

New Brunswick Credit Union Deposit Insurance Corporation

2021-2022 Annual Report



New Brunswick
Credit Union Deposit
Insurance Corporation



Table of contents

Transmittal letter	3
Message from the Chair and the CEO	4
Statutory objectives	6
How does the coverage work?	7
Board of Directors	8
Management's discussion and analysis	14
Financial statements	20

New Brunswick Credit Union Deposit Insurance Corporation

85 Charlotte Street, Suite 300
Saint John, NB E2L 2J2
Telephone: 1-866-933-2222
www.nbcudic.ca

Printed in New Brunswick

ISBN 978-1-4605-3003-0

Transmittal letter

July 25, 2022

Minister of Finance and Treasury Board

Consistent with the statutory requirement under section 204 of the *Credit Unions Act*, I am pleased to present the 29th Annual Report of the New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC).

We are available to answer any questions that you may have and to provide you with any additional information 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

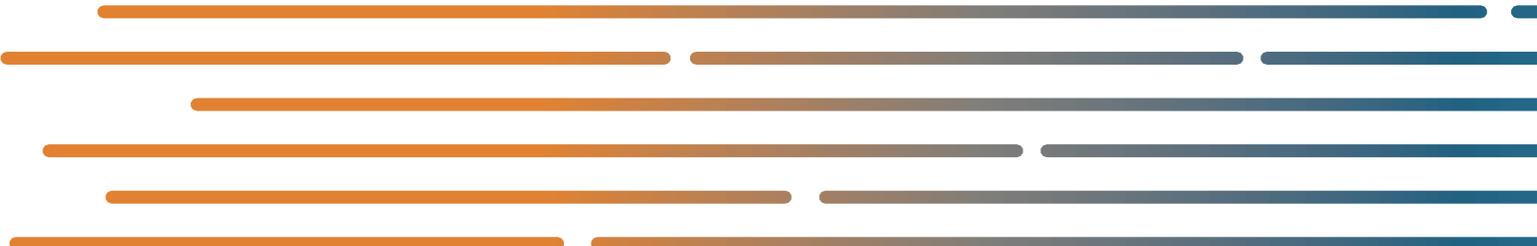
The role of NBCUDIC is twofold:

- to provide deposit insurance to the more than 60,000 credit union members in New Brunswick; and
- to protect the nine New Brunswick credit unions against financial losses and insolvency.

NBCUDIC accomplishes this by establishing and maintaining a Deposit Protection Fund (Fund) in accordance with the *Credit Unions Act*. Currently, New Brunswick credit unions have more than \$1.28 billion in member deposits, which are protected by a robust deposit protection fund representing 1.99% of system assets. This high ratio helps assure that the Fund is well positioned to support the credit union system, if required. Since 1994, NBCUDIC has insured eligible deposits held by members of a New Brunswick credit union up to a maximum of \$250,000.

This past year, while the ongoing pandemic continued to pose challenges to financial markets and financial institutions, we carried out our role without interruption. NBCUDIC continued to work closely with the Financial and Consumer Services Commission (FCNB) to monitor the pandemic’s impact on the financial position of New Brunswick’s credit unions. The credit unions operated effectively with both improved financial performance and financial position. They reported strong asset growth, improved profitability and higher return on assets. Liquidity levels remained stable throughout the year.

Although the roles of NBCUDIC and FCNB are different, much of the work we do is done in partnership. This past year, for example, we collaborated with FCNB in the annual review of the Fund. This review, conducted by an independent consultant, determined the size of the Fund to be both appropriate and adequate to effectively protect member deposits. NBCUDIC also contributed to the development of FCNB guidance for credit unions issuing new share offerings to increase their capital. This initiative reduced regulatory burden and included disclosure requirements for member protection. A formal review process for any payments made from the Fund under the *Credit Unions Act* was also adopted, favouring a transparent and independent oversight model. By working together and respecting our individual roles, both NBCUDIC and FCNB help to maintain a healthy regulatory environment and mitigate the likelihood we will be called upon to use the Fund.



