



Annual Report 2010

CREDIT UNION SYSTEM

NEWFOUNDLAND AND LABRADOR



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CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Stakeholder

Please find enclosed an overview of the financial performance of the Newfoundland and Labrador Credit Union System for 2010 and combined and individual audited financial information for the year ended December 31, 2010.

2010 was an excellent year for the Newfoundland and Labrador Credit Union System. Asset growth exceeded 8%, audited net income exceeded 5.0 million dollars after dividends and rebates of 1.1 million, liquidity remained strong and net delinquency was low. System capital at 5.26% exceeded the minimum regulatory capital requirement of 5%. Credit unions are encouraged to continue to grow their capital positions greater than the minimum required by regulation.

While 2010 was a good year, 2011 could be a challenging year given an increasing interest rate environment. Credit unions must be very vigilant in managing its interest rate risk.

Bill Langthorne
Chief Executive Officer
CUDGC

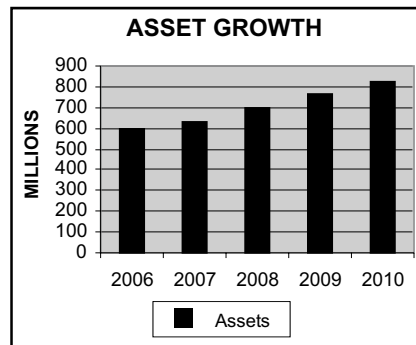
FINANCIAL PERFORMANCE

Credit Union & Branches

As at December 31, 2010 there were 11 credit unions with 41 service locations.

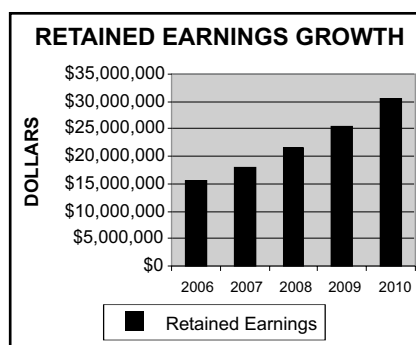
Assets

The Credit Union system continued to experience asset growth in 2010. Assets were \$827 million at the end of 2010 compared to \$763 million in 2009, a growth rate of 8.4% in 2010 as compared to 9.0% in 2009.



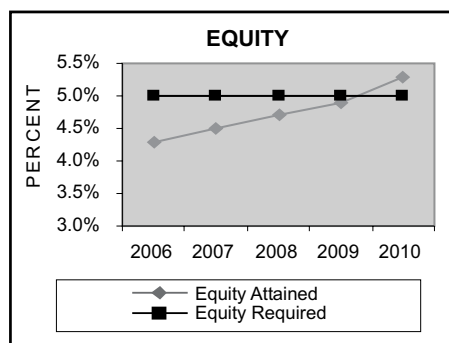
Earnings

System earnings at the end of 2010, net of dividends and rebates, were \$5,034,475 (63bp) as compared to \$3,850,004 (53bp) in 2009. Total system retained earnings at December 31, 2010 was \$30.5 million compared to \$25.5 million in 2009.



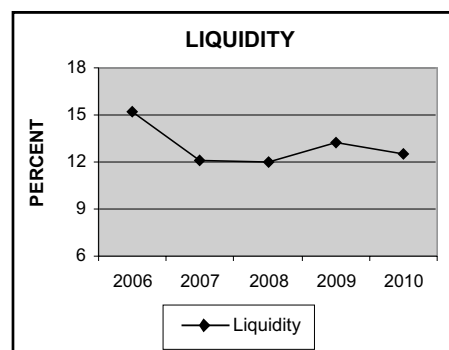
Equity

With steady improvement, the regulatory equity target of 5% has now been surpassed. Total system equity comprising shares and retained earnings at the end of 2010 was \$43.5 million or 5.26% compared to \$37.7 million or 4.94% at the end of 2009.



