

New Brunswick Credit Union Deposit Insurance Corporation

2022-2023 Annual Report

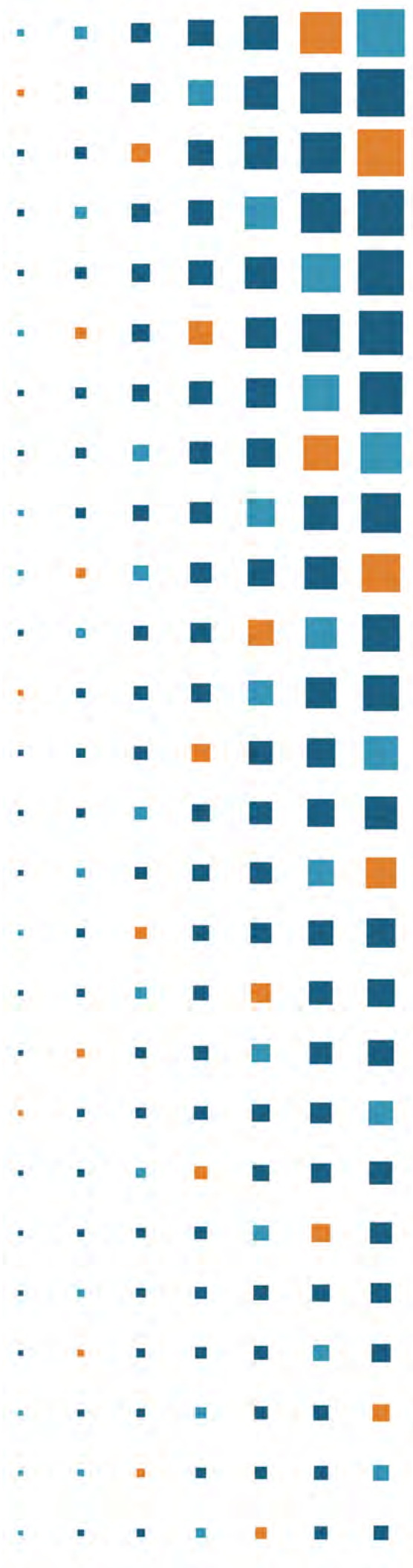


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New Brunswick Credit Union Deposit Insurance Corporation

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

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Transmittal letter

August 14, 2023

Minister of Finance and Treasury Board and
Financial and Consumer Services Commission of New Brunswick,

Consistent with the statutory requirement under section 204 of the *Credit Unions Act*, I am pleased to present the 30th 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

Joint Message from the Chair and the CEO

It's been 30 years since the New Brunswick Credit Union Deposit Insurance Corporation was established.

Over that time, the Corporation has worked diligently to carry out its mission: to protect people who have eligible deposits at a New Brunswick credit union by providing deposit insurance and by protecting New Brunswick credit unions against financial losses and insolvency. It does so by maintaining a Deposit Protection Fund (Fund) in accordance with the *Credit Unions Act*.

Through another year of pandemic and economic uncertainty, we continued to monitor and respond to member expectations and behaviours as well as changes in the financial industry, including merger activity and the closure of a credit union.

Last year, we reinforced our commitment to protecting the savings of New Brunswick members planning for their future by expanding and modernizing our deposit protection regime to include more savings products at insured credit unions. As of July 1, 2022, New Brunswick's more than 59,000 credit union members now receive insurance coverage for their Registered Disability Savings Plans and Registered Education Savings Plans. This is in addition to the six other categories of savings covered. This change means nearly all personal deposit accounts, up to a maximum of \$250,000, are protected by NBCUDIC.

We also expanded coverage of term deposits for Canadian and foreign currencies with an original term to maturity of more than five years. Previously, only deposits in Canadian funds were protected.

These changes demonstrate that NBCUDIC is keeping pace with how New Brunswick credit union members bank and save, and is aligned with coverage provided by federally regulated financial institutions.

As part of the Board's thorough oversight of NBCUDIC's investment portfolio, after a rigorous process, we also engaged a new investment manager during the latter part of last calendar year to oversee the Fund. The one-year return on our managed portfolio was 1.56%. At \$28,475,331, the Fund represents 1.94% of system assets. This ratio helps assure that the Fund is well positioned to support the credit union system, if required.



Over the last year, we also worked with Atlantic Central, the trade association for credit unions in Atlantic Canada, and the Superintendent of Credit Unions at the Financial and Consumer Services Commission (FCNB) to stay informed of changes within the province’s credit union system. One smaller credit union, which had been under supervision for many years, closed its doors and saw its members well supported in transitioning their accounts to OMISTA Credit Union. Meanwhile, three others merged on January 1, 2023, to become the province’s largest credit union. We are happy to report this activity had little impact on the Fund.