Maintaining relationships with our regulatory counterparts and industry stakeholders is vital to our role. These relationships help to inform both our processes and regulatory best practices. In 2021-2022, we continued to work closely with other Canadian regulators as well as with Atlantic Central and other industry stakeholders on several projects to increase the effectiveness of our oversight activities. These included projects to enhance liquidity risk management in the credit union system and the modernization of our investment policy following a jurisdictional review of Canadian deposit insurers' policies.

In closing, we would like to extend a thank you to our staff and to the directors of the NBCUDIC board for their dedication and guidance during this challenging year and their efforts in continuing to build a strong and financially secure credit union system in New Brunswick. We would especially like to thank Yves Gagnon and Vincent Duff, whose terms ended in 2021, for their contribution as directors.



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

The purposes of NBCUDIC are described in Section 189 of the *Credit Unions Act* (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 *Act*, the 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 NBCUDIC considers necessary or incidental to the attainment of its purposes.

How does the coverage work?

\$250,000 deposit insurance coverage.

What is covered?

NBCUDIC 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 Registered Retirement Savings Plans (RRSPs);
- registered in Registered Retirement Income Funds (RRIFs); and
- Tax Free Savings Account (TFSA) 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?

NBCUDIC 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 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](https://www.nbcudic.ca).

Board of Directors

As per section 206 of the *Act*, the business and affairs of NBCUDIC are now administered by a Board of Directors consisting of the members of the Financial and Consumer Services Commission (FCNB) appointed under section 6 of the *Financial and Consumer Services Commission Act*. The Chair of NBCUDIC, along with two employees of FCNB, namely the Chief Executive Officer (CEO) and the Secretary, are the sole officers of NBCUDIC, fulfilling the roles of the Chair, the CEO and the Corporate Secretary, respectively. The general management of NBCUDIC is carried out by a FCNB employee designated in accordance to the by-laws.

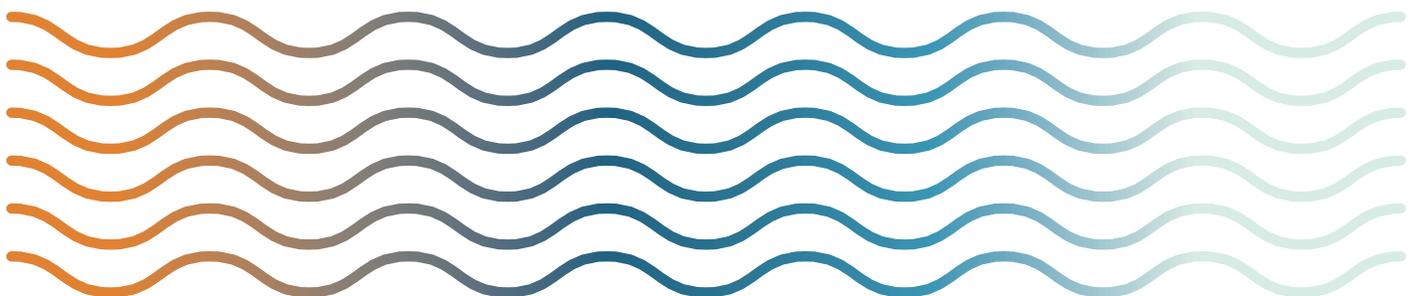
The governance framework established on January 1, 2020, includes the following by-laws, which can be found on NBCUDIC's website:

- 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 NBCUDIC are entitled to be paid the remuneration that is fixed in accordance with the by-laws of FCNB.

NBCUDIC held four regular meetings during the reporting period and two special 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 NBCUDIC 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 for an additional five years. Prior to his appointment, he was a Senior Partner at the 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:

- Governance
- Legal
- Pensions
- Securities

Education:

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

Lucie Boucher



Ms. Boucher worked for more than 25 years in the financial industry as a financial advisor, wealth manager as well as an insurance agent. She held numerous positions throughout her career, both with a private company as well as a national financial institution. Until her retirement in March 2019, she maintained her securities license through the Investment Industry Regulatory Organization of Canada (IIROC) and her insurance license in the four Atlantic Provinces and in Ontario.

Having held positions as the Atlantic Canada regional vice-president and regional manager for MD Management Limited, a subsidiary of the Canadian Medical Association, and in other management positions over the years, she brings a wealth of knowledge in compliance, budgeting, governance and strategic thinking.

