package and as presented. Motion carried.

Appointment of Auditors

Andrea Martin, Chair of the Audit Committee, recommended PriceWaterhouseCooper to be the Auditors for the 2020 Year. Moved by Andrea Martin, seconded by Doug Oldford, that the firm of PriceWaterhouseCooper be appointed as the auditing firm for Valley Credit Union for the 2020 year. Motion carried.

Nomination Committee Report

Kathleen Hutchinson, of the Nomination Committee, presented the Nomination Committee report. Four directors’ terms were up for renewal: Andrea Martin, Brian Sturney, Debbie Eldridge, and David George. Two

directors are re-offering; Andrea Martin and Brian Sturney. There were two nominations: Ken MacDonald and Reginald Rose. The Bylaws state the Board can consist of up to 12 members and the nominations bring the Board to 10, therefore, there is no need for a vote and all nominees are in by acclamation.

Kathleen Hutchinson thanked Debbie Eldridge and David George for their service on the board and hoped to thank them in person soon.

Martin Gillis asked if there were any questions. There was one question regarding the Annual Report. Martin advised the report is on the website and if an invitation was received by email there was a link included.

Martin Gillis thanked the retiring directors. Their input was greatly appreciated, and they will be missed. Martin

Gillis thanked the CEO, Senior Management, and staff for a successful 2019 and for the difficult work over the past couple of months of the pandemic. The Board is very appreciative.

Adjournment

Moved by Debbie Eldridge, the April 23, 2020, Annual General Meeting be adjourned at 6:07 PM.

Motion carried.

Staff Service Awards

5 Years	Logan Baker Rebecca Lightfoot Cheryl MacAskill Andrea Peach
10 Years	Randy Kee
20 Years	Paulette Pye Tammy Lutz
35 Years	Denise Morine

BOARD OF DIRECTORS



Martin Gillis
10/10



Andrea Martin
9/10



Doug Oldford
10/10



Brian Sturney
10/10



Carol Tobin
10/10



Rick Graham
10/10



Wayne Fowler
8/10



Kathleen Hutchinson
10/10



Reginald Rose
6/6



Ken MacDonald
2/6

CHAIR REPORT

I would like to start by thanking the staff and management for their dedication and effort during what was an extremely difficult and trying year for them, both professionally and personally.

Because of the COVID-19 pandemic, we had to quickly make substantial operational changes in March. To protect both members and staff, some locations needed to be temporarily closed until we could figure out how to open them safely. All branches were reopened as soon as we made the necessary changes to operate these branches safely. Because of these operational changes and COVID-19 fears, generally we saw an increase in electronic forms of banking and a decrease in over-the-counter activity, especially in our smaller branches. This again required operational changes to some locations. The changes made enabled us to maintain operations in all locations although with reduced hours in some instances.

In 2020 the board held 10 regular board meetings, 8 executive meetings, and numerous committee meetings. All board meetings and most committee meetings were held virtually, beginning in March, due to COVID-19 protocols. The Atlantic Central annual general meeting and fall information session were also held virtually this year. Although not ideal, this did give all directors and most staff the opportunity to attend the information sessions virtually. Similarly, the Canadian Credit Union Conference was held virtually.

Because of the commitment of management and staff 2020 was another successful year, despite all the challenges, finishing the year with assets of about \$232 million.

This year we made a financial commitment to the Flower Cart Group's Building Opportunities Capital Campaign of \$250,000.00. This goes toward the construction of a new facility in New Minas. We have also extended the sponsorship of the Credit Union Centre (Kingston Rink) for another 5 years.

I would like to thank Len for the leadership he provided to the organization this year. Len and his team made sure all options were considered when difficult decisions needed

to be made. He always kept the board well informed and ensured that the board had all the information for the decisions had to be made.

I would also like to thank the board for their work this year. As a board member, this has been the most challenging year I have ever seen. Your board has been there every step of the way.

Finally, I want to thank you, the members. Your commitment to the Credit Union and understanding during this difficult time is the reason we continue to be successful.

Sincerely,



Martin Gillis , Board Chair



CEO REPORT

The different challenges that we face each year never cease to amaze, challenge or entertain. 2020 began fairly quietly with demand for accounts and credit being relatively low. As we crept toward mid-March apprehension in other areas of the world quickly became local concerns. COVID-19 was here and was absolutely a cause for concern. The Bank of Canada dropped prime rate 150 bps in 21 days, governments began announcing vague support arrangements for individuals and businesses and apprehensions increased very quickly.

