NOVA SCOTIA CREDIT UNION DEPOSIT INSURANCE CORPORATION

Nova Scotia Credit Union Deposit Insurance Corporation

Annual Report 2003

CUDIC™

Contents

Board *of* Directors

Board of Director

- **Michael MacNeil**, *Chair*, Irish Cove
- **Donald Barry**, *Vice Chair*, Antigonish
- **Irene Lefort**, *Secretary*, Antigonish
- **Joseph Kennedy**, Fall River
- **Father J.J. MacDonald**, D'Escousse
- **Robert Mills**, Dartmouth
- **Réal Boudreau**, West Pubnico

Board of Directors (clockwise from left): Donald Barry, Robert Mills, Father J.J. MacDonald, Michael MacNeil, Réal Boudreau, Joseph Kennedy, Irene Lefort.

Chair *of the* Board REPORT

From time to time, events occur that have a lasting effect on how things are done in the future. Hurricane Juan was such an event, because it quickly identified those planned procedures that worked well, and those that needed to be reworked in order to realize a better outcome.

The same is true of our credit union environment. While we may have processes in place, such as strategic planning, business planning, the production of policy and procedures manuals, and business resumption planning, it is the outcome of all these procedures that produce a blueprint on how, and to what extent, we are to proceed in order to achieve desired results in the future.

The Board of CUDIC is therefore very pleased to report another successful year, in which no claims have been paid. This reflects CUDIC's hard work over the years to produce the Standards of Sound Business and Financial Practices, and to establish the benchmarks required to prudently run a credit union in our competitive marketplace.

During 2003, CUDIC staff worked with all credit unions to implement the Differential Premium System; and I am happy to say that the program was put in place on schedule, and the results have been of great benefit to both the credit union system and CUDIC.

The Differential Premium System is based on a points system that is tied to an organization's insurance risk. Risk is defined as the likelihood of failure as measured by a credit union's performance and condition. By using a rating program which has been tested and enhanced to meet the needs of the system, CUDIC has been able to set differential premiums that are fairer to all credit unions. High-risk institutions and their members are required to pay their fair share of the costs of intervention and problem resolution. Because size is not a factor in the risk rating methodology, there is no differentiation between larger or smaller credit unions.

Corporate governance is a key element in the operation of all organizations, and so CUDIC introduced the Credit Union Self Assessment Report (CUSAR) which will be used to assess and score credit unions on how well they are adhering to the Standards of Sound Business and Financial Practices, and to the relevant sections of the Credit Union Act and their own by-laws. CUDIC asks each credit union to file an annual Credit Union Self Assessment Report, so that boards and management alike can increase their overall awareness of, and the adherence to sound practices. A well-worked CUSAR will provide a tool for gauging performance and implementing a plan to resolve identified weaknesses.

Over the years, CUDIC has worked hard to reduce the premiums paid by credit unions. In fact, our history of assessment rates shows a reduction from 25 bps, (1 bps representing 1/100th of 1%) in 1995, to 12 bps in the year 2000. With the introduction of differential premiums, credit unions in Nova Scotia are now paying between 7-12 bps, with the average around 9 bps. This change in rates reflects a reduction of approximately $300,000 in CUDIC's income.

Any reduction in the Corporation's income has to be balanced by a reduction in operating costs, and so the CUDIC board has reviewed all major budget categories and implemented reductions wherever possible in order to keep assessment rates down and pass the savings on to the credit unions.

Over the past year, the Board of CUDIC has taken a closer look at its Corporate Governance performance. Instead of having the usual planning session, the Board opted to spend a full day work-shopping the topic. Kelly Bottone from Frameworks for Change was chosen to facilitate the session. Areas for review were:

- The Board's self-assessment results
- Our orientation program for new board members
- The Board's succession planning

A great deal of discussion arose around the results of the Board's self-assessment. Weaknesses and strengths were identified, and a plan was put in place to further improve our practices in respect to responsibility and integrity.

CUDIC continues to put greater emphasis on the use of committees as a means to strengthen the Corporation. Presently, we are using the following committees:

- Executive
- Audit & Investment
- Human Resources
- Policy
- Sound Business Practices
- Credit Union Act Review (ADHOC)

These committees meet regularly, and their tasks are constantly changing to ensure that CUDIC is run as efficiently as possible.

Monthly information sessions continue to be held between CUDIC, Credit Union Central of Nova Scotia (CUCNS) and Government. This process is an excellent way of sharing information between stakeholders, because it cuts down on duplication and permits a speedier resolution to problems as they arise.

In October, the Boards of CUCNS and CUDIC met together and staff members from both organizations made presentations concerning system performance and trends. All agreed that this type of information is of great importance to both boards.

The Chair and CEO of CUDIC also attended CUCNS's planning session this year, which focused on the review of board governance issues. CUDIC was pleased to be part of this process.