Ms. Boucher currently serves as director of the Fondation Louis-J.-Robichaud and a member of its investment committee. She also serves as the Public Representative for the New Brunswick Speech-Language Pathologists and Audiologists.

Professional and industry experience:

- Audit
- Financial Institutions
- Governance
- Management
- Insurance
- Securities

Education:

- Fellow of the Canadian Securities Institute (FCSI) (until her retirement in 2019)
- Certified Financial Planner (CFP) (until her retirement in 2019)
- Financial Management Advisor (FMA) (until her retirement in 2019)
- Professional Financial Planning (PFP) Course, Canadian Securities Institute
- Wealth Management Techniques (WMT), Canadian Securities Institute
- Branch Manager's Course, Canadian Securities Institute
- CSC/CPH – Canadian Securities Course / Conduct and Practices Handbook, Canadian Securities Institute

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 area and the credit union industry through her former role as Director of Legislation and Policy for the Department of Health, which she occupied for 21 years, and as Executive Director, Policy and Education Branch in the Department of Environment, as well as her service on the board of the New Brunswick Credit Union Deposit Insurance Corporation. She also has experience in the consumer affairs sector, having previously occupied the position of Chief Residential Tenancies Officer (formerly known as 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 New Brunswick Association of Occupational Therapists Board and the Canadian Deafblind Association-NB.

Professional and industry experience:

- Consumer Affairs
- Financial Institutions
- Legal
- Public Policy

Education:

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

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, 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 (now the Credit Union Prudential Supervisors Association) and participated in numerous other boards and committees.

Professional and industry experience:

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

Education:

- Fellow of the Chartered Professional Accountant (FCPA, FCA), Institute of Chartered Professional Accountants
- CA, NB Institute of Chartered Accountants

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 Chief Audit Executive at a provincial Crown corporation. She brings a wealth of knowledge in corporate governance and 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 other boards.

Professional and industry experience:

- Accounting
- Financial Institutions
- Management
- Internal Audit
- Risk Management
- Strategic Planning

Education:

- Chartered Professional Accountant (CPA), NB Institute of Chartered Accountants
- 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), New Brunswick Community College

I. Gérald Lévesque



Mr. Gérald Lévesque 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 in the province, including the Court of Appeal. 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.

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

Professional and industry experience:

- Arbitration, Adjudication and Mediation
- Insurance
- Legal
- Policy Drafting

Education:

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

Tania Morris



Ms. Morris is a professor of finance in the Faculty of Administration at the Université de Moncton. Throughout her career, she has contributed to research in corporate governance and financial literacy, and to numerous articles published in scientific journals. With a keen interest in the financial well-being of New Brunswickers, she has organized several conferences on topics related to financial literacy over the years, appeared numerous times on Radio-Canada to discuss financial issues and news, and participated as a speaker at numerous conferences, seminars and roundtables on topics ranging from corporate governance, senior executive compensation to financial literacy.

In her role at the university, Ms. Morris was director of Master of Business Administration program (M.B.A.), Assistant Director of the Accounting Department, Chair of the Research Committee of the Faculty and she is holder of the Chaire d'études Jeanne et J.-Louis-Lévesque in financial management. She initiated a course in financial literacy, offered for the first time in 2020 at the Université de Moncton.

In addition to her extensive professional experience, Ms. Morris has served as treasurer on various board of directors and as a member of the Université de Moncton retirement committee.

Professional and industry experience:

- Accounting
- Education and Communication
- Financial Literacy
- Governance
- Securities

Education:

- Doctorate and D.E.A. (Financial Sciences), Université Pierre Mendès-France (Grenoble II)
- M. Sc. (Financial Sciences), Université de Sherbrooke
- BBA (Financial Sciences), Université de Moncton
- Chartered Professional Accountant (CPA), NB Institute of Chartered Accountants

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
- Audit
- Cybersecurity
- Insurance
- Risk Management
- Strategic Planning

Education:

- 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

Michael D. Wennberg



Mr. Wennberg practised law with the 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 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 he was 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:

- Governance
- Human Resources
- Legal
- Management

Education:

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

Management's discussion and analysis

NBCUDIC

Revenues and Expenses

Upon the proclamation of the updated *Credit Unions Act* in 2020, 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 (\$1,100,000 in 2021).

