CDIC
Canada Deposit Insurance Corporation

# Quarterly Financial Report
## Third Quarter
### December 31, 2015
### Unaudited


Canada

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# Narrative discussion

## Third quarter – fiscal 2015/2016

This narrative discussion was prepared in accordance with the *Treasury Board Standard on Quarterly Financial Reports for Crown Corporations* (the "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 2015 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, 2015, the Canada Deposit Insurance Corporation (CDIC or the Corporation) recognized net income of $92 million, arising principally from premium revenue of $90 million, investment and other income of $10 million, and the receipt of a $2 million recovery from the estate of a failed member institution; offset by net operating expenses and income taxes totalling $10 million. In the third quarter ended December 31, 2014, CDIC recognized net income of $69 million; premium revenue recognized was $70 million, investment and other income totaled $10 million and net operating expenses and income taxes totaled $11 million.

For the nine month period ended December 31, 2015, CDIC recognized net income of $176 million, based on premium revenue of $271 million, investment and other income of $30 million, an increase to the provision for insurance losses (provision) of $100 million, net operating expenses of $28 million and a recovery of $4 million. In the nine month period ended December 31, 2014, CDIC recognized net income of $163 million, based on premium revenue of $210 million, investment and other income of $30 million, an increase to the provision of $50 million and net operating expenses of $30 million.

The Corporation's $271 million in premium revenue for the nine-month period ended December 31, 2015 represents an increase of $61 million from the same period in the prior year, and was primarily the result of an increase in premium rates. Growth in insured deposits held at member institutions and changes to the categorization of certain members also contributed to the increase in premium revenue.

The Corporation's $30 million in investment and other income for the nine-month period ended December 31, 2015 was consistent with the nine months ended December 31, 2014. This was the result of the decline in the investment yields during the period, which offset the growth in the investment portfolio.

Operating expenses and income taxes were $10 million for the third quarter and $28 million for the fiscal year to date. These results are relatively consistent with comparative periods.

CDIC's provision increased $100 million to $1,350 million for the nine-month period ended December 31, 2015. The increase is due to a refinement by external credit rating agencies of various inputs into the methodology used to calculate the provision and an increase in the level of insured deposits. Insured deposits are reported annually as at April 30 and were $696 billion and $684 billion as at April 30, 2015 and 2014 respectively.

CDIC's total assets as at December 31, 2015 were $3,436 million, an increase of $377 million or 12% from March 31, 2015, largely driven by the growth in CDIC's investment portfolio. The majority of the Corporation's assets are highly liquid investment securities.

As at December 31, 2015, CDIC's *ex ante* funding represented 48 basis points ($3,237 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, Management utilizes 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. The assessment of significant risks includes Management's perspective on residual risk, which considers the potential impact of a risk event on the Corporation's financial position, reputation and/or ability to fulfill its mandate and statutory objects; the likelihood of such an event occurring; and the Corporation's risk management activities to manage specific risk.

Management's overall assessment of the significant risks facing the Corporation as at December 31, 2015 remains acceptable and unchanged from its assessment as at September 30, 2015.

## 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 this quarter. |

## Financial results

### Three months ended December 31, 2015, compared to three months ended December 31, 2014

The following table sets out CDIC's comparative results for the three months ended December 31, 2015 and 2014.

| *(C$ thousands)* | For the three months ended December 31 2015 | 2014 | Difference ($) | (%) |
|---|---|---|---|---|
| Premium revenue | 89,865 | 69,850 | 20,015 | 29% |
| Investment and other income | 10,003 | 10,292 | (289) | (3%) |
| Change in provision for insurance losses | - | - | - | * |
| Net operating expenses | 9,912 | 10,903 | (991) | (9%) |
| Recovery of amounts previously written off | 1,698 | - | 1,698 | * |
| Income tax recovery | 77 | 118 | (41) | (35%) |
| **Net income** | **91,731** | **69,357** | **22,374** | 32% |

#### Premium revenue

Premiums charged to member institutions are based on the total amount of insured deposits held by member institutions as of April 30 each year, and are calculated annually in accordance with the *CDIC Act* and CDIC's *Differential Premiums By-law*. Premium rates are a key determinant of the length of time it will take to reach the Corporation's minimum target level of *ex ante* funding of 100 basis points. Each year, CDIC considers various premium rate options. For 2015/2016, the approved Category 1 rate (the base rate) is 4.5 basis points of insured deposits, a 1.0 basis point increase over the 2014/2015 base rate. The amount recognized in each quarter represents one-fourth of the annual assessment amount.