The Board of CUDIC wishes to congratulate Bernie O'Neil on his appointment as President and Chief Executive Officer of CUCNS. Bernie has been attending our board meetings for a number of years as an observer, and we have appreciated his insight and knowledge of the credit union system.

The Atlantic Stabilization Funds held their annual session in Halifax in October. Each province presented their performance trends and growth reports. Discussion centered on issues such as:

- Corporate governance
- Enterprise risk management
- Asset-liability management
- System training
- Operational manuals
- Inter-provincial credit union activity

Continued co-operation and information sharing is very important to all fund members in Atlantic Canada, because of our ever-changing environment and the size of our organizations.

The review of the Credit Union Act and Regulations was completed early in 2003, and CUCNS and CUDIC jointly submitted their recommended revisions to the Honorable Ron Russell in early March.

CUCNS has informed us that a total of 56 directors from seven credit unions have completed the Credit Union Director Achievement program, and another 29 directors are working towards completing various program modules. The board of CUDIC supports the program by rebating 50% of the costs involved. We encourage all board members to have a close look at this rewarding program.

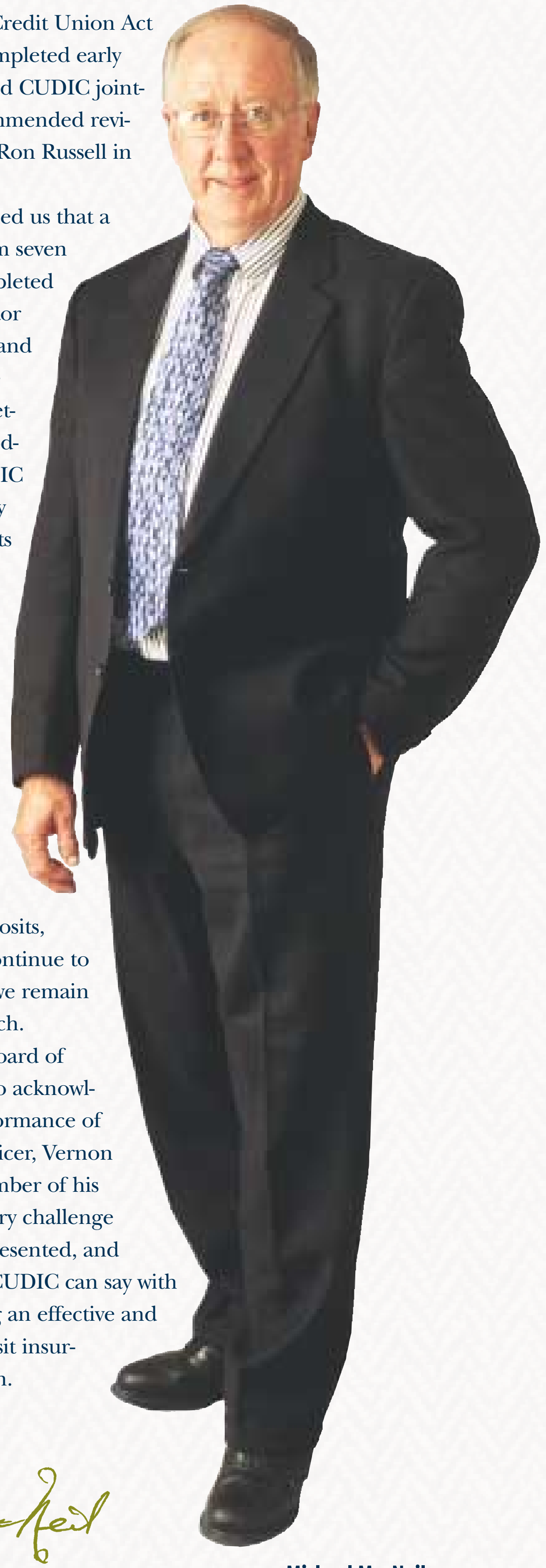
In the past year, CUDIC has shared much of the information it has gathered while monitoring credit unions. This information shows trends in assets, equity, loans, deposits, and earnings. We will continue to monitor trends so that we remain proactive in our approach.

On behalf of the Board of Directors, I would like to acknowledge the excellent performance of our Chief Executive Officer, Vernon MacNeill, and each member of his staff. They have met every challenge that the past year has presented, and thanks to their efforts, CUDIC can say with pride that it is providing an effective and efficient system of deposit insurance and loss prevention.

