

Annual Report | 2010

Holding a steady course





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Committees of the Board of Directors

(As At DECEMBER 31, 2010)

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.

- Roddie Munroe, *Chair*
- Joe Kennedy
- Irene Lefort
- Carol Pettigrew
- Camille Maillet, *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*
- Roddie Munroe
- Réal Boudreau
- Camille Maillet

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.

- Carol Pettigrew, *Chair*
- Réal Boudreau
- Joe Kennedy
- Tom Smith
- Camille Maillet, *ex-officio*

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

The Board of Directors



Report of 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 our organization had another successful year of operations in 2010. Even though the global financial crisis still had an impact on financial and other sectors worldwide, credit unions in Nova Scotia are well capitalized and strong financially in terms of meeting the needs of its members as they operate in a dynamic, challenging environment.

As most of you are aware, our past Chief Executive Officer, Vernon MacNeill, decided to move on to Winnipeg in the latter part of the year to work as Chief Executive Officer for the Deposit Guarantee Corporation of Manitoba. Following a very detailed and arduous hiring process, we hired Pat Ryan as our new Chief Executive Officer. He began his duties on January 4, 2011, and he is doing a masterful job of getting used to his work requirements and holding down the fort with all the other employees.

CUDIC's main focus is on protecting the members' deposits

and assessing risk in credit unions by doing on-site reviews. Our staff and contract employees completed 20 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 members the consumer confidence they deserve, particularly in these uncertain times.

The Board met on eight occasions during the year and between meetings, all committees were busy with their individual responsibilities. (We had a few extra Board meetings to go through the interview and selection process of a new CEO.) The Executive Committee met once and the Policy Committee met once 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. Our Human Resources Committee met once to assess staff compensation.

In an effort to keep our directors fully informed and up to date with happenings in the credit union system, we attended numerous conferences and meetings, including the World Council of Credit Unions Conference (WOCCU), the Regulators Roundtable Conference held in conjunction with WOCCU, and the Canadian Conference for Credit Union Executives.

Regionally, the Atlantic Stabilization Funds meeting was held in St. John's, Newfoundland in the fall and the full Board attended Credit Union Central of Nova Scotia's Annual and Semi-Annual meetings. We held a one day planning session in June. Attendance at these events gives an opportunity to network with our counterparts locally, nationally, and internationally.

I would like to mention the positive tri-party relationship that exists between Credit Union Central of Nova Scotia (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 we 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 and system issues.

En sommaire, bien que la crise économique et financière nous a toujours préoccupée, votre assureur de dépôt a toujours su et pu rencontrer ses responsabilités. Parmi plusieurs autres tâches, le personnel permanent a analysé la performance de 20 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'administration 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 2010, nous ont fait réfléchir.

As I look back on 2010, 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 interest of the credit union system and its members. I wholeheartedly thank the Board of Directors for their diligence and support during the year and our past Chief Executive Officer, Vernon MacNeill, and the CUDIC staff for the support and assistance they provide to the Board. Finally, our thanks goes 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 2010.

Respectfully submitted,



Camille Maillet

Chair of the Board of Directors

Camille Maillet,
Chair of the Board of Directors

The Chair



The CUDIC Staff

From left: Joyce Clarke, Information Management/Accountant;
Colleen Roberts, Analyst; Norbert Gagnon, Analyst; Mike
Johnson, Analyst; Pat Ryan, Chief Executive Officer; Karen Conrad,
Administrative Assistant; Bev Geddes, Executive Assistant

