Ontario

Deposit Insurance
Corporation of Ontario

Société ontarienne
d'assurance-dépôts

PROTECTION, SECURITY, STABILITY

2013 Annual Report

Contents

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Printed on recycled paper

DICO's Publications Available on the Web site

DICO has published a wide range of guidance documents and tools to assist institutions in improving their operations and governance. DICO also publishes information for the general public on deposit insurance.

KEY AREAS COVERED BY DICO PUBLICATIONS INCLUDE:	DICO PUBLICATIONS INCLUDE:	NEW IN 2013
- Capital Adequacy & Capital Management - Deposit Insurance (Levels, Coverage & Advertising) - Director Training and Qualifications - Enterprise Risk Management (ERM) - Examinations of Insured Institutions - Financial Management & Financial Risks - Governance - International Financial Reporting Standards (IFRS) - Lending - Regulatory Activities & Applications - Sector–wide Financial and Operational Performance Information & Updates - Sector and Industry Trends & Concerns	- Consultation Papers - Application Guides - Sound Business and Financial Practices - DICO Annual Report - DICO Bylaws - DICO Info (newsletter) - Deposit Insurance Brochure ("Your Deposits are Protected") - Guidance Notes - Guidelines - Tools o Assessment Workbooks and Checklists o Handbooks (Director's Handbook; Audit Committee Handbook) o Manuals - Sector Updates and Financial Performance Statistics (Sector Outlook) - Sector Notices, Advisories and Releases - Webinars	- Capital Adequacy Guideline Update - Consultation on Proposed Revisions to the Differential Premium System - Draft Commercial Lending Policy Development Guide - Deposit Insurance Reserve Fund Strategy - Guidance Notes in Consultation: o Internal Capital Adequacy Assessment Process (ICAAP) for Class 2 Credit Unions o Stress Testing for Class 2 Credit Unions - Application Guide in Consultation: o Internal Capital Adequacy Assessment Process (ICAAP) for Class 2 Credit Unions - Sector Releases o Important Changes to Reporting Requirements, #67

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Ontario
Deposit Insurance Corporation of Ontario
Société ontarienne d'assurance-dépôts

Paul Mullins
Chair of the Board
Président du Conseil d'administration

March 19, 2014

The Honourable Minister Charles Sousa
Minister of Finance
Frost Building South, 7th floor
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Dear Minister:

I have the honour to submit to you the Annual Report of the Deposit Insurance Corporation of Ontario for the year ended December 31, 2013, pursuant to Section 256 of the *Credit Unions and Caisses Populaires Act, 1994.*

Yours truly,

Mission

To protect depositors and contribute to the stability of the Ontario Credit Union and Caisse Populaire sector.

Vision

We will contribute to the soundness, stability and success of the Ontario Credit Union / Caisse Populaire sector by being an effective solvency regulator and deposit insurer.

Values

In fulfilling our mandate and pursuing our Vision and Mission we will live by the following values:

EXCELLENCE AND PROFESSIONALISM

DICO will maintain a highly skilled and diverse workforce that promotes excellence and professionalism in how it conducts its affairs.

RESPECT AND FAIRNESS

Employees will treat everyone with mutual respect and fairness. DICO will act and support employees in a fair and consistent manner.

INTEGRITY AND TRUSTWORTHINESS

Employees will adhere to the highest ethical standards in performing their duties and responsibilities including maintaining the confidentiality of sensitive information.

COMMUNICATIONS AND TEAMWORK

Employees will maintain open communications and work cooperatively amongst themselves and with partners towards the achievement of DICO's mandate.

FINANCIAL STEWARDSHIP

DICO will act as a responsible agency that continuously strives to be efficient and effective for the benefit of all stakeholders and will manage its operations effectively and in a cost-efficient manner.

DICO Staff

Cheryl Allison◆Adrienne Barber◆Robert Blair◆Alla Brachman◆Kelly Brunn◆Rishi Bulsara◆John Burgman◆Janette Chan◆Richard Dale◆Tony D'Errico◆Ray Di Lullo◆Bob Edmison◆Brigitte Elie◆Bill Foster◆Pierre-Jean Gallant◆Carmen Gheorghe◆Sharon Haslett◆Bradley Hodgins◆Guy Hubert◆John Hutton◆Thierry Josic◆Entela Josifi◆Yasmin Khoja◆Steve Kokaliaris◆Marg Madari◆Mauri Marak◆Jim Maxwell◆Brian Mullan◆Alana McLeary◆Grace Medeiros◆Niall O'Halloran◆Danny Pianezza◆Naile Piranaj◆Andy Poprawa◆Andy Rechtshaffen◆Mercedes Ruano◆Shivdeep Singh◆Roman Sochaniwsky◆James Stephenson◆Suzanne Tucker◆Nelson Verdecia◆Joanna Wearing◆Grace Wen◆Michael White◆Winnie Yu.

