



**CDIC**

Canada Deposit  
Insurance Corporation



Quarterly Financial Report  
Third Quarter  
December 31, 2013  
Unaudited

Up to \$100,000 in savings protection

Canada

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## **NARRATIVE DISCUSSION**

### **THIRD QUARTER – FISCAL 2013/2014**

*This discussion was prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations (Treasury Board Standard). It is not intended to be a full “Management’s Discussion and Analysis”. Disclosures and information in Canada Deposit Insurance Corporation’s 2012/2013 Annual Report are assumed to apply to the current quarter unless otherwise updated.*

*The condensed consolidated financial statements are unaudited and have been prepared in accordance with the Treasury Board Standard.*

*This narrative discussion and the accompanying financial statements were reviewed and approved by CDIC’s Audit Committee.*

## FINANCIAL HIGHLIGHTS

For the third quarter ended December 31, 2013, Canada Deposit Insurance Corporation (CDIC or the Corporation) earned net income of \$109 million, arising principally from premium revenue of \$48 million, a \$50 million decrease in the provision for insurance losses and the recognition of a \$12 million recovery of amounts previously written off. In the same period last year, CDIC earned net income of \$30 million, based on premium revenue of \$30 million, investment and other income of \$10 million, and net operating expenses and income taxes of \$10 million.

For the nine-month period ended December 31, 2013, CDIC earned net income of \$206 million, arising principally from premium revenue of \$144 million combined with the reduction in the provision for insurance losses and the recognition of the recovery of amounts previously written off as noted above. In the same period last year, CDIC incurred a net loss of \$7 million. The loss was mainly a result of a \$100 million increase in the provision for insurance losses and a \$78 million decrease in premium revenue.

The Corporation's \$144 million in premium revenue for the nine months ended December 31, 2013 was an increase of \$54 million from the same period a year earlier. The prior year's premium revenue was impacted by a one-time incentive offered to member institutions for early compliance with CDIC's *Data and System Requirements By-law*.

The Corporation's \$27 million in investment and other income for the nine-month period ended December 31, 2013 was \$3 million lower than the same period a year earlier, primarily due to lower yields, partially offset by an increase in the size of the investment portfolio.

During the third quarter, CDIC recognized a \$12 million recovery of amounts previously written off. The amount arises from an expected recovery on the estate of a failed member institution.

Net operating expenses were \$27 million for the fiscal year to date, an 8% increase compared to the same period last year. Increased operating expenses mainly reflect planned costs associated with the development of CDIC's capabilities related to large bank resolution.

CDIC's provision for insurance losses decreased by \$50 million in the third quarter. The decline was primarily the result of improved default statistics that are derived from external credit rating agencies (a key input into CDIC's provisioning methodology).

CDIC's total assets at December 31, 2013 were \$2,783 million, an increase of \$208 million (8%) from March 31, 2013. The increase is primarily the result of \$192 million in insurance premium receipts from member institutions. The majority of the Corporation's assets are highly liquid investment securities.

As at December 31, 2013, CDIC's *ex ante* funding represented 41 basis points (\$2,722 million) of insured deposits, as compared to the minimum target level of 100 basis points.

## RISK ANALYSIS

In addition to monitoring the risks faced by CDIC's membership that drive changes in the provision for insurance losses, CDIC Management has an Enterprise Risk Management (ERM) program to identify and manage the key corporate risks. The ERM program includes a detailed annual assessment of risks, as well as quarterly updates. Management's overall assessment of the significant risks facing the Corporation at December 31, 2013 remains acceptable and unchanged from its assessment as at September 30, 2013.

## CHANGES IN OPERATIONS, PERSONNEL AND PROGRAMS

The following describes any significant changes in operations, personnel and programs that have occurred during the current quarter.

Operations	There were no significant changes during the quarter.
Board of Directors, Officers and Personnel	There were no significant changes during the quarter.
Programs and Initiatives	There were no significant changes during the quarter.

