

2016 ANNUAL REPORT



MEET YOUR MAKERS



**CREDIT
UNION**

VALLEY



MEET YOUR MAKERS

Everyone is talking about supporting local these days! Why? It is important for the strength and sustainability of our communities and our economy.

The Annapolis Valley has a wealth of growers, producers, and preparers. We've invited a select few to tell you a little about themselves and their products.

AGENDA

- Call to Order
- Welcome Guests and Visitors
- O Canada
- Minute of Silence
- Motion to Approve Agenda
- Introduction of the Board of Directors
- Report on Registration
- Adoption of Minutes
- Business Arising from Minutes
- Message from the Chairman of the Board of Directors
- Message from the President & CEO
- Credit Committee Report
- CSER Committee Report
- Audit Committee Report
- Review of Financial Statements
- Auditors Report
- Appointment of Auditors
- Nomination Committee Report
- New Business
- Presentation of Staff Service Awards
- Adjournment
- Meet your Makers Presentations:
 - Bramble Corner Produce | Wood 'n' Hive |
 - German Bakery and Sachsen Cafe | The Crossing | Lunn's Mill Beer Co.

2015 ANNUAL GENERAL MEETING MINUTES

Call to Order

The Annual General Meeting of the membership of Valley Credit Union Limited was held at the Al Whittle Theatre on Thursday, April 21st, 2016. The meeting was called to order by the Chair of the Board, Martin Gillis at 7:01p.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; Pat Ryan, CEO Credit Union DIC; Joe Malak, VP Strategic Change, Atlantic Central; Darrell Evasuk, Strategic Relationship Management, Concentra; and Rhonda Ashby, Financial Service Officer, League Savings and Mortgage.

The national anthem was played, followed by one minute of silence in memory of deceased credit union members and friends.

Joe Malak, VP Strategic Change, Atlantic Central, brought greetings from Atlantic Central. He spoke to Valley Credit Union's excellent management team and how well Valley Credit Union is placed compared to other credit unions nationally, in the Atlantic region, and provincially. He thanked everyone for another successful year.

Motion to Approve the Agenda

Motion to accept the agenda for Valley Credit Union's Annual General Meeting held on April 21, 2016, as included in the annual

report, made by Linda Shay, seconded by Wayne Atwater. 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 87 members registered and 6 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

Motion to accept the minutes of the 2015 Annual General Meeting held on April 21, 2016, as included in the annual report, made by Shae Griffith, seconded by Lynn Heatley. Motion carried.

Business Arising from the Minutes

NIL

Message from the Chair 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 annual report.

Mr. Gillis introduced the Board of Directors and thanked them, the staff and management for their

daily support of Valley Credit Union. The Chair highlighted the major activities the board performed during the 2015 year:

- The management and the employees brought change by improving the focus of Valley Credit Union. This is a time of considerable change.
- Valley Credit Union, through the CSER

Committee, made commitments to various groups, including:

- a 10yr commitment to the Credit Union Centre, in Kingston;
- sponsorship of two 4H events and continues to be a sponsor of this group;
- Valley Credit Union sponsored a van and employees volunteered at various events for Open Arms.
- Valley Credit Union

continues to improve and embrace new technologies which help staff and the membership.

Finally, Mr. Gillis thanked the board for their hard work and the employees for embracing change in 2015. He also thanked our members for making Valley Credit Union their financial institution.

Motion to accept the Chair's report, as presented by Martin Gillis and included in the annual report, made by Brian Sturney and seconded by Jennifer DeAdder. Motion carried.

The Vice-Chair, Andrea Martin, turned the meeting back over to the Chair, Martin Gillis.

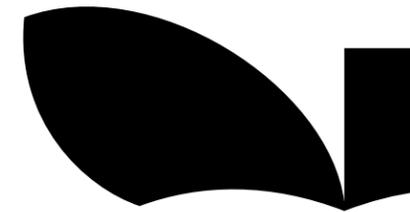
Message from the President & CEO

Martin Gillis introduced Len Ells, President & CEO.

