CUDIC™

Two Thousand and Six

# *ANNUAL* **REPORT**

# Mission Statement and Table of Contents

*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 of Nova Scotia and the Government of Nova Scotia, through the regulatory powers in the Credit Union Act.*

# Board of *Directors*

Back row from left: Roddie Munroe, Camille Maillet, Tom Smith and Joseph Kennedy.
Front row from left: Réal Boudreau, Irene Lefort and Michael MacNeil

***Irene Lefort,*** Chair

***Roddie Munroe,*** Vice-Chair

***Tom Smith,*** Secretary

***Réal Boudreau,*** Board Member

***Michael MacNeil,*** Board Member

***Camille Maillet,*** Board Member

***Joseph Kennedy,*** Board Member

# Chair of the Board *Report*

***Irene Lefort***, Chair of the Board

On behalf of the Board of Directors of the Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC), it is my pleasure to present to you, the members of the Nova Scotia credit union network, a report of Board activities for the past year.

This past year has been a busy and successful year for CUDIC. Provincial credit unions are in good financial shape, delivering a high level of service to customer-owners and operating within the revised Standards of Sound Business and Financial Practices, as adopted by the network. Analysts and office support staff of CUDIC, under the direction of the CEO, have worked in collaboration with credit unions to assist them in maintaining a high standard of operations.

Security of the assets of customer-owners continues to be the focus of CUDIC, and in the past year, the Board has concentrated its efforts in this area. Revised Standards of Sound Business and Financial Practices have been adopted and circulated throughout the network, and several credit unions invited CUDIC staff to Board meetings to discuss and explain the document.

In addition to the loan reviews carried out in credit unions by the analysts, the Board has approved an internal control review to assess practices and procedures in credit unions, with regard to appropriate segregation of duties, accountability, and adequate audit tracks, as well as overall safety of assets.

The Board reviewed a video on the Avian Flu and had a discussion on the possible impact such a pandemic could have on the operations of the credit union network at its planning session in July. The emphasis was on enterprise risk management, where all possible risks to CUDIC and the network were identified as to severity of impact. The Executive Committee continues to assess risks and to identify preventative measures that could be taken during a pandemic. Staff will be working with credit unions to carry out similar assessments in their operations in the coming year.

The Board met four times during the year, and the committees met as required. The Policy Committee continues to revise and update the policies under which CUDIC operates. The Audit and Investment Committee monitors the investment portfolio and all the financial activity of CUDIC. This committee meets on a regular basis with the external auditors and the managers of the investment portfolio. The Executive Committee and the Human Resources Committee met several times during the year.

Le Bureau de direction s'est reuni quatre fois pendant l'année, et les comités se sont réunis au besoin. Le Comité des politiques continue à revoir et mettre à jour les politiques de CUDIC. Le Comité de vérification et des placements surveille nos placements et toutes les activités financières de la Corporation. Ce Comité se réuni régulièrement avec nos vérificateurs externes ainsi qu'avec les gérants de notre portefeuille des placements. Le Comité exécutif et le Comité des ressources humaines se sont réunis à plusieurs fois cette dernière année.

Conferences attended through the year were the Canadian Conference of Credit Union Executives, the Atlantic Conference of Stabilization Funds, the Credit Union Central of Nova Scotia's (CUCNS) Planning Session, and the World Conference of Credit Unions. Each of these events was an opportunity for learning for the Board members who attended, not only from the conference content but from the contacts with other peers, both in Canada and worldwide.

The CUDIC Board continues to enjoy an open relationship with CUCNS and the Office of the Superintendent of Credit Unions. We are happy to welcome representatives of both at our Board meetings, and this, along with the tri-party meetings of the senior staff, keeps the lines of communication open between the three related organizations. We are committed to continuing support of the Nova Scotia credit unions' Initiatives6 Project, and we are confident that these initiatives will prove to be very beneficial to the credit union network throughout the province.

A draft document outlining roles and responsibilities of CUDIC and the Nova Scotia Government has been forwarded to the Office of the Superintendent for review and consideration.

