Nova Scotia Credit Union Deposit Insurance Corporation

If you want to be **incrementally** better,
be **competitive**.

If you want to be **exponentially** better,
be **cooperative**.

Annual Report 2009

CUDIC™

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The Board

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*

Committees of the Board

(As At December 31, 2009)

Audit and Investment Committee

This committee reviews the investment policies and procedures as well as the audited annual financial statements of the Corporation. 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.

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

Policy Committee

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

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

Chair of the Board

Report of the Chair of the Board

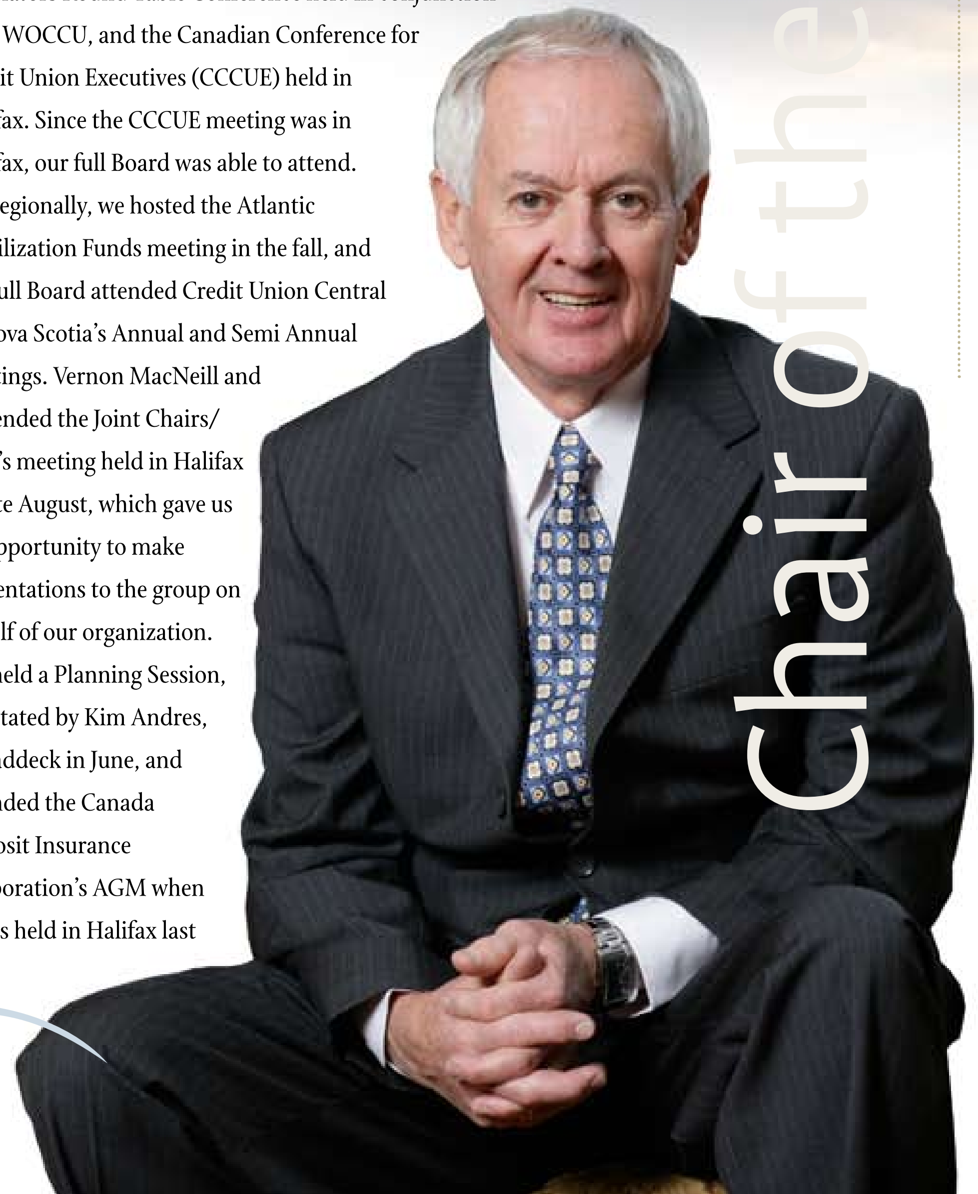
On behalf of the Board of Directors of the Nova Scotia Credit Union Deposit Insurance Corporation, I am pleased to report that our organization had another successful year of operations in 2009. Even though the global financial crisis has had an impact on financial and other sectors worldwide, credit unions in Nova Scotia are well capitalized and strong financially and in terms of meeting the needs of its customer-owners as they operate in a dynamic, challenging environment. Our CEO, Vernon MacNeill, will cover the financial and operational sides in his report, and I will address our achievements in serving our customer-owners.