In January a group of 16 credit unions were successful in bringing their respective wealth offers under a single credit union owned entity, CU Financial Management Limited (CUFM). This development will minimize the impact on a credit union of losing an advisor, will allow for improved learning and development for staff and will provide our members with access to additional services, products, information and knowledge levels. CUFM quickly became the 18 largest business nationally under the Aviso banner and VCU is proud to be a partner in this business with 15 credit union peers across Atlantic Canada.

We learned first-hand the importance of re-visiting and updating our Business Continuity Plan and, more specifically, its Pandemic Plan, updating it just weeks before the pandemic became a reality. This provided us the ability to react and to communicate internally very quickly. We did our best to maintain service for our members and to regularly communicate with them. Although in branch transactions, personal account opening and loan requests decreased considerably in the first couple of months of the pandemic, we kept all staff employed and used the opportunity to reach out to members to confirm their wellness and let them know that we were there to support them.

Credit unions, more so than Banks, suffered from expectations created by both federal and provincial announcements of government financial support that would be provided through the banking system. Federally, credit unions were overlooked in the early stages as the government focussed on delivery of financial support to small businesses through the Banks. CCUA did a

respectable job representing credit unions and their members and ensuring that federal programs were eventually extended to credit union members. Provincially, several announcements, accompanied by little clarity, created large call volumes by small businesses. The lack of clear and decisive provincial support programs unfortunately landed primarily on the shoulders of credit unions, resulting in unnecessary anxiety for both members and employees during what was a very trying period for all.

Nova Scotians adapted quickly to the pandemic and chose to follow the direction of Public Health, resulting in us being able to maintain cautious sociability when many other provinces could not. As we became more accustomed to what was needed for our staff and our members to safely interact, we began to expand our “open hours” back to normal levels. The pandemic kept many people home and wanting to interact in more cautious manners. As a result we quickly adapted. We expanded the capabilities of our appointment booking software to accommodate “virtual” meetings, we adopted DocuSign for many agreements requiring signing, we adopted Val, or AI chatbot available on our website to engage with members to answer their questions 24/7. We also made good progress on the payments front with the adoption of International Transfers, allowing members to cost-effectively send money almost anywhere in the world, as well as the addition of Apple Pay, Google Pay & Samsung Pay.

Although the pandemic had not yet hit when VCU’s decision to curtail member rebates and to invest those funds in technology to ensure the continued relevance and growth of the credit union was made in 2019, long before the pandemic, but in hindsight timing couldn’t have been better. VCU, and the Atlantic credit union system, needs to invest heavily in technology, both to replace aging systems as well as to attract and retain members who demand technology and digital delivery. Much progress was made in 2020 digitally, as the Atlantic system partnered with ASAPP to deliver a digital account opening and lending experience to members. VCU quietly made this available to members late in 2020 as we worked with League Data

to improve both the member experience and the employee experience prior to widely promoting.

Supporting communities remained top of mind for the VCU team, lead by the VCU Kindness Crew. We proudly communicated to Kingston Greenwood Mental Health Association, and to the rest of the Valley, the support we were provided by Concentra as our application won the top prize of \$25,000 in the Empowering Your Community competition. Additionally, through out the year, “random acts of kindness” were continued. Employees, along with most other Atlantic Credit Unions, participated in the “Loyal2Local” challenge whereby credit unions provided staff gift cards to spend at local businesses and encouraged the sharing of the experiences on social media. From a business perspective, VCU supported many local businesses bi-weekly through the peak of the pandemic by recognizing and rewarding the commitment and dedication of our employees by providing them local gifts, gift cards, and other products in support of local producers and businesses. Our support for a variety of other causes, including Open Arms, continued as well; often in a different participation format that past years.

VCU has had a close connection to The Flower Cart Group for many years. We have been more actively engaged for the past 2-3 years as they set their focus on a new building, in New Minas, that would be able to consolidate all operations and to grow the community members that they were able to serve. In September the VCU Board proudly confirmed VCU’s support of \$250,000 to The Flower Cart Group, payable over 5 years.