Liquidity

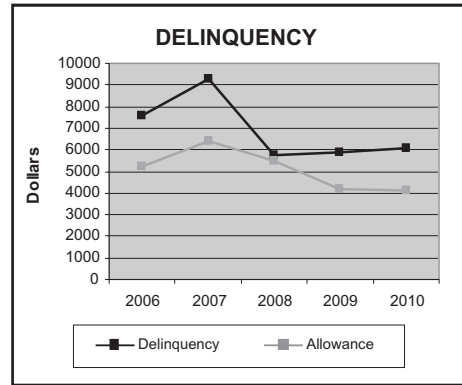
System liquidity remains good at 12.5% compared to 13.2% in 2009. The system's utilization of lines of credit is well managed. All credit unions were compliant with statutory liquidity as at December 31, 2010.



FINANCIAL PERFORMANCE

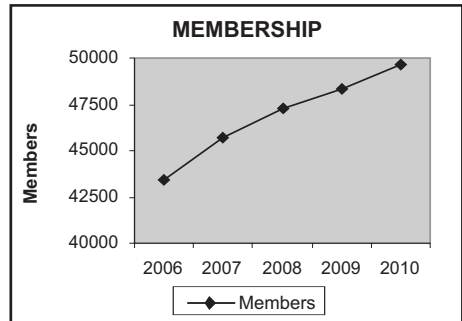
Delinquency

Credit Union delinquency continued to be well managed in 2010. Total delinquency represented by loans overdue 31 days or more as a percent of loans was 0.90% for 2010 as compared to 0.95% in 2009. The net delinquency represented by deducting specific and general loan loss provisions from total delinquency was at 0.29% in 2010 compared to 0.27% in 2009.



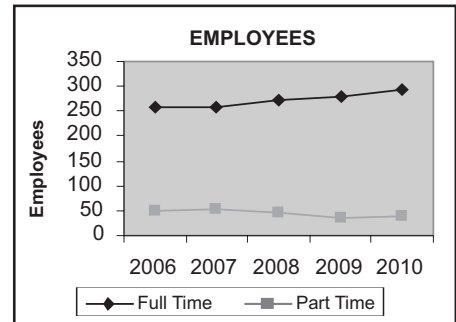
Membership

Membership grew by 1,326 or 2.7% in 2010. Presently there are 49,679 members (as defined by Regulations) obtaining services from credit unions. This represents approximately 9% of the Newfoundland and Labrador population.



Employees

The credit union system experienced a net increase of 18 employees in 2010, an increase of 14 full time jobs and 4 part time jobs. At the end of 2010 there were a total of 335 credit union employees with 217 employed in credit union locations outside of St. John's and surrounding area. The salaries and benefits paid in 2010 totaled \$16,868,744 as compared to \$15,852,886 in 2009, an increase of \$1,015,858 or 6%. Approximately \$8.9 million was paid to employees living and working outside St. John's and surrounding area.



Audited Information

CREDIT UNION SYSTEM

Year Ended December 31, 2010

COMBINED BALANCE SHEET

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2010
 (based on audited financial statements)

	2010	2009
Assets		
Cash	\$33,309,918	\$34,520,441
Investments	88,288,687	86,226,009
Loans (Net of Allowance)		
2010-(\$4,121,554)	670,100,981	613,293,587
2009-(\$4,159,205)		
Other Assets	10,088,616	8,077,347
Fixed Assets	<u>25,477,804</u>	<u>20,890,723</u>
Total Assets	<u><u>\$827,266,006</u></u>	<u><u>\$763,008,107</u></u>
Liabilities		
Borrowings	2,609,806	211,940
Payables	5,949,888	5,379,672
Members Deposits	<u>775,218,771</u>	<u>719,710,368</u>
Total	<u><u>783,778,465</u></u>	<u><u>725,301,980</u></u>
Member Surplus		
Shares	12,955,427	12,200,806
Retained Earnings (Deficit)	<u>30,532,114</u>	<u>25,505,321</u>
Total	<u><u>43,487,541</u></u>	<u><u>37,706,127</u></u>
Total Liabilities and Member Surplus	<u><u>\$827,266,006</u></u>	<u><u>\$763,008,107</u></u>

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

COMBINED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
Year Ended December 31, 2010
(based on audited financial statements)