The Credit Union Deposit Insurance Corporation's (CUDIC) 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 18 reviews of credit unions during the past year. 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, particularly in these uncertain times.

The Board met on six occasions during the year and, between meetings, all committees were very busy with their individual responsibilities. The Executive Committee met three times and also met jointly with the Executive Committee of Credit Union Central of Nova Scotia in February. The Policy Committee met on five occasions to review and complete policies for recommendation to the Board of Directors. The Audit and Investment Committee met three times to address our investment portfolio and financial activities for the year. They are very aware and conscious of the need to monitor our investment portfolio continuously, given current market conditions and the need to protect our funds. I am pleased to report that we saw a significant turnaround in the market value of our investments. Our Human Resource Committee met on two occasions, and the Enterprise Risk Management Committee met twice to evaluate and update both CUDIC and Network risks because they were impacted by the current global economic situation.

In an effort to keep our directors fully informed and up to date with happenings in the Credit Union Network, we attended numerous conferences and meetings, including the World Council of Credit Unions Conference (WOCCU), the Regulators Round Table Conference held in conjunction with WOCCU, and the Canadian Conference for Credit Union Executives (CCCUE) held in Halifax. Since the CCCUE meeting was in Halifax, our full Board was able to attend.

Regionally, we hosted the Atlantic Stabilization Funds meeting in the fall, and the full Board attended Credit Union Central of Nova Scotia's Annual and Semi Annual meetings. Vernon MacNeill and I attended the Joint Chairs/CEO's meeting held in Halifax in late August, which gave us an opportunity to make presentations to the group on behalf of our organization. We held a Planning Session, facilitated by Kim Andres, in Baddeck in June, and attended the Canada Deposit Insurance Corporation's AGM when it was held in Halifax last



Roddie Munroe
Chair of the Board of Directors

Chair of the Board

fall. Attendance at these events gives us an opportunity to network with our counterparts locally, nationally and worldwide. In addition to the aforementioned events, the CUDIC Board received information packages on Network issues and a presentation on CUMIS given by Dave Power, Regional Manager.

I would like to mention the positive tri-party relationship that exists between CUCNS, the Office of the Superintendent of Credit Unions, and CUDIC. The three entities hold regular information meetings, and representatives from the Government and CUCNS sit as observers at our Board meetings. When I attend national meetings, this arrangement often comes up in discussions, and I am pleased to report that Nova Scotia's model is the envy of the rest of the country. This arrangement gives our Board first-hand information since we receive updates on government issues and network issues, such as the Atlantic Central Initiative, the Federal Cooperative Bank and the Prairie Central Initiative. During 2009, various discussions took place with Government representatives regarding CUDIC's taking over the examination function. I am pleased to report that in December a Memorandum of Understanding on Roles and Responsibilities was signed between the Superintendent of Credit Unions and the Nova Scotia Credit Union Deposit Insurance Corporation, which speaks very well to the excellent relationship between our parties.