The Corporation's net income before comprehensive income was \$699,460 (\$664,207 in 2021). The Corporation's investment income for the year decreased to \$508,539 (\$625,741 in 2021). The Corporation did, however, recognize other comprehensive losses (OCI) relating to investments of \$808,156 in 2022 (\$571,056 in 2021), thus resulting in a net loss of \$108,726 (net income of \$93,151 in 2021). The OCI was due to higher interest rates near the fiscal year-end, which reduced the value of bonds. The Corporation, anticipating a movement in rates, shifted a portion of the investment holdings to investments with shorter-term maturities to provide additional liquidity within the Fund for future reinvestments.

Professional services expenses were lower in 2022 as both legal costs and the recovery from FCNB decreased.

Deposit Protection Fund

In 2021-22, FCNB had an external consultant complete an analysis of the sufficiency of the Fund. The report presented to the Commission reflected that the Fund is not impaired, nor is it about to be impaired.

The Fund balance at March 31, 2022 was \$27.6 million or 1.99% of system assets (2021 - \$27.7 million or 2.15% of system assets), down from the five-year average of 2.35%. The movement was mainly due to deposits increasing 21% over the past two years, resulting from customers savings rates increasing dramatically during the pandemic.

The Fund balance decreasing from the prior year was also due to other comprehensive losses of \$808,186 (\$571,056 in 2021) from our investment holdings. The total other comprehensive losses for all years is \$1.2 million at March 31, 2022. As can be seen in the chart below, 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 situation were to occur in the credit union system. With the majority of investments maturing within four years and treasury yields expected to continue to increase, the Fund will be able to purchase investments at higher yields in the short-term. This will result in increased investment income in future years. Details of the investments held are presented in Note 4 of the Audited Financial Statements.

Maturity	Book Value	OCI	% of OCI
0-2 years	\$12,115,776	\$(49,467)	4%
2-4 years	6,120,998	(176,534)	15%
5-6 years	1,348,424	(72,777)	6%
7-8 years	8,279,251	(844,800)	69%
9-10 years	847,753	(74,560)	6%
Total	\$28,712,201	\$(1,218,138)	100%

Financial assistance to credit unions has not been necessary in recent years. This has contributed to the Corporation's ability to maintain the Fund at its current level.

There is currently a credit union that has been under supervision in the Province for several years. As part of their role, in a May 2021 report, the Supervisor recommended exploring the possibility of a sale and solicitation process, and a possible amalgamation. NBCUDIC has been kept apprised of the Supervisor's progress; and, although the total cost is unknown at this time, it is expected that any resulting transaction will result in a minor cost to the Fund.

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, 2021.

Profitability and Return on Assets

All nine New Brunswick credit unions continued to report positive financial results in 2021 and no significant financial losses have been reported in recent years. Net income was \$5.6 million in 2021 (2020 - \$3.1 million), for a return on average assets of 0.42% (2020 - 0.25%). This success was driven by several factors. Credit unions benefited from a substantial reduction in deposit costs in 2021 due to the low prime interest rate. In addition, credit unions took a conservative approach to bad-debt expense during the first year of the pandemic, but actual loan losses remain consistent with pre-pandemic loss rates. As a result, credit unions were confident that additional bad-debt allowances related to the pandemic were not required in 2021.

Growth

Growth	2021	2020
Assets	7.96%	12.76%
Loans	9.67%	3.85%
Deposits	8.00%	13.1%

New Brunswick credit unions' growth in assets, loans and deposits all significantly exceeded historical norms in 2021. Asset growth was largely driven by the growth in loans. Loan growth was significantly higher in 2021 as the housing market heated up and credit unions were more comfortable in lending out their excess liquidity.

Overall, in 2021, system assets grew by \$102.3 million and loans grew by \$93.1 million with the remaining asset growth attributable to investments held by the credit unions. Loans and investments are funded by deposits, which grew by \$95.3 million in 2021.

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. As the economic uncertainty surrounding the potential long-term impact of the pandemic eased, so too did the need for larger than normal allowances for bad debt. Consequently, bad debt expense in 2021 decreased to \$1.24 million or 0.09% of average system assets (2020 - \$2.96 million or 0.24% of average system assets).

