Annual Report 2008

CUDIC

Nova Scotia Credit Union Deposit Insurance Corporation

2008

Table of Contents

Mission Statement To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit

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Sub-Committees of the Board (As At December 31, 2008)

Audit and Investment Committee

This committee reviews the investment policies and procedures as well as annual financial statements of the Corporation. It reviews the results of the external auditors' audit of the annual financial statements. The committee also reviews recommendations made by the external auditor regarding internal controls and procedures and ensures that appropriate action is taken.

- Réal Boudreau, *Chair*
- Joe Kennedy
- Camille Maillet
- Tom Smith
- Rod Munroe, *ex-officio*

Human Resources Committee

This committee reviews and makes recommendations to the Board on policies relating to the Corporation's human resources plans, compensation, employee benefits and related matters.

- Irene Lefort, *Chair*
- Camille Maillet
- Rod Munroe
- Carol Wooster

Policy Committee

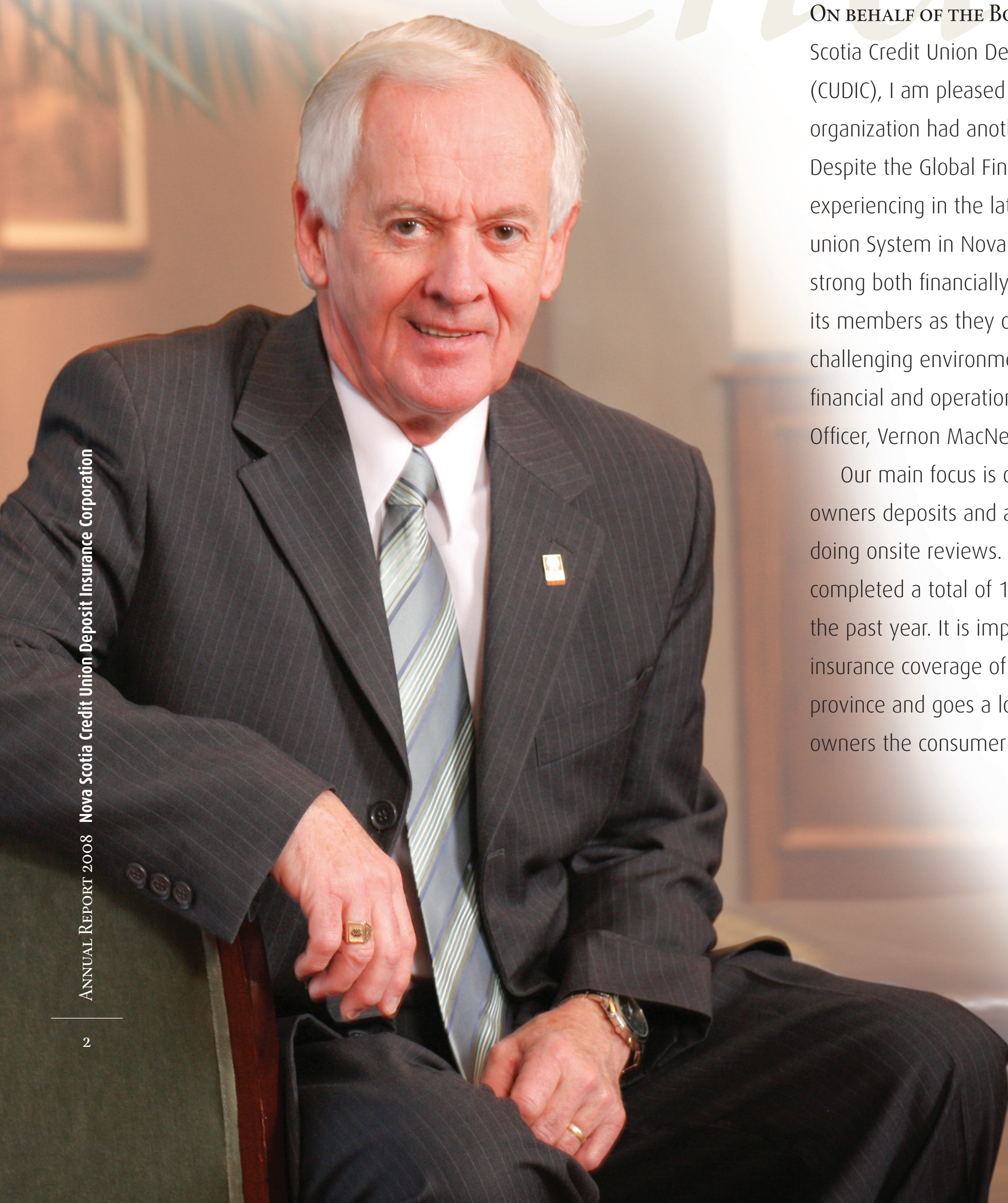
This committee develops and monitors policies for the Corporation. Furthermore it provides support, advice and recommendations to the Board on issues related to CUDIC policies and assists the Board in fulfilling its governance obligations.