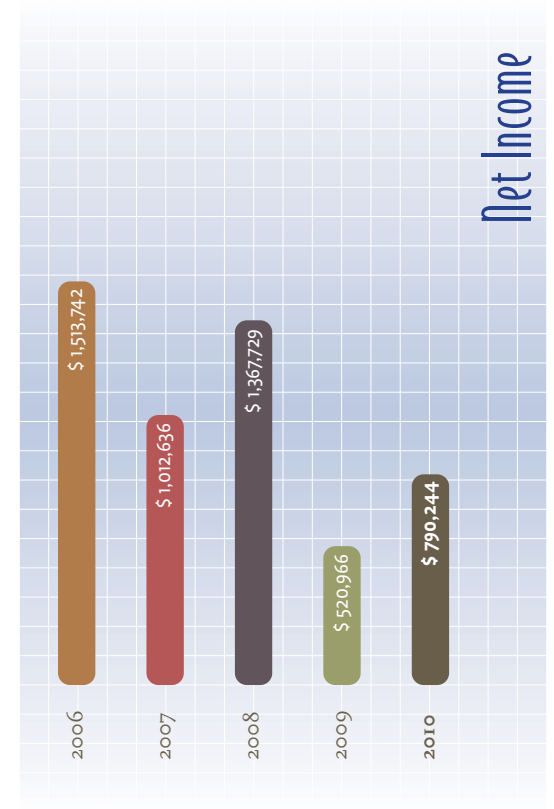


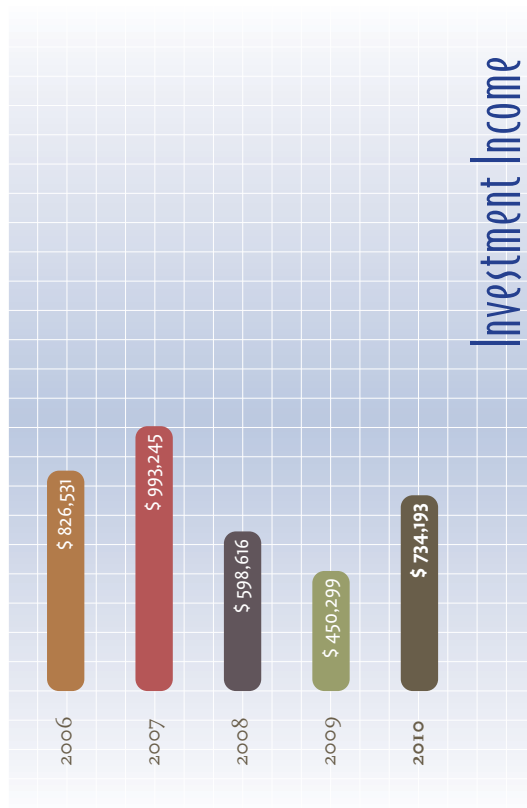
Credit Union Deposit Insurance Corporation Staff

Report of the Chief Executive Officer

I WRITE THIS REPORT AS THE NEWEST EMPLOYEE OF THE CORPORATION. In my brief time here I am pleased to report that the quality of the organization I have been given the opportunity to lead has exceeded my expectations. The Corporation's processes are robust, and our professional staff are well equipped to discharge their responsibilities. The Board is engaged and very diligent in ensuring appropriate oversight and governance. I am grateful for this career opportunity as well as the many courtesies that have been extended to me by stakeholders across the system since my arrival in January 2011.

As I indicate in the following paragraphs, the system is in sound condition and continues to make gains year over year. Slowing economic growth, rising interest rates and high levels of consumer debt are the backdrop that we will operate in for 2011 and beyond. Based on my experience to date, I am confident that system participants will adapt to and overcome these challenges as they have throughout their history. I am delighted to be the newest member of the CUDIC team and look forward to working with all stakeholders in the coming months and years to improve our system and protect the interests of depositors.





