



CDIC

Canada Deposit
Insurance Corporation



Quarterly Financial Report

Second Quarter

September 30, 2014

Unaudited

Committed to protecting your savings

Canada^{ca}

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NARRATIVE DISCUSSION

SECOND QUARTER – FISCAL 2014/2015

This discussion was prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations (Treasury Board Standard). It is not intended to be a full “Management’s Discussion and Analysis”. Disclosures and information in Canada Deposit Insurance Corporation’s 2013/2014 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, 2014, Canada Deposit Insurance Corporation (CDIC or the Corporation) earned net income of \$73 million, arising principally from premium revenue of \$70 million, investment and other income of \$10 million, offset by net expenses of \$7 million. In the same period last year, CDIC earned net income of \$48 million, based on premium revenue of \$48 million, investment and other income of \$9 million, and net expenses of \$9 million.

For the six-month period ended September 30, 2014, CDIC earned net income of \$94 million, based on premium revenue of \$140 million, investment and other income of \$20 million, net expenses of \$66 million. In the same period last year, CDIC earned net income of \$97 million, based on premium revenue of \$96 million, investment and other income of \$18 million, and net expenses of \$17 million.

The Corporation's \$140 million in premium revenue for the six-month period ended September 30, 2014 represents an increase of \$44 million from the same period a year earlier. The increase in premium revenue is the result of an increase in premium rates, changes to the categorization of certain members, and an increase in total insured deposits held at member institutions.

The Corporation's \$20 million in investment and other income for the six-month period ended September 30, 2014 was \$2 million higher than the same period a year earlier, primarily as a result of an increase in the investment portfolio from the increased premium revenue, combined with a higher yield.

Net operating expenses were \$10 million for the second quarter and \$19 million for the fiscal year to date, an 11% increase compared to the same periods last year. The increase in operating expenses is consistent with CDIC's Corporate Plan and is primarily due to the staffing of positions that were vacant in the comparable period related to CDIC's continuing efforts to develop its resolution capabilities for Domestic Systemically Important Banks (D-SIBs).

CDIC's provision for insurance losses increased \$50 million to \$1,250 million during the six-month period ended September 30, 2014, due primarily to the 3% increase in the level of insured deposits (to \$684 billion) as at April 30, 2014, as compared to April 30, 2013.

CDIC's total assets at September 30, 2014 were \$2,921 million, an increase of \$143 million (5%) from March 31, 2014. The increase is primarily the result of the growth in the investment security portfolio due to premium revenue. The majority of the Corporation's assets are highly liquid investment securities.

As at September 30, 2014, CDIC's *ex ante* funding represented 43 basis points (\$2,912 million) of insured deposits, as compared to the minimum target level of 100 basis points.

RISK ANALYSIS

In addition to monitoring the risks faced by CDIC's membership that drive changes in the provision for insurance losses, CDIC Management has an Enterprise Risk Management (ERM) program to identify and manage its key corporate risks. The ERM program includes a detailed annual assessment of risks which was recently conducted, as well as quarterly updates.

Management's overall assessment of the significant risks facing the Corporation as at September 30, 2014 remains acceptable; however, Management has concluded that CDIC's insurance powers, intervention, people, and technology risks have been assessed as cautionary as discussed below.

Both insurance powers and intervention risks are rated as cautionary while CDIC continues to focus on improving its resolution processes and tools for D-SIBs. CDIC is working on a number of initiatives with the Department of Finance and other Senior Advisory Committee (SAC) agencies to enhance its capabilities in this area.

People risk remains cautionary while CDIC acquires and develops the additional talent required to ensure preparedness for D-SIB resolution. CDIC is developing a recruitment strategy to address these concerns.

Technology risk is also assessed as cautionary. CDIC relies heavily on its systems to deliver its mandate and the number and sophistication of cyber-attacks continues to increase. A cyber-security assessment was recently conducted at CDIC which highlighted opportunities to enhance the Corporation's ability to identify and respond to potential cyber threats. A cyber-security plan is being developed to address these gaps.

