



2018 Annual Report

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A MESSAGE *from Kurt*

I'd like to take a moment and go back to 2007, the year I joined the CUA Board. Harry Potter is breaking records at box offices and bookstores, and technology is about to take an accelerated leap forward. There's a tech company preparing to debut its first phone, perhaps you've heard of it – the iPhone? Social media is beginning to gain traction as well, with Facebook expanding beyond universities and Twitter launching its platform.

My introduction to CUA was equally life changing. It was just two years earlier, in 2005, when I first walked into the Spring Garden Road branch and was immediately struck by the unique service experience. The CUA team took the time to get to know me and my business, and when an opportunity to join the Board arose, I knew I wanted to get involved. This marks my final year as a Director and, while there have been many changes during my tenure, the core of who we are and how we help our members remains constant.

Over the last 12 years, I have had the pleasure of providing direction and insight on a number of areas, ranging from governance to sustainability. I continue to be a proud member of an organization that does everything in its power to make progress and I've seen this determination time and time again. One of the most visible elements of that progress was the development and execution of a new brand in 2015. And since that time, we have shown why we are *the better way to bank*. With a focus on improving services and growing assets, CUA has substantially added to its physical footprint since 2007. The sixth branch opened in Tantallon in 2007 and the following year, CUA merged with the Halifax Civic Credit Union. And in 2018, we opened the doors to our eighth branch in Spryfield.

The financial sector has changed considerably during this time, with significant effort being directed to digital banking and the experience consumers have come to expect. Back in 2007, we were focusing on expanding our ATM network and launching an online banking tool. Just as technology improves at a swift rate, our products and services continue to evolve, all with member's convenience top of mind. I've had the privilege of being involved with a number of these advancements, like the introduction of

e-transfers, the launch of our mobile banking app and improved security features.

Following the guidance and leadership of a new President and CEO, Marie Mullally, who arrived in 2011, the Board has spent considerable time in establishing a strong governance framework, reflecting best practices in board orientation, education, evaluation, competencies and overall strategic oversight. I am particularly pleased with the introduction of online voting for the director election process this year. Improving access and convenience for members to choose their Board of Directors speaks to a fundamental value of democracy and equal participation of our members, who are the customers and owners of CUA.

The future of CUA is bright, and I am proud of the work being undertaken to continue our journey. The CUA leadership team remains focused on growth, service, efficiency, people and our community. As a small business owner, I can attest to the importance of having smart, big-thinking, dedicated people on your team. Just as I'll be watching for the release of the iPhone's newest model, I'll be enthusiastically following CUA's progress and new initiatives as well.

I would like to extend my sincere appreciation for the vision and leadership of our President and CEO, Marie Mullally, as well as my Board colleagues for their contribution of time and effort in 2018. Last, and certainly not least, I would like to thank the entire CUA team, who are working diligently to serve our members and advance our organization. It has been a tremendous honour to be a part of the CUA Board of Directors, and now I officially close the circle, returning to the status of customer-owner and advocate.



A stylized, handwritten signature in black ink, appearing to read 'Kurt Bulger'.

Kurt Bulger
Chair of Board

A MESSAGE *from Marie*

On behalf of the CUA team, it is my pleasure to provide an overview of our key accomplishments from 2018, a year of success as a result of our collective focus on delivering an exceptional experience to our members.

At CUA, the Strategic Plan is our roadmap for the future, outlining the path we will take to our destination in 2022. That journey's end is why we exist, it is our purpose and why we all do what we do each day - helping everyday people get ahead by delivering a "wow" banking experience. We strive to remove barriers, providing flexible products and services in a personalized way. We are committed to helping our members achieve what matters most and celebrate saying 'yes.'