## FINANCIAL RESULTS

### Three months ended December 31, 2013, compared to three months ended December 31, 2012

The following table sets forth CDIC's comparative results for the three months ended December 31, 2013 and December 31, 2012.

(C\$ thousands)	Three months ended			
	Dec. 31, 2013	Dec. 31, 2012	Difference (\$)	Difference (%)
Premium revenue	47,924	30,018	17,906	60%
Investment and other income	8,928	9,645	(717)	(7%)
Decrease in provision for insurance losses	50,000	-	50,000	*
Net operating expenses	(9,935)	(9,473)	(462)	(5%)
Recovery of amounts previously written off	12,000	-	12,000	*
Income tax recovery (expense)	233	(48)	281	*
<b>Net income</b>	<b>109,150</b>	<b>30,142</b>	<b>79,008</b>	<b>262%</b>

\* Not meaningful

## **Premium revenue**

Premiums charged to member institutions are based on the total amount of insured deposits held by member institutions as of April 30th of each year, and are calculated once every year in accordance with the *CDIC Act* and CDIC's *Differential Premiums By-law*. The amount recognized in each quarter represents 1/4<sup>th</sup> of the annual assessment amount.

Premium revenue of \$48 million was recorded during the quarter ended December 31, 2013 compared to \$30 million for the same period last year, a 60% increase. The primary contributor to the variance is one-time incentives provided to member institutions last year for early compliance with CDIC's *Data and System Requirements By-law*. These incentives resulted in lower premium revenue in fiscal 2012/2013. Growth in insured deposits and the movement of members between premium categories also contributed to the variance in premium revenue. Insured deposits increased to \$665 billion as at April 30, 2013, from \$646 billion as at April 30, 2012, an increase of 3%.

## **Investment and other income**

Investment and other income for the quarter decreased by \$1 million (7%) to \$9 million, as compared to the same period last year. The decrease was mainly a result of lower yields, partially offset by growth in the investment securities portfolio. The portfolio yield as at December 31, 2013 was 1.32%, compared to 1.49% as at December 31, 2012.

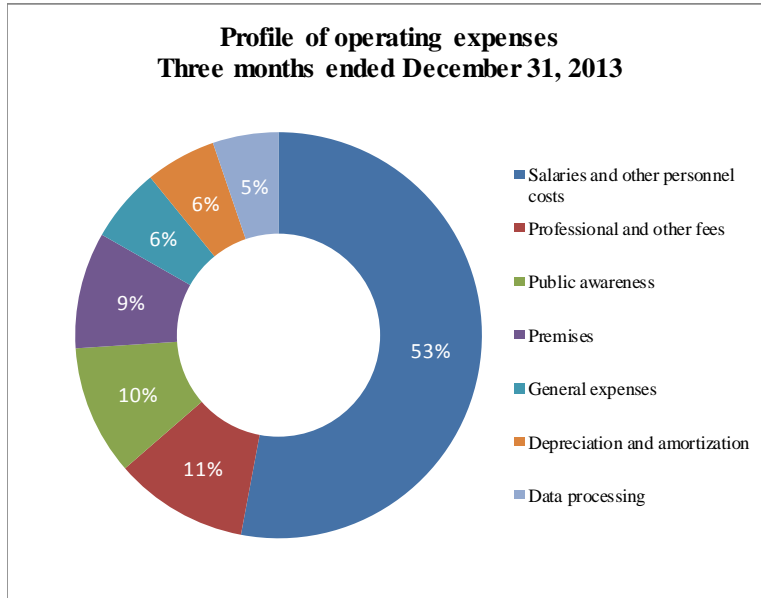
## **Provision for insurance losses**

The provision for insurance losses represents Management's best estimate of the losses it expects to incur as a result of insuring deposits. The adequacy of the provision is assessed on a quarterly basis and, if necessary, adjustments are recorded.

In arriving at its estimate, Management considers the key inputs of the provisioning methodology, including the level of insured deposits, the expectation of default derived from probability statistics, expected loss given default, supervisory information, CDIC's specific knowledge of its members, as well as economic indicators.