CUDIC Results

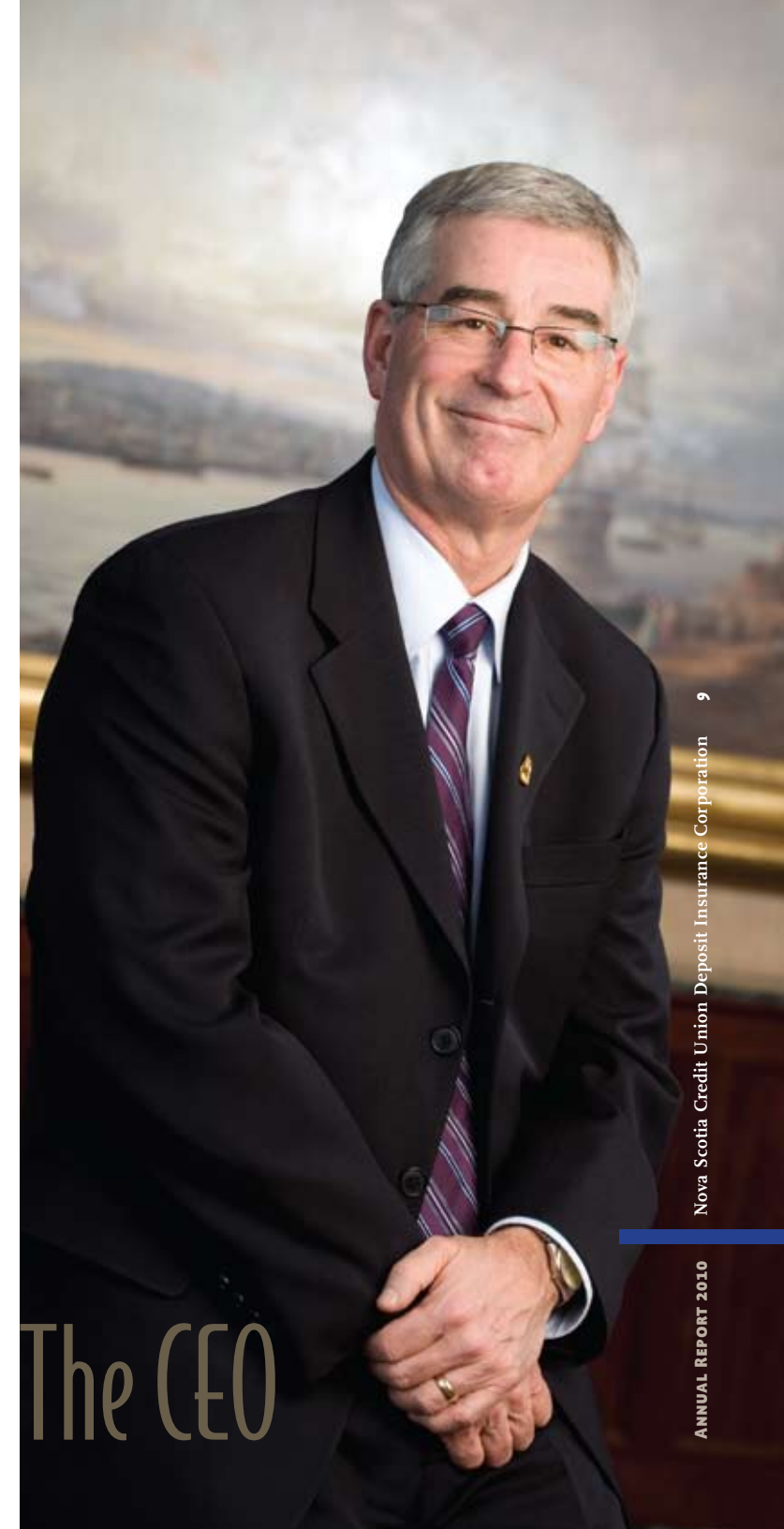
CUDIC generated good results in 2010. Net earnings were \$790,244 (\$520,966 '09). The improvement is largely due to increased investment income of \$734,193 (\$450,299 '09), reflective of strengthened capital markets. Similarly, Accumulated Other Comprehensive Income (gains on investment portfolio), as reflected on our balance sheet, improved to \$782,521 (\$180,418 '09).

Assessments from credit unions increased by \$77,496 mainly as a result of growth in system assets; the average assessment paid by credit unions in 2010 was 8.06 bps versus 8.19 bps in 2009, while the weighted average rate increased slightly to 7.75 bps from 7.73 bps in 2009. Since the lowest possible rate is 7 bps, the assessment rate is indicative of the continued strength of credit unions in the province.

Fund equity stands at \$19,090,549 or 1.05% of system assets versus a benchmark of 1%.