Premium revenue of $90 million was recorded during the quarter ended December 31, 2015 compared to $70 million for the quarter ended December 31, 2014, a 29% increase. The increase in premium rates was the primary factor leading to the higher revenue. Changes in the categorization of member institutions and the growth in insured deposits also contributed to the growth in premium revenue. Insured deposits grew to $696 billion as at April 30, 2015, from $684 billion as at April 30, 2014, an increase of 2%.

#### Investment and other income

Investment and other income for the three month period ending December 31, 2015 was $10 million, consistent with the quarter ended December 31, 2014. This was the result of the decline in the investment yields during the period, which offset the growth in the investment portfolio.

#### Provision for insurance losses

The provision 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 its provisioning methodology: the level of insured deposits, the expectation of default derived from probability statistics, expected loss given default, supervisory information, economic indicators, and CDIC's specific knowledge of its members.

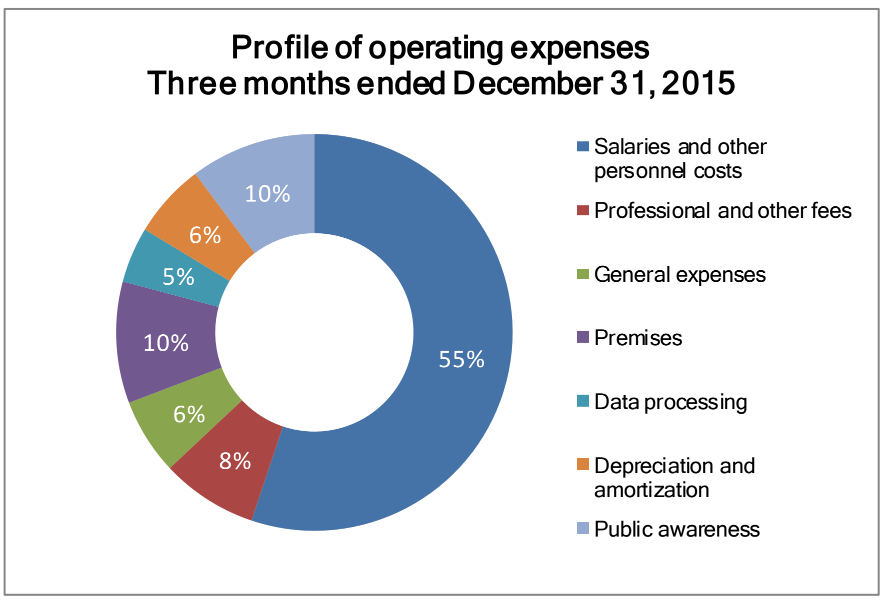
During the quarter ended December 31, 2015, there was no change to CDIC's provision of $1,350 million.

### Recovery of amounts previously written off

Claims receivable from the estates of failed member institutions are written off when there is no realistic likelihood of repayment. However, when funds are subsequently received, or when receipt is virtually certain, the recovery is recognized in the condensed consolidated statement of comprehensive income as a recovery of amounts previously written off.

During the quarter ended December 31, 2015, CDIC recognized a recovery of $1.7 million from the estate of a failed member institution.

### Operating expenses




Operating expenses for the three months ended December 31, 2015 totaled $10 million, relatively unchanged from the three months ended December 31, 2014.

