

New Brunswick Credit Union Deposit Insurance Corporation

2020-2021 Annual Report



New Brunswick
Credit Union Deposit
Insurance Corporation

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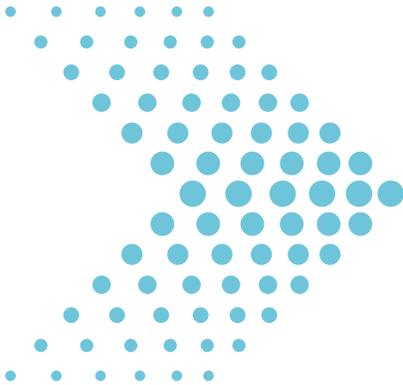
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New Brunswick Credit Union Deposit Insurance Corporation

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Transmittal letter

July 20, 2021

Minister of Finance and Treasury Board

By virtue of the statutory requirement under section 204 of the *Credit Unions Act*, we are pleased to present the 28th Annual Report of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC).

We would be pleased to answer any questions that you may have and to provide you with any additional information that you may require.

Yours very truly,

Original signed by Peter Klohn

Peter Klohn, LL.B, ICD.D

Chair

Message from the Chair and the CEO

The past year was unprecedented in many respects.

Financial markets and institutions experienced significant stress and volatility in the face of the COVID-19 pandemic. In the days following the first detection in Canada, the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) worked closely with the Financial and Consumer Services Commission (FCNB) to monitor the pandemic's impact on the financial position of New Brunswick credit unions.

We also worked with our stakeholders to ensure credit unions could offer loan payment relief to their members. While challenges associated with COVID-19 remain, New Brunswick's credit union system operated effectively throughout the past year.

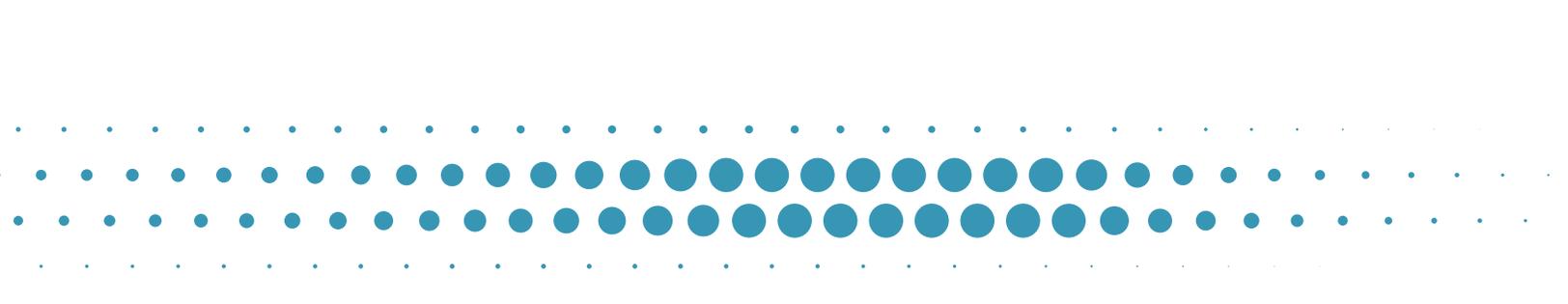


What we do

Since 1994, NBCUDIC has insured eligible deposits held by members of a New Brunswick credit union up to a maximum of \$250,000. We play an important role in protecting New Brunswickers when they entrust their money with a New Brunswick credit union. Currently, New Brunswick credit unions have more than \$1.19 billion^[1] in member deposits.

For credit unions, we maintain the Deposit Protection Fund and provide financial assistance, when needed, for the purpose of stabilization. We are pleased to report that our Deposit Protection Fund remains one of the most robust in the country at 2.15%^[1] of system assets. This high ratio helps assure that the Fund will be well positioned to support the credit union system, if required.

1. The pandemic has delayed audited results. Figures provided are estimates based on unaudited results.



What we did

While the emergence of COVID-19 shifted some of NBCUDIC's priorities this past fiscal year, we nonetheless continued to make progress on a number of strategic initiatives.

The pandemic occurred during NBCUDIC's first full year under a new regulatory regime. The new regime consolidated the oversight of the credit union system under the mandate of the Financial and Consumer Services Commission (FCNB).

Over the past year, FCNB implemented a supervisory framework to effectively manage and oversee the prudential supervision of the credit union system in the province. Its supervisory efforts were focused on liquidity, capital and cybersecurity risk management. It oversaw the implementation of liquidity policies, issued guidance to the credit unions in the development of their capital policies, and issued cybersecurity guidance to the system, all of which were predicated on industry best practices.

We continued to build and strengthen our key relationships with stakeholders. Working in collaboration with Atlantic Central and our deposit insurance counterparts, we advanced regional projects to enhance and harmonize where possible the four Atlantic provincial systems and their oversight structures.

We worked to modernize existing policies and procedures to be consistent with the new *Credit Unions Act*, including a collaborative project with FCNB to assess policy needs for intervention, supervision, support, dissolution, liquidation and resolution of credit unions.

We entered into a Memorandum of Understanding (MoU) in October 2020 with the Credit Union Prudential Supervisor Association (CUPSA) to cooperate and exchange information that would support CUPSA members' efforts to effectively supervise credit unions, caisses populaires and centrals across Canada.



We also selected a new external auditor during the year. Given that NBCUDIC and FCNB share a common board and the importance of maximizing resources and minimizing costs, we decided to put the role of external auditor out to tender. A joint selection committee composed of representatives from both boards reviewed the proposals received and selected Deloitte LLP as the external auditor for the next five years.

We also consolidated our investment portfolios under one investment manager. The move was made to maximize investment returns, to simplify compliance with corporate investment policy and to streamline financial reporting.

We know it's important for New Brunswickers to be aware their deposits are protected so they can benefit from the confidence that NBCUDIC deposit protection provides. That is why we created door decals with our new branding and logo, designed last year for the launch of NBCUDIC's new website. The bilingual decals were distributed to all protected credit unions throughout the province.

Finally, we would like to extend a thank you to the directors of the NBCUDIC board for their dedication and cooperation during this challenging year and their efforts in working toward the objective of a strong and financially secure credit union system in New Brunswick. We would especially like to thank Céline Robichaud-Trifts, whose term as a board director ended in January 2021.

Original signed by
Kevin Hoyt

Kevin Hoyt, FCPA, FCGA, CPA (DE)
CEO

Original signed by
Peter Klohn

Peter Klohn, LL.B, ICD.D
Board Chair

Statutory objectives

On January 1, 2020 a new *Credit Unions Act* was proclaimed. The modernized *Act* restructured the regulatory framework and streamlined responsibilities.

