CDIC

Canada Deposit Insurance Corporation

Quarterly Financial Report
Second Quarter

September 30, 2016

Unaudited

Protecting the dreams of Canadians

Canada

Table of contents

Narrative discussion

Second quarter – fiscal 2016/2017

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 2016 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 second quarter ended September 30, 2016, Canada Deposit Insurance Corporation ("CDIC" or "the Corporation") recognized net income of $106 million, arising principally from premium revenue recognized during the quarter of $105 million. Other items of significance were investment and other income of $10 million, and net operating expenses and income taxes of $9 million. In the same period last year, CDIC recognized net income of $143 million, based on premium revenue of $91 million, investment and other income of $10 million, net operating expenses and income taxes of $7 million, and a decrease to the provision of $50 million.

For the six month period ended September 30, 2016, CDIC recognized net income of $61 million, based primarily on premium revenue of $210 million, investment and other income of $20 million, an increase to the provision of $150 million and net operating expenses of $19 million. In the same period last year, CDIC recognized net income of $85 million, based on premium revenue of $181 million, investment and other income of $20 million, an increase to the provision of $100 million and net operating expenses of $16 million.

The Corporation's $210 million in premium revenue for the six month period represents an increase of $29 million from the same period in the prior year. 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.

The Corporation's $20 million in investment and other income for the six month period ended September 30, 2016 was consistent with the same period in the prior year. This was due to the decline in the effective yield (1.10% and 1.24%, as at September 30, 2016 and 2015, respectively) which offset the growth of the investment portfolio.

Operating expenses and income taxes were $9 million for the second quarter and $19 million for the fiscal year to date, both are consistent with the same period in the prior year.

CDIC's provision increased $150 million to $1,450 million as at September 30, 2016, $100 million higher than what was included in the 2016/2017 Corporate Plan. There were no significant changes to the overall risk profile of CDIC's member institutions during the quarter. This increase is primarily due to the growth in the level of insured deposits ($741 billion and $696 billion as at September 30, 2016 and April 30, 2015, respectively).

CDIC's total assets as at September 30, 2016 were $3,639 million, an increase of $214 million (6%) from March 31, 2016, largely driven by the growth in CDIC's investment portfolio. The majority of the Corporation's other assets are highly liquid investment securities.

As at September 30, 2016, CDIC's *ex ante* funding represented 49 basis points ($3,628 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 September 30, 2016 remains acceptable and unchanged from its assessment as at June 30, 2016.

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

Financial results

Three months ended September 30, 2016, compared to three months ended September 30, 2015

The following table sets out CDIC's comparative results for the three months ended September 30, 2016 and 2015.

	For the three months ended September 30		Difference	
(C$ thousands)	2016	2015	($)	(%)
Premium revenue	105,191	90,509	14,682	16%
Investment and other income	10,111	10,004	107	1%
Change in provision for insurance losses	-	50,000	(50,000)	(100%)
Net operating expenses	9,137	9,229	(92)	(1%)
Recovery of amounts previously written off	-	2,603	(2,603)	(100%)
Income tax expense	189	396	(207)	(52%)
Net income (loss)	**105,976**	**143,491**	**(37,515)**	(26%)

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 2016/2017, the approved Category 1 rate (the base rate) is 5.5 basis points of insured deposits, a 1.0 basis point increase over the 2015/2016 base rate. The amount recognized in each quarter represents one-fourth of the annual assessment amount.

Premium revenue of $105 million was recorded during the quarter ended September 30, 2016 compared to $91 million for the same period last year, a 16% increase. The increase in premium rates was the primary factor leading to the higher revenue. Growth in insured deposits and change in categorization of certain member institutions also contributed to the net variance in premium revenue. Insured deposits grew to $741 billion as at September 30, 2016, from $696 billion as at April 30, 2015, an increase of 6%.

Investment and other income

Investment and other income for the three month period ending September 30, 2016 was $10 million, consistent with the same period last year. This was the result of the decline in the investment yields during the period, which offset the growth in the investment portfolio.