Respectfully submitted,

Michael J. MacNeil

Michael J. MacNeil,
Chair of the Board of Directors



Michael MacNeil
Chair of the Board of Directors

CUDIC Staff STAFF

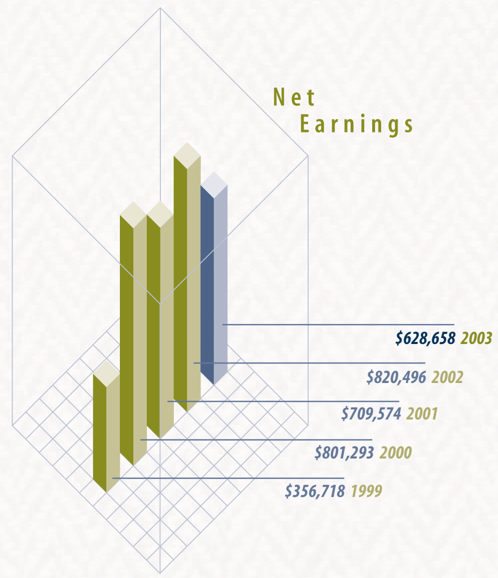
Staff

- **Vernon H. MacNeill,** Chief Executive Officer
- **Norbert E. Gagnon,** Analyst
- **Joyce A. Clarke,** Information Management/Accountant
- **Bernie Beaton,** Analyst
- **Patrick Moore,** Analyst
- **Beverly Geddes,** Executive Assistant
- **Karen Conrad,** Secretary/Receptionist

Chief Executive Officer REPORT

Financial Highlights

The Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC) enjoyed another very successful and challenging year in 2003. Net earnings for the year were $628,658 — down from $823,529 in fiscal 2002. Although this would initially appear to be a negative situation, the

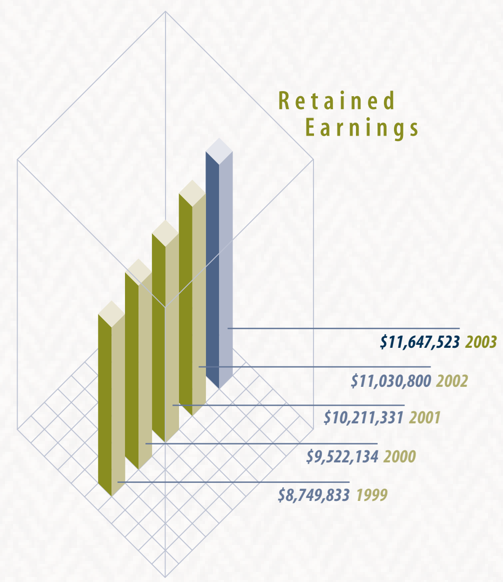


decrease was caused solely by the implementation of a differential premium system, which reduced overall assessments paid by credit unions from 12 basis points (bps) to approximately 9bps. This reduced the premiums we would have normally collected by $271,106, leaving the credit unions and their members that much better off. Since 1995, the assessment rate has dropped from a high of 25bps to the average 9bps collected in 2003.

Operating expenses were well controlled in 2003, with a reduction of $20,693 over the previous year. These reductions occurred in three different areas: board and committees, down by $18,353 as the Board opted to have a one-day planning session following a regular board meeting; contract services, down by $13,263; and office expenses, down by $15,098.

Although our actual investment income declined by $83,316, we are pleased to report that our managed portfolio returned 9.3% in 2003, due to the strengthening Canadian equity market, and the slightly higher returns than projected on our bond portfolio. Our accounting policy allows gains or losses to be booked only when the security is sold; nevertheless the market value of the equity component of our portfolio increased significantly in 2003 as the equity markets rebounded. We are also very pleased with the level of recovery on our portfolio of loans purchased from credit unions as part of our protection program. We recovered $36,583 from these loans as people sought to settle old judgments that had been filed. In addition, Heritage Credit Union Limited commenced annual repayment of $36,281 on a dividend assistance grant they received a number of years ago.

There were no claims against the fund this past year. Therefore, the Board passed a motion that no further monies would be added to the accrual for unidentified losses, which now stands



at $675,000. Equity that the Corporation has to deal with any problems in the system increased to $12.3 million, representing 0.98% of system assets. This is slightly below our benchmark of 1%, but we were aware the ratio would fall slightly with the

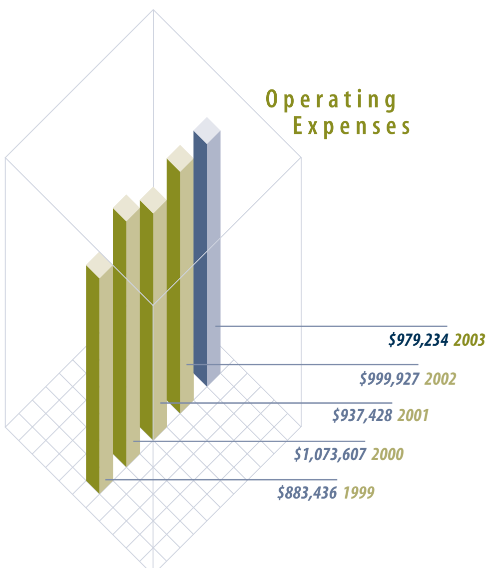
Report of the Chief Executive Officer

introduction of differential premiums and strong system growth. This does not concern us as the overall equity in the system has improved significantly over the past 10 years.

