2024

NOVA SCOTIA CREDIT UNION DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT

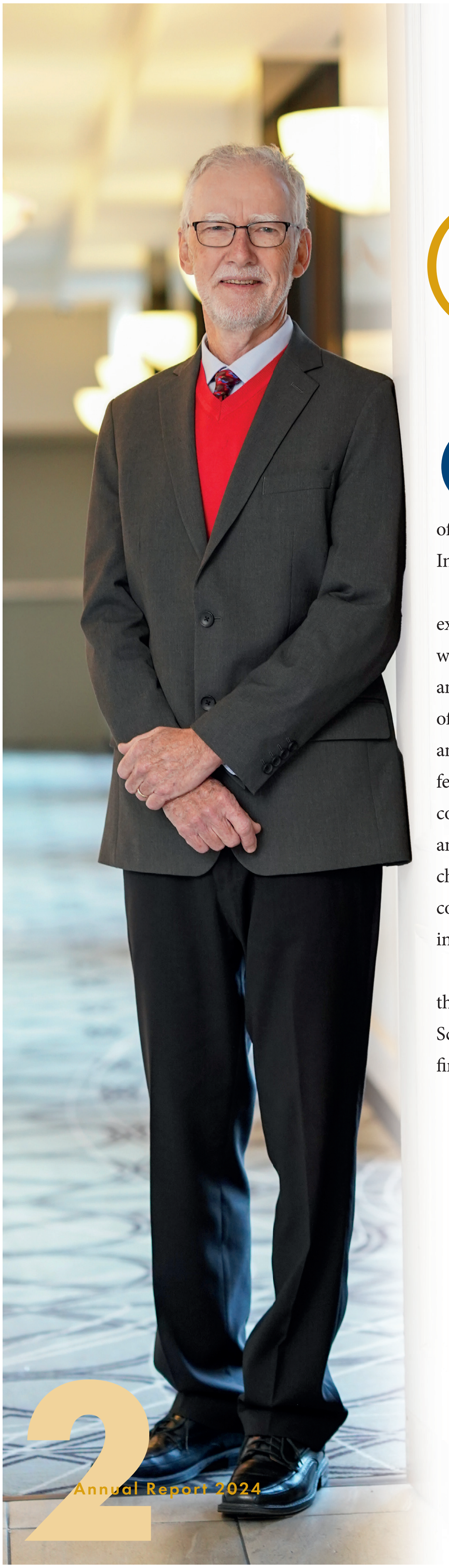
CUDIC™

Mission Statement

To maintain member, stakeholder and public confidence in the Nova Scotia Credit Union System

Contents

TABLE OF CONTENTS



Chair

REPORT OF THE CHAIR OF THE BOARD

On behalf of the Board of Directors, I am pleased to present the 2024 Annual Report of the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC).

For most of the past year, Nova Scotians experienced fewer economic uncertainties with lower interest rates, reduced inflation and low unemployment. It was a sigh of relief from the wildfires, hurricanes and inflationary storms of the preceding few years. Although this led to stronger consumer confidence, housing availability and affordability continued to be a major challenge with significant increases in the cost of buying or renting a home anywhere in the Province.

With this as a backdrop, it is reassuring that both CUDIC and the twenty-one Nova Scotia credit unions achieved very positive financial and operating results in 2024.

Our Guarantee Fund Reserve increased by $7.1 Million to $55.2 Million. Coupled with similar positive results from the previous year, the Fund now represents 1.1% of system assets. As guarantor of credit union member deposits, the preservation and growth of this Fund is particularly important. Our operating results were notably better than budget and our investment portfolio return was an impressive 12.5%. Management's keen oversight continued to be the key driver to our strong financial position.

The credit union system also realized very positive financial results in 2024. Total assets grew by 9.69% to $4.75 Billion. Surplus earnings of $39.9 Million contributed to an increased system equity position of 8.63%. This compares favourably with asset growth of 8.7% and earnings of $39.8 Million in 2023. A more detailed analysis of these financial results is included in our CEO Mike Hurley's report that follows.

Credit union consolidation continued in the past year with the members of Community, Victory and New Ross Credit Unions approving a merger to form Mosaik Credit Union. Members of Provincial Government Employees Credit Union and East Coast Credit Union also agreed to a merger. Both mergers took effect January 1, 2025. Neither of these mergers will result in a loss of services or a reduction of employees or branch locations. In fact, while other financial institutions are closing branches and leaving communities, credit unions have announced branch expansions or new locations in Amherst, Pugwash, Sydney and West Bedford.

Our Board of Directors continued to meet on a quarterly basis while our committees met throughout the year as required. We also combined the Executive and Human Resources Committees and updated our By-laws, consistent with effective governance practices. A complete review of our legislative authorities and responsibilities was undertaken jointly by the Chair and CEO to clearly delineate the roles of the Board and management. Our annual strategic planning session focused on our current priorities and emerging issues such as consumer driven banking or open banking.

Our regulatory oversight responsibilities of Atlantic Central were a marked priority in 2024. We completed the first year of our three-year examination plan, provided on-going monitoring of liquidity and operating results and developed formal prudential standards to guide this work. We wish to acknowledge the co-operation from Atlantic Central in enabling us to fulfill this mandate.

We also wish to acknowledge our continued working relationship with the Superintendent of Credit Unions, Dave McCarron, and our open lines of communication with all stakeholders including other Atlantic region regulators. These relationships were particularly important as we monitored and assessed the banking system conversions and the financial impacts on credit unions. This focus will continue in 2025 as the remaining banking system conversions are completed and the related costs become more certain.

In late 2024, the former provincial Finance Minister, Allan MacMaster, approved a general review of the Credit Union Act and Regulations. This work will be a priority over the next year as it provides an opportunity to ensure we have a forward-looking legislative framework for the future success of the credit union system and its regulatory oversight.

While reporting on the past year's results, we can't ignore the elevated uncertainties that we expect to face in 2025. The threat of US trade tariffs and even a changing world order are a risk to us all. CUDIC will be closely monitoring these uncertainties and will consider options such as de-risking its portfolio while ensuring the preservation of our Stabilization Fund. Credit unions should consider the impact of possible increased costs, higher unemployment and lower growth. The credit union system is well-positioned to respond to these pressures but must do so with diligence and sound risk management practices.

We wish to thank our CEO Mike Hurley for his excellent leadership and for his effective management of our organization. He is well respected within our Province and recognized nationally for his role in the Credit Union Prudential Supervisors Association. His work is made all the more effective through the efforts of our knowledgeable and dedicated staff.

We also wish to recognize two retiring directors, Johnny Armstrong and Bev Cooke, for their combined 15 years of service. Thank you to all our directors for their contribution and informed decision-making throughout 2024.

Respectfully submitted,

Rick Parker,
Chair of the Board of Directors

The Board

THE BOARD OF DIRECTORS AND COMMITTEES

INVESTMENT COMMITTEE

This committee reviews the Corporation's investment performance, policies and procedures.