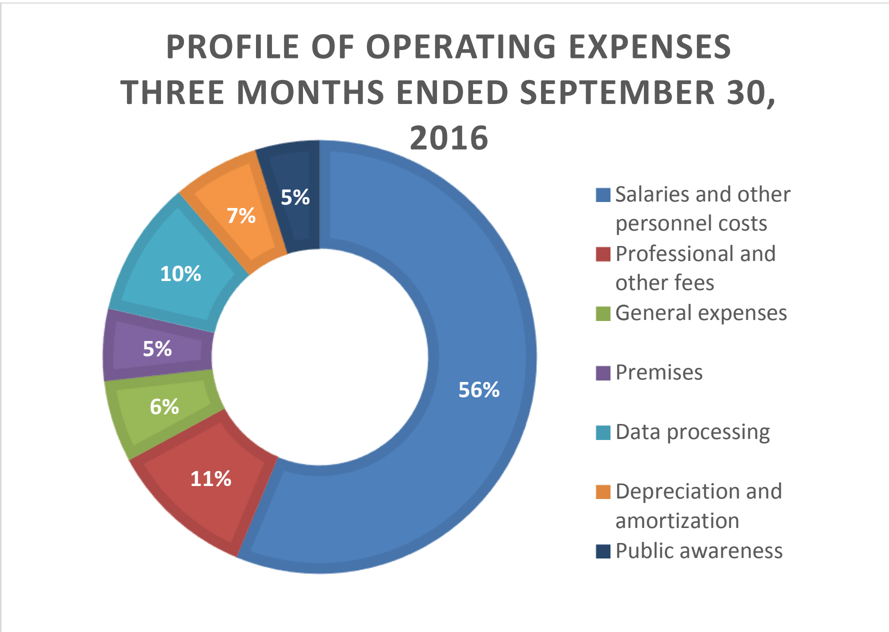
Provision for insurance losses

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 September 30, 2016, there was no change to the provision of $1,450 million.

Operating expenses



Operating expenses for the three months ended September 30, 2016 totaled $9 million consistent with the same period last year.

Six months ended September 30, 2016, compared to six months ended September 30, 2015

The following table sets forth CDIC's comparative results for the six months ended September 30, 2016 and 2015.

	For the six months ended September 30		Difference	
(C$ thousands)	**2016**	**2015**	($)	(%)
Premium revenue	210,001	181,017	28,984	16%
Investment and other income	20,139	19,875	264	1%
Change in provision for insurance losses	150,000	100,000	50,000	50%
Net operating expenses	18,642	18,203	439	2%
Recovery of amounts previously written off	-	2,603	(2,603)	(100%)
Income tax expense	257	611	(354)	(58%)
Net income	**61,241**	**84,681**	**(23,440)**	(28%)

Premium revenue

Premium revenue of $210 million was recorded during the six months ended September 30, 2016 compared to $181 million for the same period last year, a 16% 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.

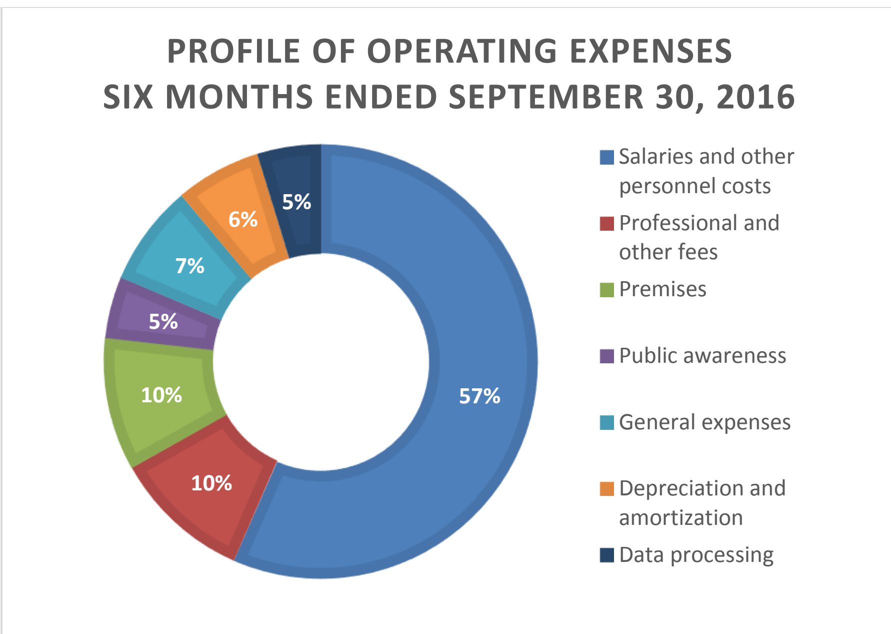
Investment and other income

Investment and other income for the six month period was $20 million, consistent with the same period last year. 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 $150 million to $1,450 million during the six months ended September 30, 2016. The increase in the provision was primarily a result of the growth in insured deposits.

Operating expenses



Operating expenses for the six months ended September 30, 2016 totalled $19 million, consistent with the same period last year.

Forecast results for fiscal 2016/2017, 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.

	2016/2017		Difference	
(C$ millions)	**Forecast**	**Planned**	($)	(%)
Premium revenue	421	400	21	5%
Investment and other income	41	41	-	-
Increase in provision for insurance losses	200	50	150	300%
Net operating expenses	42	44	(2)	(5%)
Income tax recovery	-	1	(1)	(100%)
Net income	**220**	**348**	(128)	(37%)

Premium revenue

CDIC's 2016/2017 to 2020/2021 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of $400 million for fiscal 2016/2017, compared with Management's current forecast revenue of $421 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 as planned. The higher than planned premium revenue will result in an increased investment portfolio, offsetting the lower than planned yields (forecast yield for fiscal 2016/2017 is 1.03% versus 1.10% in the Corporate Plan).