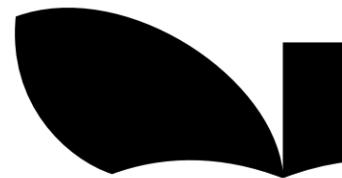
Len Ells, President & CEO reported on some of the highlights of 2015:

- Valley Credit Union invested in more training and used coaching to increase personal success;
- assets per member were up 20%;
- continued to sponsor community events, 19 of which staff and board volunteered;
- continued to support 4H, the Credit Union Centre, and Open Arms;
- 2015 was a financially good year;
- continued to be able to pay patronage dividends to members;
- brought on board more technology than in previous years;

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Deposit Anywhere



Interac® Online



Increases in New Product Usage in 2016

2015 ANNUAL GENERAL MEETING MINUTES CONT'D

- developed relationships with partners, such as Desjardins and Everlink, adopting a new merchant offering and payroll program; and
- increased the mutual funds offer, adding new certified branch reps and added insurance to Credential offer.

Employees saw many changes in 2015. Future success depends on working as a team. Len thanked the board for their dedication and progress. He thanked the members for continuing to believe in Valley Credit Union and the credit union system. Finally, he thanked the employees for continuing to grow as a team.

Motion to accept the President & CEO report, as presented by Len Ells and included in the annual report, made by Theresa Pelley and seconded by Debbie Eldridge. Motion carried.

Credit Committee Report
Brian Sturney gave the Credit Committee Report as included in the annual report.

CSER Committee Report
Peter Hicklenton presented the CSER Committee Report as included in the annual report.

Motion to accept the Credit Committee Report and the CSER Committee Report, as presented by Brian Sturney and Peter Hicklenton, respectively, and included



in the annual report, made by Richard Griffith and seconded by Carol Tobin. Motion carried.

Audit Committee Report
Peter Hicklenton presented the Audit Committee report as included in the annual report.

Motion to accept the Audit Committee Report, as presented by Peter Hicklenton and included in the annual report, made by Christy Bishop and seconded by Andy Vermeulen. Motion carried.

Review of Financial Statements
Denise Morine, Sr. VP Finance, gave a brief overview of the consolidated financial statements for Valley Credit Union for the year 2015.

Auditor's Report
Laura Lewis, from PriceWaterhouseCooper, gave the auditor's report as included in the Consolidated Financial Statements package. The report was clean and Laura thanked the Audit Committee; Denise Morine, Sr. VP Finance; Len Ells, President & CEO; and all the staff for their help with the audit.

Appointment of Auditors
Moved by Peter Hicklenton, seconded by Carol Wooster, that the firm of PriceWaterhouseCooper be appointed as the auditing firm

for Valley Credit Union for the 2016 year. Motion carried.

Nomination Committee Report
Andrea Martin, Chair of the Nomination Committee, presented the Nomination Committee Report.

The Nomination & Election Committee was comprised of Brian Sturney, Theresa Pelley, and the Chair, Andrea Martin.

Three directors are re-offering—Shae Griffith, Andy Vermeulen, and Martin Gillis. Only one new nomination was received from Gordon Rodgers. All directors were elected by acclamation, as there were no further nominations and all positions were filled.

Motion to accept the verbal report of the Nominating Committee, as presented by Andrea Martin, made by Christy Bishop and seconded by Heather Nauss-Levy. Motion carried.



New Business
NIL

Presentation of Staff Service Awards
5 Years – Cindy Teal, Maureen Markey, Tracy

Kelly Cook

5 Years

Christy Bishop
Jennifer DeAdder
Jean Gendre

10 Years

Dwight Doherty

20 Years

Way, Jenna States, Alaina Moore, Shawna Lake, Stu Gould

10 Years – Kathryn Rix, Rebecca Coleman

15 Years – Marilyn Schofield

20 Years – Carla McDow, Holly Veinot-Turner

25 Years – Catharine Herber

Adjournment
Moved by Andrea Martin, seconded by Amie Johnstone, the April 21, 2016, Annual General Meeting be adjourned. Motion carried.

CHAIR OF THE BOARD REPORT



On behalf of your board of directors I would like to extend a warm welcome to our members as well as thank the management and employees of Valley Credit Union. Over the past two years we have been focused on demonstrating more proactivity and value to our membership. We have made very good progress on these fronts and I am pleased to be able to share

some of them with you.

During 2015, we held 10 regular board meetings and 6 meetings of the executive. Your board was well represented at Provincial, Atlantic, National and World meetings and conferences during the year. We continue to be in an era of considerable change, a period requiring the Credit Union system to work together to continue to create value for members and to improve operational efficiencies. Your board is very open minded to such discussions, believing strongly that increased cooperation amongst credit unions can only make us stronger and discussions continue to move steadily along.