- Jason Rose, *Chair*
- Jim Kavanaugh
- Darrell Evasuk
- Carol Barr
- Rick Parker, *Ex-Officio*

AUDIT COMMITTEE

This committee reviews the audited annual financial statements of the Corporation. They also review recommendations made by the external auditor regarding internal controls and procedures and ensures that appropriate action is taken.

- Carol Barr, *Chair*
- Jim Kavanaugh
- Deogratias Dushimumukiza
- Mike MacIsaac
- Rick Parker, *Ex-Officio*

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.

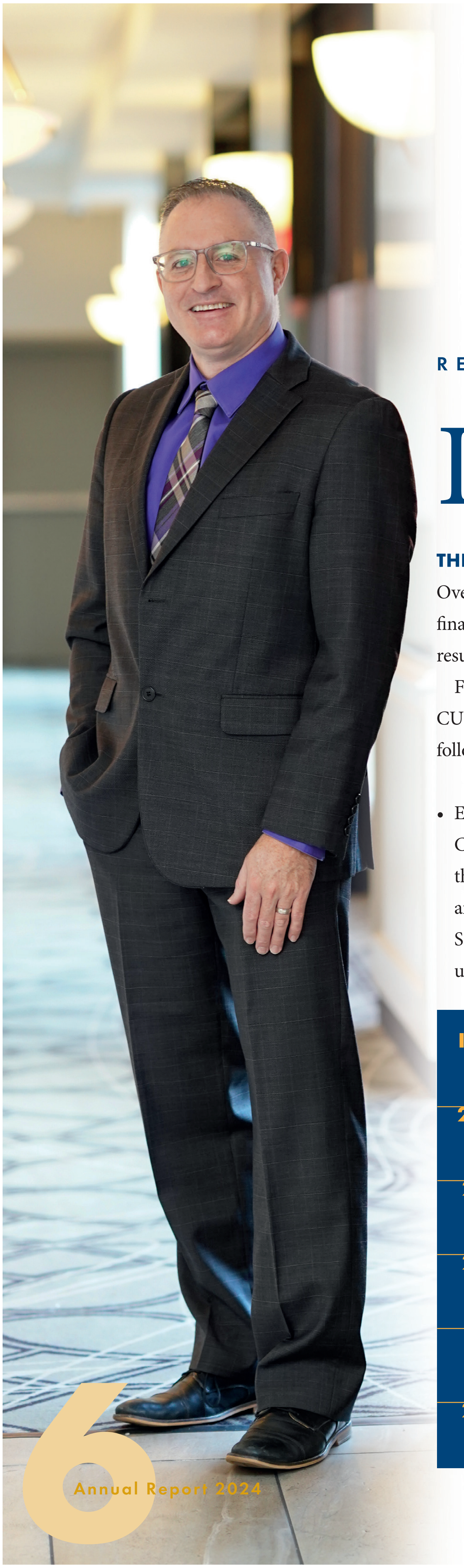
- Deogratias Dushimumukiza, *Chair*
- Darrell Evasuk
- Mike MacIsaac
- Jason Rose
- Rick Parker, *Ex-Officio*

EXECUTIVE & 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.

- Rick Parker, *Chair*
- Carol Barr, *Vice-Chair*
- Darrell Evasuk, *Secretary*

Standing (l-r): Mike MacIsaac, Carol Barr, Rick Parker, Deogratias Dushimumukiza
Seated (l-r): Jason Rose, Darrell Evasuk, Jim Kavanaugh



CEO

REPORT OF THE CHIEF EXECUTIVE OFFICER

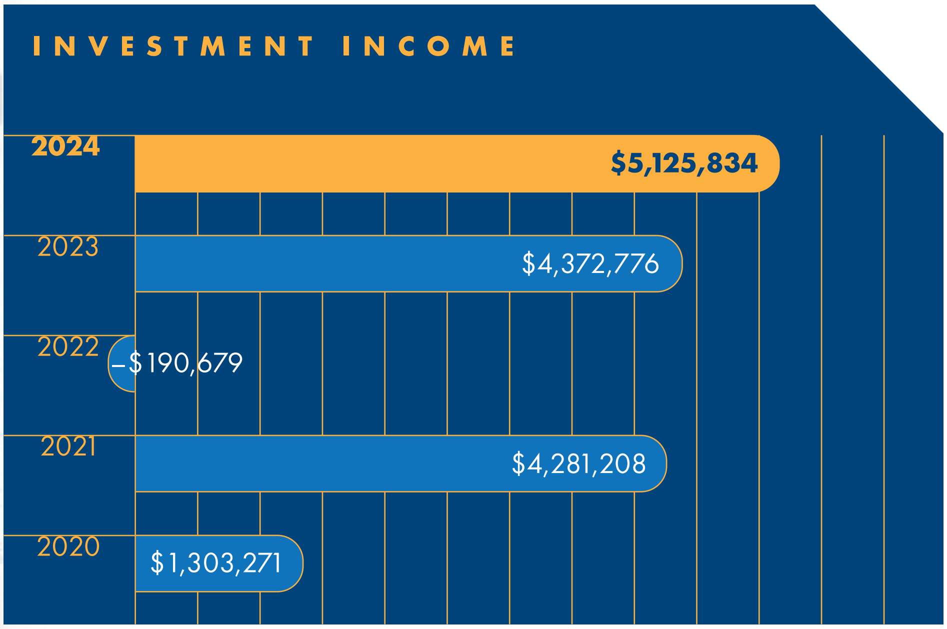
I am pleased to report on the operational results for the Corporation and the state of the system for 2024.

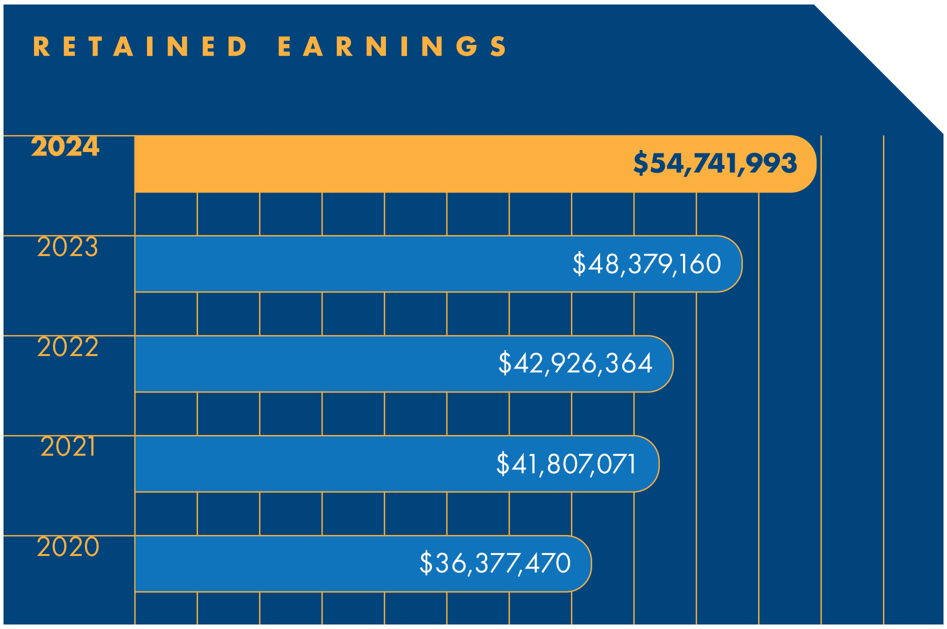
THE YEAR IN REVIEW

Overall, the system had a successful year financially, highlighted by strong financial results that will be detailed in this report.