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	On July 28, 2014 Mr. Rob Stewart, Assistant Deputy Minister of Finance, was designated as Alternate to the Deputy Minister of Finance, Mr. Paul Rochon.
Programs and Initiatives	There were no significant changes during the quarter.

FINANCIAL RESULTS

Comparison of the three months ended September 30, 2014 and 2013

The following table sets forth CDIC's comparative results for the three months ended September 30, 2014 and 2013.

(C\$ thousands)	Three months ended		Difference (\$)	Difference (%)
	September 30, 2014	September 30, 2013		
Premium revenue	69,837	47,943	21,894	46%
Investment and other income	10,166	9,098	1,068	12%
Increase in provision for insurance losses	-	-	-	*
Net operating expenses	9,269	8,363	906	11%
Recovery of amounts previously written off	2,876	-	2,876	*
Income tax expense	270	219	51	23%
Net income	73,340	48,459	24,881	51%

* Not meaningful

Premium revenue

Premiums charged to member institutions are based on the total amount of insured deposits held by member institutions as of April 30th of each year, and are calculated once every year in accordance with the *CDIC Act* and CDIC's *Differential Premiums By-law*. Premium rates are a key determinant of the length of time it will take for CDIC to reach its minimum target level of *ex ante* funding (100 basis points). For 2014/2015 year, the approved Category 1 rate (the base rate) is 3.5 basis points of insured deposits, an approximately 0.72 basis point increase over the 2013/2014 base rate. The amount recognized in each quarter represents 1/4th of the annual assessment amount.

Premium revenue of \$70 million was recorded during the quarter ended September 30, 2014 compared to \$48 million for the same period last year, a 46% 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 increase in premium revenue. Insured deposits increased to \$684 billion as at April 30, 2014, from \$665 billion as at April 30, 2013, an increase of 3%.

Investment and other income

Investment and other income increased by \$1 million during the second quarter (11%) to \$10 million, as compared to the same period last year. The increase was primarily due to the growth in the size of the investment portfolio, combined with an increase in the yield. The portfolio yield as at September 30, 2014 was 1.40%, compared to 1.34% as at September 30, 2013.

Provision for insurance losses

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

In arriving at its estimate, Management considers the key inputs of 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.

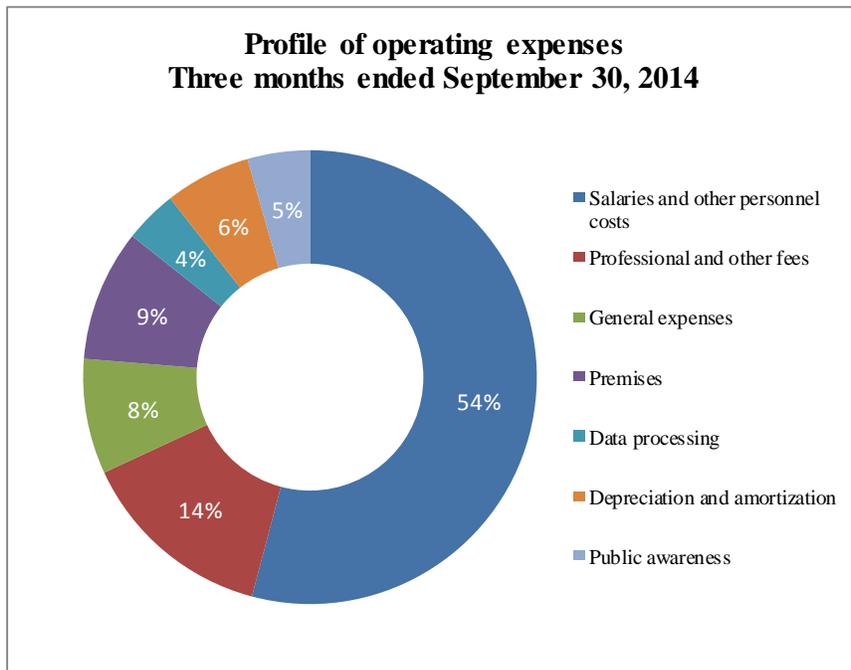
CDIC's provision for insurance losses did not change during the second quarter.