We also strengthened our relationship with the other credit union deposit insurance corporations in Atlantic Canada by entering into a Memorandum of Understanding (MOU) in December 2022 to cooperate and share information with each other. In light of the ever evolving and changing marketplace, we feel this MOU with the other Atlantic credit union prudential supervisors will help us to effectively address common emerging issues that may affect the region’s credit union sector, including protocols for deposit insurance payouts.

After another successful year, we would like to extend a thank you to our staff and to the directors of the NBCUDIC board for continuing to build a strong and financially secure credit union system in New Brunswick. We appreciate the cooperation we have received from all system participants in executing our mission. We would especially like to thank Michael Wennberg, whose term as a director ended in 2022.



Original signed by
Kevin Hoyt

Kevin Hoyt
FCPA, FCGA, CPA (DE), ICD.D
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 of the *Act*; 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?

What is covered?

NBCUDIC insures eligible deposits under each of the following eight savings categories held in a member credit union up to a maximum of \$250,000 (principal and interest combined) per category held by a depositor:

- eligible deposits held in one name;
- eligible deposits held in trust for someone else;
- eligible deposits held jointly in two or more names;
- eligible deposits held in Registered Education Savings Plans (RESPs);
- eligible deposits held in Registered Disability Savings Plans (RDSPs);
- eligible deposits held in Registered Retirement Savings Plans (RRSPs);
- eligible deposits held in Registered Retirement Income Funds (RRIFs); and
- eligible deposits held in Tax Free Savings Accounts (TFSA).

What is an eligible deposit?

A combination of savings accounts, chequing accounts, term deposits and guaranteed investment certificates (GICs), money orders, drafts and certified cheques. Balances held in foreign currencies are included in eligible deposits.

What is not covered?

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

- bonds and debentures issued by governments and corporations;
- membership shares and other types of shares issued by credit unions;
- deposits made at banks and trust companies;
- deposits made at credit unions or caisses populaires that are not incorporated under provincial legislation;
- treasury bills; and
- investments in mortgages, mutual funds and stocks.

For more information on deposit insurance, consult our website at [NBCUDIC.ca](https://www.nbcudic.ca).

Member institutions

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

Brunswick Credit Union Limited

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

Phone: 506-855-2728 (Advance Savings);

506-634-1263 (Bayview);

506-458-9145 (Progressive)

Website: brunswickcu.com

New Brunswick Teachers' Association Credit Union Ltd.

Head office: PO 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

The Credit Union Ltd.

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

Phone: 506-684-5697

Website: thecreditunion.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 FCNB employees designated in accordance with 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 three regular meetings during the reporting period and two special meetings.

To help guide the development of the agendas for its regular 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, February 2020 and January 2023, he was awarded certificates of completion for the Strategic Management of Regulatory and Enforcement Agencies, Leadership Decision Making: Optimizing Organizational Performance and Leadership for the 21st Century, 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 licence through the Investment Industry Regulatory Organization of Canada (IIROC) and her insurance licence 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 for the province, 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, including 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:

- Audit Committee Certificate, Chartered Professional Accountant of Canada
- 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. Lévesque is an experienced lawyer who has dedicated the past 35 years to practising law in the Edmundston area. With expertise in both civil and criminal litigation, he has represented clients at all levels of court in the province. In addition to his litigation skills, he has held positions on administrative tribunals, including that of chairman of the Board of Referees for Employment Insurance and adjudicator for the Department of Justice.

He actively contributes to the legal profession by participating in boards and committees such as the Law Society of New Brunswick and the Canadian Bar Association (CBA). He has also served as a member of the New Brunswick Law Foundation and the Practice Review Committee, demonstrating his commitment to maintaining his professional standards.

In addition to his legal expertise, Mr. Lévesque has gained a comprehensive understanding of commercial banking process and financial analysis through his involvement in private industry.

He has recently completed the Osgoode Certificate in Pension Law from Osgoode Law School, further enhancing his expertise in this specialized area.

Mr. Lévesque is also actively involved in the community. Over the years, he has generously donated his time and expertise to the steering committee of the Centre Maillet and its Foundation, as well as to the Children's Wish Foundation, the regional library and youth sports programs.

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 the 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

Catherine Lahey, K.C.