In 2018, following our internal GPS, we moved along many initiatives outlined in our Strategic Plan, achieving great mileage along the way. As a result of team work, diligence and a commitment to achieve results, CUA saw significant growth in 2018. Total assets grew by 12.5% to \$544.5 million by December 31, 2018. We also had great success in organic growth of loans and deposits, achieving \$23.7 million in loan growth and increasing deposits to \$55.1 million by the end of 2018. This growth was the result of the largest deposit in CUA's history, through securing a \$31.5 million institutional deposit. Further details on CUA's financial results can be found in the Financial Report.

We are committed to offering a variety of flexible products that meet our member's unique needs and our team is always exploring new ways to help you get ahead. One of these product developments in 2018 involved CUA's new line of credit cards. It was a significant effort to ensure members have access to a credit card option with great rewards and benefits. These personal and business credit cards provide cash back options with low rates and reward programs.

For CUA, what matters most is attracting and retaining people and partners who align with our values, who adopt our mission, who think big and focus on improving members' financial health. When our members are financially stronger, we will grow. When

our people think we can, we will.

Our new branch in Spryfield, opened in October 2018, is proof of that. The opening of our eighth branch was an exciting initiative that contributed to CUA's continued increase in brand awareness within the Halifax region. In 2018, three specific brand awareness programs were executed featuring CUA member stories. It was a shift that evolved the green door into showing real people and their own doors. We showed what a 'yes' means to people, and it was the most successful brand-building effort to date.

Our community leadership continues to be a priority, and I encourage you to read more about our efforts outlined in the Community Impact Report. In 2018, CUA was selected as a financing partner of Efficiency Nova Scotia, completed the first year of a three-year partnership with Habitat for Humanity NS, and evolved relationships with the Centre for Entrepreneurship Education and Development and the Business Development Bank of Canada to support the vibrant entrepreneurial culture in our region.

I would like to thank our Board of Directors for their leadership throughout 2018 and, in particular, Kurt Bulger, Board Chair, for his continued support throughout an impressive 12 years of service. I'd like to also extend my sincere appreciation to the CUA team for their tremendous contributions this past year. In closing, and on behalf of the CUA team, I would like to extend my deepest gratitude to you, our valued members, for your continued business and loyalty to CUA. As we embark on the remainder of our Strategic Plan, I am confident that CUA will continue to prosper and support the collective success of our members and our Province.



Marie Mullally
President and CEO

Financial Report

CUA maintained a strong financial position in 2018, with growth in its assets, loans and deposit portfolios that supported a high income level for the year.

Loan Portfolio

Overall, total assets at December 31, 2018 were \$544.5 million compared to \$484.2 million at December 31, 2017, an increase of \$60.3 million (12.5%). This increase is primarily the result of three key factors: 1. the loan portfolio increased by \$23.7 million; 2. higher cash and deposit balance of \$10.2 million at year-end; and, 3. increase in financing or loans receivables of \$24.0 million as a result of investment and growth in CUA's subsidiaries.

Over the past eight years, the loan portfolio has increased by \$163.6 million, averaging an annual growth rate of 7.6%. 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 2018, the provision for impaired loans expense was \$0.5 million, \$0.5 million lower than 2017. The decline reflects both strong management of delinquencies as well as the impact of the IFRS 9 standard, which introduces a new methodology for the calculation of the Allowance for Impaired Loans. CUA continued to implement effective risk mitigation tactics to manage its loan loss exposure while still enabling responsible growth. In addition, CUA closely monitors delinquencies to mitigate loan defaults and losses wherever possible. This will be an on-going focus area in 2019, particularly given the high household debt in the market and the potential associated risks.

Deposits

Deposits increased in 2018 with growth of 12.4% or \$55.1 million in order to fund CUA's lending, operational and strategic growth requirements. All of this growth was derived from members' deposits, of which approximately \$9.3 million was temporary year-end member balances. Members' equity grew by \$4.5 million with the inclusion of the 2018 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, 2018. As of that date, there was \$4.6 million outstanding in these preferred shares. The Equity Ratio grew from 5.6% to 5.8% in 2018, which is a significant accomplishment given the double-digit growth in the asset base. CUA remains committed to building its equity position, which requires proportionate growth in earnings and assets.