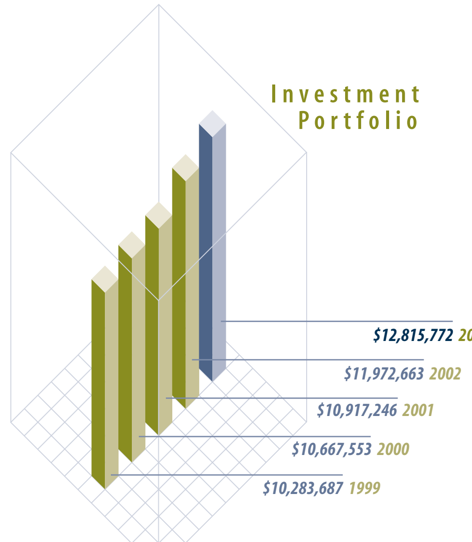
System Highlights

At the end of 2003, there were 37 credit unions in Nova Scotia. These credit unions had another very successful year with unaudited surpluses totaling $10.8 million, or 89 bps of weighted average assets. This is $3.3 million or 22bps higher than in fiscal 2002, although there will be some adjustments made to the $10.8 million for patronage rebates and taxes once the audited statements are finalized.

The improvement in profitability has been significantly affected by the rebates received from League Data when it outsourced the data processing function to CGI, and when certain credit unions sold their proprietary MasterCard portfolios. While gross financial margins remained virtually unchanged at 4.12%, with increased “other revenue” the gross margin for credit unions improved by 5bps to 5.58%. Reduced CUDIC assessments and lower data processing costs helped reduce operating expenses by 25bps, which still remain high at 4.46%, compared to the financial industry.



Growth of assets in the system was strong at 7.05% or $82.3 million, thus bringing the total to $1.250 billion. Credit unions overall continue to remain liquid with only 71.73% of their assets in loans, down from 72.47% in 2002. Loans grew by $50.5 million, with $30.2 million of the growth being in mortgages, $12.2 million in business loans, and $14 million in lines of credit. The very competitive personal loan portfolio saw a decline of $5.2 million due to the sale of credit card portfolios.



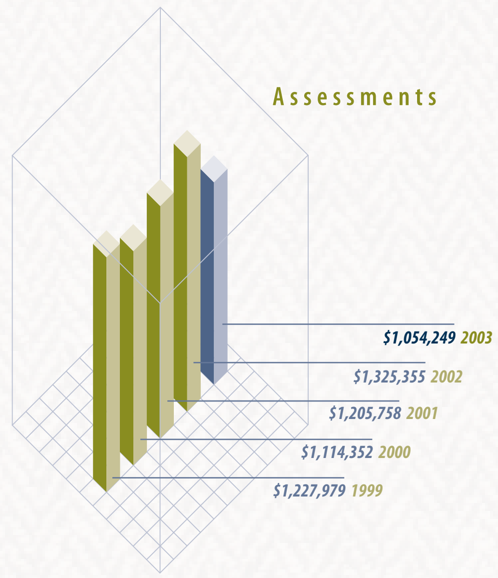
We are very pleased with the level of equity the system reached in 2003. Total equity now stands at 6.49%, with 5.08% or 78% made up of retained earnings. This is a strong tier-one capital position. Only two credit unions have yet to achieve the statutory requirement of 5% once year-end adjustments are made to their audited statements. One of these credit unions is expected to reach the 5% mark by the end of 2004.

Amalgamations slowed down this past year, and only two credit unions merged with larger units to better serve their members. These were Halifax Teachers, who merged with Nova Scotia Teachers, and Saulnierville who merged with Caisse Populaire de Clare. Nevertheless, credit unions continue to seek amalgamation opportunities that will improve their economies of scale, and provide their members with an expanded range of services. Although there are currently 37 credit unions in Nova Scotia, 83% of the assets are concentrated within 14 credit unions that have assets greater than $25 million.

Stabilization Activities

Our office had a very busy year in 2003. Our two largest projects were the implementation of the Differential Premium System (DPS) and the Credit Union Self Assessment Report (CUSAR). Both projects progressed very smoothly, and we believe that the consultation and input of all system stakeholders in the initial phases were instrumental in the successful outcome. We were pleased with the level of work done by credit union boards and management to complete the CUSAR. The analysts visited each credit union during the second quarter of 2003 to sample the CUSAR and determine a score for management to feed into the CAMEL risk rating methodology. The chart shows the spread of each premium tier, and the end results were very close to what we had projected when doing our budgeting. With the extraordinary gain in profitability and equity due to the League Data rebates and the sale of the MasterCard portfolios, we expect the overall premium rate to fall again this year.