Ms. Lahey is a Senior Partner at the Stewart McKelvey law firm with a diverse practice in banking and financing, securities, insurance, bankruptcy and receivership, corporate formation, labour and employment and more. In 2021, she was named “Lawyer of the Year” in Saint John for her work in corporate and commercial litigation.

Ms. Lahey has presented and published widely on issues of workplace law, health law and litigation. Since 1995, she has been an instructor for the New Brunswick Law Society Bar Admission course and a frequent speaker for the New Brunswick branch of the Canadian Bar Association.

She is also an active volunteer through her work with many local charities. For nearly 20 years, she has worked with the local United Way, first as a campaign cabinet volunteer in 2004 to serving as chair of the United Way of Saint John, Kings and Charlotte County’s 2022 annual campaign. She has also contributed her time to the Saint John Region Chamber of Commerce and the Business Community Anti-Poverty Initiative.

Professional and Industry Experience:

- Legal
- Securities
- Insurance
- Financial Institutions
- Human Resources
- Risk Management

Education:

- Dalhousie University, LL.B.
- University of New Brunswick, BA (honours)

The term of Michael D. Wennberg ended on Dec. 14. 2022.



Management's discussion and analysis

NBCUDIC

Revenues, Expenses and Financial Results

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 \$1,250,000 for the current fiscal year (\$1,100,000 in 2022).

NBCUDIC's costs for the year were \$741,749 (\$909,079 in 2022). These cost savings related mostly to professional services, as both legal costs and the costs associated with FCNB's regulatory work decreased. The cost of professional services fell from \$870,103 in 2022 to \$691,149 in 2023.

The Corporation's net income before comprehensive income was \$1,251,064 (\$699,460 in 2022). The Corporation's investment and other income for the year increased to \$742,813 (\$508,539 in 2022). The Corporation did, however, recognize other comprehensive losses (OCI) relating to investments of \$360,677 in 2023 (\$808,186 in 2022), thus resulting in a net income of \$890,387 (net loss of \$108,726 in 2022). The OCI loss can be attributed to higher interest rates during the year, which reduced the market value of provincial and corporate bonds previously purchased at lower rates. NBCUDIC mitigated the overall loss by holding a large portion of the Corporation's investment holdings in shorter-term maturity investments and amending the investment strategy to allow for the purchase of a certain amount of equities.

Deposit Protection Fund

The Fund balance at March 31, 2023 was \$28.5 million or 1.94% of system assets (2022 - \$27.6 million or 1.99% of system assets), down from the five-year average of 2.19%. The movement was mainly due to deposits increasing by 28% over the past three years, resulting from customers' savings rates increasing dramatically during the pandemic.

The Corporation updated its investment policy during the year. The policy now allows holding investments in publicly traded Canadian and non-Canadian common or preferred shares. The updated policy provides an appropriate balance between adequate liquidity for short-term needs while including longer-term investments that may provide better yields. The policy allows for equity holdings up to 30%, however, the balance currently sits at 15%. The current equity holdings include:

Equities	Amount
Canadian equities	\$2,805,472
US equities	1,381,163
Total	\$4,186,635

As can be seen in the chart below, the Fund's fixed income 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	Market Value
0-2 years	\$10,196,092
2-4 years	3,154,964
5-6 years	2,297,232
7-8 years	7,932,055
Total	\$23,580,343

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.

Citizens Credit Union wound up operations in 2022-2023, with customer deposits and credit union assets being transferred to OMISTA Credit Union. As a result of the coordinated efforts of FCNB, NBCUDIC and the participants of New Brunswick's credit union system, the closure of the credit union, to date, has resulted in no material costs to the Fund.

One credit union remained under voluntary supervision at March 31, 2023. 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, 2022. It should be noted that as of January 1, 2023, Advance Savings, Bayview and Progressive credit unions amalgamated to form Brunswick Credit Union.

Profitability and Return on Assets

New Brunswick's eight credit unions reported positive financial results in 2022. Net income grew to \$8.2 million in 2022 (2021 - \$5.6 million), for an improved return on average assets of 0.57% (2021 - 0.42%).

Growth

Growth	2022	2021
Assets	5.68%	7.96%
Loans	10.90%	9.67%
Deposits	5.24%	8.00%

System assets grew by \$78.9 million in 2022 (2021 - \$101.6 million) and loans grew by \$115.0 million (2021 - \$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 \$67.5 million in 2022 (2021 - \$95.3 million).

Asset Quality

Bad debt expense in 2022 increased to \$1.3 million or 0.09% of average system assets (2021 - \$1.2 million or 0.09% of average system assets).