- Tom Smith, *Chair*
- Réal Boudreau
- Irene Lefort
- Carol Wooster
- Rod Munroe, *ex-officio*

The Board of Directors

Back row, from left: Réal Boudreau; Joseph Kennedy, *Secretary;* Tom Smith; Camille Maillet, *Vice-Chair* **Front row, from left:** Carol Wooster; Irene Lefort; Roddie Munroe, *Chair*

Report from the Chair of the Board



On behalf of the Board of Directors of the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC), I am pleased to report that operationally our organization had another successful year in 2008. Despite the Global Financial Crisis the world began experiencing in the latter half of 2008, the credit union System in Nova Scotia is well capitalized and strong both financially and in meeting the needs of its members as they operate in an ever changing, challenging environment. I will not be reporting on the financial and operational side, as our Chief Executive Officer, Vernon MacNeill, will cover that in his report.

Our main focus is on protecting the customer-owners deposits and assessing risk in credit unions by doing onsite reviews. Our staff and contract employees completed a total of 18 reviews at credit unions during the past year. It is important to note that our deposit insurance coverage of $250,000 is the highest in our province and goes a long way in giving our customer-owners the consumer confidence they deserve.

The board met on six occasions during the year. All committees were very busy with their individual responsibilities. The Executive Committee met four times. The Policy Committee met on five occasions, keeping our policies up to date as they began a total review of our policies, which is well underway. The Audit and Investment Committee met three times, dealing with our investment portfolio and financial activities for the year. They are very aware and conscious of the need to continually monitor our investment portfolio, given current market conditions and the need to protect our funds. Our Human Resources Committee met on three occasions. The Enterprise Risk Management Committee met three times. I am pleased to report we completed our evaluation of both CUDIC and System Risks as identified at an earlier planning session.

Le bureau de direction s'est rencontré à six reprises pendant l'année. Tous les comités furent vraiment occupés avec leurs responsabilités individuels. Le comité Exécutif s'est rencontré à quatre occasions. Le comité de politiques s'est rencontré à cinq reprises pour s'assurer que nos politiques soient à jour et pour entreprendre un examen total des politiques. Le comité de supervision et d'investissement s'est rencontré cinq fois,traitant du portfolio d'investisements et des activités financières de l'année. Ils sont vraiment

Roddie Munroe
Chair of the Board of Directors

Board

conscients du besoin de surveiller de près nos investissements en suivant le marché économique pour sauvegarder nos argents! Le comité de ressources humaines s'est rencontré à trois reprises. Le comité de risques d'entreprises s'est rencontré trois fois. Je suis fier de noter que nous avons complété l'évaluation des risques de CUDIC et du système en général!!

In an effort to keep our directors fully informed and up to date with happenings in the System, numerous conferences/meetings were attended, including World Council of Credit Unions Conference and the Regulators Round Table Conference held in conjunction with WOCCU. Nationally, we hosted the Stabilization Funds of Canada spring conference, and gave us an opportunity for our full board to attend. Regionally, we hosted the Atlantic Stab Funds meeting in the fall, and the full board attended Credit Union Central of Nova Scotia's AGM and semi annual conference. Attendance at these events gives us an opportunity to network with counterparts locally, nationally and world wide. In addition to the fore mentioned events, our Board received presentations or information packets on Tax Free Savings Accounts (TFSA), review of liquidity management in the Canadian Credit Union System, 2009 Environmental and Organizational Scan, 2008 Intelligence Report by CUCC, and International Financial Reporting Standards (IFRS).

I would be remiss if I did not mention again the positive tri-party relationship that exists between Central, the Office of the Superintendent of Credit Unions and CUDIC. This unique relationship holds regular information meetings and representatives from Government and Central sit in on our board meetings. As I attend National meetings, this arrangement often comes up in discussions and I am pleased to report Nova Scotia's model is the envy of the rest of the country. This arrangement gives our board first hand information as we receive updates on government issues or System issues, such as the Atlantic Central Initiative, Case for Progress, Central1, etc. Vernon and I had the opportunity to attend Central's Annual Planning session in May. It was very informative, inclusive and gave us an opportunity to continue to enhance the already positive relationship between both parties.

Nous tenons à féliciter les Caisses populaires pour leur excellente gérance pendant cette période d'incertitude économique. Toutes nos communautés sont touchées, d'une façon ou d'une autre, par cette récession qui s'annonce profonde. En continuant à travailler en partenariat avec le système et le gouvernement provincial, nous sommes confiants que tous dépasserons ce cycle difficile encore plus forts et avec plus d'élasticité, et ce pour le bien-être de nos membres-propriétaires.

As I look back on 2008, I feel confident in reporting that CUDIC's Board of Directors takes their roles and responsibilities very seriously, making decisions only after careful and prudent deliberations that are in the best interests of the credit union System. I thank the Board of Directors for their diligence and support during the year. In 2008, we welcomed Carol Wooster as a Central recommended appointment to our board. We look forward to working with her during her term. Mike MacNeil retired from the board this past year and we thank him for his many years of valuable and dedicated service to CUDIC and the credit union System. I also want to thank Vernon MacNeill and his staff for the support and assistance they provide to the Board of Directors. Finally, our thanks to credit union managers and staff for their cooperation and courtesy towards CUDIC and its staff. Congratulations to all for a very successful 2008.