Looking back on 2006, we are satisfied that as Board members of this corporation, we have fulfilled our mandate to the credit union network of Nova Scotia. The CEO, Vernon MacNeill, is reporting on the business functions and financial affairs of the corporation. We thank Mr. MacNeill and all staff who have enabled the Board to carry out its duties, and extend to each of them a vote of appreciation for the excellent service they provide daily to the Board and to the credit unions. They have an excellent rapport with all credit unions in the network, and through their efforts there is a spirit of cooperation and good will among all. We thank the managers and staff of the credit unions for their cooperation with our staff, and we salute the excellent performance of all who contributed to the overall success of the credit union network in 2006.

Irene Lefort

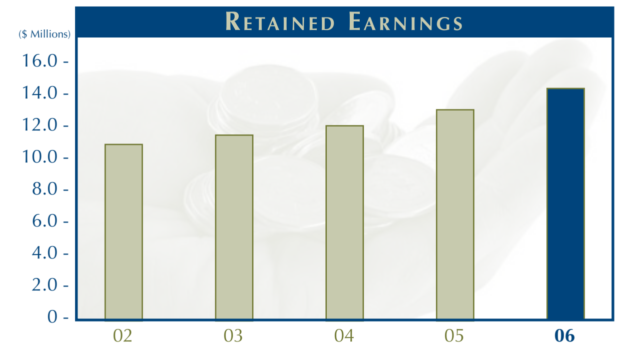
***Irene Lefort***
Chair of the Board

*"Provincial credit unions are in good financial shape, delivering a high level of service to customer-owners and operating within the revised Standards of Sound Business and Financial Practices, as adopted by the network."*

# Chief Executive Officer *Report*

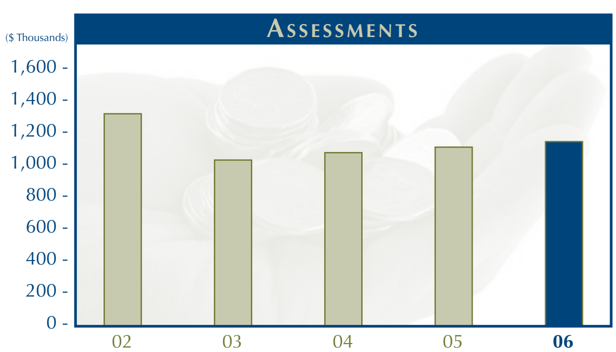
First, I would like to congratulate Nova Scotia credit unions on another year of strong operating results. Assets grew by 5.75 per cent to $1.47 billion while profitability grew to $10.3 million representing a 72 basis points (bps) return on average assets.

The Nova Scotia Credit Union Deposit Insurance Corporation (CUDIC) also enjoyed a strong financial performance in 2006. Under the new Credit Union Act, our fund has continued to grow over the past 10 years reaching $14.7 million in 2006. This represents 1 per cent of credit union assets, which is CUDIC's goal for the fund. In addition to CUDIC's retained earnings, another $675,000 has been put aside as an accrual for unrecognized losses to deal with any potentially negative trends in credit unions.




*Vernon MacNeill, Chief Executive Officer*

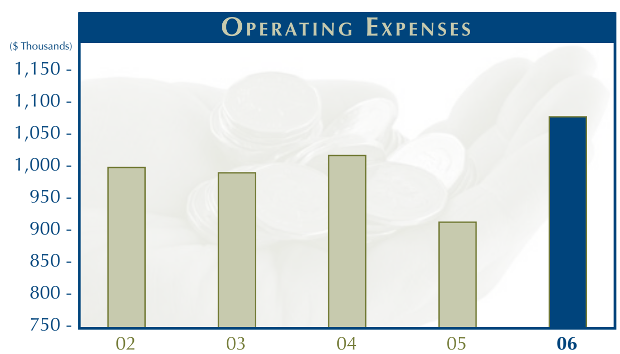
The average assessment rate paid by credit unions remained virtually unchanged at 8.59 per cent of average assets and is competitive with those of other provincial deposit insurance and stabilization organizations. Credit union assessments increased by $35,011 over the 2005 amount as a result of increased assets in the province. Actual assessments collected were $1.156 million, which is $300,000 less than CUDIC collected from credit unions 10 years ago. The differential premium system was designed to reward credit unions with lower premiums if they have a lower risk profile. Each year we review the risk rating methodologies to ensure that it is meeting its primary goals. The results indicate that the vast majority of Nova Scotia credit unions have taken the appropriate steps to ensure they receive the lowest assessment rate, thus reducing the risk to the fund.