Recovery of amounts previously written off

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

In the second quarter, CDIC determined that a future recovery of \$3 million from the estate of a failed member is virtually certain and collectible within the next 12 months and, therefore, recognized the amount in the financial statements.

Operating expenses



Operating expenses, net of recoveries, for the three months ended September 30, 2014 totalled \$9 million compared to \$8 million for the same period last year, representing an increase of \$1 million, or 11%.

Increased operating expenses are consistent with CDIC's Corporate Plan and mainly reflect the staffing of previously vacant positions related to CDIC's continuing efforts to develop its resolution capabilities for D-SIBs.

Comparison of the six months ended September 30, 2014 and 2013

The following table sets forth CDIC's comparative results for the three months ended September 30, 2014 and 2013.

(C\$ thousands)	Six months ended		Difference (\$)	Difference (%)
	September 30, 2014	September 30, 2013		
Premium revenue	139,682	95,875	43,807	46%
Investment and other income	20,053	18,223	1,830	10%
Increase in provision for insurance losses	50,000	-	50,000	*
Net operating expenses	18,623	17,189	1,434	8%
Recovery of amounts previously written off	2,876	-	2,876	*
Income tax expense	401	257	144	56%
Net income (loss)	93,587	96,652	(3,065)	*

* Not meaningful

Premium revenue

Premium revenue of \$140 million was recorded during the six months ended September 30, 2014 compared to \$96 million for the same period last year, a 46% 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 increase in premium revenue.

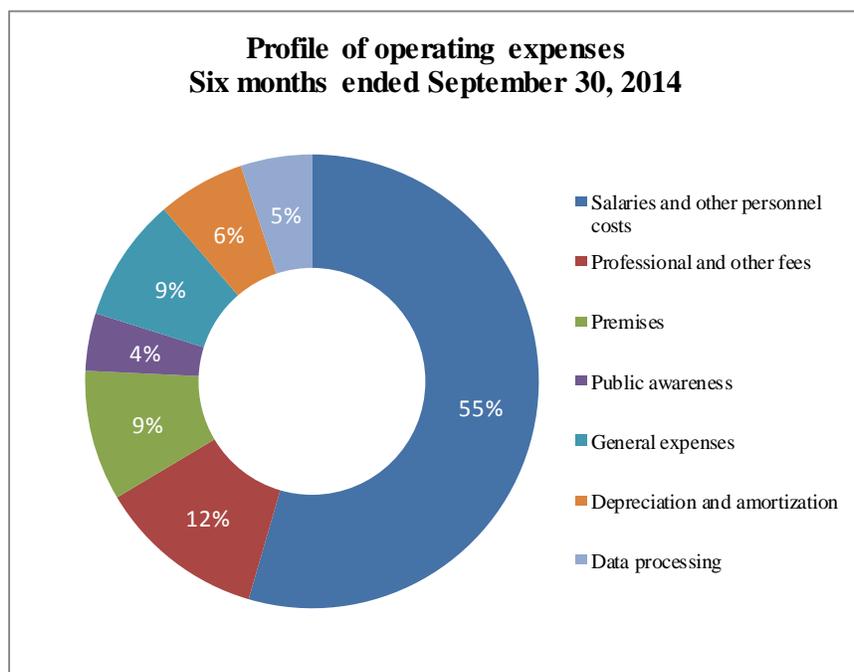
Investment and other income

Investment and other income for the half-year grew by \$2 million (11%) to \$20 million, as compared to the same period last year. The increase was primarily due to the growth in the investment portfolio, combined with an increase in the portfolio's yield.

Provision for insurance losses

CDIC's provision for insurance losses increased \$50 million to \$1,250 million during the six-months ended September 30, 2014. The primary driver for the increase was the 3% growth in insured deposits as at April 30, 2014.

Operating expenses



Operating expenses, net of recoveries, for the six months ended September 30, 2014 totalled \$19 million compared to \$17 million for the same period last year, representing an increase of 12%.

An increase in operating expenses is consistent with CDIC's Corporate Plan. The increased costs mainly reflect costs associated with the development of CDIC's resolution capabilities for D-SIBs.