Respectfully submitted,

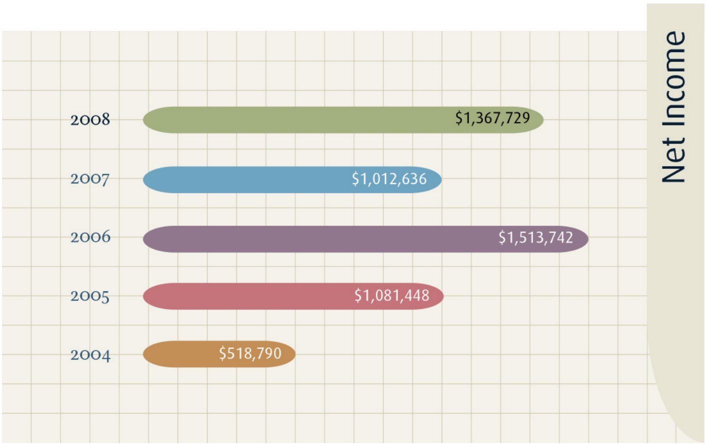
Rod A. Munroe,
Chair of the Board of Directors

Report from the Chief Executive Officer

Congratulations to Nova Scotia Credit Unions and Caisses Populaires for another year of strong operating results.

I am pleased to report on the Corporation's operations for the past year and to have the opportunity to comment on the current financial status of credit unions in Nova Scotia. There are many things we cannot control in the current global financial turmoil, but one theme that has emerged is the need for operational efficiency.

An old Chinese expression says, "may you live in interesting times". I certainly expect interesting times as we look forward to the next 18-24 months as the world economies struggle to regain equilibrium. The best-managed organizations cannot fully isolate themselves from the current credit crisis, but good management and adherence to sound business practices will definitely set us apart from the pack and allow us to take advantage of opportunities that present themselves, even in this economic climate.



The Corporation contributes to the strength and stability of the Nova Scotia credit union system through our longstanding focus on prevention. By investing in programs that help credit unions operate soundly and prudently, we support an effective first level of deposit insurance protection. We encourage credit unions to act proactive, thereby minimizing the need for the Corporation to intervene and reduce the risk of claims against the Fund.

Enterprise Risk Management (ERM) is integral to our governance and strategic planning process by helping us identify, assess and manage risks across the Corporation and, to a lesser extent, the system. The ERM framework supports development of our business plan by establishing priorities and allocating resources to the areas of greatest risk. During 2008, the board finalized the Corporation ERM framework, which identified 22 Corporate and 42 System risks. Mitigating strategies have been developed and implemented to address each of these risks.

utive Officer

We know that credit unions will face a tough economy and significant recessionary pressures going into 2009, but we are confident that actions taken over the past 10 years to strengthen balance sheets, increase capital levels, exercise good underwriting practices and adopt Standards of Sound Business Practices will serve credit unions well. Effective governance and management by credit union Boards and staffs have positioned credit unions and caisses populaires as strong competitors in the changing financial sector landscape.

I would like to thank the Board and staff for all the support they provided me over the past year. The Board of Directors has a wealth of credit union knowledge and brings this valuable resource to every board meeting. I would also like to welcome Carol Wooster to the board and, especially, to thank Mike MacNeil for the guidance and support he provided during the many years he served on the board. Mike was highly instrumental in setting the vision and mission of the Corporation. Finally, the staff, with its average tenure with the Corporation of thirteen years, constantly exceeds expectations. They are a dedicated team of professionals and I am proud to work with them every day.

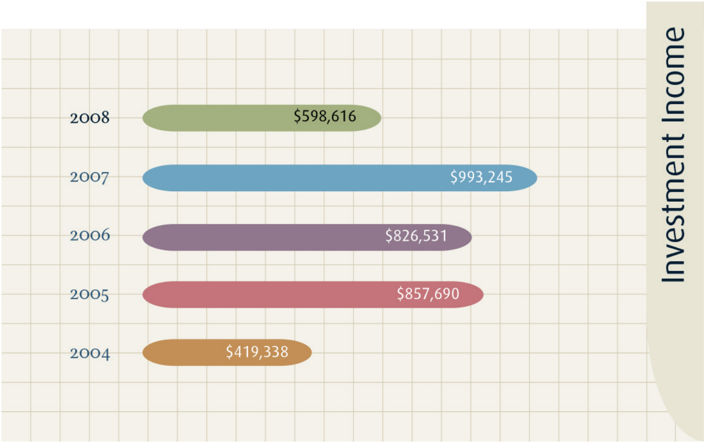
Respectfully submitted,

Vernon MacNeill

Vernon MacNeill,
Chief Executive Officer

VERNON MACNEILL
CHIEF EXECUTIVE OFFICER

Credit Union Deposit Insurance Corporation Results

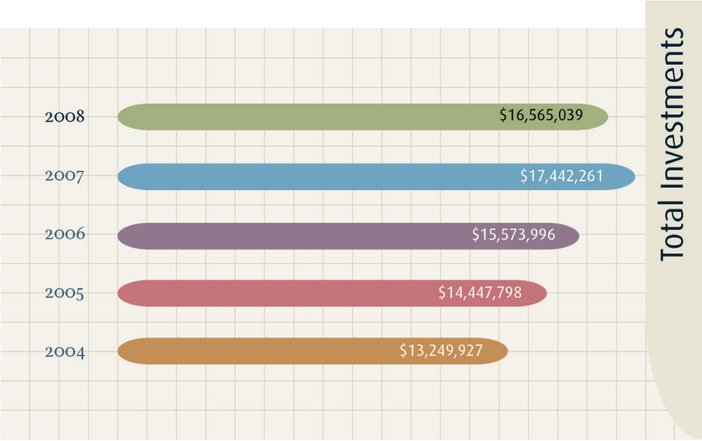


Revenue for the year was down $297,052 or 13.6% on lower investment income. Because of declines in the market, the value of certain equities in our investment portfolio declined, so capital gains were lower in 2008 when these investments were sold. Assessment income received from credit unions increased $87,732 or 7.7% because of an increase in assets in the system.

