Canada Deposit
Insurance Corporation

CELEBRATING 50 YEARS OF DEPOSIT PROTECTION

Quarterly Financial Report
Second Quarter

SEPTEMBER 30, 2017

Unaudited

Canada

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Narrative discussion

Second quarter – fiscal 2017/2018

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 2017 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, 2017, Canada Deposit Insurance Corporation ("CDIC" or "the Corporation") recognized net income of $285 million, arising principally from premium revenue of $134 million and the decrease to the provision for insurance losses (the "provision") of $150 million from June 30, 2017. Other items of significance were investment and other income of $11 million and net operating expenses and income taxes of $10 million. In the same period last year, CDIC recognized net income of $106 million, based on premium revenue of $105 million, investment and other income of $10 million, and net operating expenses and income taxes of $9 million.

For the six-month period ended September 30, 2017, CDIC recognized net income of $68 million, based primarily on premium revenue of $268 million, investment and other income of $21 million, an increase to the provision of $200 million, and net operating and income taxes of $21 million. In the same period last year, 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 and income taxes of $19 million.

The Corporation's $268 million in premium revenue for the six-month period represents an increase of $58 million over the same period in the prior year. The increase in premium rates was the primary factor leading to the higher revenue. Changes in the premium categorization of member institutions and the growth in insured deposits also contributed to the variance.

The Corporation's $21 million in investment and other income for the six-month period ended September 30, 2017 was relatively consistent with the same period in the prior year. The growth in the investment portfolio was offset by stable effective yields over the period (1.11% and 1.10%, as at September 30, 2017 and 2016, respectively).

Operating expenses and income taxes were $10 million for the second quarter, which was relatively consistent with the same period in the prior year, and $21 million for the fiscal year to date, which was marginally higher than the six-month period in the prior year.

CDIC's provision increased by $200 million to $1,800 million in the six-month period ending September 30, 2017, $300 million higher than what was included in the 2017/2018 Corporate Plan. Several factors contributed to the overall net increase in the provision for insurance losses, including: the growth in the level of insured deposits ($774 billion and $741 billion[1] as at April 30, 2017 and 2016, respectively), the change in risk profile of some member institutions, and fluctuations in the calculated probability of defaults of member institutions.

CDIC's total assets as at September 30, 2017 were $4,115 million, an increase of $270 million (7%) from March 31, 2017. The increase is largely driven by the growth in CDIC's investment portfolio. The majority of the Corporation's assets are highly liquid investment securities.

As at September 30, 2017, CDIC's *ex ante* funding represented 53 basis points ($4,104 million) of insured deposits, as compared to the minimum target level of 100 basis points.

[1] Includes changes in insured deposit levels as a result of changes to the membership during the fiscal year.

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 its key corporate risks. The ERM program includes a detailed annual assessment of risks, as well as quarterly updates. The assessment 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 the specific risk.

Management's overall assessment of the significant risks facing the Corporation as at September 30, 2017 remains acceptable. However, the rating for assessment risk has changed from acceptable to cautionary to reflect ongoing activities aimed at better identifying triggers and launching preparedness activities and the escalation of increased risk to Management sooner. These improvements are expected to be completed by fiscal year-end.

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 this quarter.
Programs and Initiatives	There were no significant changes during this quarter.

Financial results

Three-month period ended September 30, 2017, compared to three-month period ended September 30, 2016

The following table sets out CDIC's comparative results for the three-month period ended September 30, 2017 and 2016.

	For the three-month period ended		Change	
	September 30,	**September 30,**	Increase (Decrease)	
(C$ thousands)	**2017**	**2016**	($)	(%)
Premium revenue	133,849	105,191	28,658	27%
Investment and other income	11,111	10,111	1,000	10%
Change in provision for insurance losses	(150,000)	-	(150,000)	*
Net operating expenses	9,818	9,137	681	7%
Income tax expense	34	189	(155)	(82%)
Net income	**285,108**	**105,976**	**179,132**	169%

* 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 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 2017/2018, the approved Category 1 rate (the base rate) is 6.5 basis points of insured deposits, a 1.0 basis point increase over the 2016/2017 base rate. The amount recognized in each quarter represents one-fourth of the annual assessment amount.

Premium revenue of $134 million was recorded during the quarter ended September 30, 2017 compared to $105 million for the same period last year, a 27% 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 $774 billion as at April 30, 2017, from $741 billion[2] as at April 30, 2016, an increase of 4%.