Presently there are five credit unions on our intervention system: four under the Performance Improvement Plan (PIP), and one under the Early Warning List (EWL). All five credit unions have worked cooperatively with our office this past year, and are meeting their performance bench-



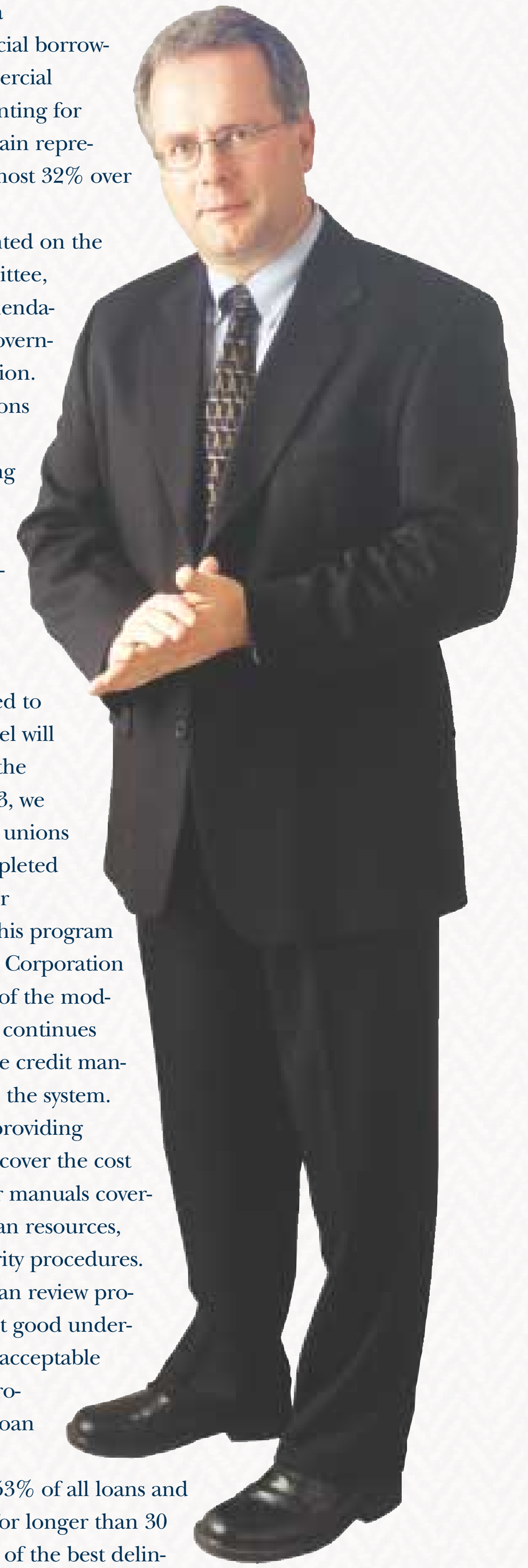
marks. We expect that two of the PIP credit unions will be released from intervention by the end of the second quarter. No credit unions are currently under the supervision of this office.

The demographic report was produced twice in 2003, and is starting to reveal some interesting trends. This report has been run twice annually since 2000; so sufficient time has passed to show evidence of trends. We are seeing more and more reliance placed on commercial members, who now make up 13.84% of the loan portfolio, up from 10.19% when we first started tracking data in 2000. This represents a 35% increase in commercial borrowing over 3.5 years. Commercial depositors are also accounting for 24.54% of all deposits, again representing an increase of almost 32% over the same period.

CUDIC was represented on the Legislative Review Committee, which presented recommendations for change to the government for their consideration. We had hoped that revisions to the Credit Union Act would be dealt with during the last sitting of the provincial government, but with the minority government, a very limited amount of legislation was put forth.

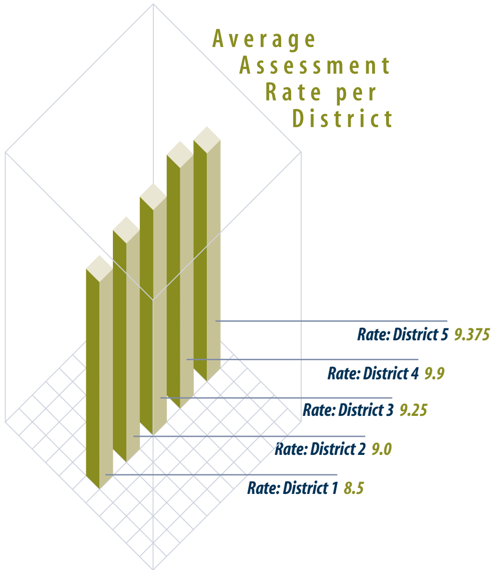
CUDIC has continued to fund programs that we feel will ultimately reduce risk to the Corporation. During 2003, we rebated $12,600 to credit unions for 56 directors who completed the Credit Union Director Achievement modules. This program remains in place with the Corporation rebating 50% of the cost of the modules. The manual project continues and certain sections of the credit manual have been released to the system. CUDIC is committed to providing $35,000 annually to help cover the cost of producing a set of four manuals covering standard credit, human resources, administration, and security procedures.