Forecast results for fiscal 2014/2015, 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)	2014/2015 Forecast	2014/2015 Planned	Difference (\$)	Difference (%)
Premium revenue	279	250	29	12%
Investment and other income	41	37	4	11%
Increase in provision for insurance losses	(50)	-	(50)	*
Net operating expenses	(42)	(42)	-	-
Income tax recovery	1	1	-	*
Net income	229	246	(17)	(7%)

* Not meaningful

Premium revenue

CDIC's 2014/2015 to 2018/2019 Corporate Plan (Corporate Plan) sets out planned premium revenue for fiscal 2014/2015 of \$250 million compared with Management's current forecast revenue for the year of \$279 million. The Corporate Plan was based on certain assumptions regarding increases in the level of insured deposits and the classification of members under the Differential Premiums system. Actual results have differed from the assumptions, resulting in a variance between the planned and forecast amounts.

Investment and other income

Forecast investment and other income is greater than originally planned due to the forecast yield being higher than what was included in the Corporate Plan (actual yield at September 30, 2014 was 1.40% versus 1.3% in the Corporate Plan) and the increase in premium revenue which will result in a larger than expected investment portfolio.

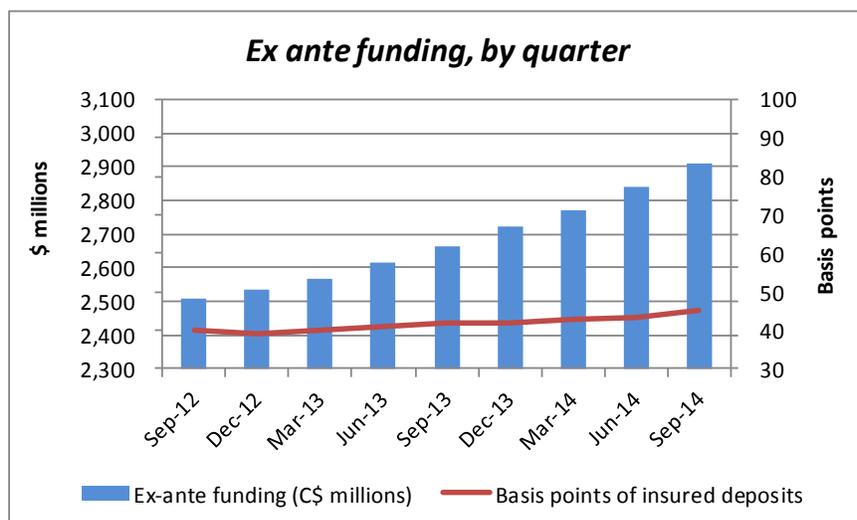
Provision for insurance losses

The Corporate Plan assumed no changes to the provision; however, due to an increase in insured deposits CDIC increased the provision to \$1,250 million. CDIC is forecasting the provision to remain at that level for fiscal 2014/2015.

Net operating expenses

Forecast net operating expenses are on target with the Corporate Plan.

EX ANTE FUNDING



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

CDIC's *ex ante* funding level was \$2,912 million as at September 30, 2014, or 43 basis points of insured deposits. Based on the level of insured deposits as at April 30, 2014, the 100 basis point minimum target would equate to \$6,840 million of *ex ante* funding.

As noted earlier, premium rates were increased for 2014/2015 in order to improve CDIC's progression to the minimum *ex ante* funding target. In addition, CDIC's Corporate Plan 2014/2015 to 2018/2019 assumes further increases (1 basis point increase per year to the base rate for four years starting in 2015/2016), in order to allow CDIC to reach its minimum target *ex ante* funding level over a credible timeframe.