We were very conscientious of our spending in 2008, so operating expenses increased by only $22,855, or 1.9%, although we were able to maintain all programs. We had originally projected a small decrease in operating expenses but, on the advice of our external auditor, we established an accrual of $24,885 for a liability that relates to retiring allowances for staff. Total operating expenses were $1.179 million, resulting in an operating income of $692,729. Since 2002, the Corporation has been carrying an accrual for unrealized deposit insurance losses of $675,000. Since there have been no claims against the Fund during that period, we decided to reverse the accrual in anticipation of the new rules coming into force under IFRS. Net income is shown as $1.367 million, an increase of $355,093, or 35% over 2007.

The market value of equities held in our investment portfolio declined in 2008 and resulted in a loss in accumulated other comprehensive income of $1.296 million. Equity in the Corporation now stands at $15.7 million and is 95 basis points (bps) of system assets. The Corporation has a target for the fund of 100 bps of system assets, but there is no plan to increase assessments to bring it back to 100 bps at this time.

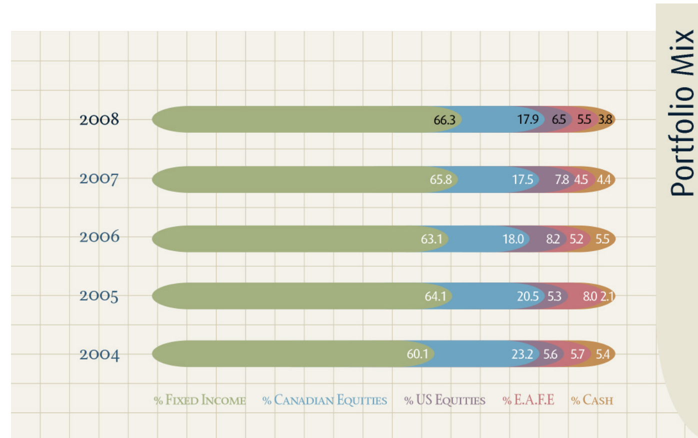
Premiums charged to credit unions range from 12 bps on the high side to 7 bps for a low-risk credit union. We are pleased that the average rate paid in 2008 was 8.44 bps, and the weighted average rate was only 7.77 bps, which indicates that the larger credit unions are representing a lower risk to the Fund.



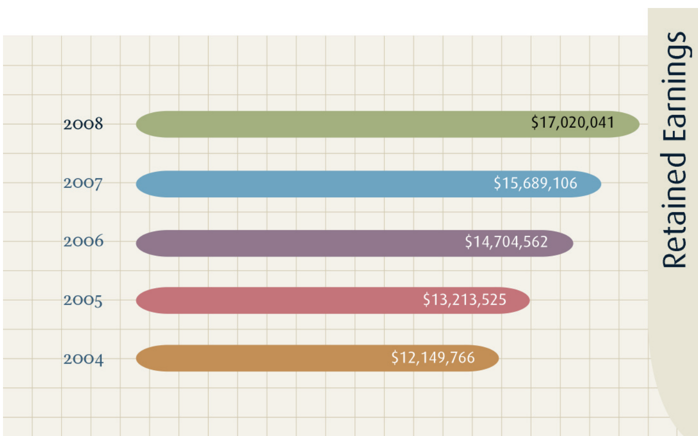
Results

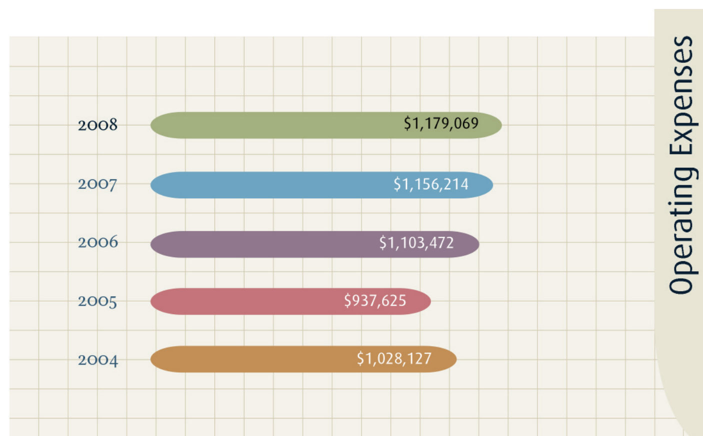
The return on our managed investment portfolio was a disappointment in 2008, but not a surprise since equity markets posted record losses. Still, because our investments are very conservative, our portfolio was not affected as greatly as were the portfolios of similar funds. Our fund currently carries 32.1% in cash and equivalents, 38% in bonds and 29.9% in equities. The portfolio lost 7% in 2008 but the loss was much less than that of comparable funds. RBC Dexia reported that Canadian pension plans suffered their worst year on record in 2008 and that their assets dropped 15.9% on average.

The board has taken steps to lessen further impact on our fund by freezing further investment in equities until the capital markets stabilize. Excess funds are being maintained with the Central. The Audit and Investment committee has worked closely with our investment manager during the past year, and we still believe that a diverse portfolio in terms of asset classes will provide a higher return with acceptable risk over the long term.