Comprehensive Income

Loan interest revenue and finance fees were \$25.1 million in 2018, an increase of \$3.0 million from 2017. This increase is attributable to the growth in loans and financing balances as well as the impact of the changes in the prime rate that occurred during the year. The cost of capital (the interest paid on deposits) was \$5.7 million in 2018, \$0.6 million higher than 2017 due to the rising interest rates on these products. Loan interest expense was \$0.9 million in 2018, \$0.2 million higher than 2017 as a result of higher interest rates and financing to support growth in CUA's subsidiaries. Other income grew by \$0.3 million with marginal changes in service charges in 2018. Total expenses increased by \$0.4 million, or 2.3%, in 2018 due to economic increases in personnel and general business expenses, offset by a lower Provision for Impaired Loans expense.

CUA finished the 2018 fiscal year with a Comprehensive Income of \$4.6 million, an increase of \$1.7 million compared to 2017. This income has enabled CUA to improve its Equity Ratio and increase its financial capacity to invest in the business for the benefit of its members. Overall, CUA has continued to achieve positive financial results, reflective of prudent fiscal and operational management.

Community Impact Report

CUA is proud to be a strong contributor to the business and social economy, first and foremost through the products and services we offer to our members. Building strong members and a strong community starts by improving our members' financial health, which will have a positive impact on their families and the broader community. Everything we do is grounded in a desire to help our members and neighbours live better lives. In addition to supporting our growing community of members, CUA supports local businesses, non-profit and community organizations through its various programs and initiatives. CUA is proud to have strengthened its community and the local economy through the following ways in 2018:

Strength of Members

By delivering on our commitment to help each member achieve their full financial potential, CUA is committed to developing products, programs and services that are suited to the unique needs of our members to support their financial well-being:

Products and Services

- CUA promoted the *No Down Payment Mortgage* throughout 2018 as it was the concentration in both spring and fall Brand Awareness Programs. Intended to assist individuals who may not otherwise be able to afford homeownership, the product provides access to the financing required to fund a 5% down payment. An additional feature is the option to receive 5% of the mortgage amount in cash back once the house has closed. The homeowners can use the funds as they wish, including paying down their loan or Line of Credit, making improvements to the home, or covering closing costs. In 2018, 63 families accessed the *No Down Payment Mortgage* product, totaling \$11.2 million, resulting in a positive community impact by helping members to build equity for their financial future.
- CUA continued to promote its *Microloan Program*

throughout 2018 in order to address the underserved, as securing credit and accessing banking services can be major roadblocks for individuals looking to start or expand a business or re-build their credit. This Program allows individuals, organizations, social enterprises and small businesses to secure loan amounts between \$500 - \$5,000. In 2018, 66 microloans were granted, totalling \$0.2 million.

- CUA offered its Holiday *Skip-a-Pay Program* to members in November 2018, offering qualifying members the opportunity to skip a payment on their loan during the holiday season months of December and January.
- The *Nova Scotia Small Business Loan Guarantee Program* (SBLGP) is designed to help small businesses by providing CUA up to a 90% guarantee up to \$500,000 in the form of term loans, working capital and Lines of Credit. In 2018, a total of 82 loans were disbursed in the amount of \$6.5 million to small business members through this Program.

Education

- As a community-focused banking institution, CUA takes an active leadership role in the area of *financial literacy*, to ensure that members and the larger community are empowered with the financial knowledge and tools they need in order to lead financially healthy lives. Throughout 2018, CUA staff volunteers delivered various educational programs that foster personal, financial well-being for students and adults. One of these programs is a workshop series called *Each One, Teach One*. In 2018, four CUA team members took part in the three-day training program to become certified coaches in a national literacy program. With this certification, these team members can deliver financial literacy workshops throughout the community, and at no cost to attendees. Workshop topics range from basic banking to investments, fraud prevention and home financing.