Corporate Governance

The Deposit Insurance Corporation of Ontario (DICO) is an agency of the Province of Ontario established in 1977 and operates under the *Credit Unions and Caisses Populaires Act, 1994* (the "Act"). The Act sets out DICO's objects, powers and duties as well as general terms for deposit insurance and other governing parameters. DICO functions within the legal framework established by the Act, Management Board of Cabinet Directive on Agency Establishment and Accountability and other applicable directives and laws. The Corporation is ultimately accountable to the Legislature through the Minister of Finance for the conduct of its affairs.

The Act requires that the DICO Board of Directors (the "Board") "manage the affairs or supervise the management of the affairs of the Corporation…". The Board of Directors is composed of up to nine persons all of whom are appointed by the Lieutenant-Governor-in-Council to serve for various terms usually up to three years per term.

DICO follows a robust Board appointment process to ensure that it recruits the best qualified people. The Board's criteria for consideration of candidates for Board membership include:

- experience in the financial services industry and in particular, financial cooperatives;
- understanding credit union/caisse populaire principles, sector structure and modus operandi;
- possessing Board experience, director training or a background in business or academia;
- understanding business concepts, operations and financial reports;
- communicating effectively;
- thinking strategically; and
- making decisions using sound judgement.

The Corporation has established a skills profile in addition to a position description for directors. DICO has also established a gender, experience, skills and geographic representation profile for the Board as a whole, to ensure that it maintains an appropriate balance of these attributes. All potential candidates for the Board are screened and interviewed by a committee of the Board prior to a recommendation being made for appointment to the Minister. DICO typically provides the Minister with more than one candidate. Once the Minister has selected a candidate, that recommendation is forwarded to the Public Appointments Secretariat and Cabinet for approval prior to appointment by the Lieutenant-Governor-in-Council.

DICO follows best practices in corporate governance including:

- a formal director orientation process;
- continuous individual director and Board development;
- Board succession planning;
- annual Board and peer assessment and feedback;
- regular in-camera sessions; and
- an annual strategic planning session.

The Board also establishes annual objectives for itself and measures its performance against those stated objectives. These include strategies for risk management and communication with stakeholders, executive management and management reporting and control.

DICO is a member and active participant of the Institute of Corporate Directors and other organizations which provide governance advice. These affiliations provide the Corporation with insights into best and emerging practices for achieving excellence in governance.

Ombudsman's Report

Beryl Roberto
Ombudsman

The Office of the Ombudsman for the Deposit Insurance Corporation of Ontario (DICO) investigates complaints that have not been resolved at the operational level of DICO and recommends solutions.

Complaints must relate to regulatory issues between insured institutions and DICO or to disputes between depositors or borrowers of institutions that are being liquidated.

Confidential information used for the purposes of an investigation will not be disclosed outside of the Office of the Ombudsman.

After an independent review of the facts, the Ombudsman may make non-binding recommendations to the DICO Board for systemic changes to deal with recurring problems. Confidential information used for the purposes of an investigation will not be disclosed outside of the Office of the Ombudsman. The Ombudsman reports directly to the Board and is independent from operational programs.

During 2013, one complaint was received:
A member of a liquidated credit union requested assistance to review details of a disputed account held at the Credit Union. The necessary information was provided immediately by DICO Management and a review was completed by this Office. The results were communicated to the member.

Since 2008 when this Office was established, 24 contacts and/or complaints have been received:

9 Consumer complaints not related to DICO
7 Members of liquidated institutions
3 Matters were outside the jurisdiction of this Office
3 Enquiries only (e.g. guidance)
2 Insured institutions

For questions related to the Ombudsman's mandate, visit DICO's web site www.dico.com or simply call or e-mail this Office. The web site provides full details about the complaint resolution process and includes complaint forms, contact information and specific instances where this Office has no jurisdiction, such as matters involving an order for administration or liquidation; in litigation; and a member's consumer complaint toward a credit union.