CDIC's provision for insurance losses declined to \$1.20 billion from \$1.25 billion last quarter. The \$50 million decrease was primarily the result of improved default statistics that are derived from external credit rating agencies and which are a key input into CDIC's provisioning methodology.

## Operating expenses



Operating expenses, net of recoveries, for the three months ended December 31, 2013 totalled \$9.9 million compared to \$9.5 million for the same period last year, representing an increase of \$0.4 million, or 5%.

Increased operating expenses are consistent with CDIC's Corporate Plan and mainly reflect costs associated with the development of CDIC's capabilities related to large bank resolution.

## Recovery of amounts previously written off

Claims receivable from the estates of failed member institutions are written off when there is no realistic prospect of repayment. However, when funds are subsequently received, or when receipt is virtually certain, the recovery is recognized in the Statement of Comprehensive Income as a recovery of amounts previously written off.

In the third quarter, CDIC determined that a future recovery of \$12 million from the estate of a failed member is virtually certain and, therefore, recognized the amount in the financial statements.

### Nine months ended December 31, 2013, compared to nine months ended December 31, 2012

The following table sets forth CDIC's comparative results for the nine months ended December 31, 2013 and December 31, 2012.

(C\$ thousands)	Nine months ended			
	Dec. 31, 2013	Dec. 31, 2012	Difference (\$)	Difference (%)
Premium revenue	143,799	90,065	53,734	60%
Investment and other income	27,151	29,685	(2,534)	(9%)
Decrease (increase) in provision for insurance losses	50,000	(100,000)	150,000	*
Net operating expenses	(27,125)	(25,173)	(1,952)	(8%)
Recovery of amounts previously written off	12,000	-	12,000	*
Income tax expense	(23)	(1,105)	1,082	98%
<b>Net income (loss)</b>	<b>205,802</b>	<b>(6,528)</b>	<b>212,330</b>	<b>*</b>

\* Not meaningful

#### **Premium revenue**

Premium revenue of \$144 million was recorded during the nine months ended December 31, 2013 compared to \$90 million for the same period last year, a 60% increase. The primary contributor to the variance is one-time incentives provided to member institutions last year for early compliance with CDIC's *Data and System Requirements By-law*. These incentives resulted in lower premium revenue in fiscal 2012/2013. The 3% growth in insured deposits and the movement of members between premium categories also contributed to the variance in premium revenue.

#### **Investment and other income**

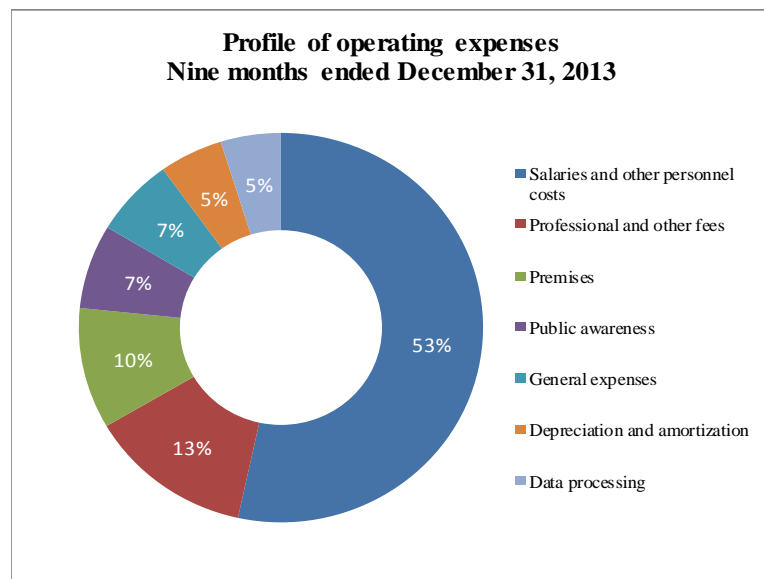
Investment and other income year to date decreased by \$3 million (9%) to \$27 million, as compared to the same period last year. The decrease was mainly a result of lower yields, partially offset by growth in the investment securities portfolio. The portfolio yield as at December 31, 2013 was 1.32%, as compared to 1.49% as at December 31, 2012.

