



CUA

2019 Annual Report

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A MESSAGE *from Karen*

While we reflect on the accomplishments in 2019, we recognize that much has changed in a short time. We have entered an unprecedented period with governments, organizations and individuals around the world rapidly adapting to the changes a global pandemic has brought to our lives. We are all striving to protect the health and well-being of our families, friends, colleagues and communities. CUA's top priority has always been the health and well-being of its members and staff, and I am proud of how the organization has adapted to continue serving those who need us when, where and how they need us.

Since joining the Board in 2014, I have been impressed with the quality of purpose and insight that directors have provided on key areas ranging from strategy formulation to business management and board governance initiatives. In 2019, I was honoured to become Chair and it has been my privilege to help steward this organization and the Board of Directors.

An important focus of the Board in 2019 has been on moving forward our 2018-2022 Strategic Plan. Our objectives of business growth, member engagement and satisfaction, community leadership and strength in our employees have been met in 2019. During the year, the Board also led important work to ensure that CUA has the required technology strategy to deliver on the current and future expectations of our members. In addition, considerable time was spent on assessing the regional, national and global environment, and creating a strategic path to mitigate the risks and leverage the opportunities.

The progress we've made and our success over the last year reflects a strong team who dedicate themselves to serving our members. With that in mind, I extend my thanks to all employees. They are the ambassadors of our guiding values — integrity, caring, accountability, and thinking big — and we know they will continue to live by them as we support our members now and into the future.

I also recognize the efforts of our President & CEO Marie Mullally, who since joining CUA in 2011 has had a transformative effect on

the organization. Her vision and ongoing leadership have been instrumental to CUA's growth, sustainability and continued service enhancements, and she is the driving force behind our efforts to help those we serve get ahead.

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To my fellow directors, I have appreciated your commitment and sound direction to CUA on behalf of all members. Your contributions are significant and have facilitated the achievement of our goals. I want to particularly recognize Donna Harding, our Vice Chair, for working so closely with me over the past year. In addition, a special thank you to Roberta Dexter Robidoux and Sean O'Connor, who are stepping down from the Board this year, for their dedication to governance excellence.

In closing, I want to thank our members for their ongoing loyalty. These are unprecedented times, and we know much may yet change as we navigate the future together — but know that we are together. Every decision CUA makes is with your financial well-being top of mind, and we will always be here for you in the ways you need us.



A handwritten signature in black ink that reads "Karen Miner".

Karen Miner
Chair of Board

A MESSAGE *from Marie*

Since joining CUA in 2011, I have had the privilege of reporting on our annual growth and results. I am once again pleased to advise that CUA had a successful year in 2019, and I am confident that CUA will continue to support members' financial well-being as we navigate the uncertainty unfolding before us in 2020.

CUA's financial position remained strong in 2019, a reflection of teamwork, diligence and commitment to achieving results throughout our organization. Total assets grew by over 18% to \$643.6 million as of December 31, 2019. We also saw loan and deposit growth, with loans increasing by \$25.4 million and deposits by \$86.8 million. Our comprehensive income was \$6.1 million, an increase of \$1.5 million, or 33%, from the 2018 level. Further details on CUA's financial results can be found in the Financial Report.

We are proud to see tangible progress in our long-term strategy to build a prudent financial base for the future and to ensure we are responsible stewards of our members' ownership. That foundation has been instrumental to our ability to support members through the current environment. We remain committed to serving those that need us, when, where and how they need us.

As in prior years, delivering an exceptional banking experience was a focus in 2019, and we successfully launched several new flexible products and services with the goal of meeting our members' unique needs. These included vehicle leasing, Foreign Resident Mortgage and commercial high-interest savings account products, as well as convenient online and merchant payment services. In 2019, we continued the implementation of our Investment Growth Strategy with the acquisition of Graysbrook Capital Ltd., an interim financing business headquartered in Moncton, New Brunswick. This acquisition further strengthens CUA's financial metrics and diversifies its portfolio. As a member-centric organization, we were excited to introduce our Member Appreciation Day, directly engaging with over 1,000 of our customers. We are also proud to have maintained a high level of member satisfaction in 2019, achieving a 82% rating on the overall quality of service.