Credit unions increased their allowances for credit losses by \$544,000 to \$6.9 million.

Liquidity

As at December 31, 2022, system liquidity was \$254.1 million or 18.6% of system liabilities (2021 - \$289.5 million or 22.5% of system liabilities). This is significantly higher than the minimum regulatory requirement of 10%.

Stability

By the end of 2022, the Bank of Canada increased the overnight rate 400 basis points to 4.25%. It increased the benchmark rate a further 0.25% on January 25, 2023. We continue to see the impact of these rapid rate increases on credit union financial results.

We expect to see system financial margin level off as the Bank of Canada pauses on future interest rate hikes, and financial expense rise as members continue to choose higher yielding term deposits.

Key Indicators

Financial Profile – Deposit Protection Fund (in millions of dollars)

	2023	2022	2021	2020*	2019	2018
Deposit Protection Fund**	\$28.5	\$27.6	\$27.7	\$27.6	\$27.5	\$25.6
Deposits	\$1,354.9	\$1,287.4	\$1,195.0	\$1,056.6	\$1,053.2	\$1,007.6
Assets	\$1,466.3	\$1,387.4	\$1,285.8	\$1,140.2	\$1,137.7	\$1,085.2
% of credit union assets**	1.94%	1.99%	2.15%	2.42%	2.42%	2.36%

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

		2022	2021	2020*	2019	2018
Profitability	Net income	\$8.2	\$5.6	\$3.1	\$3.2	\$3.4
	Return on average assets	0.57%	0.42%	0.25%	0.30%	0.32%
Growth	Assets	5.68%	7.96%	12.76%	5.08%	4.37%
	Loans	10.90%	9.67%	3.85%	3.01%	2.38%
	Deposits	5.24%	8.00%	13.10%	4.86%	4.79%
Asset quality	Bad debts (% of average assets)	0.09%	0.09%	0.24%	0.22%	0.20%
Liquidity	Liquidity (% of liabilities)	18.60%	22.50%	22.70%	16.70%	15.00%
Stability	Equity (% of assets)	6.30%	6.09%	6.09%	6.35%	6.37%

* 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 2018-2019 was December 31.

** The 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, 2022.



Financial statements

New Brunswick Credit Union
Deposit Insurance Corporation

As at March 31, 2023

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, 2023, 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, 2023, 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
July 5, 2023
Saint John, New Brunswick

New Brunswick Credit Union Deposit Insurance Corporation

**Statement of Financial Position
as at March 31, 2023 (in Canadian \$)**

	2023 March 31	2022 March 31
ASSETS		
Current Assets		
Cash	\$ 581,439	\$ 119,029
Assessments and other receivables	753	965
Other assets	3,416	3,416
	585,608	123,410
Investments held for designated purposes (Note 4)	27,965,465	27,622,966
	\$ 28,551,073	\$ 27,746,376
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 75,742	\$ 161,432
Equity balances		
Deposit Protection Fund (Note 6)	28,475,331	27,584,944
	\$ 28,551,073	\$ 27,746,376

Commitments and guarantees (Note 5)

The accompanying notes are part of these financial statements.

APPROVED BY THE CORPORATION

Original signed by Peter Klohn

Original signed by Norma Kelly

Chair

Member

New Brunswick Credit Union Deposit Insurance Corporation

Statement of Comprehensive Income (by nature)
for the year ended March 31, 2023 (in Canadian \$)

	2023	2022
REVENUE		
Assessments	\$ 1,250,000	\$ 1,100,000
Investment and other income (Note 4)	742,813	508,539
	1,992,813	1,608,539
EXPENSES		
Salaries and benefits	10,700	16,269
Administration	39,900	22,707
Professional services	691,149	870,103
	741,749	909,079
Net income	1,251,064	699,460
Other comprehensive loss	(360,677)	(808,186)
COMPREHENSIVE INCOME (LOSS)	\$ 890,387	\$ (108,726)

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, 2023 (in Canadian \$)

	Deposit Protection Fund	Other comprehensive income (loss)	Total
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
Comprehensive income (loss)	1,251,064	(360,677)	890,387
Balance, March 31, 2023	\$ 30,054,146	\$ (1,578,815)	\$ 28,475,331

The accompanying notes are part of these financial statements.