Investment and other income

Investment and other income for the three-month period ended September 30, 2017 was $11 million, $1 million higher than the same period last year. The growth in the investment portfolio was offset by stable effective yields over the period (1.11% and 1.10%, as at September 30, 2017 and 2016, respectively).

[2] Includes changes in insured deposit levels as a result of changes to the membership during the fiscal year.

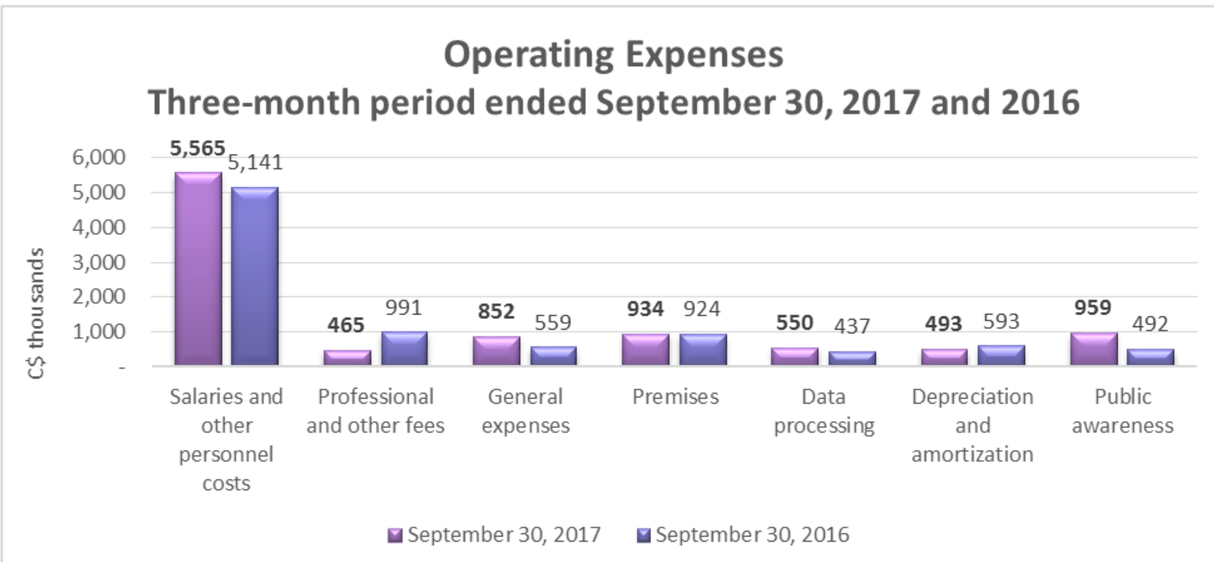
Provision for insurance losses

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 the risk profile of its members.

During the quarter ended September 30, 2017, the provision decreased by $150 million to $1,800 million. The net decrease in the provision for insurance losses during the quarter was largely the result of a change in the risk profile of some member institutions.

Operating expenses



Operating expenses for the three-month period ended September 30, 2017 totaled approximately $10 million, $1 million higher than the same period last year. The increase is due to numerous factors, including vacant positions being filled and an increased focus on public awareness.

Six-month period ended September 30, 2017, compared to six-month period ended September 30, 2016

The following table sets out CDIC's comparative results for the six-month period ended September 30, 2017 and 2016.

(C$ thousands)	For the six-month period ended September 30, 2017	 September 30, 2016	Change Increase (Decrease) ($)	 (%)
Premium revenue	267,673	210,001	57,672	27%
Investment and other income	21,319	20,139	1,180	6%
Change in provision for insurance losses	200,000	150,000	50,000	33%
Net operating expenses	21,426	18,642	2,784	15%
Recovery of amounts previously written off	628	-	628	*
Income tax expense	33	257	(224)	(87%)
Net income	**68,161**	**61,241**	**6,920**	11%

* Not meaningful

Premium revenue

Premium revenue of $268 million was recorded during the six-month period ended September 30, 2017 compared to $210 million for the same period last year, a 27% 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