Provision for insurance losses

For fiscal 2016/2017, the Corporate Plan assumed a $50 million increase in the provision to $1,350 million. The provision is forecasted to increase by $200 million during fiscal 2016/2017, primarily driven by growth in insured deposits. The categorization of member institutions and their risk profiles also contribute to the increase in the forecast.

Net operating expenses

Net operating expenses for fiscal 2016/2017 are forecasted at $42 million, $2 million below the amount included in 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 $3,628 million as at September 30, 2016, or 49 basis points of insured deposits.

As noted earlier, premium rates were increased for 2016/2017 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)	**September 30, 2016**	**March 31, 2016**
Available liquid funds:		
Cash	2	1
Fair value of high-quality, liquid investment securities	3,661	3,449
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	**23,663**	**23,450**

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 September 30, 2016, 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
November 17, 2016

Anthony Carty
Vice-President, Finance and Administration and Chief Financial Officer

Ottawa, Canada
November 17, 2016

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

As at September 30, 2016 (C$ thousands)

	Notes	September 30, 2016	March 31, 2016
ASSETS			
Cash		2,376	919
Investment securities	*3*	3,623,815	3,410,247
Trade and other receivables		59	204
Amounts recoverable from estates		2,882	3,469
Prepayments		410	193
Property, plant & equipment		4,844	5,263
Intangible assets		4,208	4,918
TOTAL ASSETS		**3,638,594**	**3,425,213**
LIABILITIES			
Trade and other payables		4,062	4,734
Current tax liability		382	85
Deferred premium revenue		2,762	-
Deferred lease inducement		1,016	1,073
Employee benefits		2,509	2,474
Provision for insurance losses	*4*	1,450,000	1,300,000
Deferred tax liability		356	581
Total liabilities		**1,461,087**	**1,308,947**
EQUITY			
Retained earnings		2,177,507	2,116,266
TOTAL LIABILITIES AND EQUITY		**3,638,594**	**3,425,213**

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

Condensed consolidated statement of comprehensive income

For the period ended September 30, 2016 (C$ thousands)

	Notes	For the three months ended September 30 2016	2015	For the six months ended September 30 2016	2015
REVENUE					
Premium		105,191	90,509	210,001	181,017
Investment income		10,111	10,000	20,139	19,870
Other		-	4	-	5
		115,302	100,513	230,140	200,892
EXPENSES					
Net operating expenses	*5*	9,137	9,229	18,642	18,203
Recovery of amounts previously written off		-	(2,603)	-	(2,603)
(Decrease) increase in the provision for insurance losses	*4*	-	(50,000)	150,000	100,000
		9,137	(43,374)	168,642	115,600
Net income before income taxes		106,165	143,887	61,498	85,292
Income tax expense		189	396	257	611
TOTAL COMPREHENSIVE INCOME		**105,976**	**143,491**	**61,241**	**84,681**

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

Condensed consolidated statement of changes in equity

For the period ended September 30, 2016 (C$ thousands)

	Retained earnings and total equity
Balance, June 30, 2016	**2,071,531**
Total comprehensive income	105,976
Balance, September 30, 2016	**2,177,507**
Balance, June 30, 2015	**1,741,817**
Total comprehensive income	143,491
Balance, September 30, 2015	**1,885,308**
FOR THE SIX MONTHS ENDED SEPTEMBER 30	
Balance, March 31, 2016	**2,116,266**
Total comprehensive income	61,241
Balance, September 30, 2016	**2,177,507**
Balance, March 31, 2015	**1,800,627**
Total comprehensive income	84,681
Balance, September 30, 2015	**1,885,308**

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

Condensed consolidated statement of cash flows

For the period ended September 30, 2016 (C$ thousands)