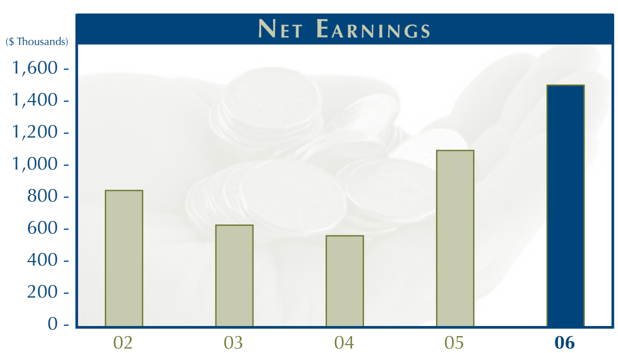



Our investment portfolio enjoyed a good return in 2006. Approximately 80 per cent of our investments are professionally managed while the remaining 20 per cent are maintained in variable and fixed deposits at the Credit Union Central of Nova Scotia (CUCNS). During the past year, our managed portfolio had an annualized rate of return of 7.09 per cent, while our Central deposits had an effective yield of 3.76 per cent due to the short term nature of these deposits and less risk. Historically, our managed funds have returned more than 7 per cent annually. Investment income was $31,159 lower than in 2005, but was still strong at $826,531. As our fund continues to grow, we would like to be in the position where our investment income fully supports our operating expenses.

One of the highlights of the past year was the repayment by Credit Union Atlantic Limited (CUA) of a $600,000 conditional grant provided to the credit union in 1999. This was made possible by their successful preferred share offering and good financial results, which brought their capital above regulatory requirements. CUDIC wishes to congratulate CUA on achieving this very important milestone and wish them continued success. Heritage Credit Union Limited also continues to honor their commitment in repaying dividend assistance that was provided to the credit union a number of years ago.

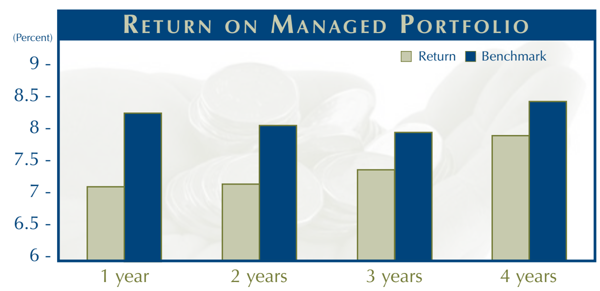
Combined, all revenue sources resulted in our revenue increasing by $598,141 to stand at $2.6 million or a 30 per cent increase over 2005.




Operating expenses increased by $165,847 or 18 per cent over 2005. The three expense categories that saw the largest increases were: Board and committees, up $63,190; salaries and employee benefits, up $41,440; and professional fees, up $25,618. Board expenses were higher in 2006 as we hold a strategic planning session every two years and it was held in 2006. Also, each Board member is entitled to attend one conference during each three-year term and five of the seven Board members opted to take in a conference in 2006. This will reduce our conference expense in future years. Salary expenses were increased as we had one staff member return from parental leave in 2006. Professional fees increased as the custodian of our investment portfolio brought our fees up to market rates. We had enjoyed a number of years in which we were paying less than market rates for the administration of our investments.