	2010	2009
Total Financial Revenue	\$42,908,034	\$41,594,939
Total Financial Expense	<u>12,991,870</u>	<u>15,076,640</u>
Financial Margin	29,916,164	26,518,299
Other Income	<u>10,773,970</u>	<u>10,670,561</u>
Gross Margin	40,690,134	37,188,860
Total Operating Expenses	33,258,863	31,420,144
Income Before Dividends & Taxes	7,431,271	5,768,716
Dividends	1,069,193	1,045,491
Taxes	<u>1,327,603</u>	<u>873,221</u>
Net Income	\$5,034,475	\$3,850,004
Retained Earnings (Deficit) & Other Reserves Beginning of Year	25,505,321	21,655,317
Prior period Adjustment	(7,682)	0
Retained Earnings (Deficit) & Other Reserves End of Year	<u>\$30,532,114</u>	<u>\$25,505,321</u>

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

BALANCE SHEET BY CREDIT UNION

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2010
 (based on audited financial statements)

Credit Union	Cash and Cash Equivalents \$	Investments \$	Loans \$	Allowance For Doubtful Loans \$	Net Loans \$	Other Assets \$	Fixed Assets \$	Total Assets \$
Community	2,029,557	10,276,895	25,573,762	447,866	25,125,896	170,698	886,829	38,489,875
Eagle River	5,837,234	7,308,029	69,689,197	356,631	69,332,566	474,938	1,783,498	84,736,265
EasternEdge	235,284	2,801,386	33,821,937	310,854	33,511,083	136,966	2,533,298	39,218,017
Hamilton Sound	2,115,984	3,075,721	21,491,152	210,743	21,280,409	442,153	1,519,635	28,433,902
Horizon	834,964	493,785	4,982,916	13,550	4,969,366	35,615	2,484	6,336,214
Humber Valley	384,465	779,667	9,366,750	61,570	9,305,180	13,757	439,969	10,923,038
Leading Edge	6,738,709	7,996,688	59,221,949	444,420	58,777,529	719,857	2,159,402	76,392,185
Nfld. & Labrador	8,974,221	43,619,256	363,131,295	901,232	362,230,063	6,953,306	13,270,379	435,047,225
Public Service	1,304,697	2,788,802	34,789,243	673,630	34,115,613	167,432	1,637,101	40,013,645
Reddy Kilowatt	1,483,623	2,669,734	30,957,719	177,606	30,780,113	174,795	66,406	35,174,671
Venture	3,371,180	6,478,724	21,196,615	523,452	20,673,163	799,099	1,178,803	32,500,969
TOTAL SYSTEM	33,309,918	88,288,687	674,222,535	4,121,554	670,100,981	10,088,616	25,477,804	827,266,006

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

BALANCE SHEET BY CREDIT UNION

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2010
 (based on audited financial statements)

Borrowings	Payables	Member Deposits	Total Liabilities	Share Capital	Retained Earnings (Deficit) & Other Res.	Member Surplus (Deficiency)	Total
\$	\$	\$	\$	\$	\$	\$	\$
0	345,763	34,225,568	34,571,331	331,696	3,586,848	3,918,544	38,489,875
0	1,267,390	78,856,943	80,124,333	1,276,364	3,335,568	4,611,932	84,736,265
1,387,669	177,814	35,357,194	36,922,677	775,415	1,519,925	2,295,340	39,218,017
0	124,441	26,570,528	26,694,969	564,656	1,174,277	1,738,933	28,433,902
0	38,965	5,946,370	5,985,335	97,482	253,397	350,879	6,336,214
178,374	90,832	9,567,415	9,836,621	91,655	994,762	1,086,417	10,923,038
1,043,763	455,383	70,713,419	72,212,565	1,308,820	2,870,800	4,179,620	76,392,185
0	2,271,708	411,277,335	413,549,043	6,924,648	14,573,534	21,498,182	435,047,225
0	537,454	35,810,151	36,347,605	520,500	3,145,540	3,666,040	40,013,645
0	438,731	32,276,871	32,715,602	678,700	1,780,369	2,459,069	35,174,671
0	201,407	34,616,977	34,818,384	385,491	(2,702,906)	(2,317,415)	32,500,969
2,609,806	5,949,888	775,218,771	783,778,465	12,955,427	30,532,114	43,487,541	827,266,006

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STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2010
 (based on audited financial statements)