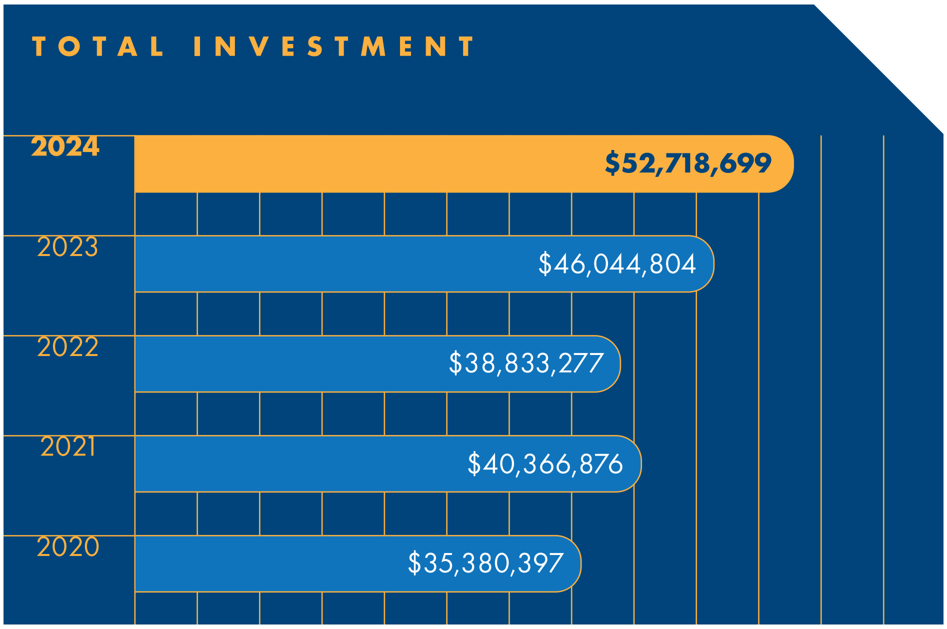
From the Corporation's perspective, CUDIC successfully completed the following major initiatives in 2024.

- Effective January 1, 2024, Nova Scotia CUDIC began regulating Atlantic Central through risk management, monitoring, and oversight. This change aligned Nova Scotia and Atlantic Canada with credit union Central Regulation across Canada.
- CUDIC continues to work with credit unions to ensure that good governance is being practiced. The CUDIC Standards of Sound Business and Financial Practices were revised in 2023. There was a consultation period with credit unions and Atlantic Central in early 2024 and the new Standards went in effect on June 1, 2024.
- Nova Scotia CUDIC, along with the other Atlantic Canadian Regulators worked closely with credit unions and League Data to understand and manage risk related to transitioning to a new banking system in 2024. Ten (10) Nova Scotia credit unions had successfully transitioned to a new banking system by December 31, 2024.

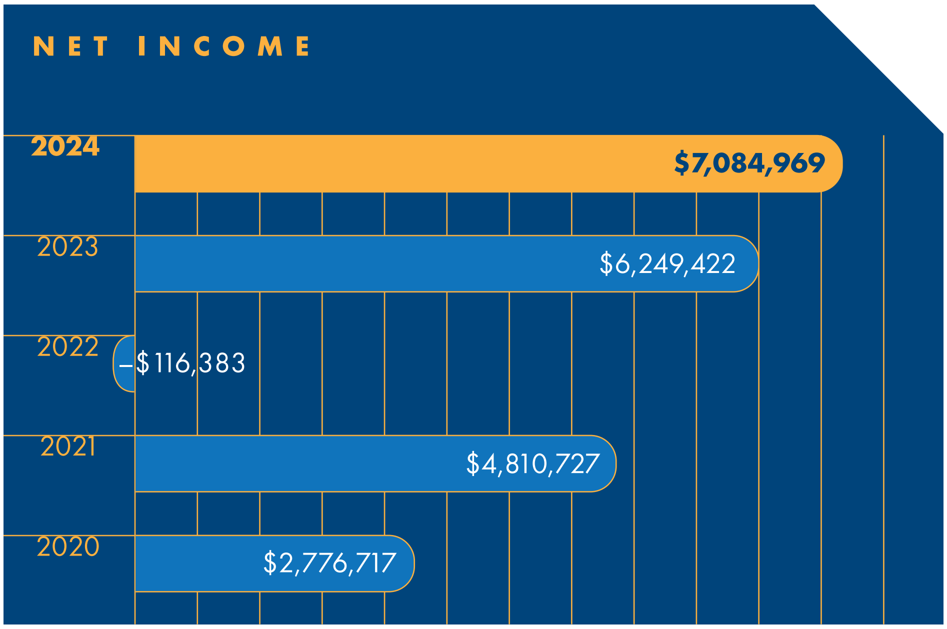




- Nova Scotia CUDIC hosted the National Credit Union Prudential Supervisors Network (CUPSA) meetings in Halifax on May 29th and 30th, 2024. There was a dedicated day of presentations and discussion with Federal counterparts from Office of the Superintendent of Financial Institutions (OSFI) Canada Deposit Insurance Corporation (CDIC), Bank of Canada, Financial Consumer Agency of Canada (FCAC) and Payments Canada.
- The CUDIC Board of Directors held a Strategic Plan Review Session in September 2024. Discussion focused on progress and results compared to Objectives outlined in the 2024-2027 CUDIC Strategic Plan.
- Atlantic Central, the Atlantic CUDIC's/ CUDGC/FCNB and the Office of the Superintendent of Credit Unions continued a multi-year Liquidity Project in 2024 with a focus on Statutory Liquidity held with the Central and the focus on enhancing the Crisis Preparedness Plan.



- CUDIC continued its work with the Bank of Canada to enable Nova Scotia access to Emergency Lending Assistance (ELA), including the Short-Term Lending Facility (STLF) offered by the Bank of Canada if there is a systemic liquidity event. There were changes to the Canada Payments Act in 2024 that will allow credit unions to be a member of Payments Canada once entry criteria have been drafted by Finance Canada.
- CUDIC intervened as necessary with credit unions to ensure that risk levels remain within acceptable parameters.



EXTERNAL AFFILIATIONS

The Corporation continues to have regular and ongoing involvement with several regulatory associations.

The Credit Union Prudential Supervisors Association of Canada (CUPSA). As noted above, the organization is composed of credit union deposit insurers and prudential supervisors from across Canada. CUPSA works toward maintaining a sound and sustainable credit union sector. Our work in the year focused on Credit Union Continuance to the Federal Framework, access to ELA/STLF Liquidity facilities offered by the Bank of Canada, Deposit insurance work with CDIC, Consumer Driven Banking and Membership in Payments Canada.