En sommaire, bien que la crise économique et financiaire de l'an dernier nous a préoccupée davantage, votre assureur de dépôt a toujours su et pu rencontrer ses responsabilités. Parmis plusieurs autres tâches, le personnel permanent a analysé la performance de 18 caisses populaires. De plus, en consultation avec le conseil d'administration il a maintenu la barre sur le rendement de nos placements, il a pris en main la fonction d'examen des caisses populaires et il a maintenu de bonnes relations avec nos partenaires dans le système. Le conseil d'admininstration s'est rencontré régulièrement. Ses comités ont accompli plusieurs tâches , et je dirais même toutes leurs tâches prescrites. Somme, nous avons rencontré les défis qui, au début janvier 2009, nous ont fait reflêchir.

As I look back on 2009, I feel confident in reporting that CUDIC's Board of Directors takes its roles and responsibilities very seriously, making decisions only after careful and prudent deliberations about what is in the best interests of the credit union network. I thank the Board of Directors for their diligence and support during the year and our Chief Executive Officer, Vernon MacNeill, and his staff for the support and assistance they provide to the Board of Directors. Finally, our thanks go out to the credit union managers and staff for their cooperation and courtesy towards CUDIC and its staff. Congratulations to all for a very successful 2009.

Respectfully submitted,

Rod A. Munroe,
Chair of the Board of Directors

Chief Executive Officer

Report from the Chief Executive Officer

At the end of a very challenging year, the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC) can look back and feel confident that policies and procedures put in place to build safety and soundness into credit unions have allowed the Network to remain virtually unscathed by the global financial meltdown that began in late 2008. The financial crisis and resulting economic downturn posed difficult conditions, but our staff worked with all stakeholders in the Network to ensure that credit unions and CUDIC continues to thrive. The Board of CUDIC has responded to the uncertain economic climate with a sharp focus on the oversight of key risks while continuing to apply a sound and prudent approach to monitoring the financial conditions of credit unions in Nova Scotia.

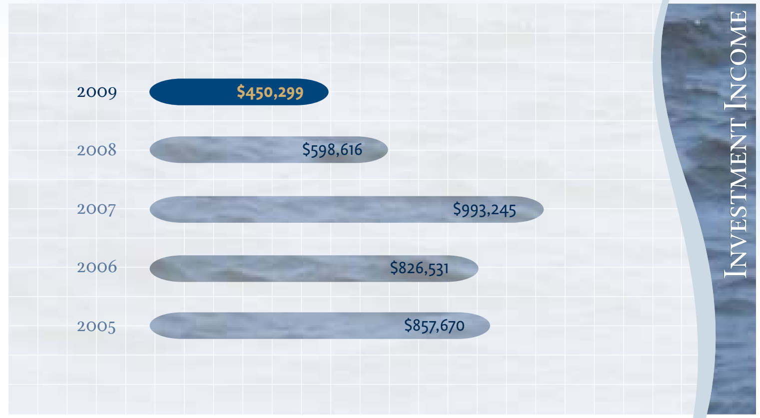
CUDIC enjoyed another successful year in 2009, notwithstanding the uncertainty in financial markets. Net earnings for the year were $520,966, while Accumulated Other Comprehensive Income (Loss) went from a deficit of $1,296,645 at the end of 2008 to a gain of $180,418 as of December 31, 2009. The result is that the fund equity improved from $15,723,396 to $17,698,202 and represented slightly more than 1% of Network assets. The benchmark that the Corporation manages toward is to have greater than 1% of Network assets in the fund; as of December 31, 2009, 1.02% of Network assets were in the fund.

During 2009, the Investment Committee and the Board have been very diligent in monitoring and reviewing the health of our investment portfolio. Approximately 80% of our funds are managed by a third party, and Canadian and global equities make up a portion of this managed portfolio. This asset class was significantly impacted by the market correction in late 2008 and early 2009, but it improved throughout the remainder of 2009. The one-year return on our managed portfolio was 14.61%; since its inception in 1992, the portfolio has had an overall 6.16% return, so it has definitely added value over and above a portfolio of low-risk investments. As of December 31, 2009, our investments were 24.9% in cash and equivalents, 38.4% in Fixed Income, 26.2% in Canadian Equity, and 10.5% in US Equity.