The purposes of the New Brunswick Credit Union Deposit Insurance Corporation (Corporation) are described in Section 189 of the *Act* and are stated as follows:

- to protect credit unions against financial losses and insolvency by establishing and maintaining a deposit protection fund in accordance with this *Act*;
- to provide, for the benefit of persons having deposits with a credit union, deposit insurance against loss of part or all of the deposits by making payment out of the deposit protection fund to the depositors to the extent and in the manner authorized by this *Act* and the regulations;
- to provide financial assistance to credit unions in accordance with this *Act*; and
- to do any other thing required or authorized under this *Act* or the regulations.

Pursuant to section 192 of the new *Act*, the newly created Deposit Protection Fund administered by NBCUDIC, may be used for the following purposes:

- to pay out claims of depositors in accordance with the *Act* on the liquidation of a credit union;
- to provide financial assistance to credit unions in accordance with the *Act*;
- to pay for the costs and expenses referred to in sections 213 and 280; and
- to pay for the costs and expenses to do any other thing that the Corporation considers necessary or incidental to the attainment of its purposes.

How does the coverage work?

\$250,000 deposit insurance coverage

What is covered?

The New Brunswick Credit Union Deposit Insurance Corporation (Corporation) insures eligible deposits under each of the following six categories held in a member credit union up to a maximum of \$250,000 (principal and interest combined) per category held by a depositor:

- accounts held in one name;
- accounts held in trust for someone else;
- deposits held jointly in two or more names;
- registered in RRSPs (Registered Retirement Savings Plans);
- registered in RRIFs (Registered Retirement Income Funds); and
- TFSA (Tax Free Savings Account) deposits.

What is an eligible deposit?

A combination of savings accounts, chequing accounts, term deposits and guaranteed investment certificates (GICs) with an original term to maturity of five years or less, money orders and certified cheques. Deposits must be payable in Canada, in Canadian currency.

What is not covered?

The Corporation does not insure all accounts and financial products. The following are not covered:

- deposits made or payable by a member that are not repayable in Canadian dollars (e.g., accounts in U.S. dollars);
- term deposits and guaranteed investment certificates (GICs) with an original term to maturity of more than five years;
- bonds and debentures issued by governments and corporations;
- membership shares and other types of shares issued by credit unions;
- treasury bills; and
- investments in mutual funds and stocks.

For more information on deposit insurance, consult our website at nbcudic.ca.

Board of Directors

Since the proclamation of the new *Act* on January 1, 2020, section 206 provides that the business and affairs of the New Brunswick Credit Union Deposit Insurance Corporation (Corporation) are now administered by a Board of Directors consisting of the members of the Financial and Consumer Services Commission (Commission) appointed under section 6 of the *Financial and Consumer Services Commission Act*. The previous Board of Directors' terms ended upon the proclamation of the new *Act*. The Chair of the Corporation, along with two employees of the Commission, namely the Chief Executive Officer and the Secretary, became the sole officers of NBCUDIC, fulfilling respectively the roles of the Chair, the Chief Executive Officer and the Corporate Secretary.

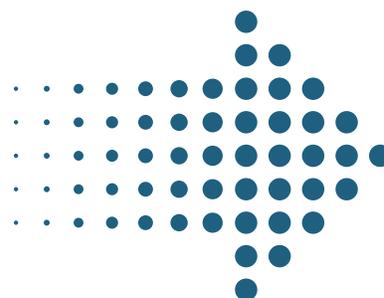
The governance framework established on January 1, 2020 includes the adoption of the following by-laws, which can be found on the Corporation's website:

- By-Law No. 1 – General Business Affairs
- By-Law No. 2 – Banking Affairs
- By-Law No. 3 – Signage, Advertising and Non-Insured Obligations of Credit Unions
- By-Law No. 4 – Definition of Deposit
- By-Law No. 5 – Conflict of Interest and Code of Conduct

As per subsection 213(1) of the *Act*, the Chair and other members of the Board of Directors of the Corporation are entitled to be paid the remuneration that is fixed in accordance with the by-laws of the Commission.

The Corporation held six meetings during the reporting period, consisting of two special meetings and four regular meetings.

To help guide the development of the agendas for its quarterly meetings, the board implemented a forward-looking agenda and work plan, which is reflective of the key standing functions that the Corporation is responsible for on an annual basis.



Peter Klohn (Chair)



Mr. Klohn was appointed Chair of the Financial and Consumer Services Commission on January 1, 2014 for a five-year term, which was renewed in January 2019. Prior to his appointment, he was a Senior Partner at Stewart McKelvey law firm with a diverse national practice in securities law, regulated industries, corporate law and corporate finance.

Mr. Klohn is an Accredited Corporate Director (ICD.D) of the Institute of Corporate Directors, Rotman School of Management (2011). In 2013, he was profiled in the Lexpert Directory as a leading practitioner in Canada in corporate finance and mergers and acquisitions. In March of 2019 and February 2020, he was awarded certificates of completion for the Strategic Management of Regulatory and Enforcement Agencies and Leadership Decision Making: Optimizing Organizational Performance, respectively, from the John F. Kennedy School of Government, Harvard University, Executive Education.

Professional and industry experience:

- Securities Law
- Corporate Law
- Franchise Law
- Pension Law

Education:

- BBA, University of New Brunswick
- LL.B, Osgoode Hall Law School, York University
- ICD.D, Corporate Director

Yves Gagnon



Mr. Gagnon is the Chief Executive Officer at Allen, Paquet & Arseneau LLP, a chartered accounting firm, and is also president of Consultation Gagnon Strategix Consulting Inc. He has a Project Management Professional (PMP) designation as well as a major in accounting. He has worked as an auditor and has served for many years as chief administrative officer for the City of Campbellton. He has worked in the resources sector and in the private, public and not-for-profit sectors as a project management consultant.

Mr. Gagnon has volunteered extensively and has served as a member of the Board of Governors of the Université de Moncton and chaired its Audit Committee. He has also served as a member of the Board of Directors for the Project Management Institute of New Brunswick. Mr. Gagnon is an accredited corporate director (ICD.D) of the Institute of Corporate Directors, Rotman School of Management (2015).