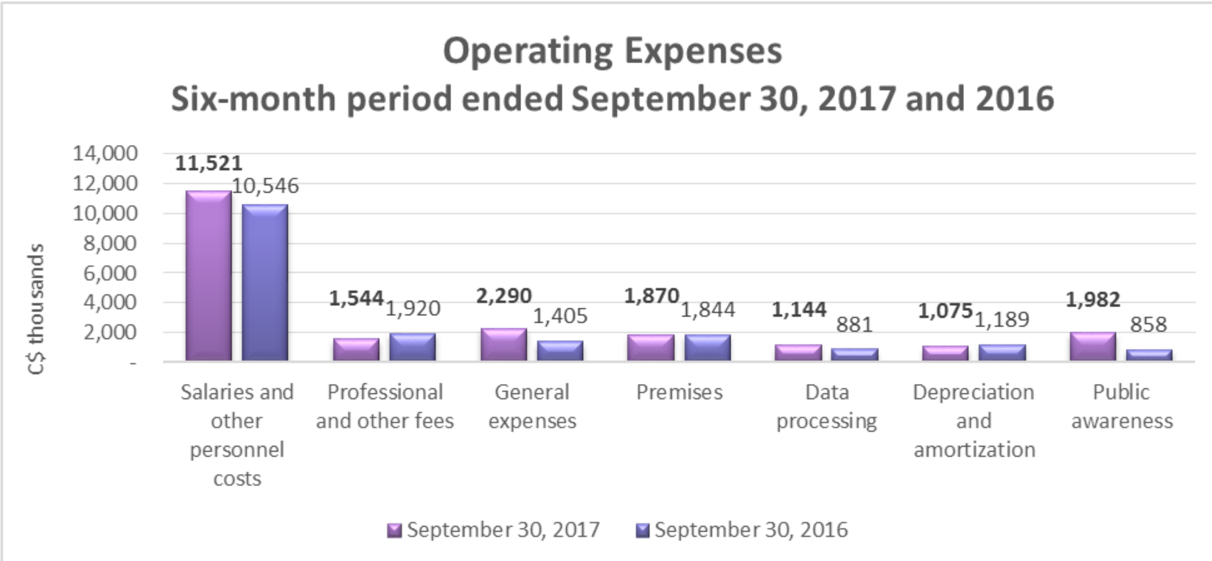
Investment and other income for the six-month period ended September 30, 2017 was $21 million, slightly higher than the same period last year. The growth in the investment portfolio was offset by stable effective yields over the period (1.11% and 1.10%, as at September 30, 2017 and 2016, respectively).

Provision for insurance losses

CDIC's provision for insurance losses increased $200 million to $1,800 million during the six-month period ended September 30, 2017. Several factors contributed to the overall net increase in the provision for insurance losses, including:

- The growth in the level of insured deposits;
- The change in risk profile of some member institutions;
- The increase in the discount rate (1.78% at September 30, 2017, compared to 1.12% at March 31, 2017);
- Fluctuations in calculated probability of defaults, primarily due to credit rating downgrades of certain members.

Operating expenses



Operating expenses for the six-month period ended September 30, 2017 totaled approximately $21 million, $2 million higher than the same period last year. The increase is due to numerous factors, including vacant positions being filled and an increased focus on public awareness.

Forecast results for fiscal 2017/2018, 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.

	2017/2018		Variance Over (Under)	
(C$ millions)	**Forecast**	**Planned**	($)	(%)
Premium revenue	535	519	16	3%
Investment and other income	46	47	(1)	(2%)
Increase in provision for insurance losses	250	50	200	400%
Net operating expenses	46	47	(1)	(2%)
Recovery of amounts previously written off	1	-	1	*
Net income	**286**	**469**	**(183)**	(39%)

* Not meaningful

Premium revenue

CDIC's 2017/2018 to 2021/2022 Corporate Plan (the "Corporate Plan") sets out planned premium revenue of $519 million for fiscal 2017/2018, compared with Management's current forecast revenue of $535 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

Forecasted investment and other income is $46 million, relatively consistent with the planned amount of $47 million.

Provision for insurance losses

For fiscal 2017/2018, the Corporate Plan assumed a $50 million increase in the provision to $1,500 million, based on an assumed growth in insured deposits. The forecasted increase in the provision for insurance losses is $250 million, resulting in a provision of $1,850 million based on the above noted changes and additional growth estimated in insured deposits throughout the year.

Net operating expenses

Net operating expenses for fiscal 2017/2018 are forecasted at $46 million, marginally below the planned amount of $47 million.

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 $4,104 million as at September 30, 2017, or 53 basis points of insured deposits.