Chief Executive Officer

Our consolidated income in 2009 was lower because of reduced investment income, which went from $598,616 in 2008 to $450,299. The decline of $148,317 was due primarily to limited opportunity for taking capital gains throughout much of 2009 as the equity portfolio was recovering. Assessments from credit unions increased by $67,211 as a result of growth in Network assets; the average assessment paid by credit unions in 2009 was 8.19 bps versus 8.44 bps in 2008, while the weighted average rate dropped from 7.77 bps in 2008 to 7.73 bps in 2009. Since the lowest possible rate is 7 bps, the lower assessment rate is indicative of the strong health of credit unions in the province.

Vernon MacNeill
Chief Executive Officer



Prudent expense control continues to be an objective of CUDIC. Operating expenses were up $76,687 or 6.5% over 2008. The three areas that saw the largest increase were in Board and Committees, up $25,521 because of the planning session held in 2009; Occupancy, up $10,061 because two years of common area costs were expensed in 2009; and Salary and Employee Benefits, up by $36,379 because we were required to account for an unfunded portion of the retirement allowances to become IFRS compliant.

In the equity portion of the Balance Sheet, the Shared Deductible Pool Reserve of $737,365 has been returned to credit unions at the end of 2009. The Insurance Advisory Committee recommended this action, and all credit unions supported the recommendation. In future years, this item will no longer be shown on our financial statements.

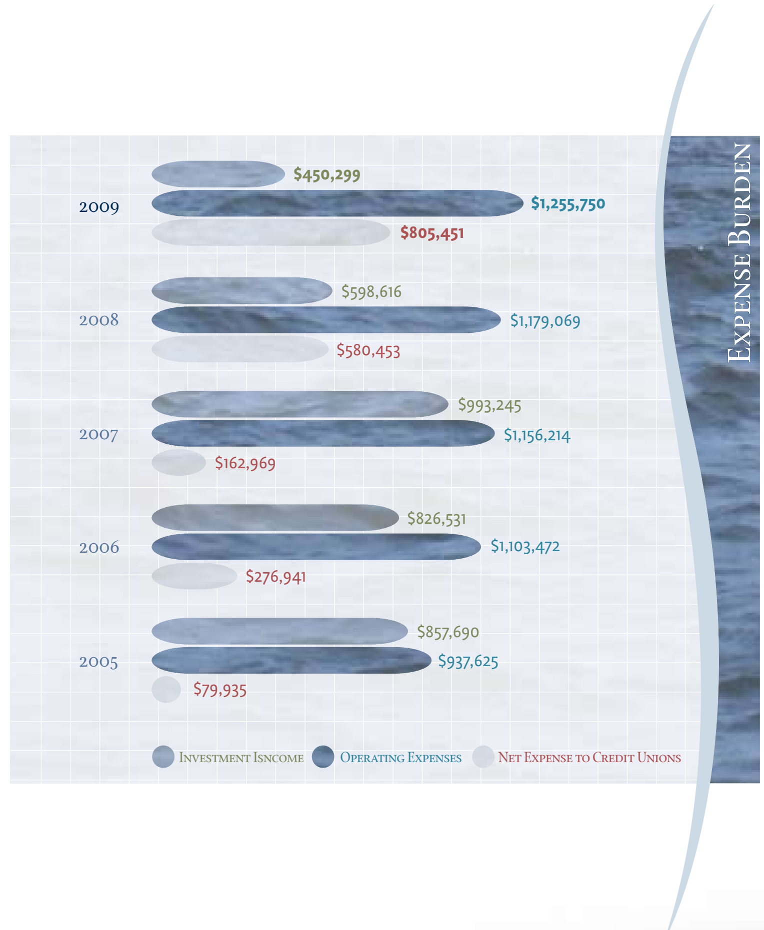
One of the highlights of the past year was the signing of the Memorandum of Understanding on Roles and Responsibilities between the Superintendent's Office and CUDIC. The agreement provides for enhanced Network monitoring by CUDIC and a more robust reporting mechanism between the two organizations so the Government remains informed on events and any risks within the Network. The Superintendent's office will no longer perform on-site examinations because this function is being satisfactorily performed by CUDIC and there was no need for the duplication of expense and effort. The Superintendent's Office, CUCNS and CUDIC continue to maintain an excellent relationship, and the eight tri-party meetings held in 2009 provided a forum to discuss areas of mutual concern.