## Nine months ended December 31, 2015, compared to nine months ended December 31, 2014

The following table sets forth CDIC's comparative results for the nine months ended December 31, 2015 and 2014.

| | For the nine months ended December 31 | | Difference | |
|---|---|---|---|---|
| *(C$ thousands)* | 2015 | 2014 | ($) | (%) |
| Premium revenue | 270,882 | 209,532 | 61,350 | 29% |
| Investment and other income | 29,878 | 30,346 | (468) | (2%) |
| Increase in provision for insurance losses | 100,000 | 50,000 | 50,000 | 100% |
| Net operating expenses | 28,131 | 29,527 | (1,396) | (5%) |
| Recovery of amounts previously written off | 4,317 | 2,876 | 1,441 | 50% |
| Income tax expense | 534 | 283 | 251 | 89% |
| **Net income** | **176,412** | **162,944** | **13,468** | 8% |

### Premium revenue

Premium revenue of $271 million was recorded during the nine months ended December 31, 2015 compared to $210 million for the nine months ended December 31, 2014, a 29% increase. The increase in premium rates was the primary factor leading to the higher revenue. Changes in the categorization of member institutions and the growth in insured deposits also contributed to the variance.

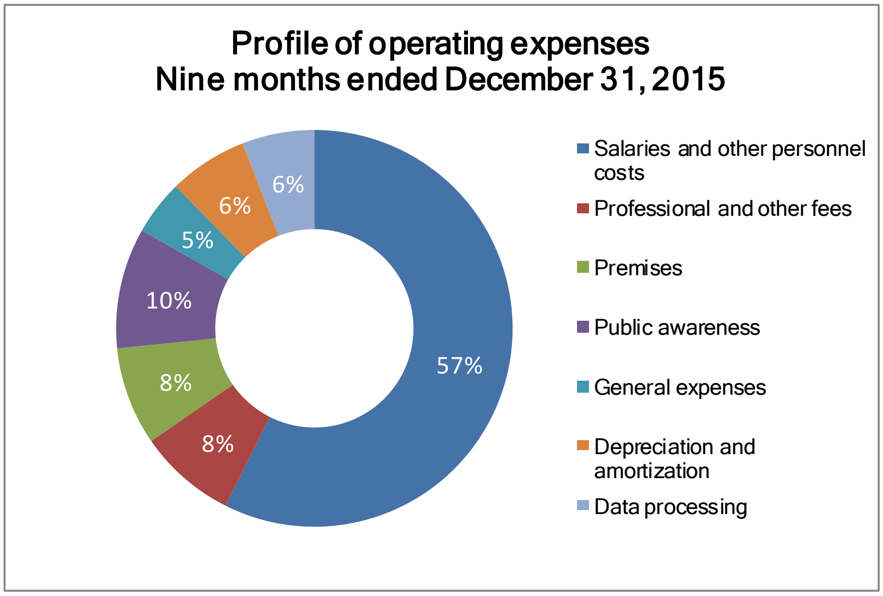
### Investment and other income

Investment and other income for the nine months ended December 31, 2015 was $30 million, consistent with the nine months ended December 31, 2014. This was the result of the decline in the investment yields during the period, which offset the growth in the investment portfolio.

### Provision for insurance losses

CDIC's provision for insurance losses increased $100 million to $1,350 million in the nine months ended December 31, 2015. During the first quarter, an external credit rating agency refined its approach to determining its expected default estimates, resulting in the increase to the provision, along with the growth in insured deposits, and the changes in categorization of certain members.

### Operating expenses




Operating expenses for the nine months ended December 31, 2015 totaled $28 million, relatively unchanged from the nine months ended December 31, 2014.

## Forecast results for fiscal 2015/2016, 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)* | 2015/2016 Forecast | 2015/2016 Planned | Difference ($) | Difference (%) |
|---|---|---|---|---|
| Premium revenue | 361 | 371 | (10) | (3%) |
| Investment and other income | 40 | 42 | (2) | (5%) |
| Increase in provision for insurance losses | 100 | 50 | 50 | 100% |
| Net operating expenses | 41 | 44 | (3) | (7%) |
| Income tax recovery | - | 1 | (1) | (100%) |
| **Net income** | **260** | **320** | (60) | (19%) |

### Premium revenue

CDIC's 2015/2016 to 2019/2020 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of $371 million for fiscal 2015/2016, compared with Management's current forecast revenue of $361 million for the year. 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. Results to date have differed from the assumptions, resulting in a variance between the planned and forecast amounts.