The results of our loan review program have confirmed that good underwriting standards and an acceptable level of risk are being introduced into credit union loan portfolios. Delinquency remains low, with only 1.53% of all loans and lines of credit in arrears for longer than 30 days. This represents one of the best delinquency ratios in the country.



Vernon MacNeill
Chief Executive Officer

Report of the Chief Executive Officer



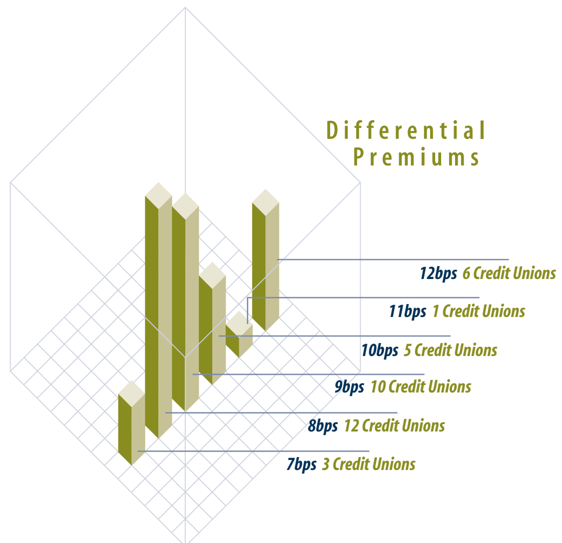
Outlook

We are in the process of expanding our internal control reviews, as this is an aspect of credit union operations that has received little attention in the past. We will be providing each credit union with an outline of our audit program early in 2004, to ensure that managers are aware of the areas we will be testing. Both Credit Union Central of Nova Scotia (CUCNS) and the Office of the Superintendent of Credit Unions are currently reviewing our internal controls audit program to ensure consistency between all parties.

Due to the reduced numbers of credit unions, we will not be replacing the analyst position in Sydney when Pat Moore retires in August of 2004. We believe that the remaining two analysts are quite capable of monitoring the 37 credit unions, using contract resources to help with both loan and internal control reviews.

Hurricane Juan was a wake up call for many organizations, and we will be completing a detailed business resumption plan in 2004. We note a number of credit unions have started to review their requirements in this area in greater depth.

I would like to thank the people who contribute to the success of the Corporation. I would like to thank our very dedicated and hard working staff of professionals. The knowledge and expertise they bring to the job each day makes my job much easier. I would like to thank the Board of Directors of CUDIC, the observers to our Board from CUCNS, and the Superintendent of Credit Unions office, for the way they respect one another's opinions and allow free and frank discussions to take place around the boardroom table. All decisions are made in the best interest of the system and the members of the credit unions. Finally, I would like to thank the managers, staff and volunteers in credit unions for their cooperation, which enables us to do our job.



Respectfully submitted,

Vernon H. MacNeill
Chief Executive Officer

Key Performance Indicators of Nova Scotia Credit Union

	2003 (Unaudited)	2002	2001	2000
Return on Assets (% of Average Assets)	.89%	.67%	.66%	.71%
Total Equity	6.49%	6.01%	5.81%	5.74%
Delinquency >30 days	1.53%	1.69%	1.89%	1.84%
Asset Growth	7.05%	9.06%	10.75%*	6.54%
Deposit Growth	6.22%	8.24%	10.97%*	6.13%
Loan Growth	5.96%	8.87%	13.34%*	7.28%

*Includes purchase of National Bank Branches

Auditors' Report

To the Directors of
Nova Scotia Credit Union Deposit Insurance Corporation

We have audited the balance sheet of Nova Scotia Credit Union Deposit Insurance Corporation as at December 31, 2003 and the statements of income, retained earnings, reserves and changes in cash resources for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Dartmouth, Nova Scotia
January 19, 2004

Statement *of* Earnings *and* Retained Earnings

Year Ended December 31	2003	2002
Revenue		
Assessments and recoveries (Note 9)	**$ 1,151,261**	$ 1,347,390
Investment and other income	**458,441**	541,757
Gain (loss) on disposal of equipment	**(1,810)**	(10,691)
	1,607,892	1,878,456
Expenses		
Operating		
Board and committees	**82,396**	100,749
Contracted services and expenses	**19,356**	32,619
Depreciation	**28,272**	18,344
Insurance	**14,007**	14,128
Legal and consulting	**2,025**	9,756
Occupancy	**81,922**	76,580
Office	**33,678**	48,776
Professional fees	**39,618**	40,092
Risk management programs	**42,448**	40,200
Salaries and employee benefits	**528,319**	505,431
Telephone	**8,499**	9,804
Travel	**98,694**	103,448
	979,234	999,927
Conditional grants and loan purchases (Note 10)	**–**	55,000
	979,234	1,054,927
Net earnings	**$ 628,658**	$ 823,529
Retained earnings, beginning of year	**$ 11,030,799**	$ 10,211,331
Net earnings	**628,658**	823,529
Transfer to shared deductible pool reserve (Note 7)	**(11,934)**	(4,061)
Retained earnings, end of year	**$ 11,647,523**	$ 11,030,799

See accompanying notes to the financial statements.