Directors have continued their learning through conferences, regionally held meetings, courses, and information sessions offered through CUSource and our Atlantic Central training partners.

We are in the second year of our strategic plan and have seen very

good progress on improving our "culture & image", our focus on small business as well as our relationship management approach. Members visiting our branches will see new colour schemes and a coordinated look across our branches. Business members have been provided the support of a larger small business team and a more robust offering of products and services to meet their needs.

A wholesale change in our "wealth" offer brought some short term pain to members and employees but the anticipated benefits have been more than realized. We now have one of the most complete offers available, being able to provide our members with a wide range of investment and insurance options including the IIROC platform for trading of stocks.

Financially, we experienced very strong loan growth and top line revenue growth. Expenses relating

to the change in our wealth offer resulted in net profit being slightly below budget. Although margins continue to be squeezed and the markets more competitive, Valley Credit Union is in a strong financial position. We continue to strive to maintain our branch network and to be the preferred supplier of financial services in the markets we serve. With that being said, the board is supportive of management's approach, focusing on learning and development and delivering competitive products and services in the most professional manner possible.

Our support, both financially and through the volunteer efforts of the board and staff continue to be strong. From small community based events in our communities to our support for Open Arms and the Coldest Night of the Year

walk to the Clean Annapolis River Project, our staff are very involved. Our commitment to the Credit Union Centre continues and we are pleased to see the impact of our support on both the facility and the community. 4-H continues to be an organization we support both through volunteer efforts as well as financially; playing a role in supporting our youth is something we value.

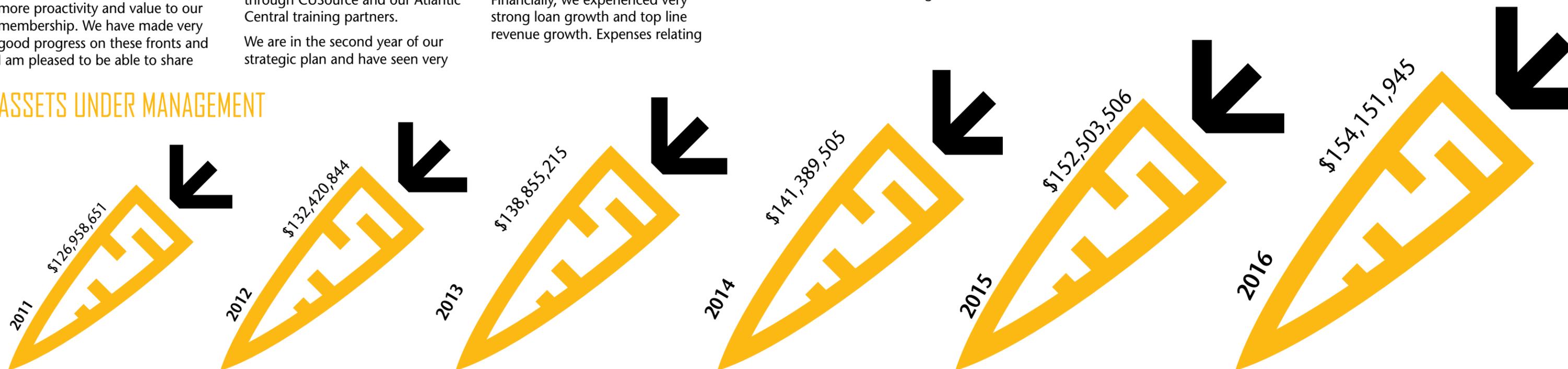
Being a board member is a large commitment but comes with considerable personal reward. I would like to thank each of our board members for their ongoing dedication. We will have a number of key decisions to make in the next few years to ensure that we provide Valley Credit Union the opportunity to thrive and to grow. I look

forward to working with you all, as well as our partner credit unions in ensuring the continuing viability of the system.

Sincerely,

Martin Gillis,
Chair of the Board

ASSETS UNDER MANAGEMENT





The year 2016 was a year where focus was placed on improving upon the changes implemented in the past, while maintaining our primary focus of proactively meeting the needs of our members. We continued to grow our knowledge and use of Fusion Sales training, engaging in more proactive communication with members with a heightened sense of awareness in order to deepen relationships.

