



**CDIC**  
Canada Deposit  
Insurance Corporation

# Quarterly Financial Report

## Third Quarter

December 31, 2014

Unaudited

Committed to protecting your savings

Canada<sup>!</sup>

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## **NARRATIVE DISCUSSION**

### **THIRD 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 condensed consolidated financial statements were reviewed and approved by CDIC’s Audit Committee.*

## FINANCIAL HIGHLIGHTS

For the third quarter ended December 31, 2014, Canada Deposit Insurance Corporation (CDIC or the Corporation) earned net income of \$69 million, arising principally from premium revenue of \$70 million, investment and other income of \$10 million, offset by net expenses of \$11 million. In the same period last year, CDIC earned net income of \$109 million, based on premium revenue of \$48 million, a \$50 million decrease in the provision for insurance losses, the recognition of a \$12 million recovery of amounts previously written off, investment and other income of \$9 million and net expenses for \$10 million.

For the nine-month period ended December 31, 2014, CDIC earned net income of \$163 million, based on premium revenue of \$210 million, an increase in the provision for insurance losses of \$50 million, investment and other income of \$30 million, net expenses of \$30 million and a \$3 million recovery of amounts previously written off. In the same period last year, CDIC earned net income of \$206 million, based on premium revenue of \$144 million, investment and other income of \$27 million, and net expenses of \$27 million, combined with the reduction in the provision for insurance losses and the recovery of the amounts previously written off, as noted above.

The Corporation's \$210 million in premium revenue for the nine-month period ended December 31, 2014 represents an increase of \$66 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 \$30 million in investment and other income for the nine-month period ended December 31, 2014 was \$3 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. The portfolio yield as at December 31, 2014 was 1.37%, compared to 1.32% as at December 31, 2013.

Net operating expenses were \$11 million for the third quarter and \$30 million for the fiscal year to date, a 9% 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 and other expenses 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 nine-month period ended December 31, 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 December 31, 2014 were \$3,068 million, an increase of \$290 million (11%) 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 December 31, 2014, CDIC's *ex ante* funding represented 44 basis points (\$2,981 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, as well as quarterly updates. Management's overall assessment of the significant risks facing the Corporation as at December 31, 2014 remains acceptable and unchanged from its assessment as at September 30, 2014.

## **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 October 31, 2014, Mr. Andrew Kriegler resigned from his appointed position of Deputy Superintendent of the Office of the Superintendent of Financial Institutions, leaving a vacancy on the CDIC Board of Directors. A replacement has not yet been named.
Programs and Initiatives	There were no significant changes during the quarter.

## FINANCIAL RESULTS

### Comparison of the three months ended December 31, 2014 and 2013

The following table sets forth CDIC's comparative results for the three months ended December 31, 2014 and 2013.

(C\$ thousands)	Three months ended		Difference (\$)	Difference (%)
	December 31, 2014	December 31, 2013		
Premium revenue	69,850	47,924	21,926	46%
Investment and other income	10,292	8,928	1,364	15%
Net operating expenses	10,903	9,935	968	10%
Increase (decrease) in provision for insurance losses	-	(50,000)	50,000	*
Recovery of amounts previously written off	-	12,000	(12,000)	*
Income tax expense (recovery)	(118)	(233)	115	(49%)
<b>Net income</b>	<b>69,357</b>	<b>109,150</b>	<b>(39,793)</b>	<b>(36%)</b>

\* Not meaningful

### Premium revenue

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

Premium revenue of \$70 million was recorded during the quarter ended December 31, 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 third quarter (15%) 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 December 31, 2014 was 1.37%, compared to 1.32% as at December 31, 2013.