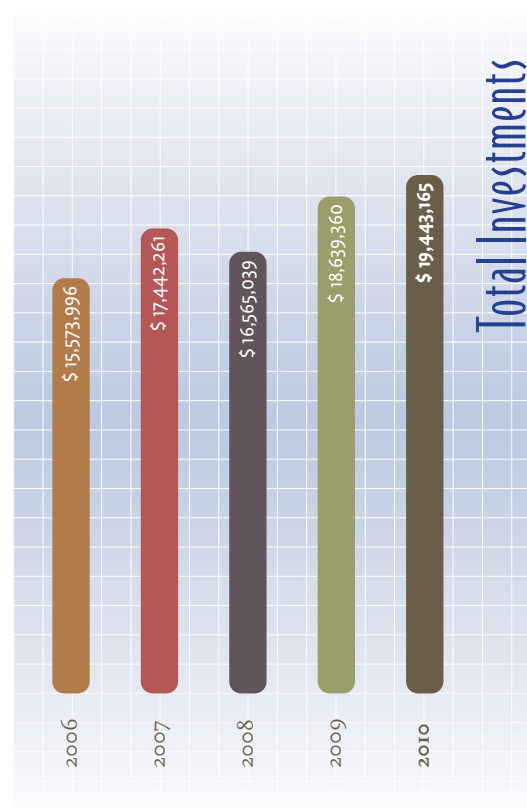
Pat Ryan,
Chief Executive Officer

The CEO



Operating expenses increased \$93,138, or 7.4% over 2009. The increase is attributable to Professional Fees (\$48,354) related to the recruitment of a new CEO, and Salary and Employee Benefits (\$49,940), largely related to the addition of a new Analyst's position during the year.

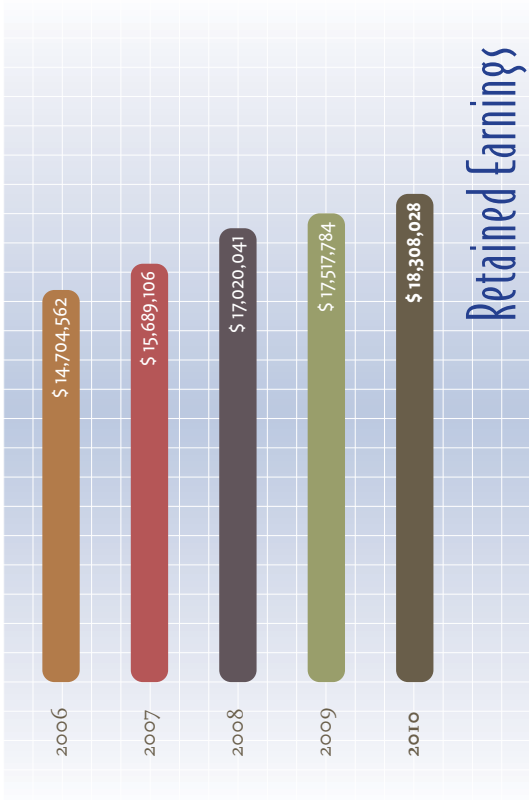
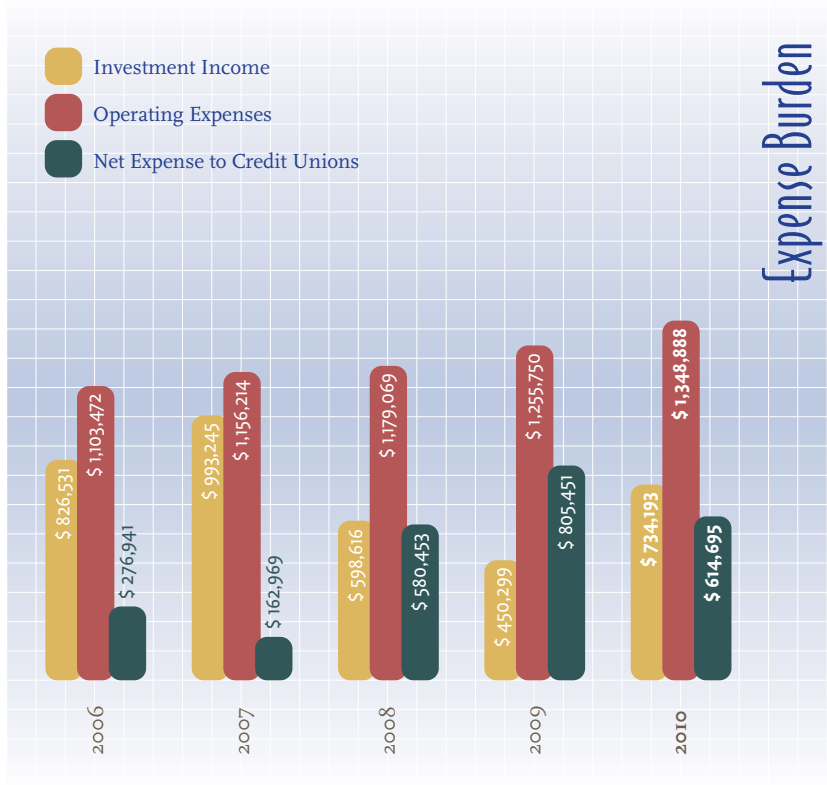
The Investment Committee and the Board provide careful oversight of our investment portfolio. Approximately 80% of our funds are managed by a third party, with Canadian and global equities comprising a significant portion of this portfolio. This asset class performed well as markets continue to recover from the sharp market downturn in late 2008 and early 2009. The one-year return on our managed portfolio was 8.91%; since its inception in 1992, the portfolio has had an overall return of 6.31%. Return is commensurate with the low risk nature of the portfolio. As of December 31, 2010, our investments were 21% in cash and equivalents, 39.8% in Fixed Income, 26.6% in Canadian Equity, and 12.6% in US Equity.