Our focus on our strategic priority of "Image & Culture" began early in 2016 with the development and rollout of the Branch Standards Handbook, a guide to consistent member service, professionalism, and accountability. Shortly thereafter a design team was engaged to provide advice on bringing a more memorable and consistent look and brand across all our branches. This initiative will continue into 2017 and is being very well received. From the

more identifiable blue and yellow colour schemes, to murals of local history, to the textures and colour palettes of furniture and fixtures, our branches portray comfort and confidence.

In support of our strategic priority of a focus on "Small Business", the backbone of our valley economy, we were successful in filling the VP Lending role and hiring another Commercial Manager. Steve Groves brought more than 25 years of banking experience to the VP Lending role and has been instrumental in building our capability and bringing more consistency to our lending operations. Marianne MacLean took on the challenge of the Commercial Manager role and has assisted in our responsiveness and capacity challenges.

Our focus on "Relationship Management" has been considerable. Our staff worked together to place in excess of 3,000 outbound calls to members throughout the year to proactively offer our assistance in meeting their financial needs. A "learning path" has been developed for Financial Services Representatives and for Branch Administrators to assist them in identifying learning needs and necessary resources. Our Service Delivery Manager, Catharine Herber, began to dedicate the majority of her time to training the staff in our seven branches,

reinforcing our Fusion Sales approach of engaging members in meaningful conversations, listening for areas of concern and offering our assistance in bringing them peace of mind.

We were successful in filling the Branch Manager role in New Minas after a five month vacancy. Scott MacKay joined VCU mid-year and quickly gained the trust of staff and members alike. The result of the change was evident as Scott built upon

Catharine Herber's success as interim Branch Manager, resulting in a huge improvement in both member sentiment and branch growth.

The most daunting project undertaken in 2016 was a total change in our wealth management offering. Desiring our wealth offer to be able to deliver great value to our membership, we made the difficult decision to rebuild from the bottom up. After several years of discussions with QTrade, a credit union owned wealth and insurance provider, we made

the decision to provide our members the benefit of a more robust wealth and insurance offer, adopting the IIROC platform for stock trading, the MFDA mutual fund platform, and modifying the mutual fund offering in our branches to provide members with two highly competitive offers; rebalancing portfolios from market leading Fidelity as well as Ocean Rock's Meritas SRI portfolios.

Cindy Viner joined the team in March and managed the difficult transition. She was joined by Julie Renderos

in June, and the pair worked diligently to communicate with our members prior to, during, and after the transition from Credential to Qtrade. Mavis Aza joined the team as the Insurance Specialist in late summer. Our four in-branch mutual fund staff; John Burris, Amanda Rudderham, Tracy Way, and Carla McDow complete the team which is now able to provide members with any and all services offered by the "Big Five". The team achieved a "state of normal" in the fall as knowledge and awareness of the new offering was well communicated throughout the business and our membership.

The confidence our branches have in our new wealth and insurance offer is incredible and has been demonstrated by referral rates never before experienced. Growth has exceeded all expectations and we look forward to continuing to build upon the success we have experienced.