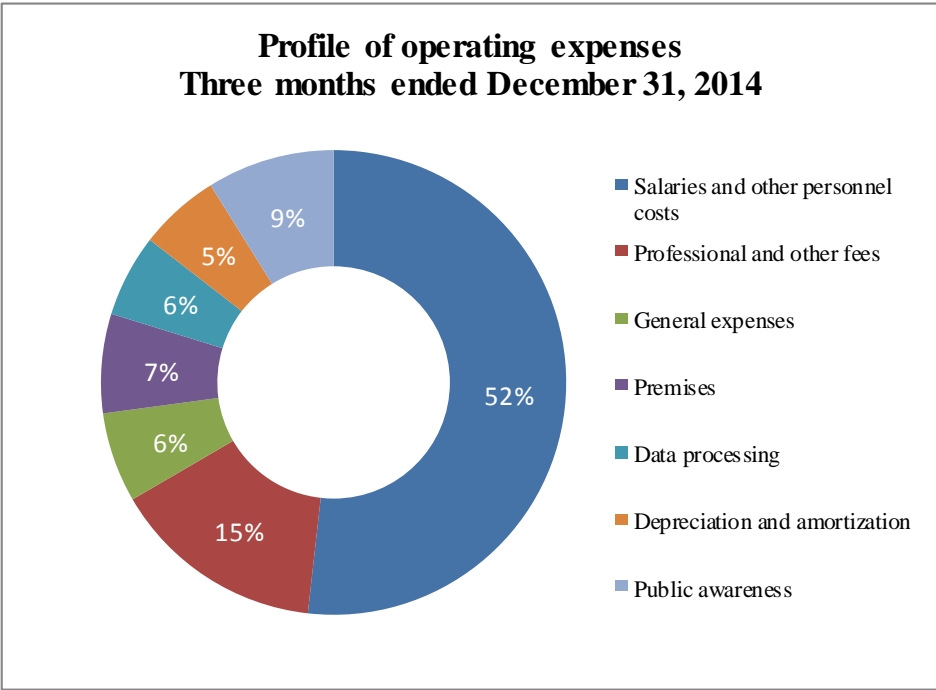
**Provision for insurance losses**

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 third quarter.

**Operating expenses**



Operating expenses, net of recoveries, for the three months ended December 31, 2014 totalled \$11 million compared to \$10 million for the same period last year, representing an increase of \$1 million, or 10%.

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

### **Comparison of the nine months ended December 31, 2014 and 2013**

The following table sets forth CDIC's comparative results for the nine months ended December 31, 2014 and 2013.

(C\$ thousands)	Nine months ended		Difference (\$)	Difference (%)
	December 31, 2014	December 31, 2013		
Premium revenue	209,532	143,799	65,733	46%
Investment and other income	30,346	27,151	3,195	12%
Net operating expenses	29,527	27,125	2,402	9%
Increase/(decrease) in provision for insurance losses	50,000	(50,000)	100,000	*
Recovery of amounts previously written off	2,876	12,000	(9,124)	*
Income tax expense	283	23	260	*
<b>Net income (loss)</b>	<b>162,944</b>	<b>205,802</b>	<b>(42,858)</b>	<b>(21%)</b>

\* Not meaningful

#### **Premium revenue**

Premium revenue of \$210 million was recorded during the nine months ended December 31, 2014 compared to \$144 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**

Year to date investment and other income grew by \$3 million (12%) to \$30 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 nine-months ended December 31, 2014. The primary driver for the increase was the 3% growth in insured deposits as at April 30, 2014.

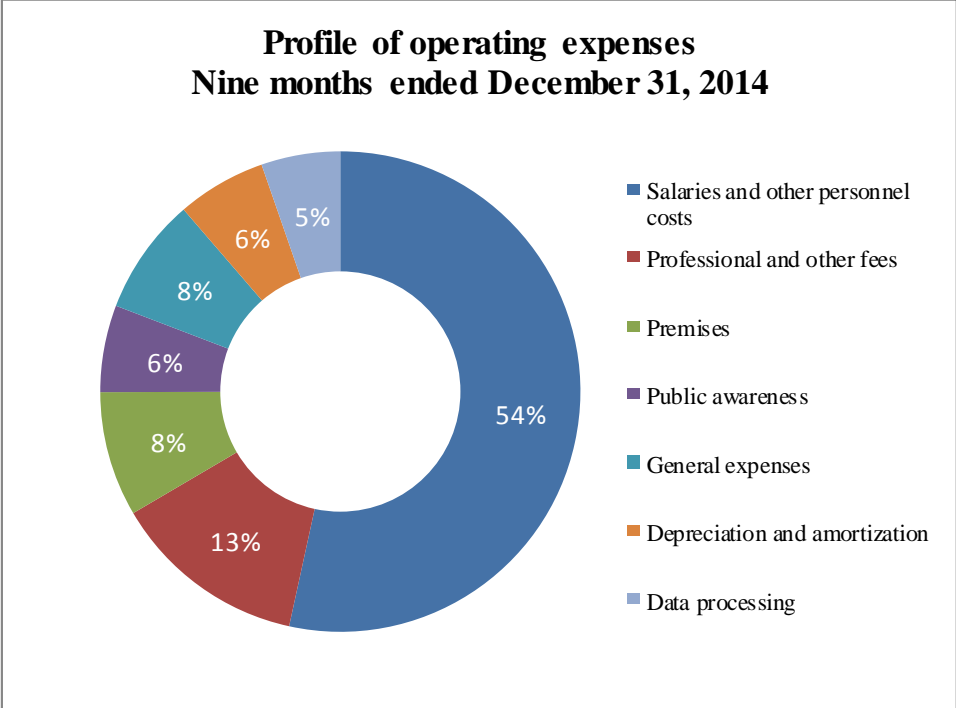
#### **Recovery of amounts previously written off**