I wish to thank the DICO Board, Management and Staff for their continued co-operation.

Respectfully submitted,

Beryl Roberto, Ombudsman
Tel: 416-325-9446
Email: ombudsman@dico.com

Sub-Committees of the Board (as at December 31, 2013)

AUDIT & FINANCE COMMITTEE

This committee assists the Board of Directors by considering and making recommendations on audit and finance matters and other related issues including the review of financial statements and audited financial statements. The committee also oversees the external and internal audit processes, reviews the Corporation's Annual Report and makes recommendations to the Board for the approval of the Corporation's business plan and budget. The committee also reviews the Corporation's investment policy and strategy as well as various risk management strategies related to the committee's area of responsibility.

- Colin Litton, *Chair*
- Monique Tremblay
- Paul Mullins, *ex-officio*

GOVERNANCE & HUMAN RESOURCES COMMITTEE

The Governance and Human Resources Committee assists the Board of Directors by considering and making recommendations on governance and human resources matters. This committee reviews the structure of Board committees, its composition and skills profiles of the Board members and the human resource policies which impact the corporate governance of the Corporation. It also reviews the Corporation's succession planning related to senior personnel, its compensation policies and pension plan as well as overseeing the Corporation's stakeholder relationship and communication strategies.

- Raymond Boucher, *Chair*
- Don Dalicandro
- Paul Mullins, *ex-officio*

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee assists the Board of Directors by considering and making recommendations on, and by carrying out, functions and duties in relation to deposit insurance and regulatory matters. This committee monitors risk policies and reviews and authorizes the exercise of powers of the Corporation. It also monitors the deposit insurance reserve fund and model assumptions as well as monitoring legal actions and approving financial assistance requests from insured institutions.

- Steve Blakely, *Chair*
- Jane Davis
- Gail Di Cintio
- Paul Mullins, *ex-officio*

Attendance at Board and Committee Meetings 2013

	DICO Board	Audit & Finance Committee	Governance & Human Resources Committee	Risk Oversight Committee
Number of meetings held	6	5	4	4
Total # of members	7-8	2-3	1-2	2-3
Total scheduled attendance	47	13	8	10
Total actual attendance	45	13	7	9
% of Attendance	96%	100%	88%	90%

DICO's Board of Directors

FROM LEFT TO RIGHT

Front row: Jane Davis, Paul Mullins, Monique Tremblay, Raymond Boucher

Second row: Patrick Deutscher, Gail Di Cintio

Third row: Don Dalicandro, Colin Litton, Steve Blakely

Paul Mullins, BA, LL.B, *Chair of the Board*

Paul Mullins is a lawyer who has practised in Windsor and Essex County since 1971 primarily in the areas of corporate-commercial, real estate and administrative law. He was a commissioner for the Federal Human Rights Tribunal. He served for 20 years as a Director and/or President of Windsor Homes Coalition which provides low income housing to needy families. For over 24 years Mr. Mullins served as a Director and/or Chair of the Board of Woodslee Credit Union, a predecessor of Libro Credit Union. Mr. Mullins has also served on numerous community and church groups in his hometown of Woodslee, Ontario over the years. He was appointed on June 17, 2004 and his term expires on May 1st, 2016. His term as Chair of the Board expires July 1st, 2014.

Steve Blakely, ICD.D

Mr. Blakely is an accomplished senior executive with a wealth of financial services industry experience spanning in excess of 35 years. He has a particular interest in leadership and governance and holds the ICD.D designation from the Institute of Corporate Directors through the Rotman School of Business. Mr. Blakely has extensive senior executive experience and his professional experience includes: President and Chief Executive Officer of Servus Credit Union, President and CEO of Credit Union Deposit Guarantee Corporation (Alberta), Vice President Operations of Competix.com in California, Regional Vice President-Calgary for ATB Financial and numerous senior positions with BMO spanning 25 years in Alberta, B.C. and Ontario. Mr. Blakely was named one of Alberta's 50 Most Influential People by Alberta Venture in 2008. His governance experience includes past directorships and committee appointments on the boards of Credit Union Central of Alberta and Credential Financial Inc. He currently sits as Board Chair for Quinte Health Care. Mr. Blakely was appointed on September 11, 2013 and his term expires on September 11, 2016.

Raymond Boucher, B.A.