During 2008, our office conducted 15 loan portfolio reviews, 3 internal control reviews and worked with the Financial Transaction Report Analysis Centre of Canada (FINTRAC) on money laundering and terrorist financing issues. We also continued to help fund the development and maintenance of operational manuals for credit unions and supported director training via a 50% subsidy of the mandatory CUDA modules.



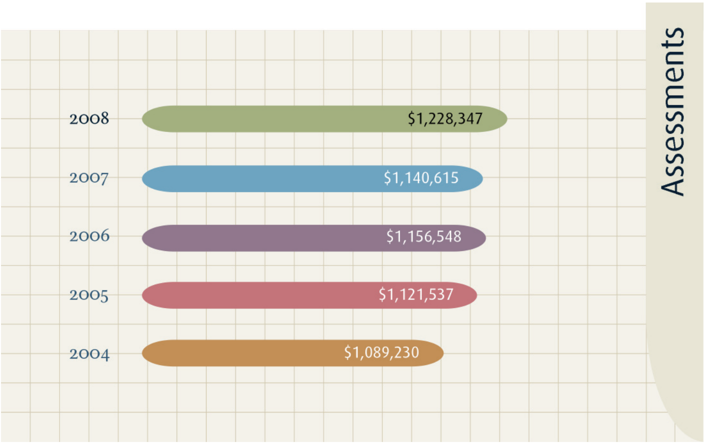


System Results

Although much of the financial system experienced a horrendous 2nd half of 2008, credit unions in Nova Scotia continued to excel and have maintained a realistic level of profitability. As we expected, assets grew by 7.34%, or $113.4 million, and now stand at $1.658 billion; many customer-owners withdrew money from mutual funds and the stock market and invested it in much safer GICs and deposit accounts at their credit unions. The deposit insurance coverage of $250,000, the highest in Nova Scotia, provides added comfort for customer-owners. This growth did not erode equity levels, which remains strong at 8.02% and is among the best tier-one capital levels in Canada.

Because of excellent growth in 2008, the system is now 73.55% lent out, which is down from the end of 2007. The new asset growth of $113 million did not all go into new loans, but total loans outstanding were up by $74.6 million to $1.219 billion. Again this year, new mortgage lending led the way with a portfolio up $50.3 million and accounting for 66.6% of all new borrowing. Lines of credit were also up by $18.6 million, while business loans increased $4.2 million. We were somewhat disappointed that personal loans grew by only $2.2 million, as it seemed there was increased demand as a result of car leasing companies' exiting the market. Although some jurisdictions in Canada have experienced tight liquidity, this has not been the case in Nova Scotia, and there has been no tightening of credit from a shortage of liquidity.

We continue to see contraction in the financial margin, but this was expected. The Prime Rate went from 5.75% on January 1, 2008, to 3%. The 2.75% reduction in the Prime Rate has been passed along to

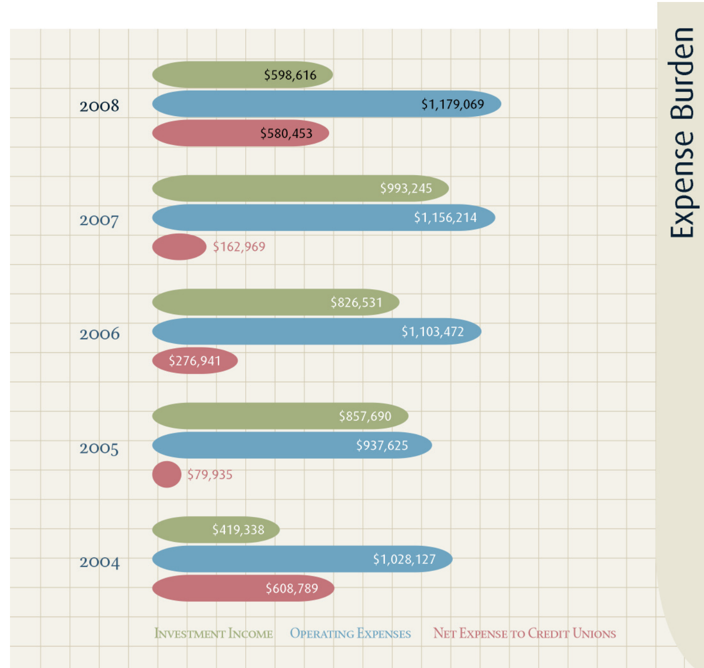


customer-owners via a number of credit unions whose Prime Rate are tied to Bank Primes. Most credit unions have not been able to drop their cost of funds as fast or as far, resulting in a lower gross financial margin. Total financial revenue was down by 28 bps and financial expense was down by 23 bps, resulting in a financial margin 5 bps lower than at the end of 2007. We expect to see continued declines in 2009 as lower investment income begins to impact the financial revenue.

Bankruptcy filings in December for the country jumped 47% over December 2007; credit unions are not immune to the fallout from bankruptcies, and consumer proposals increased by 39.1%. Total bankruptcies in the country for 2008 were 96,774 versus 86,140 in 2007, for a 12.3% increase. Provisions for impaired loans in credit unions were $2.9 million versus $2.5 million in 2007, for a 16% increase, or $439,000. Many of the bankruptcies were unexpected, as loans were current at the time the notice of bankruptcy showed up at the credit union.