### Investment and other income

Forecast investment and other income is less than originally planned due to the forecast yield being lower than what was included in the Corporate Plan (forecast yield at December 31, 2015 for fiscal 2015/2016 was 1.17% versus 1.30% in the Corporate Plan), and the lower premium revenue which will result in a lower than planned investment portfolio.

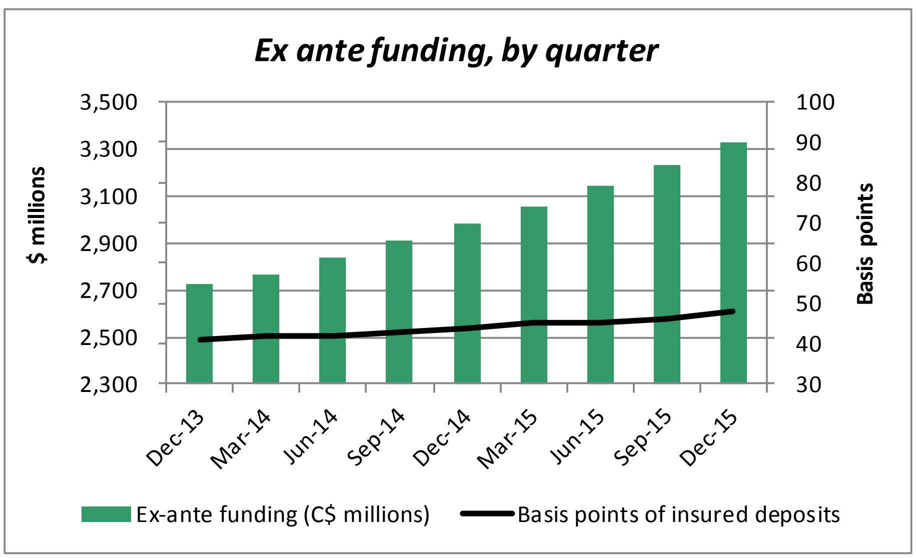
### Provision for insurance losses

For fiscal 2015/2016, the Corporate Plan assumed a $50 million increase in the provision to $1,300 million. The Corporate Plan did not contemplate the previously discussed refinement of the credit rating agency's methodology. The provision is currently forecast to hold at $1,350 million for the remainder of the fiscal year.

### Net operating expenses

Net operating expenses for fiscal 2015/2016 are forecast at $41 million, $3 million below the Corporate Plan. This projected variance is primarily due to a slower than anticipated pace of hiring for vacant positions.

## *Ex ante* funding




Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC maintains *ex ante* funding 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. 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 $3,327 million as at December 31, 2015, or 48 basis points of insured deposits. Based on the level of insured deposits as at April 30, 2015, the 100 basis point minimum target would equate to $6,960 million of *ex ante* funding.

As noted earlier, premium rates were increased for 2015/2016 in order to accelerate CDIC's progression to the minimum *ex ante* funding target. In addition, CDIC's Corporate Plan assumes further increases (1 basis point increase per year to the base rate through to, and including, 2018/2019). It is currently forecast that CDIC will reach the minimum *ex ante* funding target level in 2024/2025.

## Available liquid funds

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

| *(C$ millions)* | December 31, 2015 | March 31, 2015 |
|---|---|---|
| *Available liquid funds:* | | |
| Cash | 1 | 2 |
| Fair value of high-quality, liquid investment securities | 3,464 | 3,095 |
| *Availability of borrowings:* | | |
| Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund | 20,000 | 20,000 |
| **Total available funds** | **23,465** | **23,097** |

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 *CDIC Act*. As at December 31, 2015, the Corporation can borrow up to $20 billion. The borrowing limit is adjusted annually on December 31 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.