Professional and industry experience:

- Financial
- Accounting
- Auditing
- Management

Education:

- BBA, Université de Moncton
- PMP, Project Management Institute
- ICD.D, Corporate Director

Michael D. Wennberg



Mr. Wennberg practised law with Stewart McKelvey or its predecessor firm for 30 years. He served as the firm's corporate-commercial practice manager, managing partner and was on the firm's Atlantic Canada Partnership Board. He conducted a diversified practice in most commercial, major business/ industrial contracting, insolvency and technology law areas. He is a member of the Canadian Bar Association, American Bar Association, Law Society of New Brunswick, Law Society of Upper Canada (1976 to 2018) and Saint John Law Society.

Mr. Wennberg is the author of numerous articles on commercial law matters, and has been active in the Law Society of New Brunswick, serving as counsel to a number of its committees, as a lecturer in its Bar Admission program, as chair of its Articling Committee and as a Provincial Reviewing Officer. He is the past chair of the Heritage Preservation Review Board for the Town of Rothesay. Among his many cultural involvements, Mr. Wennberg was past president and CEO of the Imperial Theatre, past president and current board member of the Imperial Theatre Foundation, past board member of Saint John 225, Sculpture Saint John and ArtsLink NB, past chair and board member of Saint John Community Arts Board and current board member of Symphony New Brunswick. In 2012, Mr. Wennberg was awarded the Queen Elizabeth II Diamond Jubilee Medal.

Professional and industry experience:

- Commercial
- Business / Industrial Contracting
- Insolvency
- Technology / Outsourcing

Education:

- B. Comm, University of Toronto
- LL.B, Osgoode Hall Law School, York University

Vincent L. Duff



Mr. Duff worked as a Chartered Accountant with the firm Grant Thornton LLP for more than 50 years. In addition to his extensive accounting experience, Mr. Duff brings a wealth of knowledge in corporate governance, having previously served as vice chair of the New Brunswick Insurance Board and as a board member of the New Brunswick Museum.

In 2017, Mr. Duff was appointed to the Judicial Remuneration Commission. Mr. Duff has also served as a director, treasurer and president of several non-profit organizations, including his church, Keep Saint John Beautiful, the United Way of Greater Saint John Inc. and Teens Against Drinking and Driving (TADD N.B. Inc.). Mr. Duff currently serves as chair and vice chair of the board of directors of the Atlantic Baptist Senior Citizens' Homes Inc. and the Kenneth E. Spencer Memorial Home Inc., respectively.

Professional and industry experience:

- Accounting
- Auditing
- Insolvency
- Automobile Insurance
- Governance

Education:

- Chartered Accountant
- Trustee in Bankruptcy

Norma Kelly



Ms. Kelly is an experienced professional accountant and internal auditor, having held numerous positions in these professional capacities with private companies and as a current manager of internal audit at a provincial Crown corporation. She brings a wealth of knowledge in corporate governance and in the area of credit unions, having served as President and Vice-President for the Bayview Credit Union Ltd., and on the board of directors for the Brunswick Credit Union Stabilization Board Limited (RMA). She has also served as Treasurer for Saint John Kings Adult Learning Inc. and as Treasurer for Fundy Funeral Home Cooperative, as well as serving on numerous boards in the province.

Professional and industry experience:

- Accounting
- Internal Audit
- Risk Management
- Credit Unions
- Management
- Corporate Strategy

Education:

- Chartered Professional Accountant (CPA) designation
- COSO Enterprise Risk Management Program
- Certified Internal Auditor (CIA) designation
- Certificate of Professional Development for Credit Union Directors
- Certified Management Accountant (CMA) designation
- Advanced Certificate in Accounting – University of New Brunswick
- Diploma in Business Technology (Automation) (Honours) N. B. Community College

Paul Van Iderstine



Mr. Van Iderstine is a former audit partner of a national Chartered Professional Accounting firm and served as the Chief Information Security Officer for a national insurance company. His experience in the financial, audit and cybersecurity fields is supported by his strong analytical skills and understanding of governance practices garnered from 30 years of working with various boards and audit committees.

Mr. Van Iderstine has extensive volunteer experience in the community and is a past president of the Moncton West and Riverview Rotary Club and the Windsor and District Board of Trade. He has also served as a Treasurer for the Codiac Regional Police Association, Moncton Headstart Inc., and various other organizations.

Professional and industry experience:

- Accounting
- Auditing
- Insurance
- Strategic Planning
- Financial Advisory
- Cybersecurity
- Risk Management

Education:

- Bachelor of Engineering (B. Eng) – Technical University of Nova Scotia
- Chartered Professional Accountant (CPA, CA) – CPA Nova Scotia
- Certified Information Systems Security Professional (CISSP) – ISC2
- GIAC Security Essentials Certification (GSEC) – SANS Institute
- GIAC Critical Controls Certification (GCCC) – SANS Institute

Donald French



Mr. French is a retired professional accountant with more than 40 years of experience. For more than 20 years, Mr. French has worked at the Université de Moncton in both administrative and lecturing positions, in accounting and assurance subjects. In addition to his accounting background, he previously held the position of Superintendent of credit unions and Director of Examinations, which at the time, also included responsibilities for the regulation of other financial institutions in the province, including insurance and trust companies. He also worked as the Chief Executive of the Credit Union Stabilization Fund. With extensive experience in both the public and private sector, his expertise in accounting, auditing, governance, regulation of financial institutions and related fields has been attained through his professional development initiatives, work experience and board and committee work.

Mr. French has served as Member and Chair for the New Brunswick Credit Union Deposit Insurance Corporation Board (NBCUDIC), as well as for the Office de stabilisation de la Fédération des caisses populaires acadiennes. In addition to these responsibilities, he was a member of the Deposit Insurance and Stabilization Funds of Canada and participated in numerous other boards and committees.

Professional and industry experience:

- Accounting
- Financial Institutions
- Insurance
- Audit
- Governance
- Human Resources

Education:

- FCPA, FCA, Institute of Chartered Professional Accountants
- CA, NB Institute of Chartered Accountants

Marilyn Evans Born



Ms. Evans Born has had an extensive career working for the government of New Brunswick. She retired as the Assistant Deputy Minister of Courts and Chief Sheriff for the province of New Brunswick. She brings a wealth of knowledge in the policy and credit union industry, through her former role as Director of Legislation and Policy for the Department of Health, which she occupied for 21 years, as well as her experience as Executive Director, Policy and Education Branch in the Department of Environment, and her service on the board of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC). She also has experience in the consumer affairs sector, having previously occupied the position of Chief Rentalsman and Director of Consumer Affairs.

In addition to her experience in public service, her community involvement has included time spent on the York Care Centre Board, the Occupational Therapy Board and the Blind and Rubella Board.