The additional revenue more than offsets the increased operating expenses and we enjoyed net earnings of $1.5 million versus $1.1 million in 2005. With credit unions paying $1.156 million in assessments, all this money plus an additional $344,000 was able to be put into our fund.




### *System Results*

As noted previously, credit unions in Nova Scotia enjoyed a record year in 2006 with unaudited net income of $10.3 million. There will be adjustments to this amount as boards vote to return a portion to their customer-owners via dividend, patronage refunds, and other year-end audit adjustments. The net income of $10.3 million represents 72 bps of weighted average assets and is an improvement of 16 bps over 2005.

Income increased due to improvements in gross financial margin that was up $6.9 million or 32 bps over the previous year. Increases in interest rates last year allowed credit unions to receive additional financial revenue as the variable loan portfolio was repriced. Another area of improvement was in lower charges against provision for impaired accounts which was down by $720,522.

Operating expenses increased by $4.4 million or 7 per cent. Overall, we found expenses well controlled and a significant portion of the increase is attributed to the special assessment to fund the Initiatives6 Project through CUCNS. In addition to the actual assessment, credit unions also have incurred implementation costs putting the initiatives into action in their individual credit unions.

Equity showed considerable improvement last year with total equity of $113.9 million or 7.76 per cent of assets. We are pleased to report that at year end all 34 credit unions in Nova Scotia had attained capital adequacy as defined by the Credit Union Act. Retained Earnings are very strong and represents 85 per cent of the capital while the remaining 15 per cent is in common, preferred and surplus shares. CUA had a successful preferred share offering in 2006 that raised $7 million and allowed the credit union to meet its capital requirements.

### Intervention Credit Unions

At the start of 2006, we had one credit union on a Performance Improvement Plan (PIP). During the year, one small credit union was also added to the PIP, and one credit union was put on our Early Warning List (EWL). No credit unions were under Supervision in 2006. The credit union that was placed on EWL presented a plan to correct the deficiencies in their operation and was released from EWL prior to the end of the year.

### Program and Initiatives

CUDIC successfully implemented several initiatives in 2006. An Enterprise Risk Management (ERM) framework was instituted internally and we have worked with CUCNS to promote the development and adoption of an ERM framework in credit unions with assets greater than $25 million by the end of 2007. Also in 2006, CUDIC approved revised Standards of Sound Business and Financial Practices and these were released to credit unions after a considerable period of consultation and input by the network. We wish to thank the committee members who worked on behalf of all the stakeholders to develop these standards, which are appropriate for the Nova Scotia network.

Loan portfolio reviews remains a valuable tool when assessing viability of credit unions and potential risk to our fund. During 2006, we conducted 14 reviews: eight full reviews; three new manager reviews; one follow up review; and two mini reviews. The overall trends were mostly positive. We did note that much of the risk in loan portfolios resided in smaller credit unions, where the lenders have limited training and experience. The larger credit unions are doing a very good job in underwriting and are putting acceptable risk on their books. This is supported by the low delinquency we see in the province. One other interesting trend is that the commercial portfolio tends to be lower risk than the personal, indicating credit unions are being cautious and selective when dealing with commercial accounts.

Our office was also able to complete four full operational reviews as this program continues to be refined. We added one additional contract resource to help with the completion of these reviews as well as conduct money laundering compliance reviews. The reports coming out of these reviews have given credit unions a very good template for making improvements to their operation or contracting CUCNS to do a more in-depth operational study.

CUDIC continues to place a high degree of importance on maintaining good working relationships with all stakeholders. During the past year, there was a continuation of the information meetings between CUDIC, CUCNS and the Superintendent's Office. Nova Scotia enjoys a unique position in this regard as most provinces do not have close working relationships amongst the three organizations.

We are continuously monitoring our Information Technology (IT) environment. Taking a proactive approach to identify potential issues and ensure timely investigation and correction, we implemented our IT Security Policies and Procedures. Routine procedures were established for user training, making back-up copies of data, logging events and faults, and where appropriate the monitoring of the equipment environment. A management framework was established to initiate and control the implementation of information security within the organization.