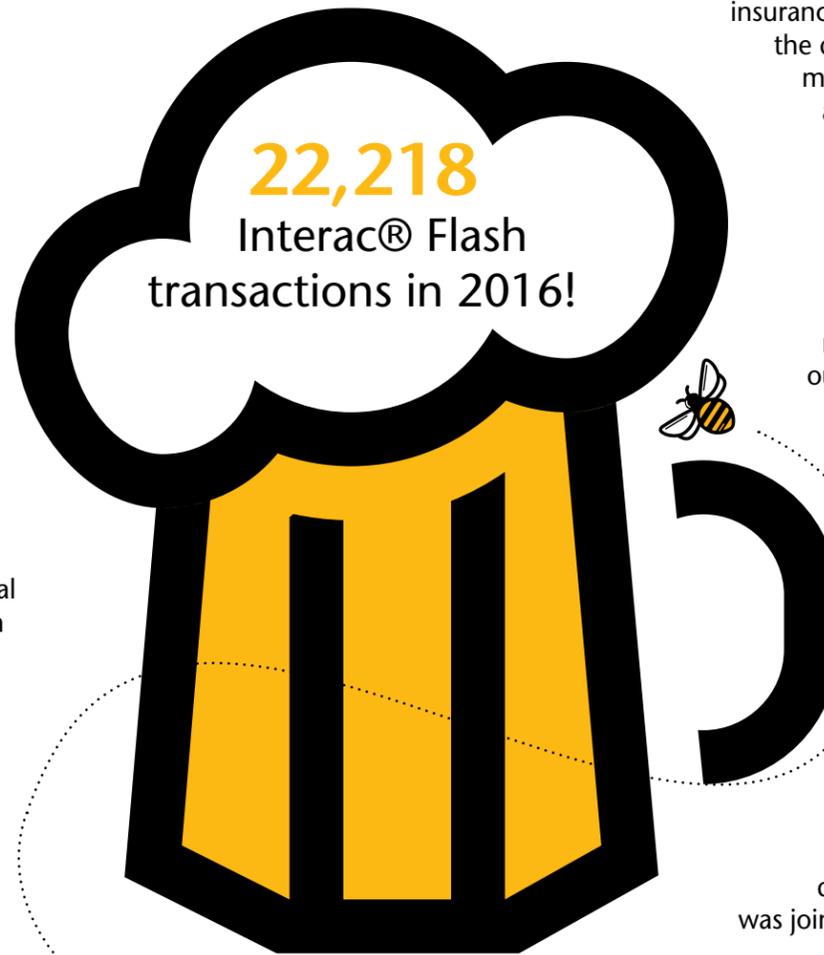
In our pursuit of becoming the "financial services provider of choice in the markets we serve" we have undertaken many training initiatives. The purpose was two-fold. Firstly, to serve our members with the capability they deserve and, secondly, to better prepare ourselves for succession internally. We worked with Kathy Clutterbuck of First Ontario Credit Union to help develop a lender training program. To assist in its success, we engaged Saint Mary's University to deliver a program on mentorship in order for mentors to more clearly understand

their roles in employee learning and growth. These programs will be delivered in early 2017.

Ensuring our future success has required considerable change; change which is very likely to continue. Realizing that adoption of change is essential for our success, starting in early 2017 we will deliver change leadership sessions to all staff with people management responsibilities. The components of successful change will become routine and installed as part of our culture.

The engagement level of our employees is a strong predictor of our success. Therefore, we started conducting annual employee engagement surveys several years ago. The survey results have provided several areas to focus on including communication, leadership and training. We have made very strong strides by working together with employees to improve in these areas. The results in 2016 were indeed humbling as we saw large leaps in employee engagement levels. Even with the strong results we will continue to work with employees to ensure we are working together as effectively as possible in the delivery of services to our members.

Overall, Valley Credit Union had another strong year with almost 9% growth in credit. The change in our wealth offer resulted in a short term financial setback we do not expect to experience in future years. An improved discipline in proactive member discussions has enabled



BOARD OF DIRECTORS ATTENDANCE

us to improve predictability of our business with the development of a pipeline. Although we have continued to see a net outflow of members, the rate of this has reduced. I firmly believe our commitment to member service and being providers of advice will see this trend reverse itself in the next few years.

We continue to be very active in our communities supporting 4-H, Open Arms, Clean Annapolis River Project and Credit Union Centre to name a few. 2016 saw the beginning of our participation in Each One Teach One; a financial literacy program delivered by our trained volunteers. Our staff recognizes the importance of giving back and have done a very good job of it once again in 2016.

I would like to thank the board members for their hard work,

commitment and support in 2016. I would also like to thank the employees for their commitment to learning, engaging, and for growing as a team.

I will close with a sincere thank you to our members. Our continued success is dependent on your belief in us...thank you for believing.

Sincerely,



Len Ells
President & CEO



Martin Gillis 10/10
Chair of the Board



Andrea Martin 10/10
Vice Chair



Doug Oldford 8/10
Secretary



Shae Griffith 10/10



Brian Sturney 10/10



Andy Vermeulen 9/10



Carol Tobin 9/10



Debbie Eldridge 9/10



Peter Hicklenton 9/10



Theresa Pelley 7/10



Nancy Roscoe-Huntley 10/10



Gordon Rodgers 6/6

CREDIT COMMITTEE REPORT



contribution to the year's success, achieving 33% of the overall growth. Each branch and the head office team contributed to achieving delinquency levels of just 0.13%, as of December 31, 2016. Overall, an excellent year for credit at Valley Credit Union.