Professional and industry experience:

- Public Policy
- Credit Unions
- Legal
- Consumer Affairs

Education:

- BA, University of New Brunswick
- LL.B, University of New Brunswick Faculty of Law

I. Gerald Levesque



Mr. Gerald Levesque has been practising law in the Edmundston area for more than 30 years. He is skilled in civil and criminal litigation, having appeared at all levels of court, including the Court of Appeal of New Brunswick. He has also served in various capacities on numerous administrative tribunals and boards, including the New Brunswick Branch of the Canadian Bar Association, the New Brunswick Law Foundation, the Law Society of New Brunswick and the Madawaska Law Society, among others.

Mr. Levesque is an active member of his community and has been involved with many local organizations, including the Foundation Centre Maillet, Hockey New Brunswick, the Children's Wish Foundation and the Knights of Columbus.

Professional and industry experience:

- Civil and Criminal Law
- Tax Law
- Arbitration, Adjudication and Mediation
- Legislation and Decision Writing
- Damages, Disability and Injury Insurance

Education:

- LL.B, Université de Moncton, Faculty of Law
- BBA, Université de Moncton, Business Administration



Management's discussion and analysis

NBCUDIC

Revenues and Expenses

Upon the proclamation of the new *Credit Unions Act*, the Corporation's fiscal year-end date was changed from December 31 to March 31. The current fiscal year is for a 12-month period while the comparative is for a three-month period. As such, the amounts presented in the financial statements are not entirely comparable to the prior year.

Following the proclamation of the *Act*, NBCUDIC's mandate expanded and the Financial and Consumer Services Commission (FCNB) assumed the responsibility as the frontline prudential regulator of credit unions. The cost to regulate the system is recovered from the credit union system in the form of levies charged to individual credit unions. The levies are necessary to cover the costs of administering the *Act* and to ensure adequate funding is available to maintain the Deposit Protection Fund (Fund). The Corporation billed the credit unions \$1,100,000 for the current fiscal year. As the comparative period was only for three months ending March 31, 2020, no levies were issued in the prior fiscal period.

The Corporation's investment income for the 12-month period increased to \$625,741 (three months ending March 31, 2020 - \$243,235). The Corporation recognized other comprehensive losses relating to investments of \$571,056 in 2021 (three months ending March 31, 2020 - comprehensive income of \$161,104). The comprehensive losses were due mainly to economic conditions within Canada improving slightly, which resulted in higher yields near the fiscal year end having the impact of reducing the value of bonds. The Corporation also shifted a portion of the investment holdings to longer-term maturities, as short-term bond yields remained low.

The Corporation's net income before comprehensive income was \$664,207, allowing the Fund to invest additional funds during the fiscal year.

Deposit Protection Fund

In 2020, FCNB completed an internal analysis of the sufficiency of the Fund. The results were consistent with the independent analysis of the sufficiency of the deposit insurance fund completed by NBCUDIC in 2018, which set the minimum size of the fund at 2% of credit unions' assets. The Fund balance at March 31, 2021 was \$27.7 million or 2.15% of system assets, down from the five-year average of 2.44%, due to the significant increase in system assets as a result of customers savings rates increasing dramatically during the pandemic.

Currently, the size of the Fund compares favourably to deposit protection funds in other Canadian jurisdictions. Pursuant to subsection 194(1) of the new *Credit Unions Act*, an internal assessment of the Deposit Protection Fund was performed in 2020 to determine if the Fund is impaired or is about to be impaired with the findings of the analysis to be reported to the Commission at least annually. The report presented to the Commission reflected that the Fund is not impaired, nor is it about to be impaired.

The Fund assets are primarily short-term investments that can be liquidated on short notice, if needed. The availability of cash on short notice is important for NBCUDIC in the event an unforeseen financial crisis was to occur in the credit union system. Details of the investments held are presented in Note 4 of the Audited Financial Statements later in this report.

Financial assistance to credit unions has not been necessary in recent years. This has contributed greatly to the Corporation's ability to maintain the Fund at its current level. One credit union remained under supervision at March 31, 2021. This credit union continues to meet all statutory requirements. With assets of less than 1% of the system, it does not pose a material financial risk to the Fund. However, as with any supervision situation, the credit union's position is being assessed to determine how it may best conduct its activities and operations going forward.

Credit Union System Financial Performance

The system financial performance presented below is based on the unaudited results of credit unions for their most recent fiscal year ended December 31, 2020.

Profitability and Return on Assets

All nine New Brunswick credit unions continued to report positive financial results in 2020 and no significant financial losses have been reported in recent years. Net income was \$3.1 million in 2020 (2019 – \$3.2 million), for a return on average assets of 0.25% (2019 – 0.30%). Challenges to increase profitability and return on average assets include the COVID-19 pandemic, a low interest rate environment, a highly competitive market and high cost structure.

In recent years, the net income of New Brunswick credit unions has been relatively stable. In the five-year period from 2016 to 2020, the net income per \$100 of system assets has fluctuated between \$0.25 and \$0.32. To support the growth in assets, credit unions need to generate sufficient net income and/or increase member capital. Otherwise, they will experience a decrease in the leverage equity ratio.

Growth

New Brunswick credit unions experienced unprecedented asset growth of 12.76% (2019 – 5.08%) in 2020 driven by significant increases in member deposits. Typically, asset growth trends toward 4% per year. While loan growth was stable, there was an increase in excess in deposits not loaned to credit union members, which was held in high quality liquid assets.

The overall asset growth was noted in the loan portfolio and investments held by the credit unions, which increased by \$35.4 million and \$100.6 million respectively. Loans and investments were primarily funded with deposits, and grew by \$138.4 million or 13.10% (\$48.9 million or 4.86% in 2019) to \$1.19 billion.

Asset Quality

New Brunswick credit unions maintain high quality loan portfolios. The level of delinquent loans and the related loan losses (bad debts) are low, contributing to the financial stability and strength of the credit union system. Bad debts in 2020 amounted to \$2.96 million or 0.24% of average system assets (2019 – \$2.40 million or 0.22% of average system assets). The increase in the bad debt expense is due to uncertainty caused by the pandemic and the potential long-term impact on the economy; however, the increase is somewhat disconnected from the results achieved in the current year.

In 2020, delinquencies have been stable and not directly impacted by the pandemic and write-offs actually decreased from the prior year, assisted by numerous federal financial assistance programs to help Canadians impacted by the pandemic. Credit unions continue to adjust their current budgets, practices as well as future forecasts and projections to help preserve the quality of their assets. In response to the pandemic and consistent with a conservative orientation, credit unions increased their allowances for credit losses by 50% from \$3.8 million to \$5.7 million while only increasing their bad debt expense by \$560,000 (20%) in 2020.