	For the three months ended September 30		For the six months ended September 30	
	2016	**2015**	**2016**	**2015**
OPERATING ACTIVITIES				
Net income before income taxes	105,976	143,491	61,241	84,681
Add (deduct) items not involving cash				
Depreciation and amortization	593	604	1,189	1,204
Investment income	(10,111)	(10,000)	(20,139)	(19,870)
Income tax expense	189	396	257	611
Employee benefit expense	69	77	135	155
Defined benefit payment	(15)	-	(100)	(75)
Change in working capital:				
Decrease in premiums receivable	104,722	90,456	-	-
(Increase) decrease in trade and other receivables	(20)	1,442	145	1,448
Decrease (increase) in amounts recoverable from estates	498	(504)	587	(504)
Decrease (increase) in prepayments	47	108	(217)	(16)
Increase (decrease) in trade and other payables	134	(478)	(672)	(1,524)
Increase in deferred premium revenue	2,496	991	2,762	1,141
Decrease in deferred lease inducement	(29)	(28)	(57)	(57)
(Decrease) increase in the provision for insurance losses	-	(50,000)	150,000	100,000
Interest received	20,666	19,997	34,048	36,781
Income tax paid	(175)	-	(181)	-
Net cash generated by operating activities	225,040	196,552	228,998	203,975
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(63)	(319)	(63)	(577)
Purchase of investment securities	(601,268)	(362,301)	(894,445)	(593,342)
Proceeds from sale or maturity of investment securities	377,373	167,128	666,967	390,200
Net cash used in investing activities	(223,958)	(195,492)	(227,541)	(203,719)
Net increase in cash	1,082	1,060	1,457	256
Cash, beginning of period	1,294	780	919	1,584
Cash, end of period	**2,376**	**1,840**	**2,376**	**1,840**

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 November 17, 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, 2016, in CDIC's 2016 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, 2016.

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, 2016.

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 September 30, 2016 and 2015, 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.

	Remaining term to maturity			
As at September 30, 2016 (C$ thousands)	**90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	36,194	-	-	36,194
Weighted average effective yield (%)	0.52	-	-	0.52
Bonds	56,703	584,644	2,946,274	3,587,621
Weighted average effective yield (%)	1.23	1.26	1.08	1.11
Total investment securities	**92,897**	**584,644**	**2,946,274**	**3,623,815**
Weighted average effective yield (%)	**0.95**	**1.26**	**1.08**	**1.10**

	Remaining term to maturity			
As at March 31, 2016 (C$ thousands)	**90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	13,239	-	-	13,239
Weighted average effective yield (%)	0.50	-	-	0.50
Bonds	129,220	611,670	2,656,118	3,397,008
Weighted average effective yield (%)	1.06	1.18	1.18	1.18
Total investment securities	**142,459**	**611,670**	**2,656,118**	**3,410,247**
Weighted average effective yield (%)	**1.01**	**1.18**	**1.18**	**1.17**

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

As at September 30, 2016 (C$ thousands)	Amortized cost	Unrealized gains	Fair values Level 1	Level 2	Level 3	Total
Treasury bills	36,194	-	36,194	-	-	36,194
Bonds	3,587,621	36,824	3,158,799	465,646	-	3,624,445
Total investment securities	**3,623,815**	**36,824**	**3,194,993**	**465,646**	**-**	**3,660,639**

As at March 31, 2016 (C$ thousands)	Amortized cost	Unrealized gains	Fair values Level 1	Level 2	Level 3	Total
Treasury bills	13,239	-	13,239	-	-	13,239
Bonds	3,397,008	38,357	2,922,822	512,543	-	3,435,365
Total investment securities	**3,410,247**	**38,357**	**2,936,061**	**512,543**	**-**	**3,448,604**

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

Credit rating *(C$ thousands)*	**September 30, 2016**	**March 31, 2016**
AAA	3,454,654	3,244,970
AA+	25,193	-
AA	-	113,072
AA-	111,955	-
A+	32,013	52,205
Total investments	**3,623,815**	**3,410,247**

The carrying amounts in the above tables include accrued interest.

4 – 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, 2016	1,300,000
Increase in the provision	150,000
Balance, June 30, 2016	1,450,000
Decrease in the provision	-
Balance, September 30, 2016	1,450,000

5 – Operating expenses

	For the three months ended September 30		For the six months ended September 30	
(C$ thousands)	**2016**	**2015**	**2016**	**2015**
Salaries and other personnel costs	5,141	5,433	10,546	10,680
Professional and other fees	991	792	1,920	1,451
General expenses	600	722	1,483	1,609
Premises	924	889	1,844	1,780
Data processing	437	424	881	935
Depreciation and amortization	593	604	1,189	1,204
Public awareness	492	421	858	640
	9,178	9,285	18,721	18,299
Expense recoveries	(41)	(56)	(78)	(96)
Total operating expenses	**9,137**	**9,229**	**18,642**	**18,203**

6 – 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.

7 – Comparative figures

The Corporation reviewed the presentation and classification in the condensed consolidated statement of cash flows and reclassified certain items between operating and investing activities, to reflect their nature more accurately. The Corporation reclassified the purchase of interest on bonds cash flows from its operating activities to the purchase of investment securities cash flows included within its investing activities. As a result, the Corporation has reclassified the cash flows for the three and six months ended September 30, 2015, in the amount of $1.2 and 1.7 million respectively, in the condensed consolidated statement of cash flows to conform to current year presentation.

8 – Events after the reporting period

Subsequent to September 30, 2016, certain changes in inputs impacting the provision for insurance losses for some member institutions occurred. The impact of these changes would increase the provision for insurance losses to $1,500 million.