As noted earlier, premium rates were increased for 2017/2018 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, 2017**	**March 31, 2017**
Available liquid funds:		
Cash	2	2
Fair value of high-quality, liquid investment securities	4,045	3,835
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	22,000	22,000
Total available funds	**26,047**	**25,837**

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, 2017, the Corporation can borrow up to $22 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 16, 2017

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

Ottawa, Canada
November 16, 2017

Condensed consolidated financial statements and notes

Condensed consolidated statement of financial position

As at September 30, 2017 and March 31, 2017 (C$ thousands)

	Notes	September 30, 2017	March 31, 2017
ASSETS			
Cash		2,150	1,771
Investment securities	*3*	4,098,460	3,831,184
Current tax asset		98	-
Trade and other receivables		71	223
Amounts recoverable from estates		2,882	2,882
Prepayments		2,580	173
Property, plant & equipment		4,981	4,948
Intangible assets		3,466	3,872
TOTAL ASSETS		**4,114,688**	**3,845,053**
LIABILITIES			
Trade and other payables		3,875	5,056
Current tax liability		-	73
Deferred premium revenue		2,543	-
Deferred lease inducement		903	960
Employee benefits		2,803	2,698
Provision for insurance losses	*4*	1,800,000	1,600,000
Deferred tax liability		424	287
Total liabilities		**1,810,548**	**1,609,074**
EQUITY			
Retained earnings		2,304,140	2,235,979
TOTAL LIABILITIES AND EQUITY		**4,114,688**	**3,845,053**

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

Condensed consolidated statement of comprehensive income

For the three and six-month periods ended September 30, 2017 and 2016 (C$ thousands)

		For the three-month period ended September 30		For the six-month period ended September 30	
	Notes	**2017**	**2016**	**2017**	**2016**
REVENUE					
Premium		133,849	105,191	267,673	210,001
Investment income		11,109	10,111	21,317	20,139
Other		2	-	2	-
		144,960	115,302	288,992	230,140
EXPENSES					
Net operating expenses	*5*	9,818	9,137	21,426	18,642
Recovery of amounts previously written off		-	-	(628)	-
(Decrease) increase in the provision for insurance losses	*4*	(150,000)	-	200,000	150,000
		(140,182)	9,137	220,798	168,642
Net income before income taxes		285,142	106,165	68,194	61,498
Income tax expense		34	189	33	257
TOTAL COMPREHENSIVE INCOME		**285,108**	**105,976**	**68,161**	**61,241**

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

Condensed consolidated statement of changes in equity

For the three and six-month periods ended September 30, 2017 and 2016 (C$ thousands)

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30

	Retained earnings and total equity
Balance, June 30, 2017	**2,019,032**
Total comprehensive income	285,108
Balance, September 30, 2017	**2,304,140**
Balance, June 30, 2016	**2,071,531**
Total comprehensive income	105,976
Balance, September 30, 2016	**2,177,507**

FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30

Balance, March 31, 2017	**2,235,979**
Total comprehensive income	68,161
Balance, September 30, 2017	**2,304,140**
Balance, March 31, 2016	**2,116,266**
Total comprehensive income	61,241
Balance, September 30, 2016	**2,177,507**

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

Condensed consolidated statement of cash flows

For the three and six-month periods ended September 30, 2017 and 2016 (C$ thousands)

	For the three-month period ended September 30		For the six-month period ended September 30	
	2017	**2016**	**2017**	**2016**
OPERATING ACTIVITIES				
Net income before income taxes	285,108	105,976	68,161	61,241
Add (deduct) items not involving cash				
Depreciation and amortization	493	593	1,075	1,189
Investment income	(11,109)	(10,111)	(21,317)	(20,139)
Income tax expense	34	189	33	257
Employee benefit expense	71	69	141	135
Defined benefit payment	(36)	(15)	(36)	(100)
Change in working capital:				
Decrease in premiums receivable	133,699	104,722	-	-
Decrease (increase) in trade and other receivables	433	(20)	152	145
Increase in amounts recoverable from estates	-	498	-	587
Decrease (increase) in prepayments	(2,382)	47	(2,407)	(217)
(Decrease) increase in trade and other payables	(741)	134	(1,181)	(672)
Increase in deferred premium revenue	2,165	2,496	2,543	2,762
Decrease in deferred lease inducement	(29)	(29)	(57)	(57)
(Decrease) increase in the provision for insurance losses	(150,000)	-	200,000	150,000
Interest received	19,201	20,666	34,577	34,048
Income tax paid	-	(175)	(69)	(181)
Net cash generated by operating activities	276,907	225,040	281,615	228,998
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible asse	(304)	(63)	(702)	(63)
Purchase of investment securities	(648,841)	(601,268)	(819,178)	(894,445)
Proceeds from sale or maturity of investment securities	370,472	377,373	538,644	666,967
Net cash used in investing activities	(278,673)	(223,958)	(281,236)	(227,541)
Net (decrease) increase in cash	(1,766)	1,082	379	1,457
Cash, beginning of period	3,916	1,294	1,771	919
Cash, end of period	**2,150**	**2,376**	**2,150**	**2,376**