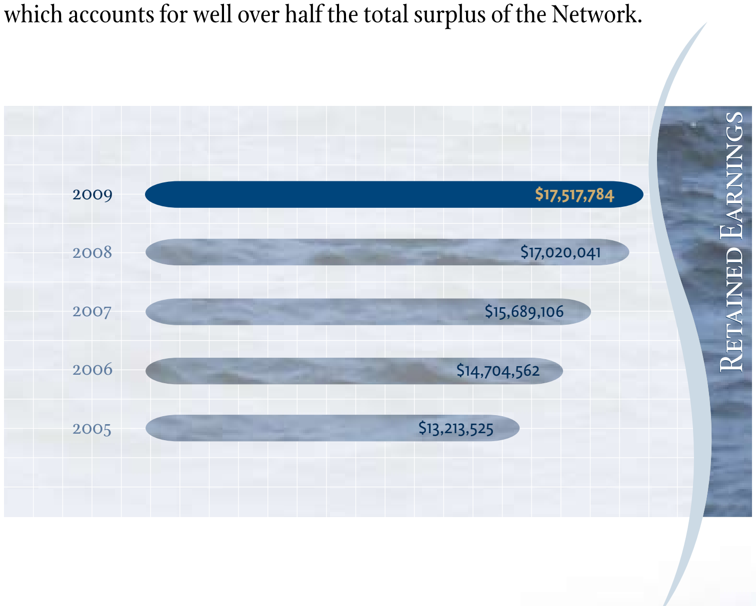
The Atlantic Central Initiative is a project we are watching with great interest; I believe it will benefit all Atlantic credit unions through development of a common brand, economies of scale and a meaningful voice at the national level. The Atlantic Deposit Insurers have also been holding regular meetings at both the Board and management level to ensure there is open communication among the four parties. I believe that, because of the small size of our organizations, there is a need for the Deposit Insurer/Stabilization authorities to work together closely.

Like credit unions, CUDIC will also need to become compliant with International Financial Reporting Standards (IFRS), so a great deal of time has been spent looking at our own accounting methodology as well as providing regulatory guidance to credit unions. Our national organization, the Stabilization Funds of Canada, has taken on the task of harmonizing the regulatory guidance across the country and interacting with the national IFRS Readiness for Credit Unions Project.

I am very pleased with the preliminary results for the Network, which show a net income after taxes of $9.3 Million or 54 bps. Growth within the Network remains somewhat muted at only 4.79% or $79 Million over the past year but, with good profitability and average growth, the equity in the Network has improved to 8.17% and is very strong.

We had expected that profits would be impacted by the lower interest rate environment in 2009 but this didn't happen for various reasons. A number of credit unions do not have their variable loan products tied to prime, so they were not greatly affected. Some credit unions that are prime-based decoupled their prime rate from that charged by the Canadian banks. The other major factors that affected profits were the extraordinary rebates and one-time items received this year from Credit Union Central of Nova Scotia and CUDIC, which amounted to more than $5.3 Million. Although not all of these will be accounted for in 2009, they make up a substantial portion of the Network profitability. We do realize that each year there is likely to be some type of rebate from Central, but not at the level we saw in 2009, which accounts for well over half the total surplus of the Network.





The financial margin stayed strong over the past year and dropped by only 6 bps. Actual investment income received was down by $3 Million to 0.61%, or a drop of 0.21% over the previous year end. Because of growth in the loan portfolio, interest income was $76 Million, or 4.46 % of WAA, which was a decline of 0.44%. The offset to these two items was that interest paid on member deposits declined by $8 Million, for a drop of 0.59%, to end the year at 1.31% of WAA. Gross financial margin was 3.74% for fiscal 2009.

