



2015 Annual Report

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A MESSAGE *from Walter*

On behalf of the Board of Directors, I am pleased to report that CUA continues to be in a strong financial position after a successful year in 2015.

Throughout this past year, CUA has made excellent progress in moving forward its growth strategies and accomplishing the priorities laid out in its Strategic Plan. Key initiatives implemented in 2015 remained focused on building the customer experience, services and value to best meet members' needs.

CUA completed the development of a formal Brand Strategy for the organization, with the purpose of diversifying CUA within the marketplace and creating a foundation for further growth in the future. We celebrated a refreshed approach for CUA's brand in 2015, accompanied by a new logo, tagline and shortened name for the organization. Our new brand reflects our belief that we are a better option than other financial institutions because of our ability to deliver flexible products and personalized service that meets the unique needs of each member. We look forward to continuing to build this brand in the marketplace and attract new members to CUA while building upon our existing members' business.

In addition to pursuing initiatives that focused on attracting new members and developing existing and new system partnerships, our priority in 2015 was on strengthening our members and community. We continued to provide unique and flexible solutions that enhance our members' financial well-being. We also leveraged our quick, local decision making, excellent service and unique differentiators such as our Community Partners Program and Microloan Program.

To ensure a strong and sustainable future for CUA, we will continue to be committed to building effective relationships with various credit unions and committees, supported by Atlantic Central. Strong collaboration across the credit union system will allow us to be a leader within our provincial and regional networks, and enable us to receive critical knowledge and updates within the system.

“Our new brand reflects our belief that we are a better option than other financial institutions because of our ability to deliver flexible products and personalized service that meets the unique needs of each member.”

I want to sincerely thank each of my fellow directors for their contributions in both time and effort throughout this past year. I would like to extend a special thank you to John Hawrylak and Shakara Joseph, who are both stepping down from the Board this year. John has provided 17 years of valuable service to the credit union system, including acting as Chair and Vice Chair of the CUA Board for a number of these years. While Shakara has been on the Board for a relatively short period, she has been an engaged and effective director.

I would also like to extend a warm thank you to our system partners for their sound service and support throughout the year.

A sincere appreciation is extended to our President & CEO Marie Mullally for her outstanding leadership as well as to her committed team for another successful year. Their dedicated efforts and engagement complements our vision and continues to build CUA's reputation as an approachable, personalized and expert banking institution. Unquestionably, CUA is great because of its people.

In closing and most importantly, I want to thank our members for their ongoing support. We will continue to do our best to maintain your trust and make you proud to belong to CUA.



A handwritten signature in black ink that reads "Walter Thompson". The signature is written in a cursive style and is underlined with a single horizontal line.

J. Walter Thompson, Q.C.
Board Chair

A MESSAGE *from Marie*

As I now enter my fifth year as CUA's President & CEO, I am very proud to continue to be part of such an inspiring and motivated team. Our success this past year was a direct result of an engaged team of employees focused on delivering an exceptional experience to our members. I am pleased to share with you some of our key accomplishments from 2015.

CUA saw positive business growth in 2015. Loans increased by 5.8%, deposits grew by 10.4% and CUA's membership level reached over 19,000 members in 2015. Our comprehensive income was \$1.9 million, an increase of \$0.1 million from the 2014 level. Progress was also made in the implementation of CUA's growth strategies that were developed in 2014 in order to create a strong foundation for long-term growth for the benefit of our members.

Delivering exceptional value to our members is CUA's priority as "the better way to bank", and this remained a key focus throughout the year. We were pleased to launch a new Live Chat service on our website, enabling members with the capability to engage with our Customer Contact Centre team and get the answers they need right away. We also continued to expand our mobile banking services, providing a team of six financial advisors who can bring their financial expertise to you – anywhere, anytime. Members have the option of meeting in the comfort of their own home, or at a location that is most convenient for them – days, evenings or weekends.

Our employees are our most valuable asset as they deliver our customer experience each and every day. Training and development continued to be a priority for our organization throughout 2015, as staff attended sales and service training workshops with a focus on the foundational components of service delivery and meeting the needs of our members. In these sessions, staff were empowered with the tools and knowledge they need to ensure that our members are provided with the best possible solutions for their financial situation and future goals.