Consistent with a conservative orientation, credit unions increased their allowances for credit losses by \$600,000 to \$6.4 million while decreasing their bad debt expense by \$1.9 million.

Liquidity

As at December 31, 2021, system liquidity was \$289.5 million or 22.47% of system liabilities (2020 - \$269.7 million or 22.70% of system liabilities). This is significantly higher than the minimum regulatory requirement of 10%.

Reversing last year's results, in 2021, the total loans issued surpassed deposits; so although liquid assets continued to increase, total system liquidity decreased slightly.

Stability

With significant growth in assets during the pandemic, it was necessary for the credit unions to generate significantly higher than normal profits in order for the leverage ratio (equity as percentage of system assets) to remain unchanged at 6.09%. The result remains above the minimum regulatory requirement of 5%. When government economic programs end, it is anticipated that the unprecedented liquidity levels will begin to decrease to more normal levels. Consequently, a decrease in excess liquidity would be expected to positively impact 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)

	2022	2021	2020*	2019	2018	2017	2016	2015
Deposit Protection Fund**	\$27.6	\$27.7	\$27.6	\$27.5	\$25.6	\$24.9	\$26.0	\$25.6
Deposits	\$1,287.4	\$1,195.0	\$1,056.6	\$1,053.2	\$1,007.6	\$961.5	\$921.9	\$894.5
Assets	\$1,387.4	\$1,285.8	\$1,140.2	\$1,137.7	\$1,085.2	\$1,039.7	\$995.8	\$965.9
% of Credit union assets**	1.99%	2.15%	2.42%	2.42%	2.36%	2.40%	2.61%	2.64%

Financial Profile – Credit Union System*** (in millions of dollars)

		2021	2020*	2019	2018	2017	2016	2015
Profitability	Net income	\$5.6	\$3.1	\$3.2	\$3.4	\$3.1	\$2.9	\$2.4
	Return on average assets	0.42%	0.25%	0.30%	0.32%	0.30%	0.30%	0.25%
Growth	Assets	7.96%	12.76%	5.08%	4.37%	4.41%	3.08%	4.15%
	Loans	9.67%	3.85%	3.01%	2.38%	5.50%	5.47%	2.95%
	Deposits	8.00%	13.10%	4.86%	4.79%	4.29%	3.08%	4.25%
Asset quality	Bad debts (% of average assets)	0.09%	0.24%	0.22%	0.20%	0.18%	0.21%	0.17%
Liquidity	Liquidity (% of liabilities)	22.5%	22.70%	16.70%	15.00%	n/a	n/a	n/a
Stability	Equity (% of assets)	6.09%	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 Protection 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, 2021.

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, 2022

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, 2022, 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, 2022, 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 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
June 28, 2022
Saint John, New Brunswick

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Financial Position
as at March 31, 2022 (in Canadian \$)

	2022 March 31	2021 March 31
ASSETS		
Current Assets		
Cash	\$ 119,029	\$ 96,890
Assessments and other receivables	965	12,549
Other assets	3,416	3,416
	123,410	112,855
Investments held for designated purposes (Note 4)	27,622,966	27,960,299
	\$ 27,746,376	\$ 28,073,154
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 161,432	\$ 231,589
Current portion of severance payable (Note 6)	-	147,895
	161,432	379,484
Equity balances		
Deposit Protection Fund (Note 7)	27,584,944	27,693,670
	\$ 27,746,376	\$ 28,073,154

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

**Statement of Comprehensive Income (by nature)
for the year ended March 31, 2022 (in Canadian \$)**

	2022	2021
REVENUE		
Assessments	\$ 1,100,000	\$ 1,100,000
Investment income	508,539	625,741
	1,608,539	1,725,741
EXPENSES		
Salaries and benefits	16,269	17,240
Administration	22,707	18,753
Professional services	870,103	1,025,541
	909,079	1,061,534
Net income	699,460	664,207
Other comprehensive loss	(808,186)	(571,056)
COMPREHENSIVE (LOSS) INCOME	\$ (108,726)	\$ 93,151

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, 2022 (in Canadian \$)

	Deposit Protection Fund	Other comprehensive income (loss)	Total
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
Comprehensive income (loss)	699,460	(808,186)	(108,726)
Balance, March 31, 2022	\$ 28,803,082	\$ (1,218,138)	\$ 27,584,944

The accompanying notes are part of these financial statements.