Raymond Boucher has been involved with the caisses populaires movement for over 30 years. He was General Manager of Caisse Populaire de Kapuskasing Limitée for 20 years. He was on the board of L'Alliance des caisses populaires de l'Ontario for more than 18 years as president, vice-president and member of the executive committee. Mr. Boucher has also been involved on various committees of DICO from the late 1980s to 2004. He has acquired extensive experience in governance and an understanding of the issues surrounding the credit union/caisse populaire network. He was also involved in other community organizations such as the Chair of the Board of the "Services de Counselling Hearst Kapuskasing Smooth Rock Falls Counselling Services", and Treasurer for the Army Cadet Corps of Kapuskasing. Mr. Boucher was appointed on August 12, 2009 and his term expires on August 1st, 2015.

Don Dalicandro, P. Eng., MBA, C.Dir.

Don Dalicandro is President of Azertech Inc., a company providing capital funding and business expertise to growth companies. He has over twenty-six years of experience working with large and medium sized companies in diverse business sectors including technology, finance, manufacturing, consumer goods, oil and gas, field service, commercial office construction and leasing, retail and food service. In 2007, Mr. Dalicandro obtained his Chartered Director designation from The Directors College, Degroote School of Business. He currently holds Board positions with Decisionpoint Systems, Inc., Burlington Hydro Inc. and Joseph Brant Hospital. Previous Board positions include FirstOntario Credit Union, ASECO and ASI. Mr. Dalicandro was appointed on March 23, 2011 and his term expires on March 22, 2014.

Jane Davis, B Sc (Hon), MM, ICD.D

The late Jane Davis was an experienced risk management and change management professional, with an extensive background in wealth management, brokerage, mutual funds, investment counselling and private banking. She also had sales experience in the corporate and commercial banking sectors so she understood the business management challenges. Ms. Davis had worked internationally in both wealth management and corporate banking risk management roles. She sat as an independent director on four corporate and one not-for-profit boards since obtaining her ICD.D designation in early 2006. Ms. Davis was also a member of five Investment Review Committees in the fund sector. She was also a Corporate Director for Growthworks and Chair of the Harvest Fund IRC. Ms. Davis was appointed on August 12, 2008 and resigned on January 20, 2014 due to health reasons.

Gail Di Cintio

Gail Di Cintio is Vice-President Operations with Larus Technologies, an Ottawa-based software engineering company, specializing in predictive and learning analytics software for real-time security and surveillance systems. At Larus Technologies, Ms. Di Cintio has overall operational responsibility for Corporate, Financial and Human Resource activities, as well she is a key contributor in business development activities. Previous to this, Ms. Di Cintio was VP Human Resource Development at Fujitsu, with global responsibilities for Career Development, Retention and Succession Planning Programs. She was also a part of the Fujitsu Management Consulting Practice and a Management and Technology consultant with Deloitte Consulting. Ms. Di Cintio is currently on the Board of the Bruyère Research Institute. She was a Board Director with Alterna Savings and Alterna Bank from 2003-2008, and was the Chair of the Human Resources Committee. Ms. Di Cintio was also a member of the Board of Trustees with The Ottawa Hospital from 1995-2001 and was involved with the *Management Development Program for Women* at Carleton University, from 1998-2012 and annual *YWCA Women of Distinction Award*, since 2000 - 2012. Ms. Di Cintio was appointed on May 4, 2011 and her term expires on May 4, 2014.

Colin Litton, FCPA, FCA, ICD.D, *Vice-Chair*

Colin Litton is a Fellow of the Institute of Chartered Accountants of Ontario and a Certified Director. He is a retired partner of KPMG and his career with the firm has included service in its South African, Australian and Canadian practices. During his career with KPMG he was primarily engaged in providing audit and advisory services to banks, pension and investment funds and other entities comprising the financial services industry. He was the Chair of the Deposit-taking Institutions Auditors Advisory Committee to the Superintendent of Financial Institutions Canada until his retirement from public practice in Canada. Currently, he also serves on the boards of the Pacific & Western Bank of Canada and the Canadian Scholarship Trust Foundation. Mr. Litton was appointed on August 12, 2008 and his term expires on June 22, 2014.

Monique Tremblay, FCIA, FSA, MBA

Ms. Tremblay is a pension actuary with in depth knowledge of the insurance industry, particularly the savings and retirement lines of business. Her broad experience in senior management includes accountability, strategic planning, communication, sound reporting and governance. Her business and actuarial skills cover the measurement and assessment of risk and its management implications. She is also currently serving on the Board of Directors of Assomption Vie, a mutual insurance company based in Moncton, New Brunswick. Ms. Tremblay was appointed on April 18, 2011 and her term expires on April 18, 2014.