The International Credit Union Regulators Network (ICURN). This organization has members from around the world who are engaged in regulation of the credit union systems in their countries. The 2024 Annual meetings were held in Kenya, Africa. CUDIC planned to attend the Annual Meetings and were asked to participate on a panel focused on "Implementing and Updating Deposit Protection Systems for Credit Unions". Due to events in Kenya just prior to the Annual Meetings, and based on recommendations from the Federal Government, the decision was made that we do not attend. CUDIC looks forward to participating at the 2025 ICURN Annual Meeting in Dublin, Ireland in July 2025.

The Financial Protection Forum is an association of prudential regulators that span the financial services industry including insurance, investment dealers and federally regulated deposit taking institutions. The association meets annually to discuss current issues. This year's meeting took place in Quebec City in conjunction with CUPSA National meetings and meetings with CDIC.

LOCAL RELATIONSHIPS

There continues to be regular communication with leaders from other Atlantic Canadian credit union regulators and deposit insurers to share information and best practices. The Superintendent's Office, Atlantic Central and CUDIC continue to maintain an excellent working relationship, with regular meetings held during the year providing a forum to discuss areas of mutual concern.

TEAMWORK

I wish to extend my sincere thanks to the Staff of the Corporation who continue to provide exceptional professional and knowledgeable service to the Nova Scotia credit union system. I want to recognize Mike Johnson, Senior Analyst and Manager of the Loan Review Program who retired in 2024 after 14 years with CUDIC and over 40 years in the banking sector. Our regulatory oversight team completed all scheduled Loan Reviews as well as Internal Controls and CUSAR Reviews.

I want to extend my sincere gratitude and appreciation to the CUDIC Board of Directors for their contributions including wise counsel and strong support during 2024. I want to pass along a thank you to Rick Parker, Chair of the CUDIC Board of Directors, who began his second year as Board Chair in March 2024 and has provided excellent guidance and support.

CUDIC RESULTS

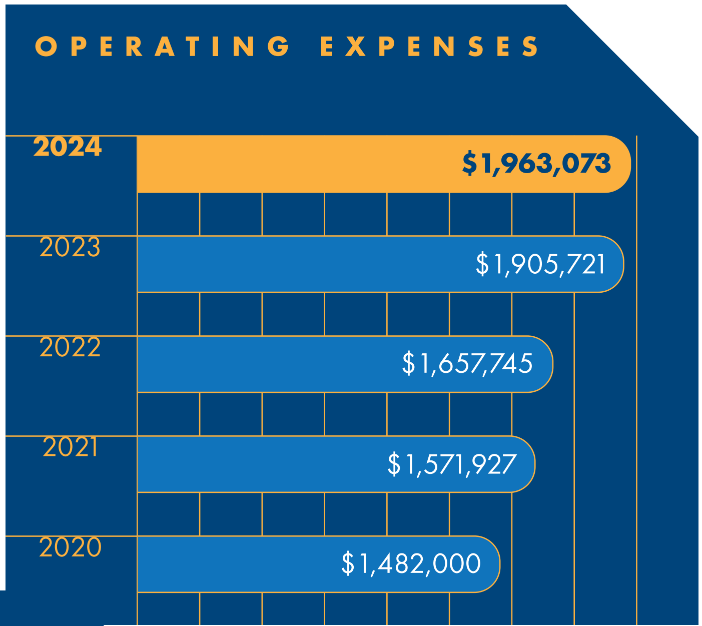
CUDIC produced positive financial results in 2024 with Net earnings of $6,362,833 and Unrealized Gains of $722,136 for Total Comprehensive Income of $7,084,969 ($6,249,422 – 2023). This builds on a strong financial year in 2023, as a result of strong internal fiscal management combined with strong investment markets in 2024. Assessments charged to credit unions increased slightly to $3.20 Million. Weighted average differential premium for the system decreased to 7.16 basis points (7.32 bp '23) as a result of lower risk assessments in the credit union system.

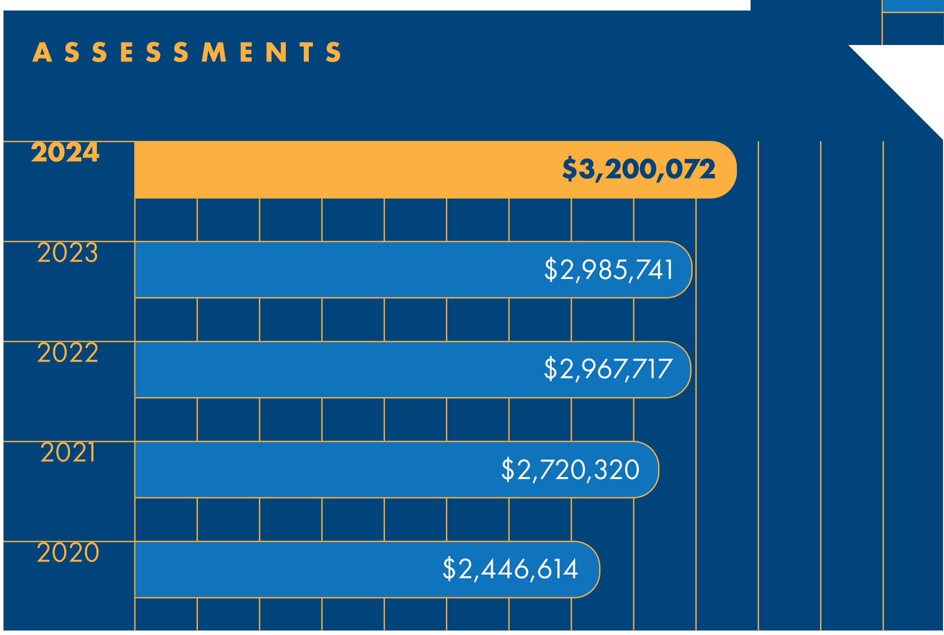
Operating expenses overall increased by 3.0% or $58K from 2023. There was a material increase in Office and Staff Functions related to the addition of a new position to manage Atlantic Central oversight. Salaries and Benefits increased by $57K also due to a new staff member to oversee Atlantic Central. There was a $27.5K decrease for Professional Fees as a result of less professional services required. Other expense categories were largely in line with historical figures.