Liquidity

As at December 31, 2020, system liquidity was \$269.7 million or 22.70% of system liabilities (2019 - \$177.7 million or 16.70% of system liabilities). This is significantly higher than the minimum regulatory requirement of 10%.

Deposits received surpassed loans issued in 2020, which contributed to the increase in system liquidity.

Stability

With significant growth in assets during the pandemic and comparable year-over-year profits, the leverage equity ratio (equity as percentage of system assets) decreased to 6.09% (2019 - 6.35%). The result remains above the minimum regulatory requirement of 5%. The pandemic negatively impacted the equity ratio by approximately 0.19%. When government economic programs end, it is anticipated that the unprecedented liquidity levels will begin to decrease to more normal levels. Consequently, as excess liquidity decreases, so too will system assets, resulting in a positive impact on the leverage equity ratio.

Credit unions continue to implement measures to increase revenues and reduce expenses to remain competitive and maintain their positive income results. In light of the pandemic, it is reasonable to expect that current competitive pressures will continue for the foreseeable future, and credit unions will need to continue to adapt their business model. Cost reduction through economies of scale are often the best option for remaining viable since revenues are, to a large extent, determined by the market.

Key Indicators

Financial Profile – Deposit Protection Fund (in millions of dollars)							
	2021	2020*	2019	2018	2017	2016	2015
Deposit Protection Fund**	\$27.7	\$27.6	\$27.5	\$25.6	\$24.9	\$26.0	\$25.6
Deposits	\$1,195.0	\$1,056.6	\$1,053.2	\$1,007.6	\$961.5	\$921.9	\$894.5
Assets	\$1,285.8	\$1,140.2	\$1,137.7	\$1,085.2	\$1,039.7	\$995.8	\$965.9
% of Credit union assets**	2.15%	2.42%	2.42%	2.36%	2.40%	2.61%	2.64%
Financial Profile – Credit Union System*** (in millions of dollars)							
	2020	2019	2018	2017	2016	2015	
Profitability							
Net income	\$3.1	\$3.2	\$3.4	\$3.1	\$2.9	\$2.4	
Return on average assets	0.25%	0.30%	0.32%	0.30%	0.30%	0.25%	
Growth							
Assets	12.76%	5.08%	4.37%	4.41%	3.08%	4.15%	
Loans	3.85%	3.01%	2.38%	5.50%	5.47%	2.95%	
Deposits	13.10%	4.86%	4.79%	4.29%	3.08%	4.25%	
Asset quality							
Bad debts (% of average assets)	0.24%	0.22%	0.20%	0.18%	0.21%	0.17%	
Liquidity							
Liquidity (% of liabilities)	22.70%	16.70%	15.00%	n/a	n/a	n/a	
Stability							
Equity (% of assets)	6.09%	6.35%	6.37%	6.37%	6.43%	6.42%	

* The data for 2020 is for the three-month fiscal period ending March 31. All subsequent year-ends are for 12-month periods ending March 31. The fiscal year-end for years 2015-2019 was December 31.

** The 2015 to 2018 deposit insurance fund and % of credit union assets figures are the combined funds held by NBCUDIC and RMA.

*** New Brunswick credit unions have fiscal years ending December 31. The data above is based on unaudited financial statements for the period ending December 31, 2020.

Member Institutions

Advance Savings Credit Union Ltd.

Head office: 141 Weldon Street, Moncton, NB E1C 5W1

Phone: 506-853-8881

Website: advancesavings.ca

Bayview Credit Union Ltd.

Head office: 57 King Street, Suite 400, Saint John, NB E2L 1G5

Phone: 506-634-1263

Website: bayviewnb.com

Beaubear Credit Union Ltd.

Head office: PO Box 764, 376 Water Street, Miramichi, NB E1V 3V4

Phone: 506-622-4532

Website: beaubear.ca

Blackville Credit Union Ltd

Head office: 128 Main Street, Blackville, NB E9B 1P1

Phone: 506-843-2219

Website: blackvillecu.ca

Citizens Credit Union Ltd.

Head office: 179 Sunbury Drive, Fredericton Junction, NB E5L 1R5

Phone: 506-368-9000

Website: citizenscreditunion.com

New Brunswick Teachers' Association Credit Union Ltd.

Head office: P.O. Box 752, 650 Montgomery Street, Fredericton, NB E3B 5R6

Phone: 506-452-1724

Website: nbtacu.nb.ca

Omista Credit Union Ltd.

Head office: 1192 Mountain Road, Moncton, NB E1C 2T6

Phone: 506-858-7206

Website: omista.com

Progressive Credit Union Ltd.

Head office: 30 Hughes Street, Fredericton, NB E3A 2W3

Phone: 506-458-9145

Website: progressivecu.nb.ca

The Credit Union Ltd.