Pursuing ways of achieving a greater social impact in our community was a key focus of CUA's work in 2015. We launched our Community Investment Grant Program, with the purpose of investing in the community through a series of grants which support smaller-scale, local initiatives that will create immediate, positive impact in Halifax. Through this Program, we delivered grant funding to six local businesses, social enterprises and organizations that are providing a tangible, sustainable impact on the community. In 2015, we also donated time, money and resources to over 30 non-profit organizations.

Through our Financial Literacy Outreach Program, we continued to strengthen the financial knowledge and skills of our members and community by reaching over 50 schools and groups, involving over 1,300 individuals, throughout Halifax through our various education programs. This outcome reflects a 100% increase in the number of delivered sessions over the previous year.

"Delivering exceptional value to our members is CUA's priority as "the better way to bank", and this remained a key focus throughout the year."

I would like to thank our Board of Directors and the entire CUA Team for their tireless effort and exceptional commitment they show in serving our members and communities. I would also like to express my heartfelt thanks to our valued members for your continued business and loyalty to CUA.

Looking forward to 2016, I am confident that CUA's focus on the customer experience and commitment to supporting the community will ensure that we continue to make great strides toward achieving our vision of stronger members and community.



A blue ink handwritten signature that reads "Marie".

Marie Mullally
President and CEO



Financial Report

CUA maintained a strong financial position in 2015, with growth in its assets, loans and deposit portfolios that supported a stable income level for the year.

Loan Portfolio

Overall, total assets at December 31, 2015 were \$441.8 million compared to \$387.6 million at December 31, 2014, an increase of \$54.2 million (14.0%). This increase is primarily the result of two key factors: 1. the loan portfolio increased by \$19.8 million (5.8%), which was evenly distributed between personal and commercial loans; and, 2. approximately \$27.6 million in assets associated with the business acquisition that took place September 30, 2015 and are included on CUA's Balance Sheet.

Over the past five years, the loan portfolio has increased by \$106.9 million (41.7%), averaging an annual growth rate of 8%. Growth in this highly competitive environment continues to be a priority for CUA as it strives to grow its core business while maintaining an acceptable level of loan loss risk. In 2015, the net provision for impaired loan expense was \$0.7 million, \$0.2 million below 2014. The provision for impaired loan expense as a percentage of loans has decreased to 0.18% from 0.26% in 2014, representing an eight bps decrease. CUA continues its risk-based lending decisions and closely monitors delinquencies to mitigate loan defaults and losses wherever possible. This will be an on-going focus area in 2016, particularly given the overall rising household debt in the market and the potential associated risks.

Deposits

Deposits increased significantly in 2015 with growth of 10.4% or \$37.3 million in order to fund CUA's lending and business acquisition requirements. The majority of this increase was derived from the external deposit broker network, which provides readily-available funds at competitive rates. Members' equity grew by \$1.6 million with the inclusion of the 2015 net income in

retained earnings. The Board of Directors declared a 5% dividend on Class A shares for holders of those shares as of December 31, 2015. As of that date, there was \$5.7 million outstanding in these preferred shares.

Comprehensive Income

Loan interest revenue on the loan portfolio totaled \$16.5 million, an increase of \$0.6 million from 2014 due to the higher loan volume. Finance fees of \$0.9 million were generated by the acquired business during the period of October 1 – December 31, 2015. The cost of capital (the interest paid on deposits) increased by \$0.4 million from 2014 to \$4.6 million due to a higher deposit base. Finders fees expense, which includes commissions paid to brokers as well as the cash-back portion provided on certain mortgage products, increased by \$0.3 million in 2015 due to a higher volume of these types of transactions over 2014 levels. Other income reduced by \$0.4 million due to lower service charge revenue and the negative impact of the foreign exchange on US dollar transactions. Overall, the gross margin and expenses were in line with 2014 at \$15.4 million and \$12.7 million respectively.

CUA finished the 2015 fiscal year with a Comprehensive Income of \$1.9 million, an increase of \$0.1 million compared to 2014.

Community Impact Report

CUA is proud to be a strong contributor to the community. Beyond simply investing dollars, CUA is committed to supporting local businesses, non-profit and community organizations, and members of the community in a number of ways through its various programs and initiatives.