#### **Provision for insurance losses**

CDIC's provision for insurance losses declined to \$1.20 billion as at December 31, 2013 from \$1.25 billion as at March 31, 2013. The \$50 million decrease was primarily the result of improved default statistics, a key input into CDIC's provisioning methodology. A \$100 million increase in the provision for insurance losses was recognized in the first quarter of last year, reflecting an increase in insured deposits and external credit agency downgrades of some of CDIC's member institution's credit ratings.



## Operating expenses



Operating expenses, net of recoveries, for the nine months ended December 31, 2013 totalled \$27 million compared to \$25 million for the same period last year, representing an increase of 8%.

An increase in operating expenses is consistent with CDIC's Corporate Plan. The increased costs mainly reflect costs associated with the development of CDIC's capabilities related to large bank resolution.

## Recovery of amounts previously written off

The Corporation recognized an expected recovery of \$12 million from the estate of a failed member institution. These amounts were previously written off.

## Forecast results for fiscal 2013/2014, compared to Corporate Plan

This section includes future-oriented financial information that is based on certain assumptions. Actual results may differ from the forecasted information presented and such differences may be material.

(C\$ millions)	<b>2013/2014 Forecast</b>	2013/2014 Planned	Difference (\$)	Difference (%)
Premium revenue	<b>192</b>	195	(3)	(2%)
Investment and other income	<b>36</b>	39	(3)	(8%)
Decrease in provision for insurance losses	<b>50</b>	-	50	*
Net operating expenses	<b>(38)</b>	(42)	4	10%
Recovery of amounts previously written off	<b>12</b>	14	(2)	(14%)
Income tax recovery (expense)	<b>1</b>	(3)	4	*
<b>Net income</b>	<b>253</b>	203	50	25%

\* Not meaningful

## Premium revenue

CDIC's Corporate Plan for fiscal 2013/2014 to fiscal 2017/2018 sets out planned premium revenue for fiscal 2013/2014 of \$195 million compared with Management's current forecast revenue for the year of \$192 million. The Corporate Plan was based on certain assumptions regarding increases in the level of insured deposits and the classification of members under the

Differential Premiums system. Actual results have differed from the assumptions, resulting in the relatively small variance between the planned and forecast amounts.

### Investment and other income

Forecast investment and other income is less than originally planned. The Corporation has revised downward its forecast investment yields.

### Provision for insurance losses

No change in the provision for insurance losses was planned, however a decrease is required as a result of improved default statistics, a key input into CDIC’s provisioning methodology.

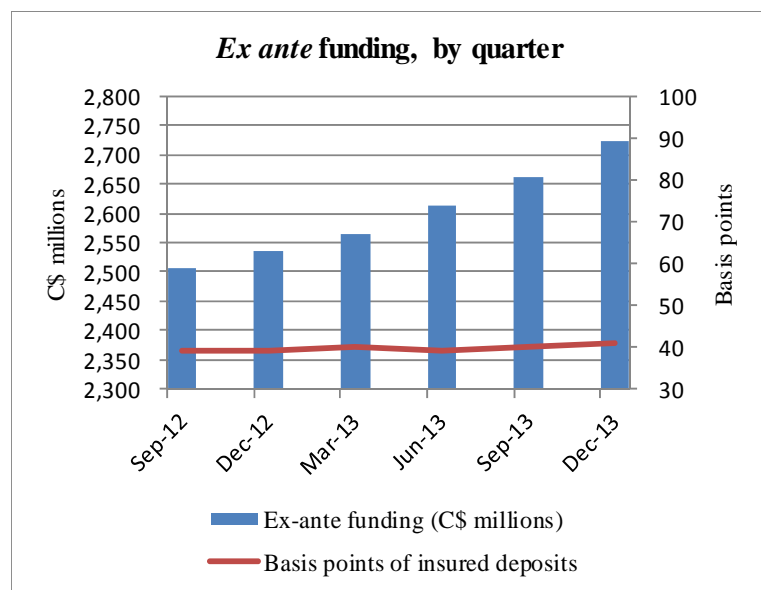
### Net operating expenses

Forecast net operating expenses are less than originally planned mainly due to downward revisions to personnel costs.