COMMUNITY IMPACT REPORT (CONTINUED)

- CUA also provided financial literacy information through *It's a Money Thing*, a collection of effective financial education content designed to engage and teach young adults. *It's a Money Thing* addresses important financial topics through videos and infographics and can be used through social media. In 2018, over 38,000 people accessed this Program.
- The *CUAAuthors* Program saw growth in 2018 as well. *CUAAuthors* are experienced, financially savvy staff who are passionate about helping our members improve their confidence and knowledge of money matters. The Program shares informative articles on the CUA website, in monthly newsletters and on social media. Topics included budgeting, debt management, credit scores, filing taxes, savings and more. Throughout 2018, the articles were viewed nearly 3,000 times by visitors of CUA's website with more than 90,000 impressions on social media. These articles can be viewed at cua.com/CUAAuthors.

Engagement

- CUA continued its *social media* presence on Facebook, Twitter, Instagram and LinkedIn to highlight product campaigns and to share engaging information, including financial tips and informative articles. CUA grew its online community of social media followers by 27%, with a total number of social media followers of 6,800 in 2018.
- CUA remained committed to recruiting and promoting members of the *Community Partners Program* in 2018, providing free promotion through social media and CUA's monthly e-Newsletter. These partners were also featured on CUA's website, where special discounts for these partners are highlighted and offered to all CUA members. At the end of 2018, there were a total of 241 Community Partners offering a variety of benefits.



- In November, CUA welcomed more than 350 members and friends to the 8th annual *Family Movie Day*, with a screening of *The Grinch*. This year, donations were collected for

Habitat for Humanity NS, including Christmas decoration donations for the Habitat Re-Store.

Social Programming and Community Investment

CUA is proud to have supported a variety of organizations and initiatives throughout 2018:

- CUA continued its partnership with *Habitat for Humanity*, a provincial organization which uses community volunteers to build affordable houses, helping to break the cycle of poverty. As CUA's charity of choice, Habitat will receive in excess of \$100,000 over three years in support of building stronger foundations for families and their financial futures. In addition to the financial contribution, a number of CUA staff participated in Habitat's "Build Day" in Spryfield. Under the guidance of Habitat's construction team, CUA staff assisted with the building of one of the community's newest Habitat homes, in the same community as our newest branch location.
- In 2018, CUA opened its eighth branch location in Spryfield. To celebrate the branch's opening and to connect with



the community, CUA organized a three-part event series of which included an announcement event, an evening business reception and a community open house. All events were well-attended and highlighted CUA's commitment to investing in the community of Spryfield through banking products, services, advice and financial literacy.

- *The Phoenix Youth Banking Pilot Program* was launched in 2018. The Program provides financial advice, products and services to a group of young adults who are traditionally

COMMUNITY IMPACT REPORT (CONTINUED)

underbanked due to historical financial challenges.

Phoenix Youth staff recommend a young adult to CUA and coordinate a meeting that they jointly attend. The Program waives the monthly account package fees for a period of 36 months, in recognition that every dollar helps on their journey to a brighter tomorrow. Seven new members were welcomed in 2018.

- CUA is a strong supporter of *Junior Achievement Nova Scotia* (JANS), a youth business organization dedicated to inspiring and preparing youth to succeed. In 2018, CUA continued to sponsor JANS financial literacy programming to further support providing financial literacy education in Nova Scotia's classrooms. In total, CUA employees volunteered to deliver presentations to more than 130 students in 2018. Additionally, in August, a member of CUA's Commercial Team volunteered as a judge in JANS's second annual "Pitch It!" Ideation Bootcamp, where youth presented their business ideas to a panel of judges from a range of organizations.
- In the summer months, CUA's Better Way Street Team made an enormous impact on the local community through seven events across the city including a number of *random acts of kindness*, the last of which was CUA's #10Kinaday event, reaching thousands of college and university students in Halifax. University and college students from five schools around Halifax were surprised when CUA offered to pay \$1,000 towards their tuition as well as paying for books and other supplies on campus. The impact was felt broadly, with over \$10,000 provided to improve student's financial access to post-secondary education.