Head office: 422 William Street, Dalhousie, NB E8C 2X2

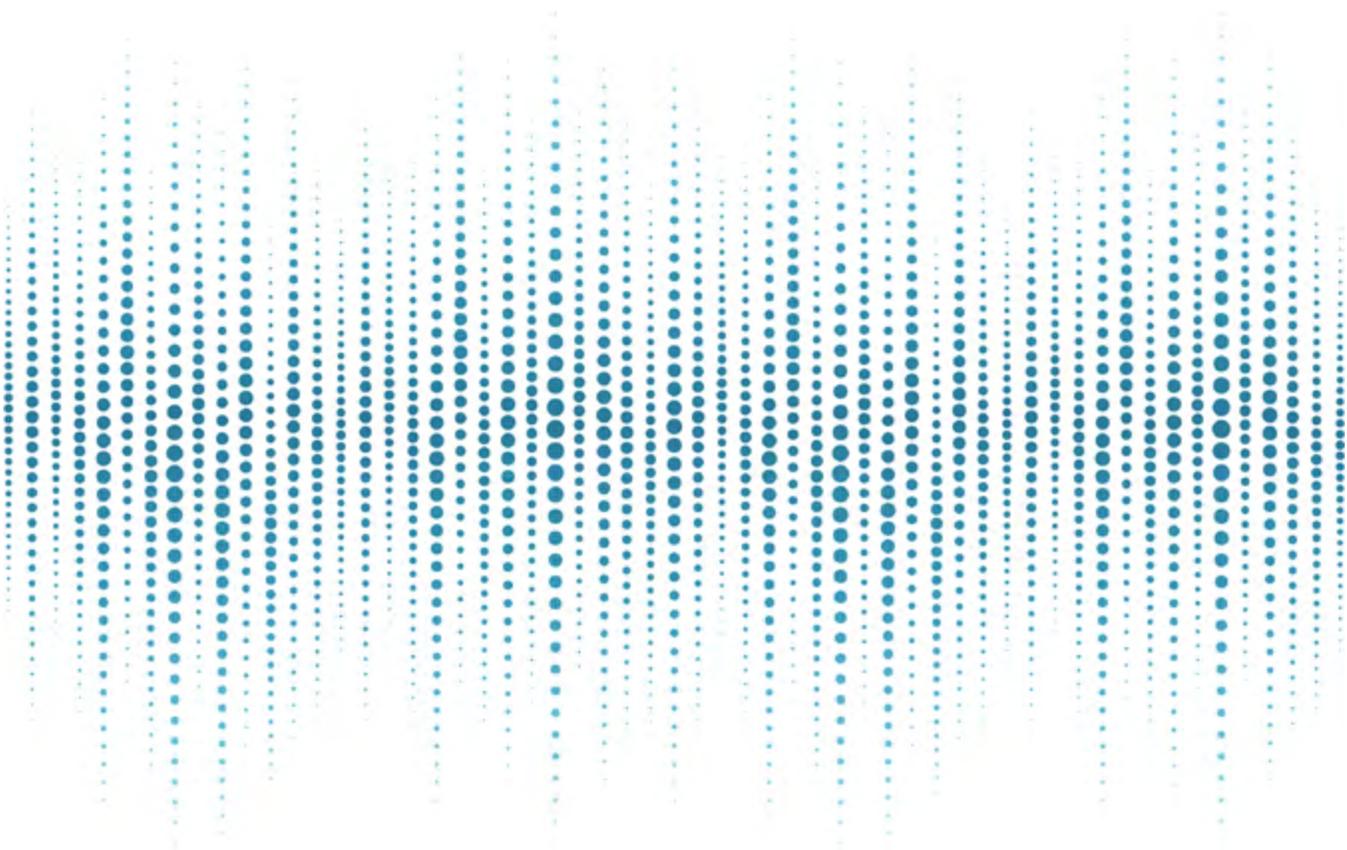
Phone: 506-684-5697

Website: thecreditu.ca

Financial statements

New Brunswick Credit Union
Deposit Insurance Corporation

As at March 31, 2021



Independent Auditor's Report

To the Board of Directors of
New Brunswick Credit Union Deposit Insurance Corporation

Opinion

We have audited the financial statements of New Brunswick Credit Union Deposit Insurance Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2021, 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 significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, and its financial performance and its 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 ("Canadian GAAS"). 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 Corporation in accordance with the 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.

Other Matter

The financial statements for the period ended January 1, 2020 to March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 10, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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 GAAS 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 GAAS, 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 Corporation'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 Corporation'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 Corporation 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.

Deloitte LLP

Chartered Professional Accountants

Saint John, New Brunswick
June 23, 2021

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Financial Position as at March 31, 2021 (in Canadian \$)

	2021 March 31	2020 March 31
ASSETS		
Current Assets		
Cash	\$ 96,890	\$ 359,822
Assessments and other receivables	12,549	312,337
Other assets	3,416	4,541
	112,855	676,700
Investments held for designated purposes (Note 4)	27,960,299	27,918,053
	\$ 28,073,154	\$ 28,594,753
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 231,589	\$ 532,697
Current portion of severance payable (Note 6)	147,895	307,190
	379,484	839,887
Severance payable (Note 6)	-	154,347
Total liabilities	379,484	994,234
Equity balances		
Deposit Protection Fund (Note 7)	27,693,670	27,600,519
	\$ 28,073,154	\$ 28,594,753

Commitments and guarantees (Note 5)

The accompanying notes are part of these financial statements.

APPROVED BY THE CORPORATION

Original signed by Peter Klohn

Chair

Original signed by Norma Kelly

Member

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Comprehensive Income (by nature) for the year ended March 31, 2021 and the three months ended March 31, 2020 (in Canadian \$)

	(12 months) 2021	(3 months) 2020
REVENUE		
Assessments	\$ 1,100,000	\$ -
Investment income	625,741	243,235
	1,725,741	243,235
EXPENSES		
Salaries and benefits	17,240	5,271
Administration	18,753	687
Professional services	1,025,541	318,239
	1,061,534	324,197
Net income (loss)	664,207	(80,962)
Other comprehensive (loss) income	(571,056)	161,104
COMPREHENSIVE INCOME	\$ 93,151	\$ 80,142

The accompanying notes are part of these financial statements.

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Changes in Equity for the year ended March 31, 2021 and the three months ended March 31, 2020 (in Canadian \$)

	Deposit Protection Fund	Other comprehensive income (loss)	Total
Balance, December 31, 2019	\$ 27,520,377	\$ -	\$ 27,520,377
Comprehensive (loss) income	(80,962)	161,104	80,142
Balance, March 31, 2020	27,439,415	161,104	27,600,519
Comprehensive income (loss)	664,207	(571,056)	93,151
Balance, March 31, 2021	\$ 28,103,622	(\$ 409,952)	\$ 27,693,670

The accompanying notes are part of these financial statements.

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Cash Flows for the year ended March 31, 2021 and the three months ended March 31, 2020 (in Canadian \$)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 664,207	(\$ 80,962)
Changes in non-cash working capital		
Assessments and other receivables	299,788	(1,139)
Other assets	1,125	(1,125)
Accounts payable and accrued liabilities	(301,108)	343,591
Severance payable	(313,642)	(89,160)
	350,370	171,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments held for designated purposes	(613,302)	(249,657)
	(613,302)	(249,657)
NET DECREASE IN CASH	(262,932)	(78,452)
CASH, BEGINNING OF PERIOD	359,822	438,274
CASH, END OF PERIOD	96,890	359,822
	2021	2020
Note: Cash flow from interest received is included in comprehensive income.	\$ 377,929	\$ 147,583

The accompanying notes are part of these financial statements.

New Brunswick Credit Union Deposit Insurance Corporation

Notes to the Financial Statements For the year ended March 31, 2021

1. Nature of the Corporation

The New Brunswick Credit Union Deposit Insurance Corporation (the “Corporation” or “NBCUDIC”) was created under the provisions of the *Credit Unions Act* assented to December 11, 1992 and proclaimed on January 31, 1994. The mandate of the Corporation was to provide deposit insurance to members of credit unions incorporated under the *Credit Unions Act* of New Brunswick.