Michèle Bourque

President and Chief Executive Officer

Ottawa, Canada
February 18, 2016

Anthony Carty

Vice-President, Finance and Administration and Chief Financial Officer

Ottawa, Canada
February 18, 2016

# Condensed consolidated financial statements

## Condensed consolidated statement of financial position

*(in thousands of Canadian dollars)*

| | Notes | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | 820 | 1,584 |
| Investment securities | *4* | 3,421,256 | 3,042,059 |
| Current tax asset | | - | 180 |
| Trade and other receivables | *5* | 122 | 1,521 |
| Amounts recoverable from estates | | 3,380 | 2,876 |
| Prepayments | | 257 | 198 |
| Property, plant and equipment | | 5,603 | 5,886 |
| Intangible assets | | 5,088 | 5,772 |
| **TOTAL ASSETS** | | **3,436,526** | **3,060,076** |
| **LIABILITIES** | | | |
| Trade and other payables | | 13,846 | 4,651 |
| Current tax liability | | 614 | - |
| Deferred premium revenue | | 90,293 | - |
| Deferred lease inducement | | 1,101 | 1,186 |
| Employee benefits | | 3,047 | 2,889 |
| Provision for insurance losses | *6* | 1,350,000 | 1,250,000 |
| Deferred tax liability | | 586 | 723 |
| **Total liabilities** | | **1,459,487** | **1,259,449** |
| **EQUITY** | | | |
| Retained earnings | | 1,977,039 | 1,800,627 |
| **TOTAL LIABILITIES AND EQUITY** | | **3,436,526** | **3,060,076** |

*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 December 31 2015 | For the three months ended December 31 2014 | For the nine months ended December 31 2015 | For the nine months ended December 31 2014 |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Premium | | 89,865 | 69,850 | 270,882 | 209,532 |
| Investment income | | 9,984 | 10,280 | 29,854 | 30,304 |
| Other | | 19 | 12 | 24 | 42 |
| | | 99,868 | 80,142 | 300,760 | 239,878 |
| **EXPENSES** | | | | | |
| Operating | *7* | 9,912 | 10,903 | 28,131 | 29,527 |
| Recovery of amounts previously written off | | (1,698) | - | (4,317) | (2,876) |
| Increase in provision for insurance losses | | - | - | 100,000 | 50,000 |
| | | 8,214 | 10,903 | 123,814 | 76,651 |
| Net income before income taxes | | 91,654 | 69,239 | 176,946 | 163,227 |
| Income tax (recovery) expense | | (77) | (118) | 534 | 283 |
| **TOTAL COMPREHENSIVE INCOME** | | **91,731** | **69,357** | **176,412** | **162,944** |

*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 |
|---|---|
| **FOR THE THREE MONTHS ENDED DECEMBER 31** | |
| **Balance, September 30, 2015** | **1,885,308** |
| Net loss and total comprehensive income | 91,731 |
| **Balance, December 31, 2015** | **1,977,039** |
| | |
| **Balance, September 30, 2014** | **1,662,116** |
| Net income and total comprehensive loss | 69,357 |
| **Balance, December 31, 2014** | **1,731,473** |
| | |
| **FOR THE NINE MONTHS ENDED DECEMBER 31** | |
| **Balance, March 31, 2015** | **1,800,627** |
| Net loss and total comprehensive income | 176,412 |
| **Balance, December 31, 2015** | **1,977,039** |
| | |
| **Balance, March 31, 2014** | **1,568,529** |
| Net income and total comprehensive loss | 162,944 |
| **Balance, December 31, 2014** | **1,731,473** |