### Recovery of amounts previously written off

The Corporation recognized a \$12 million recovery of amounts previously written off, \$2 million less than planned.

### EX ANTE FUNDING



Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC maintains an *ex ante* fund to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation’s retained earnings and the provision for insurance losses. The minimum target level of the Corporation’s *ex ante* funding is 100 basis points of insured deposits. The Corporation reviews this target funding level regularly to ensure it remains appropriate.

CDIC’s *ex ante* funding level was \$2,722 million as at December 31, 2013, or 41 basis points of insured deposits. Based on the level of insured deposits as at April 30, 2013, the 100 basis point minimum target would equate to \$6,653 million of *ex ante* funding.

## AVAILABLE LIQUID FUNDS

The following table sets forth the liquid funds available to CDIC.

(C\$ millions)	Dec. 31, 2013	Mar. 31, 2013
<i>Available liquid funds:</i>		
Cash	1	1
Fair value of high-quality, liquid investment securities	2,762	2,573
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund <sup>1</sup>	19,000	19,000
<b>Total available funds</b>	<b>21,763</b>	<b>21,574</b>

<sup>1</sup> Includes existing \$10 million bank credit facility

CDIC's portfolio of investment securities is limited to high-quality, liquid securities: obligations of the Government of Canada and its agent Crowns and obligations of Provincial Governments / Municipal Financing Authorities. Additional funds are available through CDIC's authority to borrow under the Canada Deposit Insurance Corporation Act (the *CDIC Act*). As at December 31, 2013, the Corporation can borrow up to \$19 billion. The borrowing limit is adjusted annually to reflect the growth of insured deposits. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

## MANAGEMENT REPRESENTATION

Management is responsible for the preparation and fair presentation of these condensed consolidated quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as Management determines are necessary to enable the preparation of condensed consolidated quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the condensed consolidated quarterly financial statements.

The financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited condensed consolidated quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the condensed consolidated quarterly financial statements.



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Michèle Bourque

President and Chief Executive  
Officer

Ottawa, Canada  
February 6, 2014



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Dean A. Cosman

Vice President, Finance and  
Administration, and Chief Financial  
Officer

Ottawa, Canada  
February 6, 2014

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THIRD QUARTER – FISCAL 2013/2014**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(in thousands of Canadian dollars)

	Notes	Dec. 31, 2013	March 31, 2013
<b>ASSETS</b>			
Cash		823	422
Investment securities	3	2,754,423	2,560,483
Current tax asset		1,441	1,286
Trade and other receivables	4	1,570	1,545
Amounts recoverable from estates		12,000	-
Prepayments		328	244
Property, plant and equipment		6,338	6,716
Intangible assets		6,046	4,310
Deferred tax asset		-	122
<b>TOTAL ASSETS</b>		<b>2,782,969</b>	<b>2,575,128</b>
<b>LIABILITIES</b>			
Trade and other payables		9,308	5,616
Deferred premium revenue		47,928	-
Deferred lease inducement		1,327	1,412
Defined benefit obligations		1,997	1,820
Provision for insurance losses	5	1,200,000	1,250,000
Deferred tax liability		327	-
<b>Total liabilities</b>		<b>1,260,887</b>	<b>1,258,848</b>
<b>EQUITY</b>			
Retained earnings		1,522,082	1,316,280
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,782,969</b>	<b>2,575,128</b>

*The accompanying notes form an integral part of these condensed consolidated financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(in thousands of Canadian dollars)