Claims receivable from the estates of failed member institutions are written off when there is no realistic prospect of 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 nine months ended December 31, 2014 totalled \$30 million compared to \$27 million for the same period last year, representing an increase of 9%.

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)	<b>2014/2015 Forecast</b>	2014/2015 Planned	Difference (\$)	Difference (%)
Premium revenue	<b>279</b>	250	29	12%
Investment and other income	<b>41</b>	37	4	11%
Increase in provision for insurance losses	<b>(50)</b>	-	(50)	*
Net operating expenses	<b>(42)</b>	(42)	-	-
Income tax recovery	<b>1</b>	1	-	*
<b>Net income</b>	<b>229</b>	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 December 31, 2014 was 1.37% versus 1.3% in the Corporate Plan) and the increase in premium revenue which will result in a larger than expected investment portfolio.

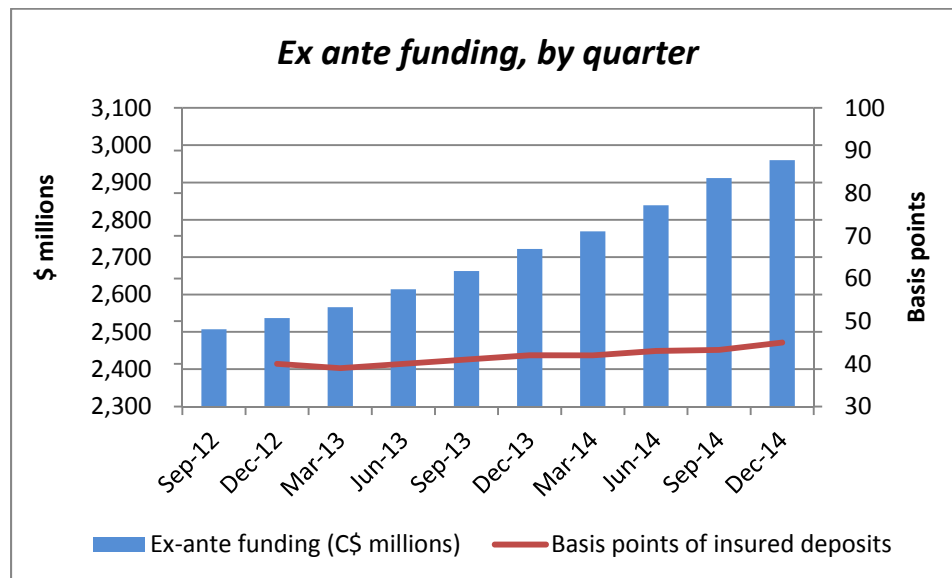
#### **Provision for insurance losses**

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 \$2,981 million as at December 31, 2014, or 44 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)	December 31, 2014	Mar. 31, 2014
<i>Available liquid funds:</i>		
Cash	1	1
Fair value of high-quality, liquid investment securities	3,067	2,768
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	20,000	19,000
<b>Total available funds</b>	<b>23,068</b>	<b>21,769</b>

CDIC's portfolio of investment securities is limited to high-quality, liquid securities: obligations of the Government of Canada and its agent Crowns and obligations of Provincial Governments / Municipal Financing Authorities. Additional funds are available through CDIC's authority to borrow under the Canada Deposit Insurance Corporation Act (the *CDIC Act*). As at December 31, 2014, the Corporation can borrow up to \$20 billion. The borrowing limit is adjusted annually to reflect the growth of insured deposits. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