Operating expenses continued to stay high and increased by $4 million year over year. As a percentage of weighted average assets (WAA), they remained virtually unchanged at 4.47%. Again, we have still to see economies of scale from the amalgamations that have taken place in the province.

The surplus of $8.2 million is expected to change as rebates from system partners are added and patronage refunds are paid out to customer-owners. We issued an advisory late in 2008 suggesting that all credit unions look closely at patronage refunds because holding higher levels of capital until the economy improves may be a better strategy. The reported surplus of $8.2 million is .51% of WAA, and down moderately from the audited results in 2007 of .55%.



Key Performance Indicators of Nova Scotia Credit Unions

	Unaudited 2008	2007	2006	2005	2004	2003
Return on Assets (% of average assets)	0.51	0.55	0.61	0.58	0.56	0.81
Total Equity	8.02	8.08	7.76	6.99	6.69	6.40
Delinquency >30 days	1.48	1.57	1.21	1.34	1.20	1.53
Delinquency >90 days	0.61	0.56	0.45	0.54	0.44	0.57
Asset Growth	7.34	5.25	5.75	5.50	5.06	7.05
Deposit Growth	6.79	4.34	3.60	4.60	4.78	6.22
Loan Growth	6.59	4.77	6.29	4.87	7.93	5.96

Our efforts

Money Laundering

CUDIC continues to maintain a good working relationship with FINTRAC. Under the Memorandum of Understanding (MOU) between CUDIC and FINTRAC, CUDIC conducted Money Laundering Compliance Reviews in three Nova Scotia credit unions in 2008 on behalf of FINTRAC. Compliance Officers from FINTRAC also completed Compliance Examinations in three other credit unions in the province.

Several important changes made to the Regulations of the Proceeds of Crime Money Laundering and Terrorist Financing Act (PCMLTFA) came into effect on June 28, 2008. These changes placed additional record-keeping and reporting requirements on financial entities, including the credit unions. Ongoing training of staffs and boards is critical in order to keep everyone well informed of the requirements of the Act and the responsibility of the credit unions and the individual staff and board members. Non-compliance with the requirements of the PCMLTFA must be taken seriously, as continued violations may result in penalties levied by FINTRAC against the credit union and/or staff.

Financials

Auditors' Report

To the Directors of Nova Scotia Credit Union Deposit Insurance Corporation

We have audited the balance sheet of Nova Scotia Credit Union Deposit Insurance Corporation as at December 31, 2008 and the statements of earnings, equity and changes in cash resources for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Dartmouth, Nova Scotia
January 16, 2009

Statement of Earnings

Year Ended December 31	2008	2007
Revenue		
Assessments and recoveries (Note 8)	**$ 1,278,304**	$ 1,181,511
Investment and other income	**598,616**	993,245
Gain (loss) on disposal of assets	**(5,122)**	(5,906)
	1,871,798	2,168,850
Expenses		
Operating		
Board and committees	**121,521**	125,408
Contracted services and expenses	**84,260**	113,495
Depreciation	**23,520**	21,983
Insurance	**17,366**	16,796
Legal and consulting	**3,071**	3,771
Occupancy	**78,373**	74,239
Office	**58,158**	50,764
Professional fees	**84,594**	68,310
Risk management programs	**48,500**	54,898
Salaries and employee benefits	**556,943**	522,293
Telephone	**14,860**	13,937
Travel	**87,903**	90,320
	1,179,069	1,156,214
	692,729	1,012,636
Reversal of accrual for unidentified deposit insurance losses	**675,000**	—
Net earnings	**$ 1,367,729**	$ 1,012,636

See accompanying notes to the financial statements.

atements

Statement of Equity

Year Ended December 31	Shared Deductible Pool Reserve (Note 7)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity	Total Comprehensive Income (Loss)
Balance January 1, 2007	$649,256	$14,704,562	$935,697	$16,289,515	—
Net earnings for the year	—	1,012,636	—	1,012,636	1,012,636
Transfer to shared deductible pool reserve (Note 7)	28,092	(28,092)	—	—	—
Realized gains transferred to net earnings during the year	—	—	(320,935)	(320,935)	(320,935)
Unrealized losses on available for sale financial assets during the year	—	—	(8,416)	(8,416)	(8,416)
Balance December 31, 2007	677,348	15,689,106	606,346	16,972,800	683,285
Net earnings for the year	—	1,367,729	—	1,367,729	1,367,729
Transfer to shared deductible pool reserve (Note 7)	36,794	(36,794)	—	—	—
Realized gains transferred to net earnings during the year	—	—	(237,149)	(237,149)	(237,149)
Unrealized losses on available for sale financial assets during the year	—	—	(1,665,842)	(1,665,842)	(1,665,842)
Balance December 31, 2008	$ 714,142	$ 17,020,041	$(1,296,645)	$16,437,538	$148,023

See accompanying notes to the financial statements.

Balance Sheet

December 31	2008	2007
Assets		
Cash	**$ 60,322**	$ 80,562
Accounts receivable (Note 3)	**164,753**	108,440
Investments (Note 5)	**16,565,039**	17,442,261
Prepaid expenses	**13,511**	17,409
Property and equipment (Note 4)	**32,926**	39,239
	$ 16,836,551	$ 17,687,911
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 399,013**	$ 715,111
Commitments (Note 12)		
Equity		
Shared deductible pool reserve (Note 7)	**714,142**	677,348
Accumulated Other Comprehensive Income (Loss)	**(1,296,645)**	606,346
Retained earnings	**17,020,041**	15,689,106
	16,437,538	16,972,800
	$ 16,836,551	$ 17,687,911

On behalf of the Board:

Director

Director

See accompanying notes to the financial statements.