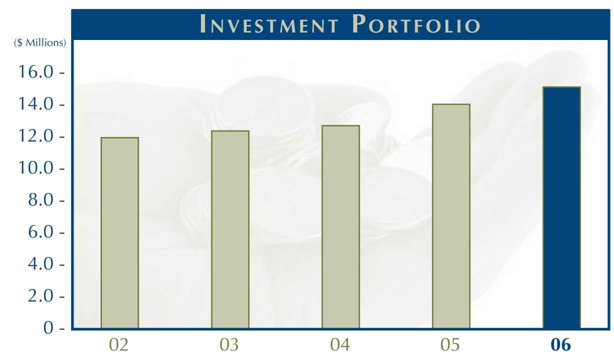
Also, during 2006 in keeping with previous years, we reviewed and updated our Business Continuity Plan.

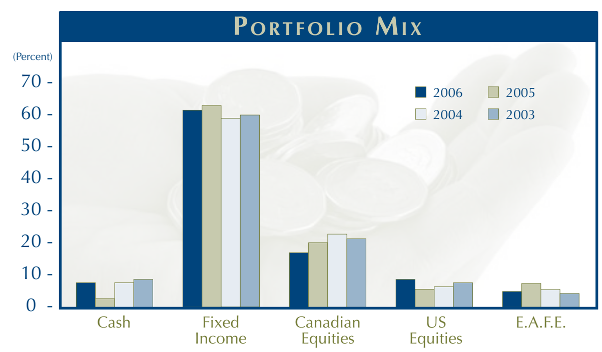
All in all, I am satisfied with the strong progress CUDIC has made in 2006. We have a number of goals to accomplish in 2007, and I look forward to the ongoing collaboration with stakeholders to make this a reality. I wish to thank CUDIC's staff for the competent, professional manner in which they carried out their duties and the Board of Directors for its sound direction and support.

Respectfully submitted,

Vernon MacNeill

***Vernon H. MacNeill***
Chief Executive Officer




| Key Performance Indicators of Nova Scotia Credit Unions | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Return on Assets (% of average assets) | 0.72% | 0.58% | 0.56% | 0.81% | 0.67% |
| Total Equity | 7.76% | 6.99% | 6.69% | 6.4% | 6.01% |
| Delinquency > 30 days | 1.21% | 1.34% | 1.2% | 1.53% | 1.69% |
| Asset Growth | 5.75% | 5.5% | 5.06% | 7.05% | 9.06% |
| Deposit Growth | 3.6% | 4.6% | 4.78% | 6.22% | 8.24% |
| Loan Growth | 6.29% | 4.87% | 7.93% | 5.96% | 8.87% |

# CUDIC *Staff*

Left to Right: Joyce Clarke, Bernard Beaton, Vernon MacNeill, Norbert Gagnon, Bev Geddes and Karen Conrad

***Vernon MacNeill*****,** Chief Executive Officer

***Bernard Beaton*****,** Analyst

***Norbert Gagnon*****,** Analyst

***Joyce Clarke*****,** Information Management/Accountant

***Bev Geddes*****,** Executive Assistant

***Karen Conrad*****,** Administrative Assistant

# 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, 2006 and the statements of earnings and retained earnings 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, 2006 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.