Strategic partnerships are the cornerstone to both our business strategies and community impact efforts. In 2019, we were

selected as the Affinity Banking Partner of the Halifax Chamber of Commerce, a key relationship that reflects our natural connection to small businesses and enables us to reach the Chamber's broad membership base of over 1,700 businesses and community organizations.

Creating positive economic and social impacts is a strategic objective for CUA and we had a number of highlights throughout the year. Key areas included our Community Investment Grant Program, which provided \$25,000 in direct funding to nine deserving organizations, and the continuation of our partnerships with Habitat for Humanity Nova Scotia and Junior Achievement of Nova Scotia. Through our ongoing financial literacy efforts designed to improve the financial knowledge and skills of our members and community, we reached thousands of individuals through the development and distribution of informative and educational content. I encourage you to read about the other initiatives in the Community Impact Report.

I extend my sincere appreciation to our Board of Directors for their tireless efforts throughout 2019 and, in particular, Karen Miner for her depth of expertise and contributions she has made as Board Chair. We value the Board's ongoing stewardship of the organization and know their leadership will be an integral part of CUA's work to help members face these challenging times.

I also want to thank the CUA Team for their contributions and unwavering commitment to serving our members and communities. A final and heartfelt thank you to our members for your engagement with, and support of, CUA. As a recognized essential service, we will be here for you when you need us and as your needs change, no matter how they change. That is our commitment to you.



A handwritten signature in blue ink that reads "Marie".

Marie Mullally
President and CEO

Financial Report

CUA maintained a strong financial position in 2019, with growth in its assets, loans and deposit portfolios that supported an improved income level for the year.

Loan Portfolio

Overall, total assets at December 31, 2019 were \$643.6 million compared to \$544.5 million at December 31, 2018, an increase of \$99.1 million (18.2%). This increase is primarily the result of three key factors: 1. the loan portfolio increased by \$25.4 million; 2. higher cash and deposit balance of \$10.3 million at year-end; and, 3. increase in financing or loans receivables of \$51.2 million as a result of investment and growth in CUA's subsidiaries.

Over the past five years, the loan portfolio has increased by \$82.6 million, averaging an annual growth rate of 5.3%. 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 2019, the provision for impaired financing and loans expense was \$1.4 million, \$0.5 million higher than 2018. The increase primarily reflects the impact of the application of the IFRS 9 standard, which is used for the calculation of the Allowance For Impaired Financing and Loans. CUA continues 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 2020, particularly given the expected impact of the COVID-19 pandemic.

Deposits

Deposits increased in 2019 with growth of 17.4% or \$86.8 million in order to fund CUA's lending, operational and strategic growth requirements. This growth was derived from members' deposits as well as access to deposits from the external broker market. Members' equity grew by \$5.8 million with the inclusion of the 2019 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, 2019. As of that date, there was \$4.4 million outstanding in these preferred shares. The Equity

Ratio was stable at 5.8% at the end of 2019, which is a significant accomplishment given the 18.2% 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 \$31.2 million in 2019, an increase of \$6.1 million from 2018. This increase is attributable to the growth in loans and financing balances. The cost of capital (the interest paid on deposits) was \$7.8 million in 2019, \$2.1 million higher than 2018 due to the rising interest rates on these products as well as a higher deposit base in 2019. Loan interest expense was \$1.2 million in 2019, \$0.3 million higher than 2018 as a result of higher interest rates and financing to support growth in CUA's subsidiaries. Other income grew by \$0.4 million with marginal changes in service charge volume in 2019. Total expenses increased by \$1.7 million, or 10.6%, in 2019 due to economic increases in personnel and general business expenses, and a higher Provision for Impaired Financing and Loans expense.