Statement of Changes in Cash Resources

Year Ended December 31	2008	2007
Cash provided by (used for)		
Operating activities		
Investment income received	**$ 663,043**	$ 1,782,677
Assessments and recoveries received	**1,235,583**	1,483,191
Funds (advanced) received on behalf of Credit Unions	—	(977)
Receipts from (advances to) employees on computer loans	**(448)**	381
Receipts from unclaimed balances, net of paid outs	**335,485**	—
Payments to employees and suppliers	**(1,133,489)**	(1,131,011)
Cash flows provided by operating activities	**1,100,174**	2,134,261
Investing activities		
Purchase of investments (net of proceeds of sale)	**(1,098,084)**	(2,064,474)
Additions to equipment and leaseholds	**(22,330)**	(13,010)
Cash flows used for investing activities	**(1,120,414)**	(2,077,484)
Increase (decrease) in cash	**(20,240)**	56,777
Cash, beginning of year	**80,562**	23,785
Cash, end of year	**$ 60,322**	$ 80,562

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31 , 2008

1. Governing legislation and operations

The Corporation was established in 1995 under the Credit Union Act (Chapter 4 of the Acts of 1994). The Corporation is a continuation of the Nova Scotia Credit Union Stabilization Fund. It is funded by premiums assessed against credit unions.

The purposes of the Corporation are to provide insurance against the loss of part or all of deposits in member credit unions, to provide financial assistance to credit unions for the purpose of stabilization and to protect deposits in credit unions by the development of sound business and financial policies and by implementation of loss prevention programs and other controls. These purposes are to be pursued for the benefit of depositors in credit unions and in such a manner as will minimize the exposure of the Corporation to loss.

Under the Credit Union Act, the Corporation has the power to do all things necessary or incidental to the furtherance of its purposes, including acquiring assets from credit unions, guaranteeing loans in credit unions and providing any form of assistance to credit unions. Among other things, it may make standards of sound business and financial practices, make or cause to be made examinations or inquiries in relation to credit unions, place limitations on the lending activities and loan policies of a credit union, issue directives (in consultation with Credit Union Central of Nova Scotia and the Superintendent of Credit Unions of Nova Scotia), and act as liquidator of a credit union.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management is required to make estimates and assumptions that could affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management does not anticipate that actual results will differ materially from those estimates.

Investments

All investments are classified as available for sale because the Corporation does not intend to trade the investments for short-term profit making and has not elected to classify the investments as held for trading.

Unrealized holding gains and losses related to available for sale investments are excluded from net income and are included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred.

The method used to estimate the fair value at the balance sheet date is the quoted market price.

Property and equipment

Furniture and equipment is stated at cost. Depreciation is calculated on the straight-line basis over the useful life of the assets as shown in Note 4.

Financial instruments

The fair value of financial assets and liabilities which include cash, accounts receivable, payables and accruals approximate their carrying values. Investments are recorded at fair value.

Assessment income

Assessment rates are based on a risk classification system and are applied to average assets of member institutions for the period October 1 to September 30. Assessment income is recognized when earned.

Defined benefit plan – retiring allowance

On January 1, 2008, the Corporation adopted the accounting standard on employee future benefits using the prospective application method. The cost of the retirement benefit has not been actuarially determined and is based on the current salary levels prorated on years of service. Management is of the opinion that the actuarially determined cost will not differ materially from the current basis of valuation. The Corporation is amortizing the transitional obligation on a straight line basis over 12 years, which is the average remaining service period of employees expected to receive benefits under the benefit plan as of January 1, 2008.

3. Accounts receivable

	2008	2007
Dividend assistance and recoveries	**$ 36,282**	$ 36,282
Credit Union assessments	**42,972**	1,196
Accrued interest	**68,276**	60,389
HST	**12,880**	7,623
Other	**4,343**	2,950
	$ 164,753	$ 108,440

4. Property and equipment

Rates	Cost	Accumulated Depreciation	**2008 Net Book Value**	2007 Net Book Value
Furniture and equipment – 3 Yrs. S.L.	$ 82,970	$ 50,847	**$ 32,123**	$ 37,677
Leasehold improvements – 5 Yrs. S.L.	4,262	3,459	**803**	1,562
	$ 87,232	$ 54,306	**$ 32,926**	$ 39,239

5. Investments

Investments consist of Canadian federal, municipal and provincial government and corporate bonds, index pool funds and equity instruments. The bonds have interest rates ranging from 3.75% to 6.85% on an annual basis, with maturity dates ranging from less than a month to 45 years. The investments also include credit union guaranteed investment certificates, with interest rates ranging from 3.85% to 4.65% and mature at dates up to March 2011.

6. Accounts payable and accrued liabilities

	2008	2007
Trade payables and accruals	**$ 36,511**	$ 37,982
Unclaimed balances (Note 11)	**337,614**	2,129
Accrued retirement benefit liability (Note 13)	**24,888**	—
Accrual for unidentified deposit insurance losses (Note 10)	**—**	675,000
	$ 399,013	$ 715,111

7. Shared deductible pool reserve

The reserve was established to fund a shared deductible pool for liability insurance related to credit union directors. The first $5,000 of the claim will be paid by the credit union and any residual, up to a maximum of $95,000, will be paid from the reserve. Income earned on the funds will be credited to the reserve. The Corporation's liability is limited to funds available in the reserve.