The existence and purpose of the Credit Committee is stipulated in the Credit Union Act and the committee, in cooperation with a credit union

Valley Credit Union provides credit and value added advice to individuals, families and organizations in many forms, including business loans, mortgages, vehicle loans and lines of credit. During the past year, ending December 31, 2016, Valley Credit Union experienced a "record year" for credit growth of \$10.9 million in personal and business loans, mortgages, and lines of credit; an increase in the portfolio of 8.8%. I'm pleased and honoured to report that during my years as a Valley Credit Union director, there has not been a year with this significant a performance in credit growth, which represents a true team effort.

Lending growth was well balanced between personal lending and small business lending across a number of branches, lead by the performance of the Greenwood, Cambridge, New Minas and Canning teams in 2016. An expanded team of commercial lenders also made a very significant

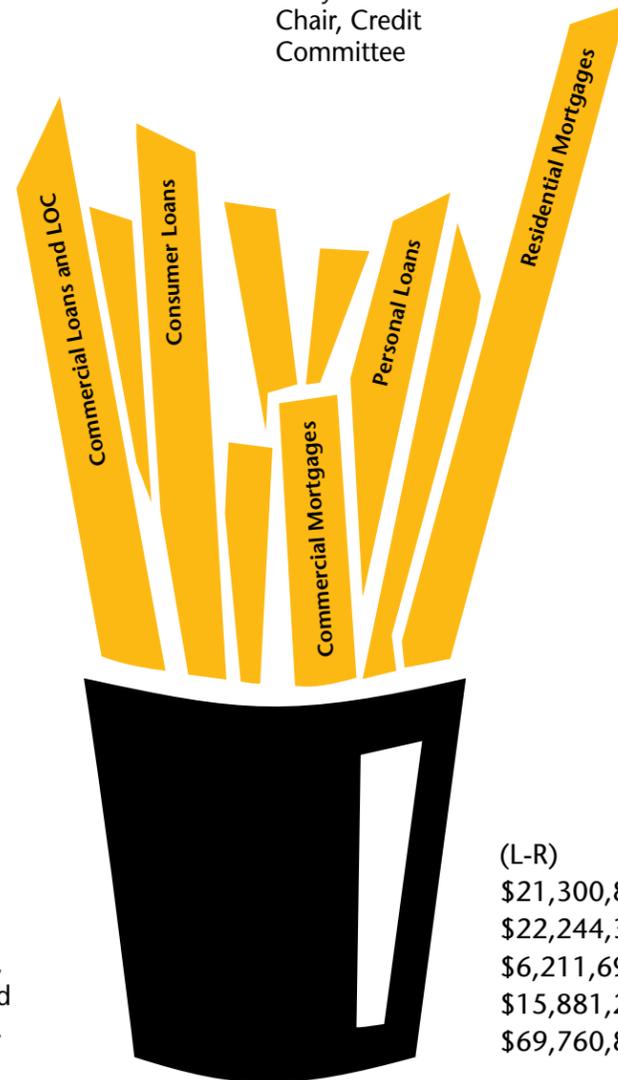
representative (resource), is responsible for ensuring the compilation, clarity and accuracy of data required by the act and recommends policies and procedures for approving and granting credit provided by the credit union.

The Credit Committee is comprised of Andy Vermeulen, Brian Sturney and Gordon Rodgers. Resource for the

year was provided by Glenn Jordan, Collection Officer, and Steve Groves, Vice President, Lending.

Sincerely,

Andy Vermeulen
Chair, Credit
Committee



(L-R)
\$21,300,864
\$22,244,375
\$6,211,692
\$15,881,213
\$69,760,838

AUDIT COMMITTEE REPORT



The Audit Committee has an overall responsibility to review the financial position of the credit union, as well as review any recommendations made by external auditors and other audit or examination reports received by Valley Credit Union.

The committee, which consists of four directors, has adopted a mandate, which covers all of the duties specified to be performed by audit committees in section 125 of the Credit Unions and Caisses Populaires Act, 1994.

The Valley Credit Union Audit Committee held four regular meetings in 2016. In March

of 2017, the committee reviewed with the auditors from PriceWaterhouseCoopers, the Audited Consolidated Financial Statement for 2016.

Lastly, 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 2017.

Sincerely,

Peter Hicklenton
Chair, Audit Committee

Rebate Program
\$3.3 million
returned to
our members
since 2005!