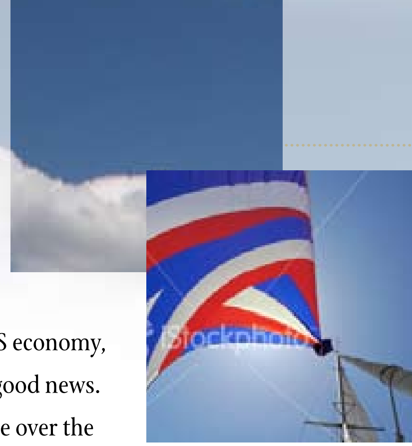
The growth in loans was a little faster than the overall asset growth, so the Network was able to shed a little of the excess liquidity and is now 74.17% lent out. Mortgages grew by $37 Million, or 5.84%, and it was gratifying finally to see personal loans grow by $11.4 Million, or 3.78%. We are pleased to see that the provision for Impaired Loans declined by $200,000, especially in light of the tough economic climate and the number of Canadian bankruptcies in 2009, which were up 31.9% over 2008 levels. Delinquency is not an issue, with the delinquency rate at 1.28% for all accounts and LOCs over 30 days, down from 1.43% at the end of September. The 90-day delinquency rate, at 0.55%, was down from 0.65% at the last quarter end.

Operating expenses continue to increase, but we are starting to see some improvement as a percentage of WAA. For the full year, operating expenses increased by only $2.2 Million, or 3.1%, but they declined as a percentage of WAA by 0.14% to stand at 4.28%. $1.5 million of this is added staff costs but, as a percentage of WAA, the personnel category fell from 2.10% to 2.06%. At least operating costs are heading in the right direction and, depending how credit unions account for the rebates on clearing items and refund of the special assessment, the audited statements may show lower operating expenses.

Key Performance Indicators of Nova Scotia Credit Unions

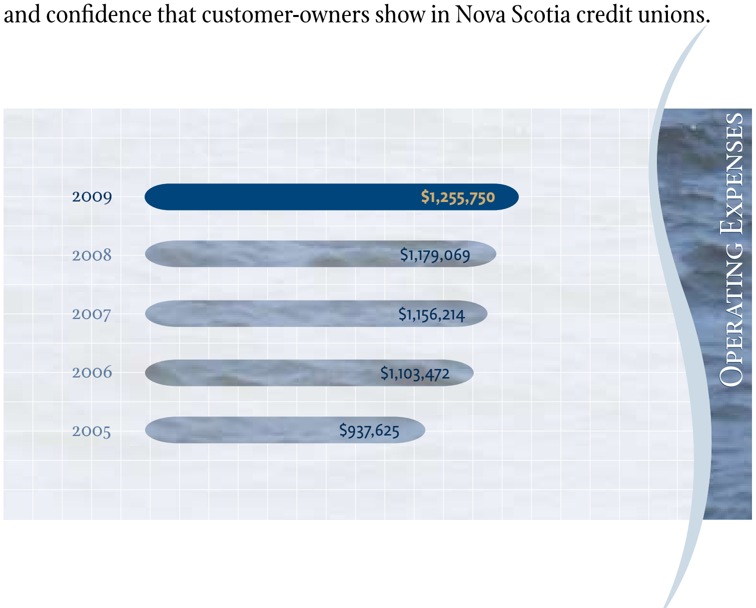
Key Performance Indicators

	Unaudited 2009	2008	2007	2006	2005
Return on Assets (% of average assets)	0.54	0.47	0.55	0.61	0.58
Total Equity	8.17	8.00	8.08	7.76	6.99
Delinquency >30 days	1.28	1.48	1.57	1.21	1.34
Delinquency >90 days	0.55	0.61	0.56	0.45	0.54
Asset Growth	4.79	7.34	5.25	5.75	5.50
Deposit Growth	3.60	6.79	4.34	3.60	4.60
Loan Growth	5.40	6.59	4.77	6.29	4.87



The Canadian economy is expected to grow at 2.6% in 2010, reflecting increased consumer spending, improvements in the US economy, continued low borrowing costs, and fiscal stimulus, which is all good news. Inflation is a concern because it will dictate how fast rates will rise over the next couple of years. We recently issued an advisory to the Network asking credit unions to look closely at the debt-servicing capabilities of their customer-owners and to stress-test new loans at higher rates to ensure the customer-owner can service his or her debt should rates go up.