	Notes	For the three months ended Dec. 31, 2013	For the three months ended Dec. 31, 2012	For the nine months ended Dec. 31, 2013	For the nine months ended Dec. 31, 2012
<b>REVENUE</b>					
Premium		47,924	30,018	143,799	90,065
Investment income		8,909	9,618	27,104	29,650
Other		19	27	47	35
		<u>56,852</u>	<u>39,663</u>	<u>170,950</u>	<u>119,750</u>
<b>EXPENSES</b>					
Operating	6	9,935	9,473	27,125	25,173
(Decrease) increase in provision for insurance losses		(50,000)	-	(50,000)	100,000
Recovery of amounts previously written off		(12,000)	-	(12,000)	-
		<u>(52,065)</u>	<u>9,473</u>	<u>(34,875)</u>	<u>125,173</u>
Net income (loss) before income taxes		108,917	30,190	205,825	(5,423)
Income tax (recovery) expense		(233)	48	23	1,105
<b>NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>109,150</u>	<u>30,142</u>	<u>205,802</u>	<u>(6,528)</u>

*The accompanying notes form an integral part of these condensed consolidated financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(in thousands of Canadian dollars)

	Retained earnings and total equity
<b>FOR THE THREE MONTHS ENDED DECEMBER 31</b>	
<b>Balance, September 30, 2013</b>	1,412,932
Net income and total comprehensive income	109,150
<b>Balance, December 31, 2013</b>	<u>1,522,082</u>
<b>Balance, September 30, 2012</b>	1,256,867
Net income and total comprehensive income	30,142
<b>Balance, December 31, 2012</b>	<u>1,287,009</u>
<b>FOR THE NINE MONTHS ENDED DECEMBER 31</b>	
<b>Balance, March 31, 2013</b>	1,316,280
Net income and total comprehensive income	205,802
<b>Balance, December 31, 2013</b>	<u>1,522,082</u>
<b>Balance, March 31, 2012</b>	1,293,537
Net loss and total comprehensive loss	(6,528)
<b>Balance, December 31, 2012</b>	<u>1,287,009</u>

*The accompanying notes form an integral part of these condensed consolidated financial statements.*



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	109,150	30,142	205,802	(6,528)
Add (deduct) items not involving cash				
Depreciation and amortization	559	510	1,383	1,484
Investment income	(8,909)	(9,618)	(27,104)	(29,650)
Tax (recovery) expense	(233)	48	23	1,105
Defined benefit expense (income)	59	(2)	177	128
Defined benefit payment	-	(16)	-	(16)
Change in working capital:				
(Decrease) increase in provision for insurance losses	(50,000)	-	(50,000)	100,000
Decrease (increase) in prepayments	131	215	(84)	(70)
(Increase) decrease in trade and other receivables	(59)	141	(25)	27
Increase in amounts recoverable from estates	(12,000)	-	(12,000)	-
Increase in trade and other payables	5,139	4,693	3,692	3,940
Increase in deferred premium revenue	46,867	29,449	47,928	30,016
Decrease in deferred lease inducement	(28)	(28)	(85)	(85)
Interest received	12,952	14,501	30,940	35,432
Income tax recovered (paid)	1,295	(521)	271	(2,980)
Net cash generated by operating activities	<u>104,923</u>	<u>69,514</u>	<u>200,918</u>	<u>132,803</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment and intangible assets	(818)	(897)	(2,741)	(2,449)
Purchase of investment securities	(1,649,036)	(1,169,998)	(4,129,947)	(3,389,041)
Proceeds from sale or maturity of investment securities	<u>1,545,294</u>	<u>1,103,170</u>	<u>3,932,171</u>	<u>3,260,451</u>
Net cash used in investing activities	<u>(104,560)</u>	<u>(67,725)</u>	<u>(200,517)</u>	<u>(131,039)</u>
Net increase in cash	363	1,789	401	1,764
Cash, beginning of period	460	431	422	456
Cash, end of period	<u>823</u>	<u>2,220</u>	<u>823</u>	<u>2,220</u>