There are three ways in which CUA strengthened its community throughout 2015:

Strength of Members

By delivering on its commitment to help each member achieve their full financial potential, CUA enables individual and collective financial well-being within the community. CUA supports this strength through three key areas:

Products and Services

- CUA introduced the *No Down Payment Mortgage* in the second quarter of 2015. This product is intended to assist individuals who may not otherwise be able to afford home ownership, by providing them with access to financing to fund a 5% down payment. Once their home's purchase has closed, the customer would receive 5% of the mortgage amount back in cash, to help them pay down their loan or Line of Credit, make improvements to the home, purchase furniture, or to cover the closing costs. CUA promoted this product as part of its Spring Home Financing Campaign and since June 1, 2015 when the product launched, 47 members have a No Down Payment Mortgage.
- CUA offered its *Humanomics Youth Savings Account* for a 6-week campaign in 2015. The Humanomics Youth Savings Account teaches youth positive savings behaviours to set them up for future financial success, by rewarding account holders with bonus deposits on their account's first and third anniversary. Research conducted through the Humanomics Program showed that 60% of Canadians state that their current level of debt does not allow them to save as much as they would like, and 31% of Canadians are unable to save any money at all.
- The Humanomics Youth Savings Account is one of the ways that CUA is addressing this issue in order to engage in positive financial habits at an earlier stage in life. The 11-12 year old demographic was identified as the key age when the majority of children open their first bank account, and therefore an important age to begin developing positive financial habits.
- CUA developed and launched its *Microloan Program* in order to address the underserved, as securing credit and accessing banking services can be major roadblocks for new and marginalized individuals in Halifax looking to start a business or re-build their credit. This Program will allow individuals, community organizations, social enterprises and small businesses to secure loan amounts between \$1,000 - \$5,000, which is not offered by banks. CUA has partnered with the Centre for Entrepreneurship Education & Development (CEED) so that when individuals access financing for their business through CUA, they can also access mentoring and education through CEED to build their business skills and enhance their experience.
- CUA offered its Holiday *Skip-a-Pay* program to members in November 2015, offering qualifying members the opportunity to skip a payment on their loan during the holiday season months of December and January. The Skip-a-Pay offer provides members with a break on their loan payments without penalty in order to reduce their financial stress during the holiday season.

COMMUNITY IMPACT REPORT (CONTINUED)

Education

- CUA distributed its monthly *e-Newsletter* throughout 2015 to all personal and commercial members, which included a financial education segment. A variety of topics were presented in order to inform and educate members, including budgeting, credit and debt management, protecting funds and investing.
- CUA used its *social media* pages on Facebook, Twitter and LinkedIn to share helpful financial tips and articles throughout the year. At least one financial tip or article was shared each day on social media, for a total of over 400 financial education posts made on CUA's social media in 2015.
- Throughout the month of March, CUA recognized "*Fraud Prevention Month*" by sharing fraud tips and information on its social media pages and making fraud prevention the focus of its March e-Newsletter.
- Throughout the month of November, CUA recognized "*Financial Literacy Month*" by sharing additional financial education tips and tools daily on its social media pages and making financial literacy the focus of its November e-Newsletter.

Connections

- CUA introduced a *Small Business Saturday* series in 2015. CUA held four Small Business Saturday events between May-August, hosting a total of 16 local business members and Community Partner pop-up shops outside of its Spring Garden Road branch. The Small Business Saturday series is intended to support local small businesses, by providing them with free access to CUA's prime Spring Garden Road location as well as the promotional benefits from CUA promoting the series on its digital signage, social media and website.
- CUA enhanced its *Community Partners Program*, by incorporating additional benefits for the participating small businesses and non-profit organizations. In February 2015, CUA launched a free in-branch advertising program for its Community Partners, which offers a 24x36" poster frame in

each of its 7 branch locations as well as a screen on its in-branch digital signage available for one Community Partner each month.

- In July 2015, CUA supported the *Build Your Business Networking Event* aboard the Tall Ship Silva in partnership with Immigrant Services Association of Nova Scotia (ISANS) and the Halifax Partnership. This annual event provides two hours of networking opportunities to local small business owners and business community leaders.
- CUA sponsored two of *The Coast's Food Truck Party* events, with the first taking place in June 2015 and the second in August 2015. CUA had two staff volunteers attend each event to greet people and promote CUA at a vendor booth. Each event sees approximately 2,500 attendees each year.