CUA finished the 2019 fiscal year with a Comprehensive Income of \$6.1 million, an increase of \$1.5 million compared to 2018. This income has enabled CUA to maintain 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.

As CUA proceeds through the 2020 fiscal year, the financial impact of the COVID-19 pandemic is not yet known as the disruption in economic and business activities is still ongoing. CUA is monitoring its performance and is currently focused on supporting members through its Financial Assistance Program as well as through programs offered by the provincial and federal governments.

[Click here to review CUA's Financial Statements for 2019](#)

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 2019:

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 2019 with an added focus during the spring Brand Awareness Program. 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 2019, 85 families accessed the *No Down Payment Mortgage* product, totaling \$17.1 million, resulting in a positive community impact by helping members to build equity for their financial future.
- CUA continued to offer its *Microloan Program* throughout 2019 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 rebuild their credit. This Program allows individuals, organizations, social enterprises and small businesses to secure loan amounts between \$500 - \$5,000. In 2019, 27 microloans were granted, totalling \$0.1 million.

- CUA offered its *Holiday Skip-a-Pay Program* to members in November 2019, 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 a 90% guarantee up to \$500,000 in the form of term loans, working capital and Lines of Credit. In 2019, a total of 61 loans were disbursed in the amount of \$5.3 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 knowledge and tools they need in order to lead financially healthy lives. Throughout 2019, CUA staff volunteers delivered various educational programs that foster personal, financial well-being for students and adults.
- 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 2019, over 31,000 people accessed this Program.
- To support CUA's continued shift toward providing digital financial education, in 2019 a new "Money Matters"

COMMUNITY IMPACT REPORT (CONTINUED)

section of the CUA website was launched. Visitors can find information and answers to questions relating to key financial activities including budgeting, buying a first home, establishing credit, planning for emergencies, starting a business and more. Each section contains CUA product features, *CUA*Authors articles, calculator tools and other helpful information. In 2019, this section received more than 7,000 visitors.

- The *CUA*Authors Program saw growth in 2019 as well. *CUA*Authors 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 building credit, managing debt, paying for school, growing a business and more. Throughout 2019, the articles were viewed more than 22,000 times by visitors of CUA's website with more than 110,000 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 over 25%, with a total number of social media followers of 8,633 in 2019.
- CUA remained committed to recruiting and promoting members of the *Community Partners Program* in 2019, providing free promotion through social media, in-branch signage 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 2019, there were a total of 242 Community Partners offering a variety of benefits.



- In November, CUA hosted its first annual *Member Appreciation Day*. Key components of the Day included prize draws, Better Way Street Team visits to commercial banking clients, in-branch celebrations with cake and special giveaways, the release of a new financial-themed activity book for children, and live coverage of the day's events via social media. Member participation was high, as nearly 900 members submitted an online ballot while in-branch traffic and in-person surprise visits to five commercial businesses resulted in a total engagement of 1,060 people. CUA's messaging and social media activities leading up to and during *Member Appreciation Day* reached approximately 40,000 people, with Facebook contributing 80% of the results.

Social Programming and Community Investment

CUA is proud to have supported a variety of organizations and initiatives throughout 2019:

- 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. Additionally, donations were made on behalf of the CUA staff, totaling more than \$7,000.
- The *Phoenix Youth Banking Pilot Program* provides financial advice, products and services to a group of young adults who are traditionally underbanked due to historical financial challenges. Phoenix Youth staff recommend a young adult to CUA and coordinate a meeting they attend jointly. The Program waives the monthly account package fees for a period of 36 months, in recognition that every dollar helps

COMMUNITY IMPACT REPORT (CONTINUED)

on their journey to a brighter tomorrow. 13 new members were welcomed in 2019.