Two thousand and ten (2010) marked the first complete fiscal period since the signing of the Memorandum of Understanding on Roles and Responsibilities between the Superintendent's Office and CUDIC. Consistent with its sole responsibility in this area, CUDIC staff completed 20 on site examinations with satisfactory results. The Superintendent's Office, CUCNS and CUDIC continue to maintain an excellent relationship, with eight tri-party meetings held in 2010 providing a dynamic forum to discuss areas of mutual concern.

The Atlantic Central Initiative became a reality at the end of the calendar year. I agree with the sentiments expressed by my predecessor last year that it will benefit all Atlantic credit unions through development of a common brand, economies of scale and a meaningful voice at the national level.

I have had the opportunity to become acquainted with the leaders from the Atlantic Deposit Insurers and look forward to continuing the excellent working relationships that are in place at both the management and Board level.



System Results

Preliminary results for the system reflect net income after taxes of \$10.4 Million or 59 bps (\$8.96 Million 52 bps '09). System growth continues to be modest at 4.52% or \$78 Million year over year. Profitability is good and equity position is solid at 8.34%. Bottom line performance can be largely attributed to well controlled cost of funds with Gross Financial Margin improving by 11 bps to 3.69%, and other income (fees, commissions, rent) contributing \$25.2 Million to revenues. Investment income continued its downward trend dropping 14 bps or \$2 Million to 48 bps reflective of low interest rate environment. Loan growth at 5.69% contributed to improved interest income in absolute dollars at \$76.5 Million; although a decline of 15 bps to 4.3% of Weighted Average Assets.