Balance Sheet

December 31	2003	2002
Assets		
Cash	**$ 42,500**	$ 45,730
Accounts receivable (Note 3)	**101,111**	72,058
Investments (Note 5)	**12,815,772**	11,972,663
Prepaid expenses	**14,142**	7,099
Property, plant and equipment (Note 4)	**57,410**	54,965
	$ 13,030,935	$ 12,152,515
Liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 791,097**	$ 788,824
Commitments and contingent liabilities (Note 11)		
Equity		
Shared deductible pool reserve (Note 7)	**592,315**	332,892
Retained earnings	**11,647,523**	11,030,799
	12,239,838	11,363,691
	$ 13,030,935	$ 12,152,515

On behalf of the Board:

Michael MacNeil
Director

D A Barry
Director

See accompanying notes to the financial statements.

Statement *of* Changes *in* Cash Resources

Year Ended December 31	2003	2002
Cash provided by (used for)		
Operating activities		
Investment income received	**$ 180,992**	$ 219,204
Assessments and recoveries received	**1,158,231**	1,334,550
Funds received for (payment from) shared deductible pool reserve	**247,488**	247,482
Receipts from (advances to) employees on computer loans	**2,078**	(1,937)
Payments to employees and suppliers	**(953,833)**	(1,044,791)
Receipts from (payments for) credit union advances	**–**	5,109
Cash flows provided by operating activities	**634,956**	759,617
Investing activities		
Purchase of investments (net of proceeds of sale)	**(605,659)**	(746,116)
Additions to property, plant and equipment	**(32,527)**	(15,409)
Cash flows used for investing activities	**(638,186)**	(**761,525**)
Increase (decrease) in cash	**(3,230)**	(1,908)
Cash, beginning of year	**45,730**	47,638
Cash, end of year	**$ 42,500**	$ 45,730

See accompanying notes to the financial statements.

Notes *to the* Financial Statements

December 31, 2003

1. Description of business

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

The purposes of the Corporation are to provide insurance against the loss of part or all of deposits in member credit unions, to provide financial assistance to credit unions for the purpose of stabilization and to protect deposits in credit unions by the development of sound business and financial policies and by implementation of loss prevention programs and other controls. These purposes are to be pursued for the benefit of depositors in credit unions and in such a manner as will minimize the exposure of the Corporation to loss.

Under the Credit Union Act, the Corporation has the power to do all things necessary or incidental to the furtherance of its purposes, including acquiring assets from credit unions, guaranteeing loans in credit unions and providing any form of assistance to credit unions. Among other things, it may make standards of sound business and financial practices, make or cause to be made examinations or inquiries in relation to credit unions, place limitations on the lending activities and loan policies of a credit union, issue directives (in consultation with Credit Union Central of Nova Scotia and the Superintendent of Credit Unions of Nova Scotia), and act as liquidator of a credit union.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Investments

Investments are recorded at face value. Premiums or discounts on the acquisition of investments are recorded as investment income in the year of disposal. Gains or losses realized on investments within the managed investment portfolio are reported as investment income during the year. Investments are only written down when the market value is lower than cost and the impairment is expected to be permanent.

Property, plant and equipment

Furniture and equipment, vehicle and leasehold improvements are depreciated over their useful lives at annual rates disclosed in Note 4.

Credit risk

The Corporation is subject to credit risk from its holdings in investments. The Corporation minimizes its risk by investing in high quality financial instruments and by limiting the amount invested in any one counterparty.

3. Accounts receivable

	2003	2002
Credit Union assessments	5,931	12,901
Accrued interest	87,215	47,217
HST	3,386	5,283
Other	4,579	6,657
	$ 101,111	$ 72,058

4. Property, plant and equipment

	Rates	Cost	Accumulated Depreciation	2003 Net Book Value	2002 Net Book Value
Furniture and equipment	– 20%,30%	$ 136,895	$ 96,018	$ 40,877	$ 50,390
Vehicle – 2.5 Yrs. S.L.		23,750	9,504	14,246	–
Leasehold improvements – 4 Yrs. S.L.		9,149	6,862	2,287	4,575
		$ 169,794	$ 112,384	$ 57,410	$ 54,965

5. Investments

	Weighted Average Interest Rate	Weighted Average Duration (Years)	2003 Cost	2003 Market Value	2002 Cost	2002 Market Value
Credit Union Movement	3.16%	.57	$ 3,474,357	$ 3,474,357	$ 3,068,690	$ 3,068,690
Managed portfolio	5.62%	6.08	9,341,415	9,683,090	8,903,973	8,767,470
			$ 12,815,772	$ 13,157,447	$ 11,972,663	$ 11,836,160

6. Payables and accruals

	2003	2002
Trade payables and accruals	$ 79,879	$ 113,824
Other payables	36,218	–
Accrual for unidentified losses (Note 8)	675,000	675,000
	$ 791,097	$ 788,824

7. Shared deductible pool reserve

The reserve was established to fund a shared deductible pool for liability insurance related to credit union directors. The first $5,000 of the claim will be paid by the credit union and any residual, up to a maximum of $95,000, will be paid from the reserve. Income earned on the funds will be credited to the reserve. The Corporation's liability is limited to funds available in the reserve.