There was considerable financial uncertainty in the Spring and early Summer months as the impact of COVID-19 on communities was not clearly known nor predicable. We maintained close contact with members and assisted many that felt financial impacts. As the year progressed it became apparent that our members, overall, seemed to weather the storm well. Our deposit growth was very strong and we continue to have considerable surplus funds; not a situation we have been accustomed to. On the

Assets Under Management

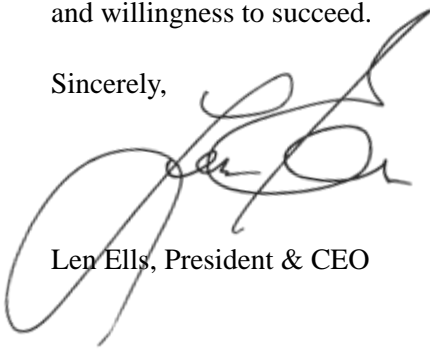
2012	\$132,420,844	2016	\$154,151,945
2013	\$138,855,215	2017	\$171,591,058
2014	\$141,389,505	2018	\$176,898,469
2015	\$152,503,506	2019	\$199,525,526
2020	\$232,571,751		

lending side we also had a very strong year; what you see reflected in our financial statements does not include the Federal CEBA loans we underwrote. These loans, funded federally, totalled approximately \$8 million at the end of 2020.

As we move into 2021, we do so with a clear understanding that technology adoption will continue to be key to our competitiveness and that change will not likely reduce but rather become more prevalent. Technology costs will weigh more heavily upon small credit unions like VCU and effectively managing change will continue to have a larger impact on our operations. We are committed to working internally, with other credit unions and with the Atlantic system to manage both of these areas and we are confident that solutions will be found.

I would like to thank the VCU management team and employees for their commitment to our members during such a challenging year. I extend my sincere gratitude to the board for its trust, support, insight and willingness to adapt and adjust. I believe that we are well positioned to continue to improve the value we provide to our members and to our communities and I am confident in our ability and willingness to succeed.

Sincerely,



Len Ells, President & CEO



Approved Credit

Consumer Loans	\$17,757,553
Commercial Loans/LOC	\$56,524,325
Personal LOC	\$15,044,104
Residential Mortgages	\$79,635,044
Commercial Mortgages	\$7,818,132

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 2020, your Credit Committee, consisting of Rick Graham (Chair), Brian Sturney and Reg Rose, and assisted by Glenn Jordan (Manager of Credit Risk) and Steve Groves (VP of Member Experience), met six times; where loan activity was examined, reviewed and compared to budgets and targets, while ensuring the ratio of personal, mortgage and business lending with the credit portfolio is maintained within the range as approved by your 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, so to protect your Credit Union's assets.

We are pleased to report the following:

- With the onset of the global Covid pandemic in our first quarter and continuation through to and beyond fiscal year end, it was and remains difficult to assess our Members' ability to adjust to the consequential economic realities. Happily, the impact on our credit portfolio turned out to be nominal thus far.
- Lending activity remained strong, in accordance with our strategies and despite the economic impacts of the pandemic. The solutions provided to our Members were diverse and well-suited to meet the Member needs. Portfolio growth amounted to approximately \$14.1 million or 8.7% during the year under review. We continued to refer residential mortgages to our partner, League Savings and Mortgage, in an effort to sustain said growth, maintain accretive loan spreads and manage our liquidity.
- At December 31, 2020, loan loss provisions amounted to 0.15% of the total loan portfolio. For the year ended December 31, 2020 the total amount provided was 5.9% of the approved budget.
- Delinquency levels remained at .37% on average for the year and ended at 0.40% for fiscal year end.

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 2020; through continuous focus on meeting our Members' needs, with continued investment in staff skill development as full-service advisors.

On behalf of the Credit Committee,



Rick Graham, Committee Chair



CSER COMMITTEE REPORT

The Corporate Social and Environmental Responsibility (CSER) Committee has been established by Valley Credit Union (VCU) to ensure that we are allocating financial support to our members and community non-profit groups to assist them with unique institutional goals and allow their programs to thrive and prosper. This year due to the COVID-19 pandemic it was difficult to meet in person. I would like to thank the members of the CSER committee for making the time and effort to meet virtually in this new normal.