AVAILABLE LIQUID FUNDS

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

(C\$ millions)	September 30, 2014	Mar. 31, 2014
<i>Available liquid funds:</i>		
Cash	1	1
Fair value of high-quality, liquid investment securities	2,908	2,768
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	19,000	19,000
Total available funds	21,909	21,769

CDIC's portfolio of investment securities is limited to high-quality, liquid securities: obligations of the Government of Canada and its agent Crowns and obligations of Provincial Governments / Municipal Financing Authorities. Additional funds are available through CDIC's authority to borrow under the Canada Deposit Insurance Corporation Act (the *CDIC Act*). As at September 30, 2014, the Corporation can borrow up to \$19 billion. The borrowing limit is adjusted annually to reflect the growth of insured deposits. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

MANAGEMENT REPRESENTATION

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

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

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



Michèle Bourque

President and Chief Executive
Officer

Ottawa, Canada
November 13, 2014



Dean A. Cosman

Vice President, Finance and
Administration, and Chief Financial
Officer

Ottawa, Canada
November 13, 2014

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER – FISCAL 2014/2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Notes	September 30, 2014	March 31, 2014
ASSETS			
Cash		53	699
Investment securities	3	2,901,485	2,760,461
Current tax asset		1,713	1,940
Trade and other receivables	4	1,553	1,554
Prepayments		443	303
Amounts recoverable from estates		2,876	-
Property, plant and equipment		6,105	6,461
Intangible assets		6,375	6,542
TOTAL ASSETS		2,920,603	2,777,960
LIABILITIES			
Trade and other payables		2,990	5,177
Deferred premium revenue		1,020	-
Deferred lease inducement		1,242	1,299
Employee benefits		2,593	2,486
Provision for insurance losses	5	1,250,000	1,200,000
Deferred tax liability		642	469
Total liabilities		1,258,487	1,209,431
EQUITY			
Retained earnings		1,662,116	1,568,529
TOTAL LIABILITIES AND EQUITY		2,920,603	2,777,960

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		For the six months ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
REVENUE					
Premium		69,837	47,943	139,682	95,875
Investment income		10,162	9,074	20,024	18,195
Other		4	24	29	28
		80,003	57,041	159,735	114,098
EXPENSES					
Operating	6	9,269	8,363	18,623	17,189
Recovery of amounts previously written off		(2,876)	-	(2,876)	-
Increase in provision for insurance losses		-	-	50,000	-
		6,393	8,363	65,747	17,189
Net income before income taxes		73,610	48,678	93,988	96,909
Income tax expense		270	219	401	257
TOTAL COMPREHENSIVE INCOME		73,340	48,459	93,587	96,652

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 SEPTEMBER 30	
Balance, June 30, 2014	1,588,776
Net income and total comprehensive income	73,340
Balance, September 30, 2014	<u>1,662,116</u>
Balance, June 30, 2013	1,364,473
Net income and total comprehensive income	48,459
Balance, September 30, 2013	<u>1,412,932</u>
FOR THE SIX MONTHS ENDED SEPTEMBER 30	
Balance, March 31, 2014	1,568,529
Net income and total comprehensive income	93,587
Balance, September 30, 2014	<u>1,662,116</u>
Balance, March 31, 2013	1,316,280
Net loss and total comprehensive loss	96,652
Balance, September 30, 2013	<u>1,412,932</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
OPERATING ACTIVITIES				
Net income	73,340	48,459	93,587	96,652
Add (deduct) items not involving cash				
Depreciation and amortization	567	420	1,162	824
Investment income	(10,162)	(9,074)	(20,024)	(18,195)
Tax expense	270	219	401	257
Employee benefit expense	91	-	181	118
Defined benefit payment	(59)	59	(75)	-
Change in working capital:				
Increase in provision for insurance losses	-	-	50,000	-
Decrease in premiums receivable	69,810	47,907	-	-
Decrease (increase) in prepayments	(118)	(210)	(140)	(215)
Decrease in trade and other receivables	32	-	1	34
Increase in amounts recoverable from estates	(2,876)	-	(2,876)	-
Decrease in trade and other payables	(2,072)	(681)	(2,187)	(1,447)
Increase in deferred premium revenue	938	1,057	1,020	1,061
Decrease in deferred lease inducement	(28)	(28)	(57)	(57)
Interest received	10,766	6,801	22,816	17,986
Income tax paid	-	(512)	-	(1,023)
Net cash generated by operating activities	140,499	94,417	143,809	95,995
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets	(310)	(1,034)	(639)	(1,924)
Purchase of investment securities	(1,442,414)	(1,244,834)	(2,865,744)	(2,480,910)
Proceeds from sale or maturity of investment securities	1,301,984	1,151,311	2,721,928	2,386,877
Net cash used in investing activities	(140,740)	(94,557)	(144,455)	(95,957)
Net (decrease) increase in cash	(241)	(140)	(646)	38
Cash, beginning of period	294	600	699	422
Cash, end of period	53	460	53	460

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Second quarter – Fiscal 2014/2015

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 13, 2014.