I would like to take this opportunity to express my appreciation to all our staff and Board members for their dedication and professionalism in working together in the interests of all stakeholders. As outlined in the Chair's report, the Board had a very busy year and worked hard on your behalf. By exercising continuous vigilance through our monitoring system and risk assessment programs, I believe that we will continue to provide effective depositor protection and contribute to the stability and confidence that customer-owners show in Nova Scotia credit unions.



Finally, I would like to recognize the contribution that Bernie Beaton has made to our organization over the past 14 years. Bernie will be retiring at the end of March from a career that has spanned 26 years in the credit union Network, including 12 years at Bergengren Credit Union. Everyone who knows Bernie can attest to his professionalism, high ethical standards and his ability to interact with people on a very personal level. We will all miss seeing him every day, but we wish him well as he moves into the next phase of his life. Bernie has agreed to help with some loan reviews on a contractual basis, so he will still be contributing his expertise to the Network.

Respectfully submitted,

Vernon MacNeill

Vernon H. MacNeill,
Chief Executive Officer

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, 2009 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, 2009 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.

Nitles T Sweeney Limited

Chartered Accountants

Dartmouth, Nova Scotia
January 18, 2010

Statement of Earnings

Year Ended December 31	2009	2008
Revenue		
Assessments and recoveries (Note 8)	**$ 1,327,443**	$ 1,278,304
Investment and other income	**450,299**	598,616
Gain (loss) on disposal of assets	**(1,026)**	(5,122)
	1,776,716	1,871,798
Expenses		
Operating		
Board and committees	**147,042**	121,521
Contracted services and expenses	**93,618**	84,260
Depreciation	**24,455**	23,520
Insurance	**16,323**	17,366
Legal and consulting	**8,548**	3,071
Occupancy	**88,434**	78,373
Office	**52,091**	58,158
Professional fees	**76,562**	84,594
Risk management programs	**49,425**	48,500
Salaries and employee benefits	**593,322**	556,943
Telephone	**13,761**	14,860
Travel	**92,169**	87,903
	1,255,750	1,179,069
	520,966	692,729
Reversal of accrual for unidentified deposit insurance losses	**–**	675,000
Net earnings	**$ 520,966**	$ 1,367,729

See accompanying notes to the financial statements.

Financial Statements

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, 2008	$ 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
Net earnings for the year	520,966	520,966	520,966	—	—
Transfer to shared deductible pool reserve (Note 7)	23,223	(23,223)	—	—	—
Transfer to accounts payable (Note 7)	(737,365)	(737,365)	—	—	—
Realized gains transferred to net earnings during the year	613,716	613,716	613,716	—	—
Unrealized gains on available for sale financial assets during the year	—	863,347	863,347	863,347	—
Balance December 31, 2009	$ —	$ 17,517,784	$ 180,418	$ 17,698,202	$ 2,146,052

See accompanying notes to the financial statements.

Financial Statements

Balance Sheet

December 31	2009	2008
Assets		
Cash	**$ 67,001**	$ 60,322
Accounts receivable (Note 3)	**155,394**	164,753
Investments (Note 5)	**18,639,360**	16,565,039
Prepaid expenses	**12,200**	13,511
Property and equipment (Note 4)	**16,936**	32,926
	$ 18,890,891	$ 16,836,551
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 1,192,689**	$ 399,013
Commitments (Note 11)		
Equity		
Shared deductible pool reserve (Note 7)	**—**	714,142
Accumulated Other Comprehensive Income (Loss)	**180,418**	(1,296,645)
Retained earnings	**17,517,784**	17,020,041
	17,698,202	16,437,538
	$ 18,890,891	$ 16,836,551

On behalf of the Board:

Director *Director*

See accompanying notes to the financial statements.