Miles T Sweeney Limited

Dartmouth, Nova Scotia
January 15, 2007

*Miles Sweeney*
*Chartered Accountant*

# Statement of Earnings and Retained Earnings

**Year Ended December 31**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Assessments and recoveries (Note 9) | $ | 1,795,370 | $ | 1,163,653 |
| Investment and other income | | 826,531 | | 857,690 |
| Gain (loss) on disposal of assets | | (4,687) | | (2,270) |
| | | 2,617,214 | | 2,019,073 |
| **Operating Expenses** | | | | |
| Board and committees | | 153,225 | | 90,027 |
| Contracted services and expenses | | 60,397 | | 59,019 |
| Depreciation | | 22,247 | | 19,242 |
| Insurance | | 14,632 | | 14,169 |
| Legal and consulting | | 2,370 | | 1,818 |
| Occupancy | | 73,114 | | 73,252 |
| Office | | 58,760 | | 47,224 |
| Professional fees | | 79,387 | | 53,769 |
| Risk management programs | | 35,000 | | 35,000 |
| Salaries and employee benefits | | 498,723 | | 457,283 |
| Telephone | | 14,184 | | 10,299 |
| Travel | | 91,433 | | 76,523 |
| | | 1,103,472 | | 937,625 |
| Net earnings | $ | 1,513,742 | $ | 1,081,448 |
| Retained earnings, beginning of year | $ | 13,213,525 | $ | 12,149,766 |
| Net earnings | | 1,513,742 | | 1,081,448 |
| Transfer to shared deductible pool reserve (Note 7) | | (22,705) | | (17,689) |
| Retained earnings, end of year | $ | 14,704,562 | $ | 13,213,525 |

See accompanying notes to the financial statements.

# Balance Sheet

December 31

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Cash | $ 23,785 | $ 67,386 |
| Accounts receivable (Note 3) | 393,568 | 46,923 |
| Investments (Note 5) | 15,573,996 | 14,447,798 |
| Prepaid expenses | 14,062 | 14,951 |
| Property and equipment (Note 4) | 54,117 | 65,856 |
| | $ 16,059,528 | $ 14,642,914 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 6) | $ 705,710 | $ 802,838 |
| Commitments (Note 10) | | |
| **Equity** | | |
| Shared deductible pool reserve (Note 7) | 649,256 | 626,551 |
| Retained earnings | 14,704,562 | 13,213,525 |
| | 15,353,818 | 13,840,076 |
| | $ 16,059,528 | $ 14,642,914 |

On behalf of the Board:

Irene Lefort Director     G. M. Smith Director

See accompanying notes to the financial statements.

# Statement of Changes in Cash Resources

Year Ended December 31

| | 2006 | 2005 |
|---|---|---|
| **Cash provided by (used for)** | | |
| **Operating activities** | | |
| Investment income received | $ 580,000 | $ 536,470 |
| Assessments and recoveries received | 1,456,284 | 1,208,465 |
| Funds (advanced) received on behalf of Credit Unions | (87,162) | 88,139 |
| Receipts from (advances to) employees on computer loans | 1,801 | 191 |
| Payments to employees and suppliers | (1,089,716) | (897,075) |
| Cash flows provided by operating activities | 861,207 | 936,190 |
| **Investing activities** | | |
| Purchase of investments (net of proceeds of sale) | (889,613) | (891,972) |
| Additions to equipment and leaseholds | (15,195) | (54,271) |
| Cash flows used for investing activities | (904,808) | (946,243) |
| Increase (decrease) in cash | (43,601) | (10,053) |
| Cash, beginning of year | 67,386 | 77,439 |
| Cash, end of year | $ 23,785 | $ 67,386 |

See accompanying notes to the financial statements.

# Notes to the Financial Statements

December 31, 2006

1. Governing legislation and operations

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 inquires 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

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management is required to make estimates and assumptions that could affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

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. Revenue from investments includes interest income as well as net realized capital gains or losses.

Property and equipment

Furniture and equipment is stated at cost. Depreciation is provided on the diminishing balance basis at the annual rates shown in Note 4. Leaseholds improvements are amortized on the straight-line basis over the term of the lease.

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December 31, 2006

2. Summary of significant accounting policies (continued)

Financial instruments
The market values of the investments approximate their fair values. The fair value of financial assets and liabilities which include cash, accounts receivable, payables and accruals approximate their carrying values. The fair value of the accrual for unidentified deposit insurance losses has not been determined because it is not practicable to determine fair value with sufficient reliability.

Assessment income
Assessment rates are based on a risk classification system and are applied to average assets of member institutions for the period October 1 to September 30. Assessment income is recognized when earned.