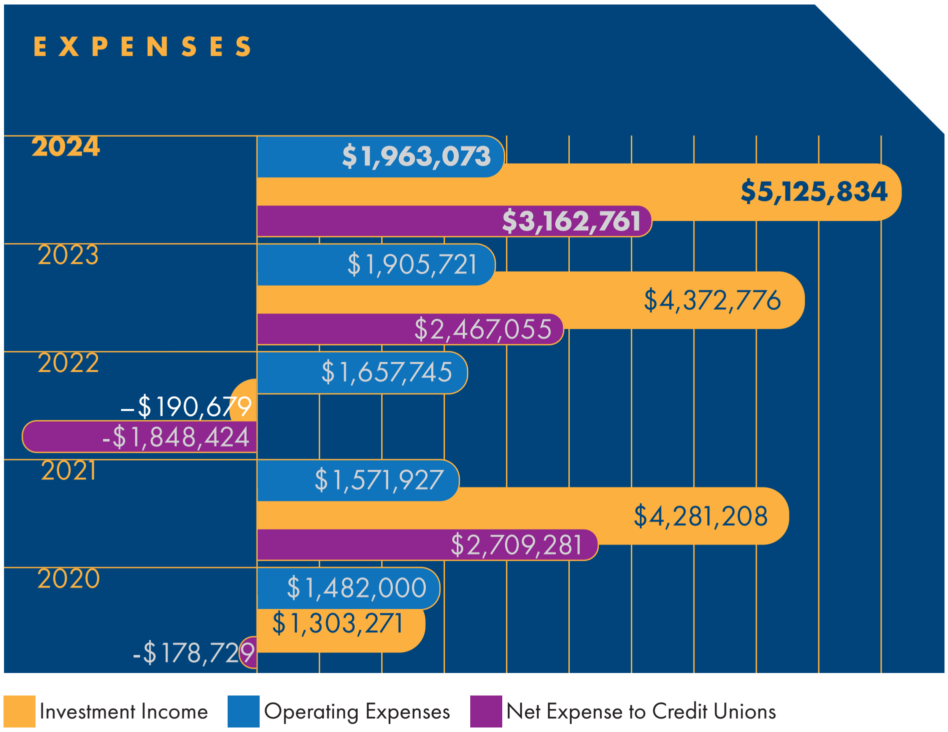
The Investment Committee and Board exercise thorough oversight of our investment portfolio. A third party manages approximately 96% of our funds. The portfolio is comprised of Fixed Income products in combination with Canadian and US Equities. The one-year return on our managed portfolio was 12.47% (12.54% '23). While returns were positive, the benchmark for our portfolio was 14.40%; 1.93% less than benchmark.

The holdings in our portfolio are carefully selected for quality by our investment counsel and are well diversified. Since its inception in 1992, the portfolio has had an overall return of 6.27%. As at December 31, 2024, our investments were 2.4% in cash and equivalents, 55.0% in Fixed Income, 29.4% in Canadian Equity, 12.8% in US Equity and 0.4% in International Equity. All investments have a ready aftermarket and can be liquidated on short notice if necessary.

Fund balance at year-end was $52,718,699 (or 1.11% of system assets (2023 – $46,044,804 or 1.06%).







SYSTEM RESULTS

Audited results reflect net income after taxes of $39.9 Million or 87bps ($39.8M or 96bps '23).

Credit Unions are to be congratulated on a strong financial year whereby credit unions incurred financial expenses and prepaid expenses for the new banking system. Overall Net Income improved by increasing total Financial Revenue by 46bps to 4.95% (4.49% in '23) while reducing Total Operating Expenses to 2.76% (2.77% '23) and a Gross Financial Margin of 2.90% (2.90% in '23).

There was strong Asset growth of 9.69% or $419 Million (8.67% '23). Equity position increased to 8.63% (8.49% '23) mainly due to increases in Retained Earnings. Deposits grew by 9.77%% or $368M (7.01% '23), while loan growth was slightly less then 2023 at 7.86% or $248M (7.75% '23). Loan / Asset ratio was 71.54% at December 31st. (71.41% '23).

As noted above, the Total System Loan Portfolio grew $ 248 Million (7.86%) to $3.4 Billion in 2024. Retail Mortgages declined $6 Million in 2024 (0.04%), compared to a $23 Million increase in 2023 (1.61%). Personal Loans grew $58.9 Million (12.2%) in 2024, compared to $60 Million (14.10%) in 2023. Commercial Loans increased by $111.3M YoY or 14.4% in 2024. Syndication Loans grew to $130 Million in 2024 for a total increase of $13 Million YoY.

Delinquency increased to 1.37% (0.92% '23) for all accounts and LOCs over 30-day and 90-day delinquency rate increased to 0.71% (0.41% '23).

CONCLUSION

Overall, 2024 was a successful year financially for the system, however the development and implementation of the new banking system had an impact on the overall profitability for the year. Credit Unions have continued to find ways to adapt to and overcome the many challenges that financial institutions are confronted with. We appreciated the excellent cooperation we have received from all system participants in executing our mandate.

Respectfully submitted,

Mike Hurley
Chief Executive Officer

SYSTEM RESULTS

	Return on Assets (% of average assets)	Total Equity	Delinquency >30 days	Delinquency >90 days	Asset Growth	Deposit Growth	Loan Growth
2024	**0.87**	**8.63**	**1.37**	**0.71**	**9.69**	**9.77**	**7.86**
2023	0.96	8.49	0.92	0.41	8.67	7.01	7.75
2022	0.92	8.23	0.84	0.36	6.57	3.89	14.4
2021	0.88	7.39	0.83	0.47	10.99	10.38	7.57
2020	0.64	7.38	1.21	0.61	13.35	13.46	3.11

Financials

FINANCIAL STATEMENTS

Auditor's

TO THE DIRECTORS OF NOVA SCOTIA CREDIT UNION DEPOSIT INSURANCE CORPORATION

Opinion

We have audited the financial statements of Nova Scotia Credit Union Deposit Insurance Corporation (the "NSCUDIC"), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NSCUDIC as at December 31, 2024, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NSCUDIC in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NSCUDIC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NSCUDIC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NSCUDIC's financial reporting process.

Report

INDEPENDANT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NSCUDIC's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NSCUDIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NSCUDIC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Myles T Sweeney Limited

Chartered Professional Accountants
Dartmouth, Nova Scotia
March 21, 2025

Statements

STATEMENT OF FINANCIAL POSITION

DECEMBER 31	2024	2023
ASSETS		
Cash and equivalents (restricted $1,974,221; 2023 – $1,631,595)	**$ 4,414,817**	$ 3,853,325
Accounts receivable *(Note 4)*	**119,233**	26,708
Investments *(Note 6)*	**52,718,699**	46,044,804
Prepaid expenses	**59,404**	37,855
Property, plant and equipment *(Note 8)*	**226,965**	253,591
Total assets	**$ 57,539,118**	$ 50,216,283
LIABILITIES		
Accounts payable and accrued liabilities *(Note 5)*	**$ 288,919**	$ 375,207
Unclaimed balances *(Note 7)*	**1,974,221**	1,631,595
Current portion of lease liabilities *(Note 10)*	**48,731**	41,425
	2,311,871	2,048,227
Lease liabilities *(Note 10)*	**16,461**	42,239
Total liabilities	**2,328,332**	2,090,466
EQUITY		
Accumulated other comprehensive income (loss), net of tax	**468,793**	(253,343)
Retained earnings	**54,741,993**	48,379,160
Total equity	**55,210,786**	48,125,817
Total liabilities and equity	**$ 57,539,118**	$ 50,216,283

Approved on behalf of the board:

Carol Bau
Director

Jim [signature]
Director

(See accompanying notes to the financial statements)

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31	2024	2023
REVENUE		
Assessments and recoveries	$ 3,200,0721	$ 2,985,741
Investment and other income *(Note 9)*	5,125,834	4,372,776
	8,325,906	7,358,517
EXPENSES *(Note 11)*	1,963,073	1,905,721
NET INCOME	6,362,833	5,452,796
OTHER COMPREHENSIVE INCOME		
Unrealized gains on fixed income investments	722,136	796,626
TOTAL COMPREHENSIVE INCOME	$ 7,084,969	$ 6,249,422