## MANAGEMENT REPRESENTATION

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

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

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



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Michèle Bourque

President and Chief Executive  
Officer

Ottawa, Canada  
February 18, 2015



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Dean A. Cosman

Vice President, Finance and  
Administration, and Chief Financial  
Officer

Ottawa, Canada  
February 18, 2015

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THIRD QUARTER – FISCAL 2014/2015**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in thousands of Canadian dollars)

	Notes	December 31, 2014	March 31, 2014
<b>ASSETS</b>			
Cash		1,159	699
Investment securities	3	3,049,592	2,760,461
Current tax asset		-	1,940
Trade and other receivables	4	1,610	1,554
Prepayments		354	303
Amounts recoverable from estates		2,876	-
Property, plant and equipment		5,899	6,461
Intangible assets		6,042	6,542
<b>TOTAL ASSETS</b>		<b>3,067,532</b>	<b>2,777,960</b>
<b>LIABILITIES</b>			
Trade and other payables		11,557	5,177
Deferred premium revenue		69,842	-
Current tax liability		31	-
Deferred lease inducement		1,214	1,299
Employee benefits		2,684	2,486
Provision for insurance losses	5	1,250,000	1,200,000
Deferred tax liability		731	469
<b>Total liabilities</b>		<b>1,336,059</b>	<b>1,209,431</b>
<b>EQUITY</b>			
Retained earnings		1,731,473	1,568,529
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,067,532</b>	<b>2,777,960</b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in thousands of Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>REVENUE</b>					
Premium		69,850	47,924	209,532	143,799
Investment income		10,280	8,909	30,304	27,104
Other		12	19	42	47
		80,142	56,852	239,878	170,950
<b>EXPENSES</b>					
Operating	6	10,903	9,935	29,527	27,125
Increase (decrease) in provision for insurance losses		-	(50,000)	50,000	(50,000)
Recovery of amounts previously written off		-	(12,000)	(2,876)	(12,000)
		10,903	(52,065)	76,651	(34,875)
Net income before income taxes		69,239	108,917	163,227	205,825
Income tax expense (recovery)		(118)	(233)	283	23
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>69,357</b>	<b>109,150</b>	<b>162,944</b>	<b>205,802</b>

*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)

	<b>Retained earnings and total equity</b>
<b>FOR THE THREE MONTHS ENDED DECEMBER 31</b>	
<b>Balance, September 30, 2014</b>	1,662,116
Net income and total comprehensive income	69,357
<b>Balance, December 31, 2014</b>	<b>1,731,473</b>
<b>Balance, September 30, 2013</b>	1,412,932
Net income and total comprehensive income	109,150
<b>Balance, December 31, 2013</b>	<b>1,522,082</b>
<b>FOR THE NINE MONTHS ENDED DECEMBER 31</b>	
<b>Balance, March 31, 2014</b>	1,568,529
Net income and total comprehensive income	162,944
<b>Balance, December 31, 2014</b>	<b>1,731,473</b>
<b>Balance, March 31, 2013</b>	1,316,280
Net loss and total comprehensive loss	205,802
<b>Balance, December 31, 2013</b>	<b>1,522,082</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands of Canadian dollars)

	For the three months ended		For the nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>OPERATING ACTIVITIES</b>				
Net income	69,357	109,150	162,944	205,802
Add (deduct) items not involving cash				
Depreciation and amortization	609	559	1,772	1,383
Investment income	(10,280)	(8,909)	(30,304)	(27,104)
Tax expense	(118)	(233)	283	23
Employee benefit expense	92	59	273	177
Defined benefit payment	-	-	(75)	-
Change in working capital:				
Increase in provision for insurance losses	-	(50,000)	50,000	(50,000)
Decrease in premiums receivable	-	-	-	-
Decrease (increase) in prepayments	89	131	(51)	(84)
Decrease in trade and other receivables	(58)	(59)	(56)	(25)
Increase in amounts recoverable from estates	-	(12,000)	(2,876)	(12,000)
Decrease in trade and other payables	8,567	5,139	6,380	3,692
Increase in deferred premium revenue	68,821	46,867	69,842	47,928
Decrease in deferred lease inducement	(28)	(28)	(85)	(85)
Interest received	7,749	12,952	30,566	30,940
Income tax paid	1,952	1,295	1,952	271
Net cash generated by operating activities	146,752	104,923	290,565	200,918
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment and intangible assets	(70)	(818)	(709)	(2,741)
Purchase of investment securities	(1,728,708)	(1,649,036)	(4,594,456)	(4,129,947)
Proceeds from sale or maturity of investment securities	1,583,132	1,545,294	4,305,060	3,932,171
Net cash used in investing activities	(145,646)	(104,560)	(290,105)	(200,517)
Net (decrease) increase in cash	1,106	363	460	401
Cash, beginning of period	53	460	699	422
Cash, end of period	1,159	823	1,159	823