During the year, interest income in the amount of $11,934 was transferred to the reserve. In addition, $247,488 was received from Credit Union Central of Nova Scotia to replenish the reserve for the three-year prepayment of the Master Bond insurance policy in July of 2001.

8. Accrual for unidentified losses

The Corporation has recognized an accrual of $675,000 for unidentified future losses, based on historical trends and existing uncertainties. This accrual is calculated as a percentage of system assets. Actual losses could differ from this estimate.

9. Assessments and recoveries

	2003	2002
Credit unions' assessments		
- regular	$ 1,054,249	$ 1,325,355
Recoveries	97,012	22,035
	$ 1,151,261	$ 1,347,390

In 2003 the assessment rate ranged from 0.07% to 0.12%, calculated on average assets for the period October 1, 2002 to September 30, 2003. In 2002 the assessment rate was 0.12%.

10. Conditional grants and loan purchases

	2003	2002
Increase in accrual for unidentified losses (Note 8)	$ –	$ 55,000

11. Commitments and contingent liabilities

(i) Lease commitments in effect at December 31, 2003

The Corporation is committed to pay annual lease payments for its premises and vehicles for future years as follows:

2004	64,682
2005	23,736
2006	23,736
2007	18,680
	$ 130,834

12. Fair value disclosure

The fair value of financial assets and liabilities which include cash, investments, accounts and interest receivable, loans receivable and payables and accruals approximates their carrying amounts.

The fair value of deposit insurance advances recoverable and the accrual for deposit insurance losses have not been determined because it is not practicable to determine fair value with sufficient reliability.

13. Income tax losses carried forward

The Corporation has non-capital losses for tax purposes which are available to reduce taxable income in future periods. The potential tax savings from claiming the losses have not been recorded. The losses expire as follows:

2005	$ 170,053
2006	298,687
2007	470,987
2008	382,221
2009	453,161
2010	412,031
	$ 2,187,140

In addition the Corporation has allowable capital losses of $88,758 which are available to reduce capital gains in future periods.

Serving *the* credit unions *of* Nova Scotia

District 1

- Coady Credit Union Limited
- Dominion Credit Union Limited
- Electric Employees Credit Union Limited
- Glace Bay Central Credit Union Limited
- Main-A-Dieu Credit Union Limited
- New Waterford Credit Union Limited
- North Sydney Credit Union Limited
- Princess Credit Union Limited
- Steel Centre Credit Union Limited
- Sydney Credit Union Limited
- Whitney Credit Union Limited

District 2

- Acadian Credit Union Limited
- Bay St. Lawrence Credit Union Limited
- East Coast Credit Union Limited
- St. Joseph's Credit Union Limited

District 3

- Bergengren Credit Union Limited
- Community Credit Union of Cumberland Colchester Limited
- Nash Credit Union Limited
- New Glasgow Credit Union Limited

District 4

- Atlantic Canada Airline Employees Credit Union Limited
- Credit Union Atlantic Limited
- Electragas Credit Union Limited
- Halifax Civic Credit Union Limited
- Heritage Credit Union Limited
- MacDonald Credit Union Limited
- Nova Scotia Postal Employees Credit Union Limited
- Nova Scotia Teachers Credit Union Limited
- Province House Credit Union Limited
- Public Service Commission Employees' Credit Union Limited

District 5

- Caisse Populaire de Clare Limitée
- Coastal Financial Credit Union Limited
- LaHave River Credit Union Limited
- New Ross Credit Union Limited
- Rossignol Credit Union Limited
- Valley Credit Union Limited
- Victory Credit Union Limited
- Weymouth Credit Union Limited

Mission Statement

To protect depositors by providing an effective and efficient system of deposit insurance and loss prevention by working cooperatively with Credit Unions, Caisses Populaires, Credit Union Central, and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act.

Nova Scotia Credit
Union Deposit
Insurance Corporation

Head Office, Halifax
Suite 1401
1959 Upper Water Street
Halifax, Nova Scotia
Canada B3J 3N2

ph (902) 422.4431
toll free 1 (877) 770.5622
fax (902) 492.3695

Sydney Office
Suite 201
66 Wentworth Street
Sydney, Nova Scotia
Canada B1P 6J7

ph (902) 564.8179
fax (902) 564.8242

www.nscudic.org
info@nscudic.org

CUDIC™