Patrick Deutscher, *Observer*, Ministry of Finance

Patrick Deutscher is Chief Economist for Ontario and Assistant Deputy Minister of the Office of Economic Policy (OEP) in the Ministry of Finance. He was appointed to that post in 2006. Prior to that, he was Director of the Macroeconomic Analysis and Policy Branch of the OEP. Pat first joined the Ontario Treasury in 1981. He worked in the Office of Economic Policy until 1987, when he left to work on fiscal and economic policy with the Federal Department of Finance, subsequently returning to the Ontario Public Service (OPS). Earlier in his career he worked with Environment Canada and Imperial Oil. Pat was raised in Saskatchewan. He holds a Ph.D. in Economics from the University of Toronto.

Message from the Chair:

Contributing to the Stability of the Sector

Paul Mullins
Chair of the Board of Directors

On behalf of the Board of Directors, I am pleased to present our annual report to the government and our other stakeholders. The Deposit Insurance Corporation of Ontario (DICO), an operational enterprise agency of the Ontario government, exists to protect depositors from loss of deposit funds placed with Ontario's credit unions and caisses populaires and to provide prudential oversight and solvency regulation for the sector. DICO receives no funding from the taxpayers of Ontario and is entirely supported by premiums paid by insured institutions.

I am pleased to report that DICO has again met our mandate during the past year. No credit union or caisse populaire has failed and no depositor has lost any deposit funds placed with an Ontario credit union or caisse populaire. In fact, during our entire thirty six year history, no depositor has ever suffered any loss of deposit funds.

THE YEAR IN REVIEW

Confidence in Ontario's credit unions and caisses populaires by depositors remains unwavering. Despite less than favourable conditions during the past few years, the sector continued to record solid deposit and loan growth. Due to the continued low interest rate environment's impact on profitability, our insured institutions have been resolute in prudently managing their affairs by minimizing operating expenses and seeking other sources of revenue to ensure ongoing sustainability. DICO plays an important role in promoting confidence and stability in credit unions and caisses populaires by ensuring adherence to high standards of governance, capital levels and risk management.

DICO's deposit insurance reserve fund – the fund that protects depositors from loss – continues to grow. At the end of the year the fund stood at $164.7 million or 68 basis points (bp) of insured deposits. The annual contribution to the fund exceeded forecast as a result of lower than expected insurance losses and continued expense controls. The fund has now achieved a level that has met the target range which was established in 2002. Because the economic conditions and the composition of the sector have changed substantially since the setting of the fund's target range, DICO has established a new target of 100 bp of insured deposits in order to ensure that the fund is adequate to protect depositors' interests now and in the future. We anticipate that the new target will be

Despite less than favourable conditions during the past few years, the sector continued to record solid deposit and loan growth.

achieved no later than 2020 without changes to premium levels. We intend to continue to build the fund and implement additional preventive measures to reduce the likelihood of future claims against the fund.

During the year, DICO continued to enhance its regulatory oversight processes aimed at improving the prudential regime for Ontario credit unions and caisses populaires. We are confident that these policies, processes and service standards have strengthened the protection of depositors while permitting credit unions and caisses populaires to take advantage of opportunities to better serve their members. We are grateful for the ongoing support of the sector for these enhancements.

All financial institutions are realizing that their business models will need to adapt in order to stay competitive and relevant to their clients as the financial services marketplace and the economic environment evolve. This is particularly true for Ontario credit unions and caisses populaires. To assist the sector in considering future options, DICO facilitated a study (Project Symphony) to examine the key factors necessary to ensure long-term sustainability. The results of this study indicate that a number of options are available for consideration by credit unions. As part of our ongoing oversight processes, we will continue to monitor the progress of individual institutions in implementing their long term plans.

GOVERNANCE AND OVERSIGHT

The Board of Directors strives to be a model Board for all of DICO's insured institutions. The Board's activities concentrate on important aspects of governance and oversight such as strategy, succession planning, risk management and reporting. Through a strong Committee structure, the Board also focuses on important strategic issues related to both DICO and insured institutions. The Board continues to follow best practices in governance as set out in current literature on the subject including the Conference Board of Canada's and the Institute of Corporate Directors' publications. Details of our governance practices can be found in this annual report.