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; to promote and otherwise contribute to the stability of the financial system in Canada; to pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss; and to act as the resolution authority for its member institutions.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including, but not limited to, acquiring assets from and providing guarantees or loans to member institutions and others; making or causing to be made inspections of member institutions; acting as liquidator, receiver or inspector of a member institution or a subsidiary thereof; establishing a bridge institution and acquiring shares and/or assets and assuming liabilities of member institutions.

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.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the Financial Administration Act to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's Corporate Plan. The Corporation is in compliance with the directive.

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on November 16, 2017.

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, 2017, in CDIC's 2017 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, 2017.

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, 2017.

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, 2017 and 2016, 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, 2017 (C$ thousands)	**90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	15,998	-	-	15,998
Weighted average effective yield (%)	0.98	-	-	0.98
Bonds	9,487	950,685	3,122,290	4,082,462
Weighted average effective yield (%)	1.43	1.20	1.08	1.11
Total investment securities	**25,485**	**950,685**	**3,122,290**	**4,098,460**
Weighted average effective yield (%)	**1.15**	**1.20**	**1.08**	**1.11**

	Remaining term to maturity			
As at March 31, 2017 (C$ thousands)	**90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	19,028	-	-	19,028
Weighted average effective yield (%)	0.48	-	-	0.48
Bonds	90,094	667,163	3,054,899	3,812,156
Weighted average effective yield (%)	1.18	1.18	1.06	1.08
Total investment securities	**109,122**	**667,163**	**3,054,899**	**3,831,184**
Weighted average effective yield (%)	**1.06**	**1.18**	**1.06**	**1.08**

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

			Fair values			
As at September 30, 2017 (C$ thousands)	**Amortized cost**	**Unrealized gains (losses)**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	15,998	-	15,998	-	-	15,998
Bonds	4,082,462	(53,504)	3,582,538	446,420	-	4,028,958
Total investment securities	**4,098,460**	**(53,504)**	**3,598,536**	**446,420**	**-**	**4,044,956**

			Fair values			
As at March 31, 2017 (C$ thousands)	**Amortized cost**	**Unrealized gains (losses)**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	19,028	-	19,028	-	-	19,028
Bonds	3,812,156	3,989	3,335,543	480,602	-	3,816,145
Total investment securities	**3,831,184**	**3,989**	**3,354,571**	**480,602**	**-**	**3,835,173**

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

Credit rating *(C$ thousands)*	**September 30, 2017**	**March 31, 2017**
AAA	3,946,366	3,652,968
AA+	-	25,163
AA	25,131	-
AA-	20,311	81,508
A+	106,652	71,545
Total investments	**4,098,460**	**3,831,184**

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, 2017	**1,600,000**
Increase in the provision	350,000
Balance, June 30, 2017	**1,950,000**
Decrease in the provision	(150,000)
Balance, September 30, 2017	**1,800,000**

5 - Operating expenses

	For the three-month period ended **September 30**		For the six-month period ended **September 30**	
(C$ thousands)	**2017**	**2016**	**2017**	**2016**
Salaries and other personnel costs	5,565	5,141	11,521	10,546
Professional and other fees	465	991	1,544	1,920
General expenses	896	600	2,371	1,483
Premises	934	924	1,870	1,844
Data processing	550	437	1,144	881
Depreciation and amortization	493	593	1,075	1,189
Public awareness	959	492	1,982	858
	9,862	9,178	21,507	18,721
Expense recoveries	(44)	(41)	(81)	(78)
Total operating expenses	**9,818**	**9,137**	**21,426**	**18,642**

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.