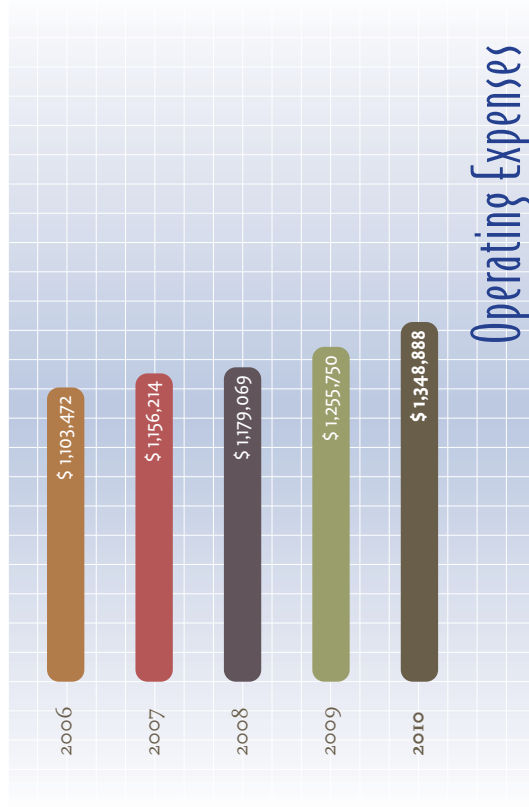
Excess liquidity was marginally reduced, with the system 74.99% lent out (74.15% '09). The bulk of growth occurred in Mortgages which grew by \$57 Million, or 8.58% year over year. Provision for Impaired Loans reduced substantially (\$367K) to 16 bps, reflecting prudent portfolio management. Delinquency is well controlled at 1.31% (1.28% '09)

for all accounts and LOCs over 30 days, and 90 day delinquency rate at .67% (.55% '09).

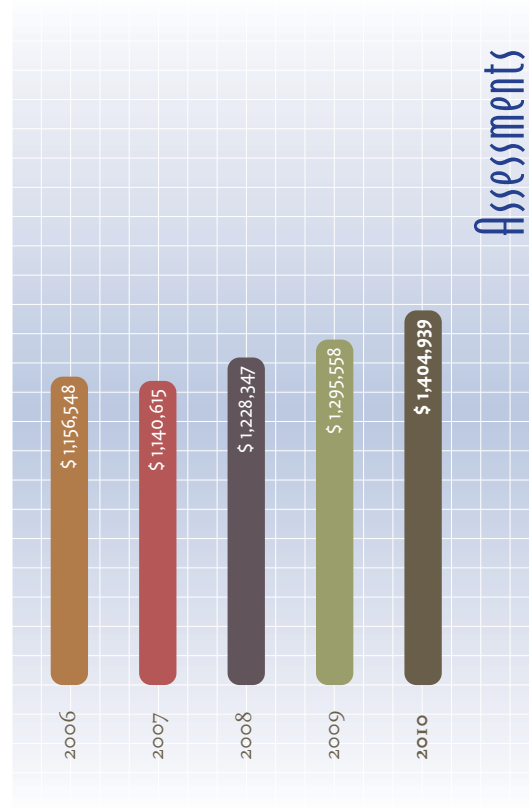
Operating expenses increased in absolute terms by \$1.7 Million to \$74.3 Million. Result improved as a percentage of WAA to 4.17% (4.24% '09). Personnel costs are the largest expense in this category increasing by \$2.9 Million or 2.03% to \$36.1 Million.

	Unaudited 2010	Unaudited 2009	2008	2007	2006
Return on Assets (% of average assets)	0.59	0.54	0.47	0.55	0.61
Total Equity	8.34	8.17	8.00	8.08	7.76
Delinquency >30 Days	1.31	1.28	1.48	1.57	1.21
Delinquency >90 Days	0.67	0.55	0.61	0.56	0.45
Asset Growth	4.52	4.79	7.34	5.25	5.75
Deposit Growth	4.17	3.60	6.79	4.34	3.60
Loan Growth	5.69	5.40	6.59	4.77	6.29

System Results



The Nova Scotia economy is expected to trail the nation in real GDP growth in 2011 at 1.8% versus the national forecast which stands at 3.2%. The general consensus of economists is for an environment of rising interest rates. The Bank of Canada recently expressed concern over the fact that consumer indebtedness is at an all-time high. The prospect of slow growth, rising interest rates



and high consumer debt loads are important issues for all system stakeholders to bear in mind as 2011 progresses.