*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 December 31 | | For the nine months ended December 31 | |
|---|---|---|---|---|
| | 2015 | 2014 (restated) Note 3 | 2015 | 2014 (restated) Note 3 |
| **OPERATING ACTIVITIES** | | | | |
| Net income | 91,731 | 69,357 | 176,412 | 162,944 |
| Add (deduct) items not involving cash | | | | |
| Depreciation and amortization | 601 | 609 | 1,805 | 1,772 |
| Investment income | (9,984) | (10,280) | (29,854) | (30,304) |
| Income tax (recovery)/expense | (77) | (118) | 534 | 283 |
| Employee benefit expense | 78 | 92 | 233 | 273 |
| Defined benefit payment | - | - | (75) | (75) |
| Change in working capital: | | | | |
| Increase in provision for insurance losses | - | - | 100,000 | 50,000 |
| (Increase)/decrease in prepayments | (43) | 89 | (59) | (51) |
| (Increase)/decrease in trade and other receivables | (49) | (58) | 1,399 | (56) |
| Increase in amounts recoverable from estates | - | - | (504) | (2,876) |
| Increase in trade and other payables | 10,719 | 8,567 | 9,195 | 6,380 |
| Increase in deferred premium revenue | 89,152 | 68,821 | 90,293 | 69,842 |
| Decrease in deferred lease inducement | (28) | (28) | (85) | (85) |
| Interest received | 14,539 | 11,144 | 49,592 | 38,670 |
| Income tax recovered | 124 | 1,952 | 124 | 1,952 |
| Net cash generated by operating activities | 196,763 | 150,147 | 399,010 | 298,669 |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment and intangible assets | (260) | (70) | (839) | (709) |
| Purchase of investment securities | (612,677) | (1,661,146) | (1,204,289) | (4,409,700) |
| Proceeds from sale or maturity of investment securities | 415,154 | 1,512,175 | 805,354 | 4,112,200 |
| Net cash used in investing activities | (197,783) | (149,041) | (399,774) | (298,209) |
| Net (decrease)/increase in cash | (1,020) | 1,106 | (764) | 460 |
| Cash, beginning of period | 1,840 | 53 | 1,584 | 699 |
| Cash, end of period | **820** | **1,159** | **820** | **1,159** |

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

# Notes to the condensed consolidated financial statements

## 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, 17th 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 18, 2016.

**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, 2015, in CDIC's 2015 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 fair value 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, 2015.

### 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, 2015.

### 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 condensed consolidated 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, 2015 and 2014, no actuarial valuations were prepared. As a result, no actuarial gains or losses were recognized.

## 3–Restatement of condensed consolidated statement of cash flows for the three and nine months ended December 31, 2014

The Corporation reviewed the presentation and classification of its cash flows during 2014/2015, and reclassified certain items between investing and operating activities, to reflect their nature more accurately. The Corporation removed the amortization of premiums and discounts from its investing activities which resulted in an adjustment to the investment income cash flows included within its operating activities. The Corporation has restated the condensed consolidated statement of cash flows for the three and nine months ended December 31, 2014, to conform to current period presentation. The changes are summarized in the following table:

| For the three months ended *(C$ thousands)* | December 31, 2014 | Adjustment | December 31, 2014 (restated) |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Investment income received | 7,749 | 3,395 | 11,144 |
| INVESTING ACTIVITIES | | | |
| Purchase of investment securities | (1,728,708) | 67,562 | (1,661,146) |
| Proceeds from sale or maturity of investment securities | 1,583,132 | (70,957) | 1,512,175 |

| For the nine months ended *(C$ thousands)* | December 31, 2014 | Adjustment | December 31, 2014 (restated) |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Investment income received | 30,566 | 8,104 | 38,670 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of investment securities | (4,594,456) | 184,756 | (4,409,700) |
| Proceeds from sale or maturity of investment securities | 4,305,060 | (192,860) | 4,112,200 |