Community Investment Grant Program

- CUA held its *Community Investment Grant Program* in 2018, providing \$25,000 in direct funding to support smaller-scale, local initiatives that are working to create an immediate, positive impact in Halifax. CUA offered grants in the following five categories, which each aligned with CUA's strategic goals and priority community-giving efforts:
 1. *Youth Grant* - supports a local project or program that helps to build a richer future for youth in Halifax;
 2. *Community & Non-Profit Initiative Grant* - supports a project or initiative led by community groups or non-profit organizations in Halifax;
 3. *New Canadian Venture Grant* - supports a project, program, initiative or business operating in the Halifax region and led by a new Canadian;
 4. *Social Enterprise Grant* - supports projects or initiatives of Halifax-based social enterprises that are making an impact to better the community; and,
 5. *Local Business Grant* - supports the start-up or growth of locally owned and operated small businesses in Halifax.

"With the generous support of CUA we were able to buy the supplies needed. Our work is now complete and we have accomplished all we set out to do - and more."

-Irene Obermann (Garden Partners, 2018 Grant Recipient)

The 2018 grant recipients were as follows:

- "Gnawrishing Incorporated" used the Youth Grant to launch a new design of specialized chew necklaces for children and adults, including the cost of building a new silicone mold and manufacturing the necklaces themselves.
- "Yomes" is an online tool allowing tenants to share their experiences about living in certain rental properties or neighbourhoods, or renting from a specific landlord and used the New Canadian Venture grant to develop a new online module.
- The "Dalhousie Green Chemistry Initiative" promotes sustainability and hazard awareness in Dalhousie's chemistry department. The group used the Campus Catalyst grant to host workshops on the topic of green chemistry.
- "SMU Speak Up Society" helps build a bridge between hundreds of Canadian and international students and used the Campus Catalyst grant to fund the society's poster campaign, as well as conferences.

COMMUNITY IMPACT REPORT (CONTINUED)

- “The Stone Hearth Bakery” is a company that gathers ingredients from local farmers and food producers and brings them to social enterprise bakeries. The Small Business Trailblazer grant was used to purchase custom production equipment for the kitchen.
- “Creative Urban Timber” is a social enterprise that sources hardwood from firewood suppliers with an abundance of logs that they are unable to use. The Small Business Trailblazer grant was used to purchase a portable bandsaw mill to give them the option to go to sites where large trees are removed.
- “The Apple Kids Project” supplies snacks, games and fun activities for school-aged children of the North End of Halifax. The Community Changemaker grant resulted in additional afterschool activities for the children, including a ping pong table, computers and computer games, arts and crafts.
- “Garden Partners” is an initiative by the North End Community Circle Garden (NECCG). The Community Changemaker grant supported the collaboration between the NECCG and the local schools as well as supplies for rainwater harvesting, stepping stones for pathways, plant markers and picnic tables.



- The “DIY and Tool Literacy Program” is a local library that lends tools. The Community Changemaker grant covered the developed of the DIY and Tool Literacy Program including operating and prepping the workshop space, professional instruction, all printed materials, and the project construction materials.

Focus on the Environment

CUA continued to offer its suite of energy-efficient products as a collection of offerings that welcomed members to “Go Green.”



- The promotion included financing for heat pumps, solar panels, energy-efficient renovations and fuel-efficient vehicles. Following an engagement and negotiating process in 2018, CUA established a partnership with Efficiency One (E1) to become an official financing partner for Efficiency Nova Scotia’s Home Energy Assessment Program. Since the introduction of this product in 2016, CUA has granted 69 energy efficient loans, totalling \$0.6 million.
- CUA’s *Responsible Investing* products are a key element of the investment offering. 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.
- CUA continues to practice energy-efficiency wherever possible, including using *energy-efficient, LED-lit signage* throughout our branches. Additionally, CUA continued its practice of using 100% recycled, FSC-certified paper in the majority of its locations.