Valley Credit Union's CSER Committee is comprised of representatives from the Board of Directors and the staff, along with Len Ells, President and CEO, whom acts as a resource and gives guidance to the committee.

The CSER Committee is committed to the long-term well being of our members and the communities we serve. Our priority areas of focus for 2020 focused on the following support criteria:

1. Education - to sponsor events and activities that support youth and life-long education
2. Sports - to support community strength and healthy living
3. Health and Wellness - to support organizations/events that benefit the community.

In keeping with our mandate, we offered financial support to the following community-minded organizations during 2020:

Canning Library	\$500.00
Music in Communities Co-op	\$1,000.00
Caravan Theatre Association	\$1,500.00
The Canadian Cancer Society	\$1,400.00
Make a Wish Donation	\$1,000.00
Chrysalis House	\$1,000.00
V Star Hockey	\$1,000.00
NKEC Music Parents' Association	\$500.00
Meals on Wheels	\$1,000.00
Annapolis Valley Ground Search & Rescue	\$1,000.00
The Stockings Were Hung	\$2,100.00
Total Budget	\$12,000.00

I would like to thank the CSER committee for all their hard work and commitment in 2020.

Sincerely,



Wayne Fowler, Committee Chair



AUDIT COMMITTEE REPORT

The audit committee had 4 regular meetings last year (one virtually) and met in March 2021 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.

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

The audit committee consisted of Doug Oldford , Carol Tobin and Andrea Martin at the end of 2020. We were supported by Denise Morine, to whom we wish a relaxing retirement, and by Ian Wilkie with whom we look forward to our working relationship.

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 2021

Sincerely,



Andrea Martin, Committee Chair



Online Banking Usage

<i>Interac</i> Flash® Transactions	▲ 16%
<i>Interac</i> ® Online Payments	▲ 76%
<i>Interac</i> e-Transfer®	▲ 360%
Deposit Anywhere™	▲ 98%

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 2020. 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.

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

Valley Credit Union has multi-year sponsorship agreements with Credit Union Rec Complex, the Coldbrook and District Lions Club's Valley Drive-In, Valley Regional Hospital Foundation, the Credit Union Centre, and the Hantsport Memorial Community Centre. In 2020 we also initiated a new multi-year relationship with The Flower Cart Group in which we will contribute a total of \$250,000 to their Building Opportunities Campaign raising funds to build a new facility in New Minas.

Community support means so much more than simply donating money, though, and that is where the VCU Kindness Crew (the Crew) comes in. A group of eight staff, one representative from each of our locations (including head office), form the VCU Kindness Crew whose purpose is to encourage and organize staff efforts to fundraise and volunteer in support of events and activities benefitting our communities. Despite the challenges the COVID-19 pandemic presented, the Crew, with participation from all staff, had an amazing impact on our communities in 2020:

- contributed over \$5,000 to local school breakfast programs,
- raised \$2,000 for the annual Coldest Night of the Year walk in support of Open Arms,
- completed no fewer than 44 random acts of kindness to

bring cheer to our communities,

- participated in Atlantic Central's Buy Local Campaign where each staff supported our local economy by making purchases at local businesses to support them in their time of need, and promoted those businesses on social media,
- collected donations for our local food banks,
- raised \$1K for Canadian Cancer Society through donations and sale of pink carnations,
- gave more than 400 hours of personal time to support local causes.

The Crew developed our partnership with Kingston Greenwood Mental Health Association (KGMHA) to support the mental health and well-being of people in our communities. The association receives no government funding and relies on donations to fund its programs. KGMHA focuses on mental health first aid training and education to reduce stigma associated with mental health issues. We have staff representation on their board and made significant financial and time contributions. We contributed \$16K to the cause through various fundraising activities, participated in their awareness walk, and provided an additional \$25K to the association by submitting an award-winning entry in the Concentra Empowering Your Community grant program.

Valley Credit Union believes in supporting individuals labelled by disabilities to gain skills and access inclusive employment opportunities for real wages. This was well demonstrated by our fundraiser which, on short notice, raised over \$800 and saw our CEO, Len Ells, and one of our Regional Managers, Stu Gould, take a pie in the face in support of Inclusive Opportunities Association. The organization provides a unique employment and skill development program.

We are very proud of the commitment we provide to our communities!



Literacy Week at KDS
Canadian Authors







VALLEY

www.valleycreditunion.com