Credit Union	Total Financial Revenue \$	Total Financial Expense \$	Financial Margin \$	Other Income \$	Gross Margin \$	Member Security \$	General \$	Personnel \$	Occupancy \$
Community	2,003,192	392,505	1,610,687	512,788	2,123,475	65,457	597,828	696,615	139,346
Eagle River	4,633,795	697,035	3,936,760	1,792,451	5,729,211	163,550	1,840,497	2,082,255	252,318
EasternEdge	1,950,868	767,386	1,183,482	438,162	1,621,644	97,606	493,124	650,461	146,842
Hamilton Sound	1,914,310	455,879	1,458,431	723,350	2,181,781	67,797	768,094	795,235	95,334
Horizon	311,333	94,186	217,147	108,891	326,038	20,785	115,844	156,704	29,229
Humber Valley	662,317	165,711	496,606	314,220	810,826	25,761	248,348	284,648	47,247
Leading Edge	4,180,691	997,332	3,183,359	1,329,163	4,512,522	131,615	1,043,175	1,868,730	533,658
Nfld. & Labrador	21,353,955	7,787,146	13,566,809	2,963,466	16,530,275	826,410	3,794,188	7,949,606	1,544,555
Public Service	2,234,409	316,418	1,917,991	644,412	2,562,403	84,327	696,406	1,020,837	122,246
Reddy Kilowatt	2,016,367	838,388	1,177,979	458,273	1,636,252	78,831	475,416	494,242	11,453
Venture	1,646,797	479,884	1,166,913	1,488,794	2,655,707	96,149	814,736	869,411	133,181
TOTAL SYSTEM	42,908,034	12,991,870	29,916,164	10,773,970	40,690,134	1,658,288	10,887,656	16,868,744	3,055,409

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STATEMENTS OF EARNINGS AND RETAINED EARNINGS

NEWFOUNDLAND AND LABRADOR CREDIT UNION SYSTEM
 Year Ended December 31, 2010
 (based on audited financial statements)

Provision For Loan Loss (Recovery) \$	Total Operating Expenses \$	Income Before Dividends And Taxes \$	Dividends \$	Taxes \$	Net Income \$	Ret. Earnings (Deficit) & Other Res. Beginning of Year \$	Ret. Earnings (Deficit) & Other Res. End of year \$
0	1,499,246	624,229	125,000	82,461	416,768	3,170,080	3,586,848
53,226	4,391,846	1,337,365	459,636	164,646	713,083	2,622,485	3,335,568
124,062	1,512,095	109,549	0	15,289	94,260	1,425,665	1,519,925
9,223	1,735,683	446,098	0	72,253	373,845	800,432	1,174,277
3,000	325,562	476	0	490	(14)	253,411	253,397
48,206	654,210	156,616	46,406	17,932	92,278	902,484	994,762
189,378	3,766,556	745,966	37,451	132,646	575,869	2,294,931	2,870,800
245,800	14,360,559	2,169,716	100,700	584,178	1,484,838	13,088,696	14,573,534
117,944	2,041,760	520,643	25,000	93,635	402,008	2,743,532	3,145,540
(544)	1,059,398	576,854	275,000	35,817	266,037	1,514,332	1,780,369
(1,529)	1,911,948	743,759	0	128,256	615,503	(3,318,409)	(2,702,906)
788,766	33,258,863	7,431,271	1,069,193	1,327,603	5,034,475	25,497,639	30,532,114

Certain comparative figures have been reclassified to conform with the Financial Statement presentation

CREDIT UNION BRANCHES

Credit Union	Branches
Community Credit Union Ltd.	Marystown Witless Bay Hermitage
Eagle River Credit Union Ltd.	L'Anse au Loup Mary's Harbour Cartwright St. Anthony Port Au Choix Goose Bay
EasternEdge Credit Union Ltd.	St. John's
Hamilton Sound Credit Union Ltd.	Carmanville Fogo Island Triton Gander
Horizon Credit Union Ltd.	St. John's
Humber Valley Credit Union Ltd.	Deer Lake
Leading Edge Credit Union Ltd.	Corner Brook Pasadena Doyles McKays St. Georges Port Aux Basques
Newfoundland & Labrador Credit Union Ltd.	Freshwater Road Water Street Torbay Road Mount Pearl Conception Bay South Carbonear Clarenville Gander Grand Falls Corner Brook Stephenville Labrador City
Public Service Credit Union Ltd.	St. John's
Reddy Kilowatt Credit Union Ltd.	St. John's
Venture Credit Union Ltd.	Eastport Gambo Glovertown Catalina Twillingate