- CUA is a strong supporter of *Junior Achievement Nova Scotia* (JANS), a youth business organization dedicated to inspiring and preparing youth to succeed. In 2019, CUA continued this support by delivering two sessions of the *Adulthood Financial Literacy Program* for youth in the Halifax area. Staff also volunteered as part of JANS' Company Program and by sitting on the Programming and Volunteerism Board Committee.
- In the summer months, CUA's Better Way Street Team connected with people all over the Halifax area, offering change in places people may need it, like bus stops. The last Street Team event of the summer was CUA's #10Kinaday event, reaching thousands of college and university students in Nova Scotia. University and college students from five schools around Halifax were surprised when CUA offered to pay \$1,000 towards their tuition or cover the cost of books and other supplies on campus. Students across Nova Scotia were also invited to text "STUDENT" to 11011 to be entered into digital draws happening throughout the day. The impact was felt province-wide, with over \$10,000 provided to improve students financial access to post-secondary education.

Community Investment Grant Program

CUA delivered its *Community Investment Grant Program* in 2019, providing \$25,000 in direct funding to support initiatives that are working to create an immediate, positive impact in the Halifax area. CUA offered grants in the following three categories, which align with CUA's strategic goals and priority community-giving efforts:

1. *Small Business* – Supports the start-up or growth of locally owned and registered small businesses or social enterprises in Nova Scotia;
2. *Community and Non-Profit* – Supports projects or initiatives led by community groups and/or non-profits in Nova Scotia;
3. *Sports and Recreation* – Supports programs or initiatives that encourages Nova Scotians to participate in community sport, recreation and physical activities.



The 2019 Small Business grant recipients were:

- "*Off Track Brewing*" used the \$7,000 grant to purchase new fermenters enabling them to increase business growth, community impact and production capacity.
- "*Wild Island Sail Adventures*" used the \$4,000 grant to purchase valuable safety equipment, including life rafts and marine radars for their sailing tours.
- "*EcoPliance*", a cleantech start-up that produces food and beverage containers, used the \$4,000 grant toward prototype costs including CAD drawings, molding and the sourcing of desired silicone material for their Smart Sip Mug.

COMMUNITY IMPACT REPORT (CONTINUED)

The 2019 Community and Non-Profit grant recipients were:

- *"The Friends of McNabs Island Society"* used the \$2,000 grant for the purchase of solar panels and skylights to transform an old stone building into the McNabs Island Outdoor Education Centre.

"This grant has allowed our not-for-profit cooperative the opportunity to provide an invaluable service to the market's vendors and customers and has permitted our vendors to significantly reduce their waste."

- Halifax Brewery Market on their reusable dish initiative,
2019 Recipient

- *"Halifax Brewery Market"* used the \$2,000 grant to purchase a commercial dishwasher and reusable dishes to allow the market's food vendors to significantly reduce the amount of waste being produced and follow food safety regulations.
- *"The Chebucto Family Centre"* used the \$1,000 grant to grow their Basic Shelf Program and purchase of kitchen utensils and cookbooks, teaching community members valuable kitchen skills at no cost.

The 2019 Sports and Recreation grant recipients were:

- *"The Diamond Dawgs Baseball Club"* used the \$2,000 grant to purchase of pitching machines for the lower rookie and pre-rookie leagues, further engaging youth in the sport.
- *"Challenger Baseball"* is a buddy program that provides an opportunity for youth with cognitive and/or physical disabilities to enjoy the full benefits of the sport. They used the \$2,000 grant to purchase two new sets of uniforms for their growing program.
- The *"Storm Soccer Club"* used the \$1,000 grant to launch the "Storm Kick Start" Program. The club purchased six

soccer free kick mannequins that allowed for an exciting new way for players to practice their free kicks, focus and performance.

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. As a financing partner of Efficiency Nova Scotia, CUA promotes this partnership and program with content and articles distributed via its website and social media channels. In 2019, CUA issued 122 loans totaling \$1.6 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 continued 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.