Statement of Changes in Cash Resources

Year Ended December 31	2009	2008
Cash provided by (used for)		
Operating activities		
Investment and other income received	$ 558,852	$ 663,043
Assessments and recoveries received	1,329,641	1,235,583
Receipts from (advances to) employees on computer loans	2,051	(448)
Receipts from unclaimed balances, net of paid outs	11,122	335,485
Payments to employees and suppliers	(1,175,127)	(1,133,489)
Cash flows provided by operating activities	726,539	1,100,174
Investing activities		
Purchase of investments, net of proceeds of sale	(710,370)	(1,098,084)
Additions to equipment and leaseholds	(9,490)	(22,330)
Cash flows used for investing activities	(719,860)	(1,120,414)
Increase (decrease) in cash	6,679	(20,240)
Cash, beginning of year	60,322	80,562
Cash, end of year	$ 67,001	$ 60,322

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 2009

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, where the investments are traded in an active market. Where investments are not traded in an active market fair value is equal to cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	2009	2008
Dividend assistance and recoveries	**$ 36,282**	$ 36,282
Credit Union assessments	**41,719**	42,972
Accrued interest	**72,834**	68,276
HST	**3,212**	12,880
Other	**1,347**	4,343
	$ 155,394	$ 164,753

4. PROPERTY AND EQUIPMENT

Rates	Cost	Accumulated Depreciation	**2009 Net Book Value**	2008 Net Book Value
Furniture and equipment 3 Yrs. S.L.	$ 30,574	$ 13,638	**$ 16,936**	$ 32,123
Leasehold improvements 5 Yrs. S.L.	—	—	**–**	803
	$ 30,574	$ 13,638	**$ 16,936**	$ 32,926

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 2.20% to 7.768% on an annual basis, with maturity dates ranging from less than a month to 43 years. These investments have a market value of $14,359,180 and cost of $14,178,763 (2008 – market value of $11,895,228 and cost of $13,191,874).

Investments also include shares in Credit Union Central of Nova Scotia and credit union guaranteed investment certificates, with interest rates ranging from .53% to 4.65% and maturity dates up to March 2011. Market value is equal to cost for these investments.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade payables and accruals	**$ 47,942**	$ 36,511
Accrual for retirement	**58,646**	24,888
Unclaimed balances (Note 10)	**348,736**	337,614
Payable to credit unions (Note 7)	**737,365**	—
	$ 1,192,689	$ 399,013

Notes to the Financial Statements

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 $23,223 (2008 - $36,794) was transferred to the reserve. Subsequent to year end these reserve funds were returned to the credit unions pursuant to a decision by the Board of Directors.

8. Assessments and recoveries

	2009	2008
Credit unions' assessments – regular	**$ 1,295,558**	$ 1,228,347
Recoveries of assistance to credit unions	**31,885**	49,957
	$ 1,327,443	$ 1,278,304

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:

2010	$ 412,031
2014	571,261
2015	199,756
2026	350,910
2027	274,237
2028	476,604
2029	636,373
	$ 2,921,172

In addition the Corporation has allowable capital losses of $338,964 which are available to reduce capital gains in future periods.

10. 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.

Notes to the Financial Statements

11. Commitments

Lease commitments

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

2010	$ 101,736
2011	99,381
2012	73,476
2013	73,476
2014	73,476
	$ 421,545

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 (2009 - $28,506; 2008 - $26,832).

12. 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 five 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	$ 23,534
Amortization of the transitional obligation	10,224
Retirement benefit costs recognized	$ 33,758

Continuity of transitional obligation:

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

13. 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 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

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.

Nova Scotia Credit Union Deposit Insurance Corporation

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