



2016 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 maintain a strong financial position after a successful year in 2016.

Significant progress has been made in support of the priorities outlined in CUA's Strategic Plan, with specific initiatives being undertaken in the areas of service delivery, product development and the member experience. These areas will remain a focal point as we look ahead to CUA's 2018-2022 Strategic Plan, an ambitious roadmap that will guide CUA's continued growth and position as *The better way to bank*.

Over the last year, the response to our new brand and visual identity has been overwhelmingly positive. Focus has been placed on building a strong foundation, beginning with a shared understanding of who we are, who we serve and why we're a better banking option. Now, more than ever, CUA is positioned as a financial institution that makes a difference in the lives of individuals, families and communities.

Without question, the progress that has been made over the last year is a reflection of the people who are working with and working for our members every day. I would like to extend my sincere appreciation to members of the CUA team for another successful year. I would also like to acknowledge the transformative efforts of our President & CEO Marie Mullally; her vision and leadership are among the many reasons why the Board remains confident in the future of CUA.

I would also like to thank my Board colleagues for their contributions of time and effort over the past year. Through the work of our Governance and Community Impact Committee, the Board has enhanced the director nomination and election process. The changes were made to ensure the composition of our Board of Directors is aligned with CUA's strategic and operational priorities. This work will continue to have a positive impact on CUA's governance and future success.

“Without question, the progress that has been made over the last year is a reflection of the people who are working with and working for our members every day.”

Since joining the Board in 2000, I have witnessed an evolution in the dialogue among Directors. It has been a pleasure to focus our efforts on sustainability, growth and governance. As we look forward to the work ahead with new Board members, I would like to extend a sincere thank you to Mark Coffin, who will be stepping down this year.

As a co-operative banking institution, members play a significant role in guiding our organization forward, perhaps most of all by doing business with us. I want to sincerely thank our members for their support; we will continue to work hard to maintain your confidence and trust as a proud member of CUA.

While there is much work to be done, I am confident that we will continue to build on our platform for success. As an organization, we will engage in meaningful dialogue with our regional and national networks, as well as collaborate with system partners to explore opportunities to grow our business and strengthen our position in the local marketplace.

It was a privilege to serve as the Chair of CUA's Board of Directors over the past three years. I am proud of our commitment to help members and their families achieve their full financial potential and I look forward to another positive year in 2017.



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 stroke.

J. Walter Thompson, Q.C.
Board Chair

A MESSAGE *from Marie*

Since joining CUA as President & CEO in 2011, I have had the great pleasure of reporting on our annual growth and successes. Once again, I am proud to share some of the highlights in the areas of our brand, business growth and community impact.

Over the past year, CUA continued on its journey of re-introducing itself to the local marketplace as *CUA - The better way to bank*. In addition to our various marketing programs, significant effort was placed on integrating our brand across our physical branches, print material and digital platforms including our website and mobile banking app. We also launched a new CUA-branded member/debit card, a significant milestone as CUA is the first credit union in Atlantic Canada to have its own member card.

Delivering exceptional value to our members is CUA's top priority, and while technology and digital media continue to play a significant role in our business, CUA employees remain our most valuable asset. Each time I visit one of our branch locations, I hear about the real difference our team is making for our members and their families. These stories demonstrate the true value of CUA as a positive contributor to our community and local economy.

CUA saw positive business growth in 2016. Total assets grew by 4.8% to \$462.8 million by December 31, 2016. Loans increased by 3.2% and deposits grew by 7.2%, demonstrating consistent and responsible growth. Our comprehensive income was \$2.3 million, an increase of \$0.4 million from the 2015 level. Details on CUA's financial results can be found in the Financial Report.

Pursuing ways of achieving a greater social impact in our community was a key focus of CUA's work in 2016. Through CUA's Community Investment Grant Program, six grants were awarded to youth, local businesses, social enterprises and initiatives that are providing a tangible, sustainable impact on the community. In 2016, we became a major sponsor of the "Dollars with Sense" program through Junior Achievement of Nova

Scotia, as well as donating time, money and resources to over 30 organizations.