*The accompanying notes form an integral part of these condensed consolidated financial statements.*

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Third quarter – Fiscal 2013/2014

### 1. GENERAL INFORMATION

The Canada Deposit Insurance Corporation (CDIC or the Corporation) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions. The Corporation is subject to federal income tax pursuant to the provisions of the *Income Tax Act*. The address of the registered office is 50 O'Connor Street, 17<sup>th</sup> Floor, Ottawa, Ontario.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits in member institutions and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including acquiring assets from and providing guarantees or loans to member institutions and others. Among other things, it may make or cause to be made inspections of member institutions, act as liquidator, receiver or inspector of a member institution or a subsidiary thereof and establish a bridge institution.

The Corporation is an agent of Her Majesty in right of Canada for all purposes of the *CDIC Act*. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on February 6, 2014.

#### **Basis of preparation**

These condensed consolidated quarterly financial statements, presented in Canadian dollars, have been prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations and do not include all of the information required for full annual financial statements. These condensed consolidated quarterly financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2013, in CDIC's 2012/2013 Annual Report.

The condensed consolidated quarterly financial statements have been prepared on the historical cost basis, except for the provision for insurance losses and the defined benefit obligations, which are measured at their present value. Historical cost is generally based on the amount of consideration given in exchange for an asset and the amount of proceeds received in exchange for a liability.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Corporation in these condensed consolidated quarterly financial statements are the same as those applied by the Corporation in its consolidated financial statements as at and for the year ended March 31, 2013.

### Changes in accounting policies

The Corporation has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of April 1, 2013. Their adoption did not have a significant impact on these condensed consolidated quarterly financial statements.

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Ventures*
- IFRS 12 *Disclosures of Involvement with Other Entities*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*
- IFRS 13 *Fair Value Measurement*
- IAS 19 *Employee Benefits* (2011)
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)
- *Annual Improvements to IFRS 2009-2011 Cycle*

### Critical accounting judgments and key sources of estimation uncertainty

The preparation of quarterly financial statements requires Management to make judgments and estimations that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from these estimates.

In preparing these condensed consolidated quarterly financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended March 31, 2013.

### Recovery of amounts previously written off

Claims receivable from the estates of failed member institutions are written off when there is no realistic prospect of recovery. However, when funds are subsequently received, or are virtually certain of being received, CDIC recognizes the recovery in the statement of comprehensive income.

### Defined benefit obligations

At year end, the Corporation's defined benefit liability is measured at its present value, based on an actuarial valuation. Actuarial gains or losses arising from the actuarial valuation are recognized immediately in retained earnings as other comprehensive income.

As at December 31, 2013 and December 31, 2012, no actuarial valuations were prepared. As a result, no actuarial gains or losses were recognized.

### 3. INVESTMENT SECURITIES

Information on the maturity and composition of the Corporation's investment securities is included in the tables below.

(C\$ thousands)	Remaining term to maturity December 31, 2013			
	90 days or less	91 days to 1 year	1 - 5 years	Total
Treasury bills	750,577	544,528	-	1,295,105
Weighted average effective yield (%)	1.02	1.06	-	1.04
Bonds	266,150	858,719	321,951	1,446,820
Weighted average effective yield (%)	1.21	1.56	1.89	1.57
Other	12,498	-	-	12,498
Weighted average effective yield (%)	1.01	-	-	1.01
<b>Total investment securities</b>	<b>1,029,225</b>	<b>1,403,247</b>	<b>321,951</b>	<b>2,754,423</b>
<b>Weighted average effective yield (%)</b>	<b>1.07</b>	<b>1.37</b>	<b>1.89</b>	<b>1.32</b>