CORPORATE, SOCIAL & ENVIRONMENTAL RESPONSIBILITY (CSER) COMMITTEE REPORT

The focus of Valley Credit Union's Corporate Social and Environmental Responsibility Committee has once again been on supporting all the communities served by the credit union with special attention to three key areas to support community strength and healthy living:

- education and life-long learning
 - health and wellness
 - sports



Our committee draws on the advice and experience of both staff and credit union directors, and in 2016 we welcomed staff members Andrea Peach and Lynn Heatley to the group. I am proud to say all committee members have worked hard not only to review requests for support, but to actively engage with many of the organizations who are pleased to collaborate with us. This is truly a success story in building community capacity.

On behalf of all members of Valley Credit Union, we are pleased to have provided continuing major support and volunteers to both Kings County and Annapolis County 4H chapters. Another major

sponsorship continues to be the Open Arms organization where support for the purchase of their passenger van means many more clients can readily get to job interviews, medical appointments, and meetings which are crucial to their health and well-being.

Our help has also been instrumental in ensuring small groups can continue to offer local community service and support. From a literary and drama experience for local kids in Hantsport run from the Isabel and Roy Jodrey Memorial Library; an impressive facility, to the Middleton Railway Museum which highlights the railway history of the western valley and employs local adults with special needs, VCU is proud to be an active partner.

The Credit Union Centre in Kingston is a focal point for year-round sports and recreation and draws people from many communities in the surrounding area. We are pleased to provide on-going support to continually improve the centre and complement the efforts of their hard-working volunteer board.

Throughout 2016, The CSER Committee has engaged with the community and supported the following organizations and events:

- Trans County Transportation Society
- Kings and Annapolis County 4-H Clubs:
 - County Rally
 - Achievement Days
 - Exchange student program

- Annapolis Pony Club
- Hantsport Library Programs
- Middleton Railway Museum
- Hantsport and Area Historical Society
- Helping Handbags, in support of The Kids Action Program and Chrysalis House Association
- Middleton School Bands Association

The CSER Committee is always interested in hearing from VCU

members. You are our eyes and ears in the community, and we welcome your input and suggestions.