(See accompanying notes to the financial statements)

STATEMENT OF CHANGES IN EQUITY

	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2022	$ 42,926,364	$ (1,049,969)	$ 41,876,395
Net income for the year	5,452,796	—	5,452,796
Other comprehensive income	—	796,626	796,626
BALANCE AT DECEMBER 31, 2023	48,379,160	(253,343)	48,125,817
Net income for the year	6,362,833	—	6,362,833
Other comprehensive income	—	722,136	722,136
BALANCE AT DECEMBER 31, 2024	$ 54,741,993	$ 468,793	$ 55,210,786

(See accompanying notes to the financial statements)

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31	**2024**	2023
Cash provided by (used for)		
OPERATING ACTIVITIES		
Investment and other income received	**$ 4,051,921**	$ 2,551,454
Assessments and recoveries received	**3,200,072**	2,985,741
Receipts from unclaimed balances, net of payouts	**342,626**	296,579
Payments to employees and suppliers	**(2,053,048)**	(1,738,150)
Cash flows provided by operating activities	**5,541,571**	4,095,624
FINANCING ACTIVITIES		
Cash payments on lease liabilities	**(48,578)**	(42,720)
INVESTING ACTIVITIES		
Purchase of investments, net of proceeds of sale	**(4,888,727)**	(4,593,579)
Proceeds on sale of vehicles	**46,675**	—
Additions to equipment and vehicles	**(89,449)**	(114,048)
Cash flows used for investing activities	**(4,931,501)**	(4,707,627)
INCREASE (DECREASE) IN CASH	**561,492**	(654,723)
CASH, BEGINNING OF THE YEAR	**3,853,325**	4,508,048
CASH, END OF YEAR	**$ 4,414,817**	$ 3,853,325

(See accompanying notes to the financial statements)

Notes

NOTES TO THE FINANCIAL STATEMENT

1. GOVERNING LEGISLATION AND OPERATIONS

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

The purposes of NSCUDIC 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 NSCUDIC to loss.

Under the Credit Union Act, NSCUDIC 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 Atlantic Central and the Superintendent of Credit Unions of Nova Scotia), and act as liquidator of a credit union.

As of January 1, 2024, NSCUDIC is also responsible for regulation and risk oversight of Atlantic Central, as per the Credit Union Act. The role of Atlantic Central is to represent and support the credit unions of Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island. Atlantic Central's key financial role is management of the system's liquidity reserve requirements and provision of central and investment banking services to Atlantic credit unions. NSCUDIC will be performing ongoing financial risk monitoring as well as annual onsite reviews to ensure risk is being effectively managed.

On March 21, 2025, NSCUDIC's Board of Directors approved and authorized for issue the financial statements for the year ended December 31, 2024.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value in the Statement of Financial Position. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional currency

These statements are denominated in Canadian dollars which is NSCUDIC's functional currency.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the area of estimation uncertainty in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is described in Note 3 – Credit union assistance.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Cash and equivalents

Cash and cash equivalents include cash on hand and on deposit.

Financial assets

All financial assets are intially recognized at fair value in NSCUDIC's Statement of Financial Position and are subsequently classified as measured at fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on NSCUDIC's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics. Financial assets can only be reclassified when there is a change to the business model within which they are managed.

Such classifications are applied on a prospective basis.

(i) Classification

Cash	Amortized cost
Fixed income investments	FVTOCI (debt instruments)
Equity investments	FVTPL (equity instruments)
Accounts receivable	Amortized cost

(ii) Amortized cost

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. Amortized cost financial assets are accounted for at amortized cost using the effective interest method, less any impairment. Interest revenue is recognized through investment income by applying the effective interest rate.

(iii) Fair value through other comprehensive income

Debt instruments that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal.

Equity instruments that are held for trading are measured at FVTPL.

FVTOCI financial assets are carried at fair value with unrealized gains and losses recorded in the Statement of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income (AOCI) forms part of NSCUDIC's equity.

Realized gains and losses on fixed income and equity investments are recorded in investment and other income.

Interest on interest-bearing fixed income investments is calculated using the effective interest method and recorded in investment income.

Dividends on equity investments are recorded in investment income upon declaration.

(iv) Fair value through profit or loss

All financial assets not measured at amortized cost or FVTOCI are measured by FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch. Unrealized and realized gains and losses, dividends declared, and interest income on these financial assets are recorded in investment and other income.

(v) Impairment of financial assets

NSCUDIC recognizes loss allowance for expected credit losses (ECL) for any FVTOCI debt instrument or amortized cost asset. Loss allowance is measured as 12-month ECL if debt investment securities held at reporting date are of low credit risk. NSCUDIC considers a debt security to have a low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The ECL is a probability weighted estimate of credit losses measured as the present value of all cash shortfalls that are possible within 12 months after the reporting date.

At each reporting date, NSCUDIC assesses whether FVTOCI debt instruments or amortized cost assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

In making an assessment of whether an FVTOCI debt instrument or amortized cost asset is credit-impaired, NSCUDIC considers the following factors:

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessment of creditworthiness.
- The issuer's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

(vi) Derecognition of financial assets

NSCUDIC derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If NSCUDIC neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, NSCUDIC recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If NSCUDIC retains substantially all the risks and rewards of ownership of a transferred financial asset, NSCUDIC continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

Financial liabilities

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

(i) Classification

- Accounts payable and accrued liabilities
- Amortized cost
- Derivative liabilities
- FVTPL

Financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

NSCUDIC uses the effective interest method to recognize investment income or expense which includes premiums or discounts earned on financial instruments.

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating investment income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (other than premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Property, plant and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation methods are reviewed each year-end and changed if necessary. Cost includes expenditures that are directly attributable to bring the asset into working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components of property and equipment).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Depreciation

Depreciation is recognized in income on a basis that reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation of property and equipment for the current and comparative periods is based on estimates of useful life using the following rates and terms:

Right to use assets	straight-line	term of lease
Furniture and equipment	straight-line	3 years
Vehicle	declining balance	30%

Leases

NSCUDIC classifies a contract, or component of a contract, as a lease if it conveys a right to control the use of an identifiable asset for a period of time in exchange for consideration. NSCUDIC recognizes a right of use asset and lease liability for all leases at the commencement date.

Lease liabilities are initially measured at the present value of the lease payments due over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at NSCUDIC's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed contractual payments, variable contractual payments based upon a rate or index and any amounts payable with respect to purchase, extension and/or termination options when it is reasonably certain NSCUDIC will exercise the option. Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method.

Lease liabilities are presented on the statement of financial position and the interest expenses are recognized under expenses on the statement of comprehensive income.

Right of use assets are initially measured at cost, which comprise the initial amount of the lease liability plus initial direct costs and estimated decommissioning costs, less any lease incentives received. Right of use assets are subsequently amortized on a straight line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Right of use assets are presented under property, plant and equipment on the statement of financial position and the depreciation of right of use assets are recognized under expenses on the statement of comprehensive income.