## 4–Investment securities

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

| | Remaining term to maturity December 31, 2015 | | | |
|---|---|---|---|---|
| *(C$ thousands)* | 90 days or less | 91 days to 1 year | 1 to 5 years | Total |
| Treasury bills | 34,119 | - | - | 34,119 |
| Weighted average effective yield (%) | 0.49 | - | - | 0.49 |
| Bonds | 317,568 | 398,915 | 2,670,654 | 3,387,137 |
| Weighted average effective yield (%) | 0.76 | 1.12 | 1.23 | 1.18 |
| **Total investment securities** | **351,687** | **398,915** | **2,670,654** | **3,421,256** |
| **Weighted average effective yield (%)** | **0.74** | **1.12** | **1.23** | **1.17** |

| | Remaining term to maturity March 31, 2015 | | | |
|---|---|---|---|---|
| *(C$ thousands)* | 90 days or less | 91 days to 1 year | 1 to 5 years | Total |
| Treasury bills | 21,260 | 29,816 | - | 51,076 |
| Weighted average effective yield (%) | 0.63 | 0.98 | - | 0.83 |
| Bonds | 165,887 | 426,586 | 2,398,510 | 2,990,983 |
| Weighted average effective yield (%) | 2.01 | 1.20 | 1.32 | 1.34 |
| **Total investment securities** | **187,147** | **456,402** | **2,398,510** | **3,042,059** |
| **Weighted average effective yield (%)** | **1.85** | **1.19** | **1.32** | **1.33** |

The following table includes the fair value measurement of the Corporation's investment securities.

| (C$ thousands) | December 31, 2015 Amortized cost | Gross unrealized gains | Fair value | March 31, 2015 Fair value |
|---|---|---|---|---|
| Treasury bills | 34,119 | 0 | 34,119 | 51,157 |
| Bonds | 3,387,137 | 42,702 | 3,429,839 | 3,044,292 |
| Other | - | - | - | - |
| **Total investment securities** | **3,421,256** | **42,702** | **3,463,958** | **3,095,449** |

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

| **Credit rating** (C$ thousands) | December 31, 2015 | March 31, 2015 |
|---|---|---|
| AAA | 3,239,170 | 2,811,882 |
| AA+ | - | - |
| AA | 124,053 | 105,437 |
| AA- | - | 43,237 |
| A+ | 58,033 | 81,503 |
| **Total investments** | **3,421,256** | **3,042,059** |

The carrying amounts in the above tables include accrued interest.

## 5–Trade and other receivables

| (C$ thousands) | December 31, 2015 | March 31, 2015 |
|---|---|---|
| Accounts receivable | 122 | 53 |
| Other receivables | - | 1,468 |
| **Total trade and other receivables** | **122** | **1,521** |

At March 31, 2015 other receivables consisted of a note receivable due on June 30, 2015.

## 6–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 |
|---|---|
| **Balance, March 31, 2015** | **1,250,000** |
| Increase in provision | 150,000 |
| **Balance, June 30, 2015** | **1,400,000** |
| Decrease in provision | (50,000) |
| **Balance, September 30, 2015** | **1,350,000** |
| Changes in provision | - |
| **Balance, December 31, 2015** | **1,350,000** |

## 7–Operating expenses

| | For the three months ended December 31 | | For the nine months ended December 31 | |
|---|---|---|---|---|
| *(C$ thousands)* | 2015 | 2014 | 2015 | 2014 |
| Salaries and other personnel costs | 5,466 | 5,651 | 16,145 | 15,883 |
| Professional and other fees | 780 | 1,668 | 2,247 | 3,893 |
| General expenses | 645 | 679 | 2,254 | 2,324 |
| Premises | 981 | 748 | 2,761 | 2,479 |
| Data processing | 450 | 623 | 1,386 | 1,568 |
| Depreciation and amortization | 601 | 609 | 1,805 | 1,772 |
| Public awareness | 1,017 | 962 | 1,657 | 1,726 |
| | 9,940 | 10,940 | 28,255 | 29,645 |
| Expense recoveries | (28) | (37) | (124) | (118) |
| **Total operating expenses** | **9,912** | **10,903** | **28,131** | **29,527** |

## 8–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.

## 9–Events after the reporting period

Subsequent to December 31, 2015, certain changes in inputs impacting the provision for insurance losses for some member institutions occurred. While the changes individually would have resulted in an adjustment to the provision for insurance losses, the net effect resulted in the provision remaining at $1,350 million.