Statement of Cash Flows for the year ended March 31, 2022 (in Canadian \$)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 699,460	\$ 664,207
Changes in non-cash working capital		
Assessments and other receivables	11,584	299,788
Other assets	-	1,125
Accounts payable and accrued liabilities	(70,157)	(301,108)
Severance payable	(147,895)	(313,642)
	492,992	350,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments held for designated purposes	(470,853)	(613,302)
	(470,853)	(613,302)
NET INCREASE (DECREASE) IN CASH	22,139	(262,932)
CASH, BEGINNING OF PERIOD	96,890	359,822
CASH, END OF PERIOD	119,029	96,890
	2022	2021
Note: Cash flow from interest received is included in comprehensive income.	\$ 502,772	\$ 377,929

The accompanying notes are part of these financial statements.

Notes to the Financial Statements for the year ended March 31, 2022

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 financial statements for the year ended March 31, 2022 (including comparatives) were approved by the board of directors on June 22, 2022.

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 exempt 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, 2021 and none have had a material impact on the financial statements or presentation.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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.

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:

	2022	2021
Investment cash	\$ 98,748	\$ 5,468
Provincial notes and bonds	11,977,231	14,149,323
Corporate notes and bonds	15,546,987	13,805,508
	\$ 27,622,966	\$ 27,960,299

The Corporation’s debt investment securities credit ratings are considered investment grade. The expected credit losses for March 31, 2022 was assessed as \$nil (2021 - \$nil). 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, 2022, deposits by members of credit unions in New Brunswick totalled \$1.29 billion (2021 - \$1.19 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, 2022, 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 was obligated, through the conveyance agreement with RMA, to make severance payments in previous fiscal years. The agreement expired in December 2021 and no payable balance remains (2021 - \$147,895).

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

	2022	2021
FCNB costs and expenses	\$ 150,310	\$ 187,073
Office expense	6,176	14,100
Payroll and benefits	2,813	-
Professional services	2,133	30,416
	\$ 161,432	\$ 231,589

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 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 \$736,072 for the year ended March 31, 2022 (2021 - \$772,209). The value of the unpaid amounts to the Commission at March 31, 2022 were \$150,310 (2021 - \$187,073) and were included in accounts payable and accrued liabilities.

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:

	2022	2021
Cash	\$ 119,029	\$ 96,890
Assessments and other receivables	965	12,549
Other assets	3,416	3,416
Investments held for designated purposes	27,622,966	27,960,299
	\$ 27,746,376	\$ 28,073,154

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

Credit rating	2022		2021	
	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AAA	\$ 2,398,824	8.7	\$ -	-
AA	13,899,556	50.3	15,174,051	54.2
AA-	591,180	2.1	633,729	2.3
A+	4,623,339	16.7	5,450,321	19.5
A	5,929,823	21.5	2,094,470	7.5
A-	180,244	0.7	4,607,728	16.5
	\$ 27,622,966	100.0	\$ 27,960,299	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 \$27,584,944, the Corporation would seek financial assistance from the Province of New Brunswick.

The investments have maturities as follows:

	2022	2021
0-5 years	\$ 18,080,919	\$ 18,739,038
Greater than 5 years	9,542,047	9,221,261
	\$ 27,622,966	\$ 27,960,299

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 \$815,031 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.

11. Subsequent Events

Subsequent to year-end a credit union was put under supervision. The Superintendent of credit unions initiated the legislative resolution process that could require NBCUDIC to provide financial assistance. The estimate of contingent losses are not known and cannot be estimated at this time therefore no contingent loss has been recorded.

In regard to a separate credit union previously under supervision, the supervisor recommended that a sale and solicitation process commence in order to determine if there were parties interested in acquiring the assets and liabilities or to formally amalgamate with the credit union. A credit union has expressed interest in March 2022 and NBCUDIC has supported their letter of interest should they decide to move forward with a formal offer. Implicit in this endorsement, NBCUDIC agreed in principle to cover certain incremental costs to the purchaser, as well as offering loan guarantees. Although the total cost is unknown at this time, it is expected that this transaction will result in a minor cost to the Fund. As the amount is not estimable, no contingent loss has been recorded.