At CUA, we believe that financial health can be positively impacted through education, which is why CUA's Financial Literacy Program continues to focus on connecting people with the skills, tools and advice they need to manage their finances. In 2016, CUA connected with 1,250 people through our various financial literacy programs.

I would like to thank our Board of Directors and the entire CUA Team for their tireless effort and exceptional commitment they have shown throughout 2016. At every level of our organization, individuals are working to identify ways we can improve our business, service and operational efficiency in support of our members and the broader community. On behalf of the entire CUA team, I would like to extend my deepest gratitude to our valued members for your continued business and loyalty to CUA.

"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."

Looking forward to the coming year, I am confident that CUA will continue to make great strides toward achieving our vision of strong members and a strong community. As a local financial institution that offers flexible products, tailored service and expert knowledge, CUA looks forward to inviting new members to *open the door to their financial future* in 2017.



Marie Mullally
President and CEO



Financial Report

CUA maintained a strong financial position in 2016, 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, 2016 were \$462.8 million compared to \$441.8 million at December 31, 2015, an increase of \$21.0 million (4.8%). This increase is primarily the result of three key factors: 1. the loan portfolio increased by \$11.3 million (3.2%), which was largely attributable to growth in commercial lending; 2. higher cash balance of \$4.0 million at year-end; and, 3. increase in financial receivables as a result of revenue growth in one of CUA's subsidiaries.

Over the past six years, the loan portfolio has increased by \$115.0 million, averaging an annual growth rate of 6.4%. 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 2016, the net provision for impaired loan expense pertaining to specific members' loans was \$1.0 million, \$0.3 million higher than 2015. This increase reflects the growing number of personal bankruptcies in Nova Scotia. CUA has implemented risk mitigation tactics to reduce 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 ongoing focus area in 2017, particularly given the overall rising household debt in the market and the potential associated risks.

Deposits

Deposits increased in 2016 with growth of 7.2% or \$28.6 million in order to fund CUA's lending, operational and growth requirements. Approximately 53% of this growth was derived from members' deposits, with the remaining 47% from the external deposit broker network, which provides readily-available funds at competitive rates. Members' equity grew by \$1.9 million

with the inclusion of the 2016 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, 2016. As of that date, there was \$5.4 million outstanding in these preferred shares.

Comprehensive Income

Loan interest revenue and finance fees were \$20.9 million in 2016, an increase of \$3.5 million from 2015. The increase is the result of higher loan and financing volume as well as the inclusion of a full year of reporting of the finance fees component. The cost of capital (the interest paid on deposits) increased by \$0.4 million from 2015 to \$5.0 million related to the 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 2016 due to a higher volume of these types of transactions over 2015 levels.

Other income grew by \$0.3 million due to higher service charge revenue and a positive margin position with foreign exchange transactions. Expenses increased by \$2.2 million in 2016 due to three key factors: 1. increase in the provision for impaired loans expense as referenced above; 2. inclusion of a full year of expenses pertaining to the acquired business in 2015; and, 3. costs associated with the wind-up of the Defined Benefit Pension Plan, which was completed in 2016.

CUA finished the 2016 fiscal year with a Comprehensive Income of \$2.3 million, an increase of \$0.4 million compared to 2015.