(C\$ thousands)	Remaining term to maturity March 31, 2013			
	90 days or less	91 days to 1 year	1 - 5 years	Total
Treasury bills	331,012	643,728	-	974,740
Weighted average effective yield (%)	1.02	1.07	-	1.05
Bonds	212,670	583,223	789,850	1,585,743
Weighted average effective yield (%)	1.73	1.42	1.92	1.71
Other	-	-	-	-
Weighted average effective yield (%)	-	-	-	-
<b>Total investment securities</b>	<b>543,682</b>	<b>1,226,951</b>	<b>789,850</b>	<b>2,560,483</b>
<b>Weighted average effective yield (%)</b>	<b>1.30</b>	<b>1.23</b>	<b>1.92</b>	<b>1.46</b>

(C\$ thousands)	December 31, 2013 Gross un- realized gains			March 31, 2013
	Amortized cost	(losses)	Fair value	Fair value
Treasury bills	1,295,105	(139)	1,294,966	974,933
Bonds	1,446,820	7,615	1,454,435	1,598,467
Other	12,498	(1)	12,497	-
<b>Total investment securities</b>	<b>2,754,423</b>	<b>7,475</b>	<b>2,761,898</b>	<b>2,573,400</b>

The following table summarizes the credit quality of CDIC's investment securities by credit rating.

(C\$ thousands) Credit rating	<b>Dec. 31, 2013</b>	Mar. 31, 2013
AAA	<b>2,222,705</b>	2,087,132
AA+	<b>123,138</b>	93,791
AA	<b>148,369</b>	143,211
AA-	<b>161,236</b>	141,752
A+	<b>98,975</b>	94,597
<b>Total investments</b>	<b>2,754,423</b>	2,560,483

The carrying amounts in the above tables include accrued interest.

#### 4. TRADE AND OTHER RECEIVABLES

(C\$ thousands)	<b>Dec. 31, 2013</b>	Mar. 31, 2013
Accounts receivable	<b>102</b>	77
Other receivables	<b>1,468</b>	1,468
<b>Total trade and other receivables</b>	<b>1,570</b>	1,545

Other receivables consist of a note receivable due on June 30, 2015.

#### 5. PROVISION FOR INSURANCE LOSSES

The provision for insurance losses represents the Corporation's best estimate of the future outflow of economic benefits resulting from the Corporation's duty to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

(C\$ thousands)	Provision for insurance losses
<b>Balance, March 31, 2013</b>	<b>1,250,000</b>
Change in provision	-
<b>Balance, June 30, 2013</b>	<b>1,250,000</b>
Change in provision	-
<b>Balance, September 30, 2013</b>	<b>1,250,000</b>
Change in provision	<b>(50,000)</b>
<b>Balance, December 31, 2013</b>	<b>1,200,000</b>

## 6. OPERATING EXPENSES

(C\$ thousands)	For the three months ended		For the nine months ended	
	<b>Dec. 31, 2013</b>	Dec. 31, 2012	<b>Dec. 31, 2013</b>	Dec. 31, 2012
Salaries and other personnel costs	<b>5,310</b>	4,668	<b>14,589</b>	13,293
Professional and other fees	<b>1,058</b>	1,280	<b>3,565</b>	3,391
Public awareness	<b>1,028</b>	862	<b>1,897</b>	1,504
Premises	<b>922</b>	743	<b>2,723</b>	2,292
General expenses	<b>587</b>	915	<b>1,762</b>	2,055
Depreciation and amortization	<b>559</b>	510	<b>1,383</b>	1,484
Data processing	<b>519</b>	507	<b>1,305</b>	1,349
	<b>9,983</b>	9,485	<b>27,224</b>	25,368
Expense recoveries	<b>(48)</b>	(12)	<b>(99)</b>	(195)
<b>Total operating expenses</b>	<b>9,935</b>	9,473	<b>27,125</b>	25,173

## 7. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 8. RESTATEMENT OF COMPARATIVE FIGURES

The Corporation has reclassified certain comparative figures in the condensed consolidated quarterly statement of cash flows to conform to the current presentation which provides more relevant information about CDIC's cash flows. The reclassification was immaterial and did not

have an impact on the condensed consolidated quarterly statement of financial position or the condensed consolidated quarterly statement of comprehensive income.