Income tax

Current and deferred taxes are provided for in the same periods as the revenues and expenses to which they relate, except when they relate to items that are recognized outside the Statement of Comprehensive Income, in which case the taxes are also recognized outside the Statement of Comprehensive Income. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which NSCUDIC expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets or liabilities, are included in the Statement of Financial Position as either a noncurrent asset or liability, with changes in the year recorded in the Statement of Comprehensive Income in tax expense.

Deferred tax assets and liabilities are offset when there is a legally enforced right to set off current tax assets against current tax liabilities and NSCUDIC intends to settle its current tax assets and liabilities on a net basis.

Deferred taxes are reviewed at each Statement of Financial Position date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized at historical cost which is a reasonable estimate of fair value.

Cash flow statement

The cash flow statement is prepared using the direct method.

Income tax positions

NSCUDIC is subject to taxation in Canada. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. NSCUDIC maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

NSCUDIC reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) 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 the amount of revenue can be measured reliably and it is probable that the economic benefit will flow to NSCUDIC.

(ii) Investment income

Interest and dividend income from a financial asset is recognized when it is probable that the economic benefits will flow to NSCUDIC and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Unrealized holding gains and losses related to fixed income 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.

Credit union assistance

A provision for assistance is only recognized if, as a result of a past event, NSCUDIC has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilization, amalgamations, arrangements, liquidations or dissolutions. NSCUDIC provides for a provision for financial assistance based on three main components, as follows:

(i) Where the need for assistance becomes likely and the amount for specific credit unions can be reasonably estimated.

(ii) Where the amount can be reasonably estimated and arises from indemnity agreements entered into with credit unions due to outcomes described above.

(iii) Where NSCUDIC has determined there is the potential for financial assistance based on an analysis of the inherent risks in the credit union system.

A contingent liability for financial assistance arises from a liability of sufficient uncertainty with respect to the probability and the amount of the expected outflows such that it does not qualify for recognition as a provision. Depending on the probability of loss occurring, contingent liabilities may be disclosed in the notes to the financial statements. Contingent liabilities may be established based on potential individual credit union assistance payments and/or an assessment of the inherent risk in the credit union system.

4. ACCOUNTS RECEIVABLE

	2024	2023
Atlantic Cental receivable	**$ 90,810**	$ —
Harmonized sales tax	**28,423**	26,708
	$ 119,233	$ 26,708

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payables and accruals	**$ 86,102**	$ 164,494
Accrual for retirement *(Note 15)*	**202,817**	210,713
	$ 288,919	$ 375,207

6. INVESTMENTS

	2024	2023
Fixed income investments		
Government	**$ 23,007,574**	$ 20,713,044
Corporate – Canadian	**5,910,810**	5,093,376
	28,918,384	25,806,420
Equity investments		
Canadian equities	**15,483,515**	13,890,187
US equities	**6,971,244**	5,583,930
	22,454,759	19,474,117
Short term investments	**707,081**	409,244
Cash on hand	**508,761**	240,725
Accrued income and other items	**129,714**	114,298
	1,345,556	764,267
Total managed investments	**$ 52,718,699**	$ 46,044,804

Cost of investments:

December 31, 2023:	$ 43,793,892
December 31, 2024:	$ 48,671,597

7. UNCLAIMED BALANCES

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

Continuity of unclaimed balances:

	2024	2023
Balance beginning of year	**$ 1,631,595**	$ 1,335,016
Add receipts from Credit Unions	**271,213**	245,234
Less payouts to members	**(4,808)**	(11,577)
Add accrued interest	**76,221**	62,922
Balance end of year	**$ 1,974,221**	$ 1,631,595

8. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use asset: building	Right-of-use asset: vehicles	Furniture and office equipment	Vehicles	**Total**
Cost					
Balance at January 1, 2023	$203,425	$ —	$ 133,341	$ 147,377	**$ 484,143**
Additions	—	—	24,874	89,174	**114,048**
Disposals	—	—	—	—	**—**
Balance at December 31, 2023	203,425	—	158,215	236,551	**598,191**
Additions	—	27,551	89,450	—	**117,001**
Disposals	—	—	(38,380)	(91,076)	**(129,456)**
Balance at December 31, 2024	**$ 203,425**	**$ 27,551**	**$ 209,285**	**$ 145,475**	**$ 585,736**
Accumulated depreciation					
Balance at January 1, 2023	$ 81,370	$ —	$ 117,441	$ 47,019	**$ 245,830**
Depreciation expense	40,685	—	14,200	43,885	**98,770**
Disposals	—	—	—	—	**—**
Balance at December 31, 2023	122,055	—	131,641	90,904	**344,600**
Depreciation expense	40,685	5,166	27,667	34,317	**107,835**
Disposals	—	—	(38,380)	(55,284)	(93,664)
Balance at December 31, 2024	**$ 162,740**	**$ 5,166**	**$ 120,928**	**$ 69,937**	**$ 358,771**
Net book value					
December 31, 2023	$ 81,370	$ —	$ 26,574	$ 145,647	**$ 253,591**
December 31, 2024	**$ 40,685**	**$ 22,385**	**$ 88,357**	**$ 75,538**	**$ 226,965**

Fully depreciated assets are retained in asset and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in earnings.

9. INVESTMENT AND OTHER INCOME

	2024	2023
Realized gains (losses) on fixed income investments	**$ (36,649)**	$ 95,543
Realized gains on equity investments	**2,780,031**	1,462,668
Unrealized gains on commitments	**3,928**	6,812
Unrealized gains on equity investments	**1,059,102**	1,814,509
Interest and dividends on managed investments	**1,222,088**	888,359
Other investment income	**86,451**	104,885
Gain on sale of vehicles *(Note 15)*	**10,883**	—
	$ 5,125,834	$ 4,372,776

10. LEASE LIABILITIES

	2024	2023
Lease payable to Toyota Financial Services, repayable in equal monthly installments of $651 including an implicit interest rate (6.59% per annum), until the end of the lease term on April 17, 2028.	**$ 22,953**	$ —
Lease payable to The Waterfront South Bedford Incorporated, repayable in equal monthly instalments of $3,560 including an interest rate of 2.00% per annum, until the end of the lease term on December 31, 2025. The interest rate represents the estimated rate NSCUDIC would pay to borrow funds over a similar term, and with similar security.	**42,239**	83,664
	65,192	83,664
Less: current portion of lease liabilities	**(48,731)**	(41,425)
	$ 16,461	$ 42,239

Under the lease agreement with The Waterfront South Bedford Incorporated, NSCUDIC also pays $3,251 per month for common area and cleaning charges. Common area and cleaning charges are recorded in occupancy expenses. During the year, NSCUDIC paid $48,578 in lease payments.