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Third 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, 17<sup>th</sup> Floor, Ottawa, Ontario.

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

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

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

These condensed consolidated quarterly financial statements were approved and authorized for issue by the Corporation's Audit Committee on February 18, 2015.

#### **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 December 31, 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 December 31, 2014			Total
	90 days or less	91 days to 1 year	1 to 5 years	
Treasury bills	11,983	34,724	-	46,707
Weighted average effective yield (%)	1.03	0.99	-	1.00
Bonds	191,053	465,594	2,313,647	2,970,294
Weighted average effective yield (%)	1.08	1.49	1.38	1.38
Other	32,591	-	-	32,591
Weighted average effective yield (%)	1.18	-	-	1.18
<b>Total investment securities</b>	<b>235,627</b>	<b>500,318</b>	<b>2,313,647</b>	<b>3,049,592</b>
<b>Weighted average effective yield (%)</b>	<b>1.09</b>	<b>1.46</b>	<b>1.38</b>	<b>1.37</b>

(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
<b>Total investment securities</b>	<b>814,825</b>	<b>807,189</b>	<b>1,138,447</b>	<b>2,760,461</b>
<b>Weighted average effective yield (%)</b>	<b>1.24</b>	<b>1.41</b>	<b>1.58</b>	<b>1.43</b>

(C\$ thousands)	December 31, 2014			March 31, 2014
	Amortized cost	Gross unrealized gains (losses)	Fair value	Fair value
Treasury bills	46,707	(4)	46,703	711,584
Bonds	2,970,294	17,718	2,988,012	2,051,881
Other	32,591	-	32,591	4,200
<b>Total investment securities</b>	<b>3,049,592</b>	<b>17,714</b>	<b>3,067,306</b>	<b>2,767,665</b>

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

(C\$ thousands) Credit rating	December 31, 2014	March 31, 2014
AAA	2,722,871	2,291,656
AA+	57,539	109,000
AA	105,501	143,061
AA-	81,895	118,465
A+	81,786	98,279
<b>Total investments</b>	<b>3,049,592</b>	<b>2,760,461</b>

The carrying amounts in the above tables include accrued interest.

#### 4. TRADE AND OTHER RECEIVABLES

(C\$ thousands)	December 31, 2014	March 31, 2014
Accounts receivable	142	86
Other receivables	1,468	1,468
<b>Total trade and other receivables</b>	<b>1,610</b>	<b>1,554</b>

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

#### 5. PROVISION FOR INSURANCE LOSSES

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

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

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

## 6. OPERATING EXPENSES

(C\$ thousands)	For the three months ended		For the nine months ended	
	<b>December 31, 2014</b>	December 31, 2013	<b>December 31, 2014</b>	December 31, 2013
Salaries and other personnel costs	<b>5,651</b>	5,310	<b>15,883</b>	14,589
Professional and other fees	<b>1,668</b>	1,058	<b>3,893</b>	3,565
Premises	<b>748</b>	922	<b>2,479</b>	2,723
General expenses	<b>679</b>	587	<b>2,324</b>	1,762
Depreciation and amortization	<b>609</b>	559	<b>1,772</b>	1,383
Public awareness	<b>962</b>	1,028	<b>1,726</b>	1,897
Data processing	<b>623</b>	519	<b>1,568</b>	1,305
	<b>10,940</b>	9,983	<b>29,645</b>	27,224
Expense recoveries	<b>(37)</b>	(48)	<b>(118)</b>	(99)
<b>Total operating expenses</b>	<b>10,903</b>	9,935	<b>29,527</b>	27,125

## 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.