On January 1, 2020, a new *Credit Unions Act* (the “Act”) was proclaimed, which dissolved the Brunswick Credit Union Stabilization Board Limited (the “RMA”) and saw its prudential oversight responsibilities transferred to the Financial and Consumer Services Commission (the “Commission”) of New Brunswick as well as the responsibility to administer the Deposit Protection Fund. The Corporation’s expanded mandate is now to protect credit unions against financial losses and insolvency by: establishing and maintaining a deposit protection fund; providing financial assistance to credit unions for the purpose of stabilization; and providing deposit insurance to members of credit unions incorporated under the *Act*. Currently, coverage is provided for each insured deposit of a credit union member to a maximum of \$250,000.

The current fiscal year is for a 12-month period ending March 31, 2021 while the comparative is for a three-month period ending March 31, 2020. The three-month period ending March 31, 2020 was due to a required change of the year-end date when the new *Act* came into effect. The Corporation’s previous fiscal year-end was December 31, 2019.

The financial statements for the year ended March 31, 2021 (including comparatives) were approved by the board of directors on June 23, 2021.

The Corporation has its registered office at 85 Charlotte Street, Suite 300, Saint John, New Brunswick, E2L 2J2.

The Corporation is an agent of the Crown and is thereby exempted from income tax.

2. Basis of preparation and statement of compliance with International Financial Reporting Standards (IFRS)

Management has prepared these financial statements according to IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

The financial statements have been prepared under the historical cost basis, as modified by financial assets and financial liabilities reported at fair value through the statement of comprehensive income.

Accounting policies and information about critical judgments in applying the accounting policies that have the most significant effect on the amounts recognized are set out in Note 3 below. These policies have been consistently applied to all the years presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies.

3. Summary of significant accounting policies

a) Financial instruments

Financial assets and liabilities are initially measured at fair value and are recognized in the Corporation's Statement of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities on initial recognition.

Financial assets

Financial assets are initially recorded at fair value and are measured subsequently at either amortized cost or fair value through other comprehensive income depending on the classification of the financial assets.

Financial assets at amortized cost

Financial assets are measured subsequently at amortized cost using the effective interest rate method if acquired principally to collect contractual cash flows of principal and interest on specified dates. Interest income calculated using the effective interest rate method is recognized in profit or loss through "investment income" on the Statement of Comprehensive Income.

Financial assets at fair value through other comprehensive income (“FVTOCI”)

Financial assets are measured subsequently at FVTOCI using the effective interest rate method if acquired to collect contractual cash flows of principal and interest on specified dates and to sell the financial asset. Interest income calculated using the effective interest rate method is recognized in profit or loss through “investment income” on the Statement of Comprehensive Income. Any other changes to the carrying amount of the financial asset are recognized in other comprehensive income (OCI). The fair value measurement is considered Level 1, in that it is based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

Impairment of financial assets

At the end of each reporting period, the Corporation assesses whether to recognize a loss allowance for expected credit losses (“ECL”) for a financial asset or a group of financial assets. The ECL are estimated as the difference between the contractual cash flows that the Corporation is entitled to receive and the cash flows that the Corporation expects to receive.

For the purposes of impairment assessment, the bonds and investments in redeemable notes are considered to have low credit risk as the counterparties to these investments have a minimum BBB credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL for these assets, the Corporation has taken into account the historical default experience, the future prospects of the industries in which the issuers of the corporate notes operate, and financial analyst reports, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

Financial liabilities

The Corporation classifies all financial liabilities as financial liabilities measured at amortized cost. They are initially recognized at fair value less directly attributable transaction costs and subsequent to initial measurement are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the Statement of Comprehensive Income over the contractual term using the effective interest rate method.

Fair value hierarchy

Financial assets and liabilities that are recognized on the Statement of Financial Position at fair value are to be classified into a hierarchy of three levels based on the significance of the impacts used in making the measurement. All are level 1, meaning, they are based on quoted prices (unadjusted) in active markets for identical assets and liabilities.

Classification of financial instruments

The following table summarizes the Corporation's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Amortized Cost
Assessment and other receivables	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Severance payable	Amortized Cost
Investments held for designated purposes	FVTOCI

Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

b) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events. It is more likely than not that a resource outflow will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

On occasion, legal proceedings are threatened or initiated against the Corporation. The Corporation provides for the estimated full cost of any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled. The amount provided is discounted to present value.

c) Cash

Cash includes cash on hand and deposits held with banks.

d) Revenue recognition

The Corporation recognizes revenue for each distinct performance obligation under the *Credit Unions Act* at an amount equal to the allocated transaction price, once each performance obligation has been satisfied.

Annual levies are allocated on the asset base of the member credit unions as at December 31, their fiscal year-ends. Revenue is recognized on the accrual basis and is due 30 days following the levy notification.

Interest income is recognized based on the effective interest rate method.

e) Recently adopted accounting standards

The following standards have been reviewed by NBCUDIC for the first time in the year beginning April 1, 2020 and none have had a material impact on the financial statements or presentation.

- IFRS 3 Business Combinations (definition of a business)
- IFRS 16 Leases (COVID-19 lease concession)
- IAS 1 Presentation of FS (definition of material)

f) Future accounting and reporting changes

The IASB is continually working toward improving and developing new accounting standards. The IASB has issued a number of exposure drafts of new standards that are expected to come into effect within future reporting periods. The Corporation monitors the IASB work plans and publications to assess any potential impact on the organization. There are no standards issued but not yet adopted that are expected to have a significant impact on the Corporation.

g) COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (“COVID-19”) a global pandemic. The situation is dynamic and the ultimate duration and magnitude of the impact on the New Brunswick economy and the financial effect on our business is a situation we will continue to monitor closely.

During the pandemic, credit union members adopted a savings approach and credit unions saw their liquidity increase above normal levels. Liquidity levels are expected to return to normal levels as the economy slowly recovers.

4. Investments held for designated purposes

Investments are held to protect credit unions against financial losses and insolvency by: establishing and maintaining a deposit protection fund; providing financial assistance to credit unions for the purpose of stabilization; and providing deposit insurance to members of credit unions incorporated under the *Act* (the “designated purposes”).