During the year, interest income in the amount of $36,794 (2007 – $28,092) was transferred to the reserve.

8. Assessments and recoveries

	2008	2007
Credit unions' assessments – regular	**$ 1,228,347**	$ 1,140,615
Recoveries of assistance to credit unions	**49,957**	40,896
	$ 1,278,304	$ 1,181,511

Notes to the Financial Statements

9. Income taxes

The Corporation is a deposit insurance corporation for income tax purposes and is subject to income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Income for tax purposes excludes assessments made against credit unions. Also, no deduction may be made against income for tax purposes for financial assistance given to or paid on behalf of credit unions.

The Corporation has accumulated non-capital losses for tax purposes which are available to reduce taxable income in future periods. The potential tax savings from claiming the losses have not been recorded. The losses expire as follows:

2009	$ 453,161
2010	412,031
2014	571,261
2015	199,756
2026	350,910
2027	274,237
2028	476,604
	$ 2,737,960

In addition the Corporation has allowable capital losses of $216,064 which are available to reduce capital gains in future periods.

10. Accrual for unidentified deposit insurance losses

The accrual for unidentified deposit insurance losses includes a general provision for losses. The general provision reflects management's best estimate of losses on insured deposits arising from the inherent risks in member institutions. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. During the current year management reduced its estimate to $NIL.

11. Unclaimed balances

In accordance with the provisions of Regulation 13 of the Credit Union Act the Corporation has received deposits from credit unions representing unclaimed balances. These deposits must be held indefinitely by the Corporation until claimed by a depositor or creditor entitled to such funds.

12. Commitments

Lease commitments

The Corporation is committed to pay annual lease payments for its premises and vehicles for future years as follows:

2009	$ 93,260
2010	28,260
2011	25,905
	$147,425

Retirement savings plan contributions

The Corporation contributes to retirement savings plans on behalf of all employees, after completion of three months' service. Each employee contributes six percent of earnings and the Corporation matches this contribution. The cost to the Corporation is included in salaries and employee benefits expense (2008 - $26,832; 2007 – $26,651).

13. Employee future benefits

The Corporation has a defined benefit plan that provides a retirement benefit to employees. Retiring employees shall receive a retiring allowance of one week's pay for each year of service to a maximum of twenty-eight weeks. The weekly rate of pay for this calculation is based on an average of the employee's best six years of earnings. The retirement benefit is unfunded. The measurement date is December 31.

Elements of retirement benefit costs recognized during the year:

Current service cost	$ 14,664
Amortization of the transitional obligation	$ 10,224
Retirement benefit costs recognized	$ 24,888

Continuity of transitional obligation:

Unamortized transitional obligation beginning of year	$ 126,092
Amortization for the current year	$ 10,224
Unamortized transitional obligation end of year	$ 115,868

14. International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

As a result, the Corporation is developing a plan to convert its financial statements to IFRS. The plan addresses the impact of IFRS on:

- Accounting policies and implementation decisions
- Information technology and data systems
- Internal control over financial reporting
- Disclosure controls and procedures
- Financial reporting expertise
- Business activities

The Corporation has established an IFRS team and is providing training to employees.

The Corporation is currently in the process of assessing the differences between IFRS and the Corporation's current accounting policies, as well as the alternatives available on adoption. This assessment includes the impact of conversion on information technology and data systems, internal control over financial reporting, disclosure controls and procedures and business activities.

Changes in accounting policies are likely. These changes may materially impact the Corporation's financial statements.

Serving

Serving the Credit Unions of Nova Scotia

District 1

- Coady Credit Union Limited
- Dominion Credit Union Limited
- Electric Employees Credit Union Limited
- Glace Bay Central Credit Union Limited
- New Waterford Credit Union Limited
- North Sydney Credit Union Limited
- Princess Credit Union Limited
- Steel Centre Credit Union Limited
- Sydney Credit Union Limited
- Whitney Credit Union Limited

District 2

- Acadian Credit Union Limited
- Bay St. Lawrence Credit Union Limited
- East Coast Credit Union Limited
- St. Joseph's Credit Union Limited

District 3

- Bergengren Credit Union Limited
- Community Credit Union of Cumberland Colchester Limited

District 4

- Credit Union Atlantic Limited
- Electragas Credit Union Limited
- Heritage Credit Union Limited
- iNova Credit Union Limited
- Teachers Plus Credit Union Limited
- Province House Credit Union Limited
- Public Service Commission Employees' Credit Union Limited

District 5

- Caisse Populaire de Clare Limitée
- Coastal Financial Credit Union Limited
- LaHave River Credit Union Limited
- New Ross Credit Union Limited
- Rossignol Credit Union Limited
- Valley Credit Union Limited
- Victory Credit Union Limited
- Weymouth Credit Union Limited

Mission Statement To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission Statement** To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act. **Mission**

nscudic.org

Nova Scotia Credit Union Deposit Insurance Corporation

Nova Scotia Credit Union Deposit Insurance Corporation

Suite 212
200 Waterfront Drive
Bedford
Nova Scotia
B4A 4J4

telephone 902.422.4431
toll free 1.877.770.5622
fax 902.492.3695
email info@nscudic.org

www.nscudic.org

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