[Click here to review CUA's Financial Statements for 2016](#)

Community Impact Report

CUA is proud to be a strong contributor to the community, first and foremost through the products and services we offer to our members. Our vision of 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 - not just socially, but economically. Everything we do is grounded in a desire to help our members and neighbours live a better life. In addition to supporting our growing community of members, CUA supports local businesses, non-profit and community organizations through its various programs and initiatives. Finally, CUA has been recognized internationally as an organization dedicated to providing benefits to its employees, community and the environment. CUA is proud to have strengthened its community in the following ways throughout 2016:

Strength of Members

By delivering on its 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:

Products and Services

- CUA continued to offer the *No Down Payment Mortgage* throughout 2016, with concentration in the second quarter as part of the Spring Home Financing campaign. Intended to assist individuals who may not otherwise be able to afford home ownership, the product provides access to financing to fund a 5% down payment. An additional feature is the option to receive 5% of the mortgage amount back in cash 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 2016, 45 members took advantage of CUA's No Down Payment Mortgage product.
- CUA continued to promote its *Microloan Program* throughout 2016 in order to address the underserved, as securing credit and accessing banking services can be major roadblocks for individuals looking to start a business or re-build their credit. This Program allows individuals, organizations, social enterprises and small businesses to secure loan amounts between \$1,000 - \$5,000. In total, 43 microloans were granted in 2016, totaling \$0.1 million.
- As part of its annual lending campaign, CUA repositioned 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. The campaign resulted in seven loans totaling \$0.1 million and the acquisition of four new CUA members.
- CUA offered its *Holiday Skip-a-Pay* program to members in November 2016, 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.
- 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 2016, a total of 82 loans were disbursed in the amount of \$4.4 million to small business members through this Program.



COMMUNITY IMPACT REPORT (CONTINUED)

Education

- CUA distributed its monthly *e-Newsletter* throughout 2016 to personal and commercial members, which included a financial education segment. In an effort to inform and educate members, articles were shared on topics including budgeting, credit and debt management, protecting funds and investing.
- CUA continued to use its various *social media* platforms (Facebook, Twitter, LinkedIn) to connect with current and future members, as well as to share helpful financial tips, articles and videos.
- Throughout the month of November, CUA recognized "*Financial Literacy Month*" by announcing its enhanced partnership with Junior Achievement of Nova Scotia (JANS) for the 2016-2017 school year as the exclusive deliverer of the JANS "Dollars with Sense" Program in high school classrooms throughout Halifax. In addition, CUA engaged in a national discussion using #FLM2016 and by sharing additional financial education tips and tools through social media and our monthly e-newsletter.

Engagement

- During the fourth quarter of 2016, CUA launched its Instagram account (@yourCUA). The decision to enter a new social platform was driven by a desire to: 1. connect with youth; 2. profile our commercial members; 3. profile CUA Community Partners; and, 4. Further CUA's commitment to the #buylocalbanklocal movement.
- CUA continued to recruit and promote members of the *Community Partners Program* in 2016. In addition to inviting businesses to participate in I Love Local HFX's Small Business Saturdays and City Harvest events, Community Partners were promoted across social media channels, in-branch digital signage and in the monthly e-newsletter. At the end of 2016, there were 220 Community Partners.
- In July 2016, 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.

- CUA partnered with *The Coast* to host a "How local are you?" contest. CUA awarded the winner with \$200 in gift cards to four of our Community Partners Program participants.
- CUA connected with our members and their families at more than 20 events including Shopping Under the Stars, Hammonds Plains Heritage Day, and the Northern Lights Festival (pictured at right).



Social Programming and Community Giving

CUA is proud to have supported a variety of organizations and initiatives throughout 2016, with specific focus in three key areas:

Financial Literacy

- 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. CUA staff volunteers reached over 1,250 individuals through its various education programs that foster personal financial well-being for students and adults.
- CUA continued its *partnership with Habitat for Humanity* through which members of our team provide 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 successfully manage their finances.
- CUA forged a new *partnership with Students Nova Scotia* through repositioning its financial literacy programming aimed at University and College students. The newly branded "Savvy Spending for Students" program was launched in the fall and Students Nova Scotia have played a big role in promoting the sessions to their membership.