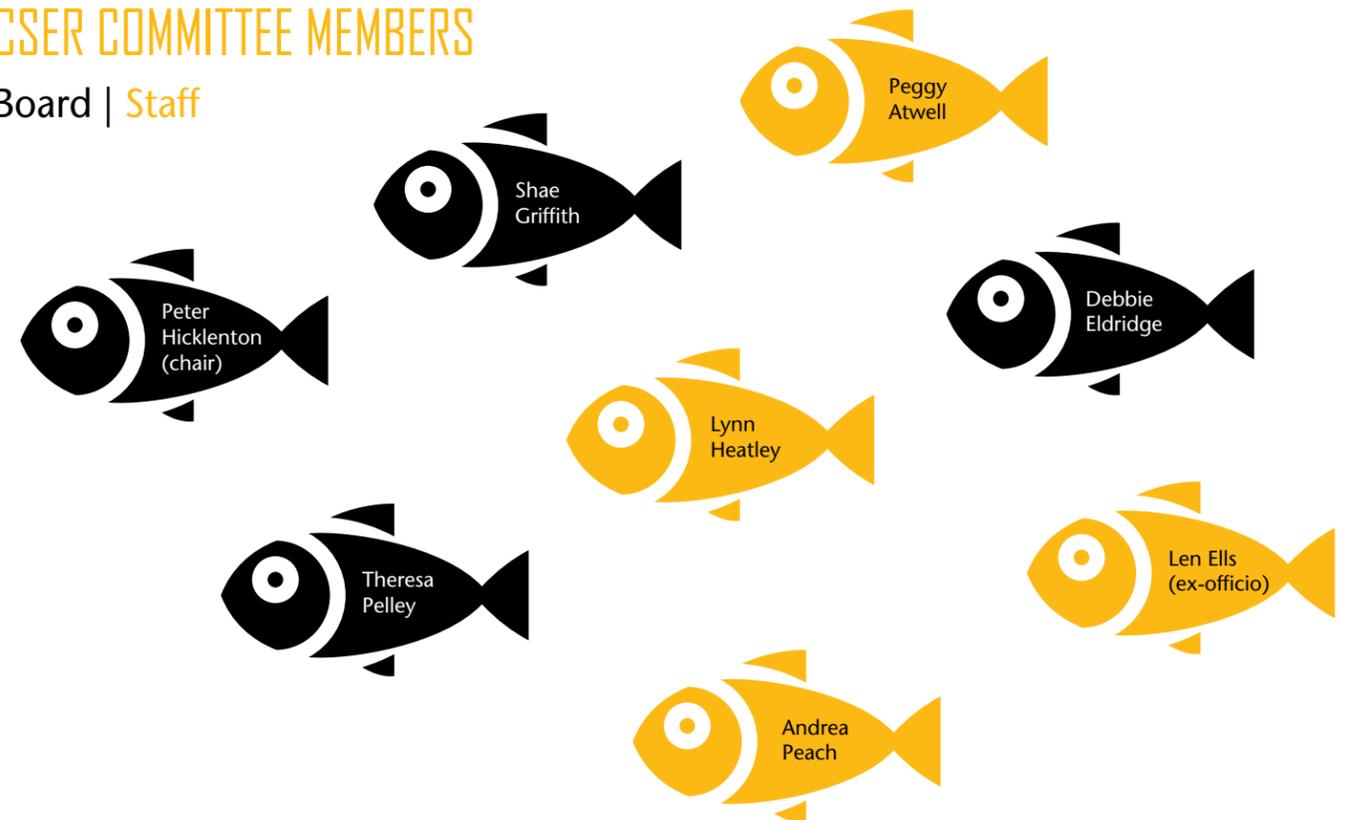
Sincerely,



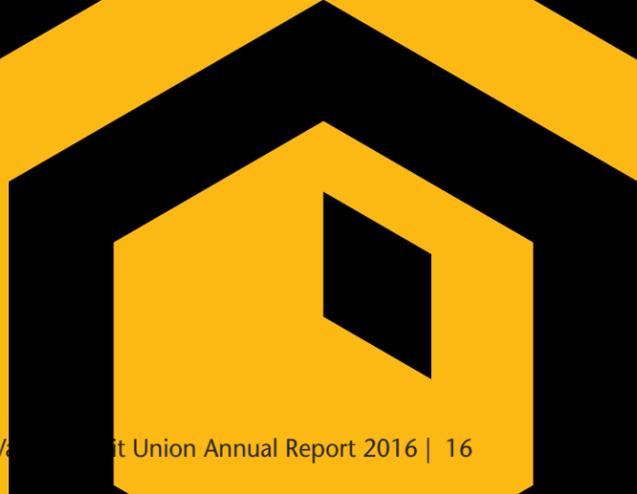
Peter Hicklenton
Chair, CSER Committee

CSER COMMITTEE MEMBERS

Board | Staff



CONTRIBUTING TO OUR COMMUNITIES

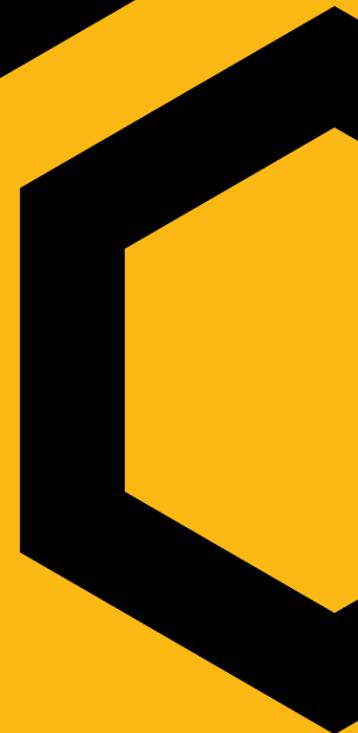


(L-R) Coldest Night of the Year team; school breakfast program donation; *Got Nuts?* contest winner; fundraiser BBQ; Matt Balsor making friends; 50/50 at Valley Drive-In; Clean Annapolis River Project dragon boat paddlers; National Denim Day participants; Valley Regional Hospital Foundation Radiothon volunteers; Catharine Herber 25 years with Valley Credit Union.



(L-R) 14 Wing Welcome; Bigfoot Town pre-screening at Valley Drive-In; International Credit Union Day; Halloween spirit; Annapolis River Festival; Financial Advice contest winner; Holly Veinot-Turner 20 years with Valley Credit Union; the bosses making breakfast; Small Business Week





(L-R) Carla McDow 20 years with Valley Credit Union; team building Paint Nite; Stuart Gould and Catharine Herber spreading Christmas cheer; Hantsport Harvest Festival volunteers; Bridgetown Ciderfest cardboard boat paddlers; Relay for Life team; Amanda Rudderham member appreciation; Len Ells doing his usual ;)



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