These risk factors are top of mind for us at CUDIC; we will monitor them closely on behalf of depositors.

Finally, I would like to thank my predecessor, Vernon MacNeill, who along with the Board is responsible for the robust organization that I now have the privilege to lead. I would also like to express my gratitude to my colleague Norbert Gagnon who served as Interim CEO during the recruitment period for Mr. MacNeill's replacement.

I appreciate the gracious welcome I have received from the Board, staff and system stakeholders. I look forward to a long and productive working relationship!

Respectfully submitted,

Pat Ryan

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, 2010 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, 2010 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
February 4, 2011

Statement of Earnings

STATEMENT OF EARNINGS | YEAR ENDED DECEMBER 31

2010

2009

REVENUE

Assessments and recoveries (Note 8)

\$ 1,404,939

1,327,443

Investment and other income

734,193

450,299

Gain (loss) on disposal of assets

—

(1,026)

2,139,132

1,776,716

EXPENSES

Operating

Board and committees

132,303

147,042

Contracted services and expenses

105,444

93,618

Depreciation

26,541

24,455

Insurance

17,266

16,323

Legal and consulting

1,012

8,548

Occupancy

82,474

88,434

Office

54,049

52,091

Professional fees

124,916

76,562

Risk management programs

48,125

49,425

Salaries and employee benefits

643,262

593,322

Telephone

13,134

13,761

Travel

100,362

92,169

1,348,888

1,255,750

NET EARNINGS

\$ 790,244

\$ 520,966

See accompanying notes to the financial statements

Statement of Equity

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, 2009	\$ 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 losses on available for sale financial assets during the year	—	—	863,347	863,347	863,347
BALANCE DECEMBER 31, 2009	<u>\$ —</u>	<u>\$ 17,517,784</u>	<u>\$ 180,418</u>	<u>\$ 17,698,202</u>	<u>\$ 2,146,052</u>
Net earnings for the year	—	790,244	—	790,244	790,244
Realized gains (losses) transferred to net earnings during the year	—	—	(76,663)	(76,663)	(76,663)
Unrealized gains on available for sale financial assets during the year	—	—	678,766	678,766	678,766
BALANCE DECEMBER 31, 2010	<u>\$ —</u>	<u>\$ 18,308,028</u>	<u>\$ 782,521</u>	<u>\$ 19,090,549</u>	<u>\$ 3,538,399</u>

See accompanying notes to the financial statements

Balance Sheet

BALANCE SHEET | DECEMBER 31

2010

2009

ASSETS

Cash	\$ 60,703	\$ 67,001
Accounts receivable (Note 3)	55,619	155,394
Investments (Note 5)	19,443,165	18,639,360
Prepaid expenses	12,831	12,200
Property and equipment (Note 4)	45,475	16,936
	<u>\$ 19,617,793</u>	<u>\$ 18,890,891</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	\$ 527,244	\$ 1,192,689
Commitments (Note 12)		

EQUITY

Accumulated Other Comprehensive Income	782,521	180,418
Retained earnings	18,308,028	17,517,784
	<u>19,090,549</u>	<u>17,698,202</u>
	<u>\$ 19,617,793</u>	<u>\$ 18,890,891</u>

On behalf of the Board:

Camille Maillet
Director

Josée Lefort
Director

See accompanying notes to the financial statements

Statement of Changes in Cash Resources

STATEMENT OF CHANGES IN CASH RESOURCES | YEAR ENDED DECEMBER 31

2010

2009

Cash provided by (used for)

OPERATING ACTIVITIES

Investment and other income received	\$ 535,739	\$ 558,852
Assessments and recoveries received	1,482,380	1,329,641
Receipts from (advances to) employees on computer loans	(4)	2,051
Payments to employees and suppliers	(1,306,170)	(1,175,127)
Payment of First Claims Reserve	(737,365)	—
Receipts from unclaimed balances, net of paid outs	38,890	11,122
Cash flows provided by operating activities	<u>13,470</u>	<u>726,539</u>

INVESTING ACTIVITIES

Purchase of investments, net of proceeds of sale	35,312	(710,370)
Additions to equipment and leaseholds	(55,080)	(9,490)
Cash flows used for investing activities	<u>(19,768)</u>	<u>(719,860)</u>
Increase (decrease) in cash	(6,298)	6,679
Cash, beginning of year	<u>67,001</u>	<u>60,322</u>
Cash, end of year	<u><u>\$ 60,703</u></u>	<u><u>\$ 67,001</u></u>

See accompanying notes to the financial statements

Notes to the Financial Statements

DECEMBER 31, 2010

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.