COMMUNITY IMPACT REPORT (CONTINUED)

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 10th and final year as the title sponsor for the *CUA Lung Run*. A total of 75 “CUA Crusaders” participated in 2016, raising \$26,000 for the Lung Association of Nova Scotia. Over the 10 years, CUA’s leadership contributed over \$300,000 to this cause.
- In 2016, CUA supported the community through hosting two food drives in support of Feed Nova Scotia, one during National Co-op Week and the second as part of the 25th Anniversary of the “Stuff a Bus” initiative.
- In addition, CUA found ways to contribute while having fun. The Plaid for Dad day was held in June 2016, raising funds for Prostate Cancer of Canada. In December 2016, CUA staff celebrated the festive season by hosting an “Ugly Holiday Sweater Day” in support of Feed Nova Scotia.
- CUA has continued to be a strong partner and ambassador for Junior Achievement of Nova Scotia, as a major sponsor of their in-school programming and annual Pitch-It event in 2016. In addition, CUA has continued to support the Halifax Central Library, the International Business Tradeshow, the annual Phoenix Holiday Luncheon, and lastly, contributed to over 25 other organizations in the form of monetary donations or promotional item donations throughout 2016.

Social Investment

- CUA held its *Community Investment Grant Program* in 2016, providing direct funding to support smaller-scale, local initiatives that will create immediate, positive impact in Halifax. 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 & Social Enterprise 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 had the opportunity to connect with each of the six grant recipients to learn about the impact of the grant on their project or business. According to Laura Poirier of Nova First Aid, “This grant gave me the confidence as a new business owner to continue through the struggles and learning curves to help make this idea of free first aid workshops a reality.”

For Aquality Solutions, the grant resulted in student volunteers having the budget to build prototypes of a passive solar greenhouse that will transform Aquaponics research for their continued work to address food insecurity.

“As the founder of our organization, as well as a member of CUA, it has been a great experience to see that the money I invest, including my mortgage, is supporting community initiatives like mine. Receiving this grant truly has invested in the LGBT community in Dartmouth. We have broadened our reach, strengthened connections and held more events - this would not have been possible without the grant from CUA.”

- Owen Ross (Founder, Gaysiders)

Common Roots Urban Farm, an organization that employs new Canadians through its Deep Roots program, has used the grant funds to develop merchandise and a much-needed revenue stream for their social enterprise. For PeacemakeHers, the grant resulted in two young women creating and delivering workshops to high school students about the importance of voting.

For Tap, a recipient of CUA’s Local Business Grant, the funds will have a lasting impact on their efforts to divert 500,000 bottles from landfills through creating a network where people can fill up for free at local businesses. “The grant has helped us with the equipment and materials needed to get us to the next step. We’ll be launching a campaign to scale Tap over the coming months.”



COMMUNITY IMPACT REPORT (CONTINUED)

Focus on the Environment

- In the first quarter of 2016, CUA pursued the B Corp Certification process. Following the submission of over 250 information items as well as numerous calls and sessions, CUA was the second financial institution in Canada to be internationally recognized 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 shareholders, but also on their stakeholders (e.g. workers, suppliers, community, consumers and the environment).



- CUA continues to practice energy-efficiency wherever possible, including the investment in *energy-efficient LED-lit signage* in our branches. Additionally, CUA continued its practice of using 100% recycled, FSC-certified paper in the majority of its locations in the third-quarter.
- CUA continued to raise the profile of its *Responsible Investing* products in 2016. 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. Promotion of our Responsible Investing products took place on social media as well as in our monthly e-newsletters and at the branch locations through new posters and digital signage.
- In addition to supporting members, CUA's "Go Green Financing" program was developed with the environment in mind. CUA repositioned its suite of energy-efficient products as a collection of offerings that welcomed members to "Go Green". CUA offered a special financing rate and promoted heat pumps, solar panels, energy-efficient renovations and fuel-efficient vehicles. As a result, CUA has developed a number of new relationships with local installers and vendors, and the program is planned to continue throughout 2017.
- CUA also worked with TEAL Architects+Planners to once again the Home Value Program. In addition to making home ownership more affordable for participants, the program is intended to support the environment through the creation of second-suites in designated properties, resulting in improved residential density and a smaller overall footprint.