Statement of Cash Flows for the year ended March 31, 2023 (in Canadian \$)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,251,064	\$ 699,460
Changes in non-cash working capital		
Assessments and other receivables	212	11,584
Accounts payable and accrued liabilities	(85,690)	(70,157)
Severance payable	-	(147,895)
	1,165,586	492,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments held for designated purposes	(703,176)	(470,853)
	(703,176)	(470,853)
NET INCREASE IN CASH	462,410	22,139
CASH, BEGINNING OF PERIOD	119,029	96,890
CASH, END OF PERIOD	581,439	119,029
	2023	2022
Note: Cash flow from interest received is included in comprehensive income.	\$ 520,819	\$ 502,772

The accompanying notes are part of these financial statements.

Notes to the Financial Statements for the year ended March 31, 2023

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, 2023 (including comparatives) were approved by the board of directors on June 28, 2023.

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 amortized cost, fair value through other comprehensive income or fair value through profit and loss 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 and other income" on the Statement of Comprehensive Income.

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

Debt instruments 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 and other income” on the Statement of Comprehensive Income. Realized gains and losses on fixed income investments are recorded in “investment and other 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.

Financial assets at fair value through profit or loss (“FVTPL”)

Equity instruments are measured subsequently at FVTPL on the Statement of Comprehensive Income. Unrealized and realized gains and losses, dividends declared and interest income on these financial assets are recorded in “investment and other income.”

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 on 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
Fixed income investments held for designated purposes	FVTOCI
Equity investments held for designated purposes	FVTPL

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. Dividends are recorded upon declaration.

e) 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:

	2023	2022
Investment cash	\$ 198,487	\$ 98,748
Provincial notes and bonds	13,759,302	11,977,231
Corporate notes and bonds	9,821,041	15,546,987
Canadian equities	2,805,472	-
US equities	1,381,163	-
	\$ 27,965,465	\$ 27,622,966

The Corporation’s debt investment securities credit ratings are considered investment grade. The expected credit losses for March 31, 2023 was assessed as \$nil (2022 - \$nil) due to the relatively short-term to maturity and high credit rating.

Investment and other income consist of the following:

	2023	2022
Interest income	\$ 576,232	\$ 492,562
Dividend income	31,675	-
Realized gains on fixed income investments	10,276	15,977
Unrealized gains on equity investments	124,630	-
	\$ 742,813	\$ 508,539

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, 2023, deposits by members of credit unions in New Brunswick totalled \$1.35 billion (2022 - \$1.29 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, 2023, 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.
- c) A credit union previously under supervision transferred its assets and liabilities to another credit union during the year. As part of the transaction, NBCUDIC agreed to cover certain incremental costs and loan guarantees to the purchaser. The expected incremental costs to NBCUDIC have been recorded as an expense in the current year. The Corporation’s potential loan guarantee obligation under the agreement was \$7.5 million and will continue in effect until May 31, 2027. No claims have been made to date. The estimate of contingent losses are not known and cannot be estimated at this time, therefore, no contingent losses have been recorded.

6. 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.

7. Accounts payable and accrued liabilities

	2023	2022
FCNB costs and expenses	\$ 41,664	\$ 150,310
Professional services	20,000	2,133
Office expenses	14,002	6,176
Payroll and benefits	76	2,813
	\$ 75,742	\$ 161,432

8. 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 FCNB to provide human resource and administration support for administering the *Act*. FCNB assumes the salaries and overhead costs, which are billed to the Corporation. The Corporation expensed \$657,008 for the year ended March 31, 2023 (2022 - \$736,072).

The value of the unpaid amounts to the Commission at March 31, 2023 were \$41,664 (2022 - \$150,310) and were included in accounts payable and accrued liabilities.

9. 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 equity (as noted in the table below), 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:

	2023	2022
Cash	\$ 581,439	\$ 119,029
Assessments and other receivables	753	965
Other assets	3,416	3,416
Investments held for designated purposes	27,965,465	27,622,966
	\$ 28,551,073	\$ 27,746,376

The breakdown of the provincial and corporate notes and bonds by credit rating are as follows:

Credit rating	2023		2022	
	Fair value	Percentage of portfolio	Fair value	Percentage of portfolio
AAA	\$ 1,765,521	7.5	\$ 2,398,824	8.7
AA	16,996,581	72.1	13,899,556	50.3
AA-	-	-	591,180	2.1
A+	-	-	4,623,339	16.7
A	4,818,241	20.4	5,929,823	21.5
A-	-	-	180,244	0.7
	\$ 23,580,343	100.0	\$ 27,622,966	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.

The provincial and corporate notes and bonds have maturities as follows:

	2023	2022
0-5 years	\$ 12,348,048	\$ 18,080,919
Greater than 5 years	11,232,295	9,542,047
	\$ 23,580,343	\$ 27,622,966

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 \$756,325 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 6.