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

	2010	2009
Dividend assistance and recoveries	\$ —	\$ 36,282
Credit Union assessments	—	41,719
Accrued interest	34,266	72,834
HST	19,442	3,212
Other	1,911	1,347
	<u>\$ 55,619</u>	<u>\$ 155,394</u>

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Rates				
Furniture and equipment	\$ 77,312	\$ 32,637	\$ 44,675	\$ 16,936
3 Yrs. S.L.				
Leasehold improvements	1,000	200	800	—
5 Yrs. S.L.				
	<u>\$ 78,312</u>	<u>\$ 32,837</u>	<u>\$ 45,475</u>	<u>\$ 16,936</u>

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 1.5% to 9.7% on an annual basis, with maturity dates ranging from less than a month to 98 years. These investments have a market value of \$15,598,305 and cost of \$14,815,784 (2009 – market value of \$14,359,180 and cost of \$14,178,763).

Investments also include credit union guaranteed investment certificates, with interest rates ranging from 1.38% to 4.03% and maturity dates up to October 2012. Market value is equal to cost for these investments.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Trade payables and		
accruals	\$ 113,796	\$ 47,942
Accrual for retirement	25,822	58,646
Unclaimed balances		
(Note 10)	387,626	348,736
Payable to credit unions		
(Note 7)	—	737,365
	<u>\$ 527,244</u>	<u>\$ 1,192,689</u>

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 prior year, interest income in the amount of \$23,223 was transferred to the reserve and these funds were returned to the credit unions pursuant to a decision by the Board of Directors.

8. ASSESSMENTS AND RECOVERIES

	2010	2009
Credit unions'		
assessments - regular	\$ 1,368,658	\$ 1,295,558
Recoveries of assistance		
to credit unions	36,281	31,885
	<u>\$ 1,404,939</u>	<u>\$ 1,327,443</u>

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:

2014	\$ 571,261
2015	199,756
2026	350,910
2027	274,237
2028	476,604
2029	636,373
2030	663,694
	<u>\$ 3,172,835</u>

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.

11. 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 (recovery)	\$ (2,343)
Amortization of the transitional obligation	10,224
Retirement benefit costs recognized	<u>\$ 7,881</u>

Continuity of transitional obligation:

Unamortized transitional obligation	
beginning of year	\$ 105,644
Amortization for the current year	10,224
Unamortized transitional obligation	
end of year	<u>\$ 95,420</u>

12. COMMITMENTS

Lease commitments

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

2011	\$ 106,653
2012	87,348
2013	87,348
2014	80,059
2015	73,476
	<u>\$ 434,884</u>

Retirement savings plan contributions

The Corporation contributes to retirement savings plans on behalf of all employees. 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 (2010 - \$31,495; 2009 - \$28,506).

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Corporation's financial statements will be prepared in accordance with IFRS for the fiscal year ended December 31, 2011, including comparative balances for the prior year. The Corporation is currently implementing a conversion plan to identify the impact of IFRS on the financial statements. Based on findings to date, the impact on IFRS on the Corporation's financial statements is expected to be mainly in presentation and disclosure with the exception of the accounting policy for employee future benefits.

International Accounting Standard #19 (IAS 19) requires that liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately. Currently, the corporation is amortizing the transition obligation on a straight line basis over the average remaining service period of employees expected to receive benefits under the benefit plan as of January 1, 2008. Effective January 1, 2011 the unamortized transitional obligation of \$95,420 will be recognized as a liability and an expense.

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.

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