11. EXPENSES

	2024	2023
Board and committees	**130,710**	134,744
Contracted services and expenses	**63,655**	62,651
Depreciation	**107,835**	98,770
Insurance	**23,455**	21,902
Interest on capital leases	**2,557**	2,115
Legal and consulting	**8,329**	22,017
Occupancy	**40,856**	39,014
Office and staff functions	**121,000**	105,746
Professional fees	**221,430**	248,935
Risk management programs	**5,000**	—
Salaries and employee benefits	**1,139,459**	1,081,710
Telephone	**23,514**	21,466
Travel	**75,273**	66,651
	$ 1,963,073	$ 1,905,721

12. INCOME TAXES

NSCUDIC 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.

NSCUDIC 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:

2028	$ 475,301
2029	636,373
2030	663,694
2031	503,872
2032	539,388
2033	323,956
2034	390,113
2035	309,384
2036	788,447
2037	453,686
2038	312,404
2039	583,267
2040	212,187
2041	268,078
2042	193,252
2043	58,658
	$ 6,712,060

13. CAPITAL MANAGEMENT

NSCUDIC's objectives with respect to capital management are to safeguard the entity's ability to continue as a going concern so that it can continue to operate as a deposit insurance provider for the Nova Scotia Credit Unions, including the provision of stabilization funds as needed.

14. FINANCIAL INSTRUMENTS

Class disclosure

The following is the disclosure of financial assets by class:

	2024	2023
Amortized cost		
Cash	**$ 4,414,817**	$ 3,853,325
Accounts receivable	**119,233**	26,708
Prepaid expenses	**59,404**	37,855
	$ 4,593,454	$ 3,917,888
FVTOCI		
Fixed income investments	**$ 28,918,384**	$ 25,806,420
FVTPL		
Equity investments	**$ 22,454,759**	$ 19,474,117
Other investments	**1,345,556**	764,267
	$ 23,800,315	$ 20,238,384

The following is the disclosure of financial liabilities by class:

Amortized cost	**2024**	2023
Accounts payable and accrued liabilities	**$ 288,919**	$ 375,207
Unclaimed balances	**1,974,221**	1,631,595
Lease liabilities	**65,192**	83,664
	$ 2,328,332	$ 2,090,466

Financial risk management

NSCUDIC is exposed to risks of varying degrees of significance including credit risk, liquidity risk and market risk which could affect its ability to meet its obligations. The main objectives of NSCUDIC's risk management processes are to properly identify risks and maintain adequate capital in relation to these risks.

Credit risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to comply with the terms of the contract. Credit risk may arise from principal and interest amounts in NSCUDIC's investment portfolio.

NSCUDIC manages credit risk through adherence to board-approved policy and practice for the acquisition of investments. Safety of principal is accomplished by ensuring that all investments purchased are reasonable and prudent. Investment decisions are made with due diligence to avoid undue risk of loss while obtaining a reasonable return. The credit risk within the pooled funds is managed by the investment manager in accordance with NSCUDIC's investment policies.

NSCUDIC monitors investments on a monthly basis. The status of the investment portfolio in relation to performance targets and limits is reported to the board at each regular board meeting. An exception to policy will be reported immediately to the chief executive officer and to the audit committee.

The table below shows the credit risk exposure of investments, by issuer, at the end of the reporting period:

	2024	2023
Government	**$ 23,007,574**	$ 20,713,044
Corporate	**5,910,810**	5,093,376
	$ 28,918,384	$ 25,806,420

Liquidity risk

Liquidity risk relates to the possibility that NSCUDIC does not have sufficient cash or cash equivalents to fulfil its financial obligations as they come due. In order to mitigate this risk, a significant portion of NSCUDIC's investments are classified as "available-for-sale" and are readily redeemable or saleable and can be sold if the need arises.

Market risk

Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Investments are carried on the balance sheet at fair value and are exposed to fluctuations in fair value. Changes in unrealized gains (losses) of fixed income investments are recorded as other comprehensive income, changes in unrealized gains (losses) of equity investments are recorded as investment and other income. Impairments, other than temporary impairments are recognized immediately in net income, net of tax. Market risk comprises the following two types of risk:

Currency risk

Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign rates. NSCUDIC manages currency risk through its investment policies by restricting foreign investments to US securities and placing limitations on securities denominated in US dollars. Gains and losses on US securities are recognized in income during the current period in Canadian dollars.

Interest rate risk

Interest rate risk relates to the possibility that fixed income investments will change in value due to future fluctuations in market interest rates. As fixed income investments are carried at their fair value, the carrying value of investments has exposure to interest rate risk. NSCUDIC is also exposed to interest rate risk on investment returns on reinvestment following maturity or sale. Fluctuations in interest rates may adversely impact NSCUDIC's fair value of investments. NSCUDIC's investment manager monitors duration and re-pricing risk of fixed income investments.

The investment portfolio is monitored by management on a monthly basis to ensure compliance with the policies, and reported to the board at each regular board meeting.

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and key management personnel during the year was as follows:

	2024	2023
Short-term benefits	$ 352,325	$ 321,823
Post-employment benefits	21,000	18,754
Total salaries and benefits	$ 373,325	$ 340,577

The remuneration of directors and key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends.

Retirement savings plan contributions

NSCUDIC contributes to retirement savings plans on behalf of all employees. Each employee contributes 6% of earnings and NSCUDIC contributes 8%. The cost to NSCUDIC is included in salaries and employee benefits expense (2024 – $81,963; 2023 – $70,532).

Employee future benefits

NSCUDIC 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.

Vehicle sales

During the year, NSCUDIC sold two vehicles to employees in accordance with its Corporate Automobile policy. The vehicles had a carrying value of $35,792 at the time of sale. The total proceeds from the sales amounted to $46,675, resulting in a gain of $10,883, which was recognized in investment and other income.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or liability, NSCUDIC takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for disclosure purposes of these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of their inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability. NSCUDIC considers the carrying amount of financial assets and liabilities, other than investments, recognized in the financial statements to approximate their fair values.

Fair Value Hierarchy Investments

	2024	2023
Level 1	$ —	$ —
Level 2	52,718,699	46,044,804
Level 3	—	—
	$ 52,718,699	$ 46,044,804

The fair values of the financial assets included in the Level 2 category above have been determined in accordance with generally accepted pricing models based on either quoted prices obtained from RBC or a discounted cash flow analysis, with the most significant inputs being the appropriate discount rate for the instrument, which is obtained from observable data for similar instruments.

There have been no transfers between levels in the hierarchy and no changes to the valuation methods during the period.

NOVA SCOTIA CREDIT UNION DEPOSIT INSURANCE CORPORATION

29

Serving NS

SERVING THE CREDIT UNIONS OF NOVA SCOTIA

Acadian Credit Union
Bay St. Lawrence
Caisse populaire de Clare
Cape Breton Credit Union
Coastal Financial Credit Union
Community Credit Union
Credit Union Atlantic
Dominion Credit Union
East Coast Credit Union
Glace Bay Central Credit Union
iNova Credit Union
New Ross Credit Union
New Waterford Credit Union
Princess Credit Union
Provincial Government Employees Credit Union
Public Service Commission Employees
St. Joseph's Credit Union
Sydney Credit Union
Teachers Plus Credit Union
Valley Credit Union
Victory Credit Union

NS CUDIC

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

CUDIC™