Basis of preparation

These condensed consolidated quarterly financial statements, presented in Canadian dollars, have been prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations and do not include all of the information required for full annual financial statements. These condensed consolidated quarterly financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2014, in CDIC's 2013/2014 Annual Report.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Corporation in these condensed consolidated quarterly financial statements are the same as those applied by the Corporation in its consolidated financial statements as at and for the year ended March 31, 2014.

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, 2014.

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 September 30, 2014 and 2013, no actuarial valuations were prepared. As a result, no actuarial gains or losses were recognized.

3. INVESTMENT SECURITIES

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

(C\$ thousands)	Remaining term to maturity September 30, 2014			Total
	90 days or less	91 days to 1 year	1 to 5 years	
Treasury bills	595,275	16,918	-	612,193
Weighted average effective yield (%)	0.99	1.04	-	0.99
Bonds	251,454	242,273	1,795,565	2,289,292
Weighted average effective yield (%)	1.85	1.82	1.42	1.51
Other	-	-	-	-
Weighted average effective yield (%)	-	-	-	-
Total investment securities	846,729	259,191	1,795,565	2,901,485
Weighted average effective yield (%)	1.24	1.77	1.42	1.40

(C\$ thousands)	Remaining term to maturity March 31, 2014			Total
	90 days or less	91 days to 1 year	1 to 5 years	
Treasury bills	310,774	401,290	-	712,064
Weighted average effective yield (%)	1.04	1.05	-	1.04
Bonds	499,851	405,899	1,138,447	2,044,197
Weighted average effective yield (%)	1.37	1.77	1.58	1.57
Other	4,200	-	-	4,200
Weighted average effective yield (%)	0.95	-	-	0.95
Total investment securities	814,825	807,189	1,138,447	2,760,461
Weighted average effective yield (%)	1.24	1.41	1.58	1.43

(C\$ thousands)	September 30, 2014			March 31, 2014
	Amortized cost	Gross unrealized gains (losses)	Fair value	Fair value
Treasury bills	612,193	(53)	612,140	711,584
Bonds	2,289,292	6,656	2,295,948	2,051,881
Other	-	-	-	4,200
Total investment securities	2,901,485	6,603	2,908,088	2,767,665

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

(C\$ thousands) Credit rating	September 30, 2014	March 31, 2014
AAA	2,499,175	2,291,656
AA+	123,665	109,000
AA	148,203	143,061
AA-	32,953	118,465
A+	97,489	98,279
Total investments	2,901,485	2,760,461

The carrying amounts in the above tables include accrued interest.

4. TRADE AND OTHER RECEIVABLES

(C\$ thousands)	September 30, 2014	March 31, 2014
Accounts receivable	85	86
Other receivables	1,468	1,468
Total trade and other receivables	1,553	1,554

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

5. PROVISION FOR INSURANCE LOSSES

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

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

(C\$ thousands)	Provision for insurance losses
Balance, March 31, 2014	1,200,000
Increase in provision	50,000
Balance, June 30, 2014	1,250,000
Change in provision	-
Balance, September 30, 2014	1,250,000

6. OPERATING EXPENSES

(C\$ thousands)	For the three months ended		For the six months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Salaries and other personnel costs	5,044	4,616	10,232	9,278
Professional and other fees	1,294	1,223	2,226	2,506
General expenses	761	851	1,645	1,801
Premises	869	507	1,730	1,176
Data processing	349	424	945	868
Depreciation and amortization	567	420	1,162	824
Public awareness	412	344	764	787
	9,296	8,385	18,704	17,240
Expense recoveries	(27)	(22)	(81)	(51)
Total operating expenses	9,269	8,363	18,623	17,189

7. RELATED PARTY TRANSACTIONS

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