3. Accounts receivable

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Dividend assistance and recoveries | $ | 336,282 | $ | - |
| Credit Union assessments | | 2,877 | | 72 |
| Accrued interest | | 47,265 | | 37,321 |
| HST | | 3,813 | | 4,380 |
| Other | | 3,331 | | 5,150 |
| | $ | 393,568 | $ | 46,923 |

4. Property and equipment

| | Rates | | Cost | | Accumulated Depreciation | | 2006 Net Book Value | | 2005 Net Book Value |
|---|---|---|---|---|---|---|---|---|---|
| Furniture and equipment | 20%,30% | $ | 97,720 | $ | 45,923 | $ | 51,797 | $ | 62,778 |
| Leasehold improvements | 5 Yrs. S.L. | | 4,262 | | 1,942 | | 2,320 | | 3,078 |
| | | $ | 101,982 | $ | 47,865 | $ | 54,117 | $ | 65,856 |

5. Investments

| | Weighted Average | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|
| | Effective Yield | Duration (Years) | Cost | Market Value | Cost | Market Value |
| Credit Union Movement | 3.76% | .47 | $3,564,606 | $3,564,606 | $3,674,994 | $3,674,994 |
| Managed portfolio | 4.67% | 5.86 | 12,009,390 | 12,945,087 | 10,772,804 | 11,575,695 |
| | | | $15,573,996 | $16,509,693 | $14,447,798 | $15,250,689 |

December 31, 2006

## 6. Payables and accruals

| | 2006 | 2005 |
|---|---|---|
| Trade payables and accruals | $ 29,733 | $ 39,175 |
| Other payables to Credit Unions | 977 | 88,663 |
| Accrual for unidentified deposit insurance losses (Note 8) | 675,000 | 675,000 |
| | $ 705,710 | $ 802,838 |

## 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 $22,705 was transferred to the reserve.

## 8. Accrual for unidentified deposit insurance losses

The accrual for unidentified deposit insurance losses includes a general provision for losses. The general provision reflects management's best estimate of losses on insured deposits arising from the inherent risks in member institutions. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

## 9. Assessments and recoveries

| | 2006 | 2005 |
|---|---|---|
| Credit unions' assessments – regular | $ 1,156,548 | $ 1,121,537 |
| Recoveries of assistance to credit unions | 638,822 | 42,116 |
| | $ 1,795,370 | $ 1,163,653 |

December 31, 2006

## 10. Commitments

### Lease commitments

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

| | | |
|---|---|---|
| 2007 | $ | 83,680 |
| 2008 | | 65,000 |
| 2009 | | 65,000 |
| | $ | 213,680 |

### Retirement savings plan contributions

The Corporation contributes to retirement savings plans on behalf of all employees, after completion of three months' service. Each employee contributes six percent of earnings and the Corporation matches this contribution. The cost to the Corporation is included in salaries and employee benefits expense (2006 - $25,750; 2005 - $22,107). At December 31, 2006 there are no additional commitments or non-funded obligations for post retirement benefits.

## 11. Income taxes

The Corporation is a deposit insurance corporation for income tax purposes and is subject to income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. Income for tax purposes excludes assessments made against credit unions. Also, no deduction may be made against income for tax purposes for financial assistance given to or paid on behalf of credit unions.

The Corporation has accumulated 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:

| | | |
|---|---|---|
| 2007 | $ | 470,987 |
| 2008 | | 382,221 |
| 2009 | | 453,161 |
| 2010 | | 412,031 |
| 2011 | | 571,261 |
| 2012 | | 199,756 |
| 2013 | | 350,910 |
| | $ | 2,840,327 |

In addition, the Corporation has allowable capital losses of $159,737 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
- New Glasgow Credit Union Limited

## District *4*

- Credit Union Atlantic Limited
- Electragas Credit Union Limited
- Halifax Civic Credit Union Limited
- Heritage Credit Union Limited
- iNova Credit Union Limited
- Teachers *Plus* 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

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