Social Programming and Community Giving

CUA is proud of its contributions and support to a variety of organizations through three mechanisms:

Financial Literacy Program

- As a banking institution, CUA takes an active leadership role in the area of *financial literacy programming*, to ensure that its members and community are empowered with the financial knowledge and tools they need in order to lead financially healthy lives. In 2015, CUA staff volunteers reached over 1,300 individuals through its various education programs that foster personal financial well-being for students and adults.
- In addition, CUA began a *partnership with Habitat for Humanity* through which it provides one-on-one counselling sessions to families who are struggling financially, to assist them in managing their debt and credit issues and coming up with a plan to improve their situation. By providing these families with the skills and confidence they need to successfully manage their finances, CUA improves their lives and sets them up for success. Beyond the one-on-one counselling sessions, CUA also provides group financial education workshops in partnership with Habitat for

COMMUNITY IMPACT REPORT (CONTINUED)

Humanity about a variety of topics, from basic budgeting and credit habits to savings strategies. In 2015, CUA delivered counselling to 16 different families.

Contributions

- Through sponsorships and donations, CUA supports worthy causes that enhance the overall quality of life of its members and the communities where they live and work.
- CUA celebrated its ninth consecutive year as the title sponsor for the *CUA Lung Run* and a total of 117 “CUA Crusaders” participated on May 2, 2015. As a result of branch-wide fundraising efforts, CUA was proud to contribute over \$28,000 to the event’s cause.
- In 2015, CUA implemented donation boxes in each of its eight locations to collect funds for a variety of worthwhile causes through the year. CUA partnered with *Women’s Foundation Nepal* to collect funds for the third quarter, as one of its members is a volunteer for this organization which provides relief and support to those affected by the Nepal earthquake.
- In addition, CUA continued as a sponsor of *Junior Achievement of Nova Scotia*, the Halifax Central Library, the Multicultural Association of Nova Scotia, the annual Phoenix Nutcracker Luncheon, and lastly, contributed to over 30 other organizations in the form of monetary donations or promotional item donations throughout 2015.

Social Investment

- CUA launched its *Community Investment Grant Program* in the second quarter of 2015, with the purpose of re-investing in the community through a series of grants which support smaller-scale, local initiatives that will create immediate, positive impact in Halifax. Through this Program, CUA will develop unique and impactful stories about how CUA puts its profits to work within the community. CUA offered grants in the following three categories, which align with CUA’s strategic goals and priority community giving efforts:
 1. Youth Grant – supports local projects and programs that help to build a richer future for youth in Halifax;
 2. Local Business Grant – supports the start-up or

growth of locally-owned and operated small businesses in Halifax; and,

3. Community Grant – supports local projects and programs that are making an impact to better our community and/or that align with CUA’s priority area of financial literacy.

CUA will follow up with each of the six grant recipients to measure the impact of the grant on their project or business.

- CUA introduced a *local art initiative* through which its locations display and sell artworks by local artists within the community with all proceeds going directly to the artists. In partnership with the Artport Gallery Ltd. and the Contemporary Art Society, CUA has artworks on display in five of its locations and represents the work of 10 local artists.

Focus on the Environment

- CUA began assessing its community impact performance in order to achieve certification as a “B Corp” organization. B Corp (the “B” stands for benefit) is a measure of a company’s commitment and results in supporting a strong community, work force, economy and the environment. Certified B Corporations meet high standards of social and environmental performance, transparency and accountability. Unlike traditional corporations, Certified B Corporations are required to consider the impact of their decisions not only on their share-holders, but also on their stakeholders (e.g. workers, suppliers, community, consumers and the environment). To become a Certified B Corp, B Lab, the non-profit organization that certifies B Corps, conducted a rigorous evaluation and determined that CUA met the comprehensive performance standards to qualify for certification in 2016.
- CUA introduced a *K-Cup Recycling Program* in 2015, whereby all Keurig coffee K-Cups are recycled through Wheaton’s retail locations rather than being thrown into the garbage. Wheaton’s, in conjunction with the Dartmouth Adult Services Centre (DASC), which provides programs and

COMMUNITY IMPACT REPORT (CONTINUED)

work experience to adults with intellectual disabilities, will separate the K-Cup components. 97% of K-Cup materials will be re-used or recycled, and coffee grounds will be donated to the Dartmouth North Community Food Centre, which will compost the material in its urban garden.

- CUA upgraded all of its exterior location signage to *energy-efficient LED-lit signage* and programmed many of its outdoor signs to turn off after 10:00 p.m. These changes will reduce CUA's annual energy consumption by over 20%.
- CUA profiled its *Responsible Investing* products in 2015. Responsible Investing refers to the process of making investment decisions using traditional financial analysis, while also evaluating performance on environmental, social and governance factors. Investors can choose to achieve their financial goals while also making a positive impact on people, companies and the environment.