Investments consist of the following:

	2021	2020
Investment cash	\$ 5,468	\$ 3,039,332
Provincial notes and bonds	14,149,323	15,173,746
Corporate notes and bonds	13,805,508	9,704,975
	\$ 27,960,299	\$ 27,918,053

The Corporation previously used the services of the New Brunswick Finance and Treasury Board, Treasury Division, to manage a portion of its investments held for designated purposes. During the fiscal year, all investments were transferred to CIBC Wood Gundy. As the underlying provincial bonds and notes were transferred, no gains or losses were recognized.

Investments held for designated purposes conveyed to the Corporation by RMA continue to be held and managed by CIBC Wood Gundy.

The Corporation's debt investment securities credit ratings are considered investment grade. The expected credit losses for March 31, 2021 was assessed as \$nil (\$nil at March 31, 2020). Due to the relatively short-term to maturity and high credit rating, the ECL have been assessed as \$nil.

5. Contingency and guarantees

- (a) The Corporation provides deposit insurance to members of credit unions in New Brunswick to a maximum of \$250,000 for eligible deposits. As at March 31, 2021, deposits by members of credit unions in New Brunswick totalled \$1.19 billion (March 31, 2020 - \$1.07 billion).
- (b) In 2007, and as part of a remediation package provided by the Province of New Brunswick to Caisse populaire de Shippagan Limitée (the Caisse), the Corporation entered into a guarantee and assumption of liabilities agreement with the Caisse whereby the Corporation guaranteed certain loans made by the Caisse and assumed certain contingent obligations of the Caisse. The Corporation's potential obligation under the agreement was \$18.5 million of which the liability in respect of the guaranteed loans of \$16.5 million expired in 2012. Based on management's evaluation of the elements of the guarantee and assumed liabilities, which remain in force at March 31, 2021, no provisions have been made in these financial statements for contingent losses, which are now deemed unlikely. The agreement also includes provisions whereby certain contingent recoveries accrue to the Corporation.

6. Severance payable

The Corporation is obligated, through the conveyance agreement with RMA, to make severance payments totalling \$147,895 over the next fiscal year. As the agreement expires in December 2021, all payments are considered a current liability.

7. Deposit Protection Fund

The *Act* proclaimed on January 1, 2020 dissolved the RMA effective December 31, 2019 and consolidated oversight of the credit union system under the mandate of the Commission. The Corporation's expanded mandate is to protect credit unions against financial losses and insolvency by: establishing and maintaining a deposit protection fund; providing financial assistance to credit unions for the purpose of stabilization; and providing deposit insurance to members of credit unions incorporated under the *Act*.

In the event that the Corporation is obliged to make a payment under section 192 of the *Act* that should exceed the amount maintained in the Deposit Protection Fund, the Corporation may seek loans, advances, grants, loan guarantees or advance guarantees pursuant to section 214.

Pursuant to section 214 of the *Act*, on the application of the Corporation, the Minister may, with the approval of the Lieutenant-Governor in Council and subject to such terms and conditions as the Minister considers appropriate, make loans, advances, or grants to the Corporation and guarantee any loans or advances made to the Corporation by others.

8. Accounts payable and accrued liabilities

	2021	2020
FCNB costs and expenses	\$ 187,073	\$ 204,466
Professional services	30,416	217,428
Payroll severance and benefits	-	95,023
Translation	-	2,487
Governance	-	4,414
Office expense	14,100	8,879
	\$ 231,589	\$ 532,697

9. Related party transactions

The Corporation is an agent of the Crown, which results in the Province of New Brunswick, including its various ministries, departments and other Crown corporations, being related parties.

The New Brunswick Finance and Treasury Board, Treasury Division, previously managed the Corporation's portion of the investment portfolio at no cost. In the current year, all investments were transferred to CIBC Wood Gundy and no investments remain with the New Brunswick Finance and Treasury Board, Treasury Division, at March 31, 2021 (March 31, 2020 - \$5,585,325).

The Corporation utilizes the resources of the Commission to provide human resource and administration support for administering the *Act*. The Commission assumes the salaries and overhead costs, which are billed to the Corporation. The Corporation expensed \$772,209 for the 12 months ending March 31, 2021 (three months ending March 31, 2020 - \$204,466). The value of the unpaid amounts to the Commission at March 31, 2021 were \$187,073 (March 31, 2020 - \$313,161) and were included in accounts payable and accrued liabilities.

The Corporation purchases translation services from Service New Brunswick at the exchange amount. The Corporation expensed \$nil in 2021 (three months ending March 31, 2020 - \$487).

10. Risk and capital management disclosures

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk

Credit risk

Credit risk is the risk of financial loss to the Corporation if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments.

The Corporation invests only in high quality corporate and provincial bonds and notes (with a minimum of BBB rating) and other low risk investments, and as such, management does not expect any counterparty to fail to meet its obligations.

The maximum credit exposure is as follows:

	2021	2020
Cash	\$ 96,890	\$ 359,822
Assessments and other receivables	12,549	312,337
Other assets	3,416	4,541
Investments held for designated purposes	27,960,299	27,918,053
	\$ 28,073,154	\$ 28,594,753

The breakdown of the total fixed income securities by credit rating are as follows:

Credit rating	March 31, 2021		March 31, 2020	
	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AA	\$ 15,174,051	54.2	\$ -	-
AA-	633,729	2.3	-	-
A+	5,450,321	19.5	21,031,495	75.3
A	2,094,470	7.5	6,785,528	24.3
A-	4,607,728	16.5	-	-
BBB	-	-	101,030	0.4
	\$ 27,960,299	100.0	\$ 27,918,053	100.0

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due by investing in liquid investments. The Corporation's primary risk is that credit unions will not be able to meet their obligations, requiring the Corporation to reimburse insured deposits as described in Note 5. If the reimbursement exceeds the Deposit Protection Fund of \$27,693,670, the Corporation would seek financial assistance from the Province of New Brunswick.

The investments have maturities as follows:

	2021	2020
O-5 years	\$ 18,739,038	\$ 24,672,953
Greater than 5 years	9,221,261	3,245,100
	\$ 27,960,299	\$ 27,918,053

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and investment prices, will affect the Corporation's income or the value of its holdings of financial instruments. Due to the nature of the Corporation's investments, management is of the opinion that the Corporation's exposure to market risk is low.

Fair value sensitivity analysis for fixed rate instruments

The Corporation accounts for any fixed rate financial assets or liabilities at fair value through OCI. Therefore, a change of 1% in interest rates at the reporting date would affect OCI by approximately \$894,000 in relation to the change in rates.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Corporation's business model objective is to collect the contractual cash flows and, therefore, upon maturity and renewal interest rates may fluctuate.

Capital management

The details of the Corporation's Protection Fund are described in Note 7.