During 2013, we continued our outreach programs to key stakeholders. These have included presentations to Boards of individual institutions, consultations with credit union leaders, industry conferences (national and international), webinars on specific topics of interest and the publication of guides and other helpful materials. The Board also hosted special events in order to interact with credit union Boards and management. The Board remains committed to ensuring that all key stakeholders are well informed about their responsibilities and the regulatory activities of DICO.

LOOKING FORWARD

For 2014, DICO has identified a number of key priorities:

- Continuing to enhance our proactive risk assessment and prudential oversight capabilities;
- Publishing guidance with respect to corporate governance, emerging risks and regulatory expectations;
- Assessing every Class 2 institution's enterprise risk management practices;
- Reviewing the effectiveness of institutional stress testing, director training and the appropriateness of director qualifications;
- Publishing internal capital adequacy assessment documentation (ICAAP) for large Class 2 institutions
- Working with stakeholders in anticipation of a review of the *Credit Unions and Caisses Populaires Act;*
- Implementing the planned new differential premium system if approved by the Government; and
- Supporting the sector in its ongoing assessment of continued sustainability.

We believe that our long-term strategic direction prudently and comprehensively responds to our mandate to enhance depositor confidence with due regard to the sector's goal to be more competitive and responsive to its members' needs. DICO believes that we will continue to protect depositors effectively and contribute to the stability and reputation of Ontario's credit unions and caisses populaires by exercising continued vigilance through our risk assessment and management programs, by building a solid insurance fund and encouraging a strong financial base at insured institutions. We look forward to working with our various stakeholders to achieve these goals.

BOARD

I would like to take this opportunity to express my appreciation to all our Board members for their dedication and professionalism in working together in the interests of all stakeholders. All of our directors bring a high level of skill, expertise and experience to DICO's mandate and deliberations.

At the end of June 2013 Carol Lemelin of Cornwall retired from the Board with the expiration of his term. A leader in his community and caisse populaire community, Carol provided the Board with a wealth of knowledge and expertise in accounting and finance. We thank Carol for his commitment and his dedication to detail and for his pleasant demeanor.

In early 2014, Jane Davis, the long-term Chair of our Risk Oversight Committee, passed away after fighting a courageous battle with cancer. Jane's extensive background in risk management, commercial credit and wealth management provided our Board with in depth insights that helped shape our programs to provide informed regulatory oversight. This was especially true in the area of commercial lending which was Jane's special area of concern. We are grateful to Jane for her contribution to not only DICO but the sector as well.

Over the next few months the government will be appointing new directors to fill the vacancies on our Board. With the assistance of the Public Appointments Secretariat of the government, we expect that we will attract new directors who will exhibit the highest calibre of governance to ensure the Board can continue to bring exceptional value to the sector and to DICO's management team.

I would like to express my sincere appreciation for the support of the directors and DICO staff, as well as the many stakeholders that we have worked with over the past year. We look forward to their continued contributions.

On behalf of the Board of Directors,

Paul Mullins
Chair of the Board

Message from the CEO:

The Evolution of the Sector

Andrew (Andy) Poprawa
President & CEO

The Ontario Legislature created the Deposit Insurance Corporation of Ontario in 1977 to ensure public confidence in Ontario credit unions and caisses populaires. DICO insures deposits at the province's 127 credit unions and caisses populaires and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. DICO's mandate also includes responsibility for prudential oversight and solvency regulation. DICO is fully funded by insured institutions and receives no tax dollars.

THE ENVIRONMENT AND SECTOR RESULTS

The continued low interest rate and uncertain economic environment continues to fundamentally impact the evolution of the Ontario credit union and caisse populaire sector. Over the past few years, insured institutions have been able to partially offset lower financial margins by reducing operating expenses, deposit interest expenses and dividend payouts to members and by increasing non-interest revenues. As a result, the sector's aggregate return on average assets increased slightly to 43 bp in 2013 compared to 37 bp in 2012. Sector capital levels, as measured on a leverage basis, remain strong at 7.2%. Aggregate liquidity in the sector continues to be adequate but has declined to 11% as the result of strong loan demand and competition for deposits.

The rate of consolidation within the sector in 2013 continued unabated. Of the 16 institutions that ceased operations during the year, 15 combined with another institution and one was placed into voluntary liquidation by its membership. In all cases, the credit unions and DICO ensured that all depositors were protected from any loss of their deposit funds, the transition was seamless and public confidence in the sector was maintained.

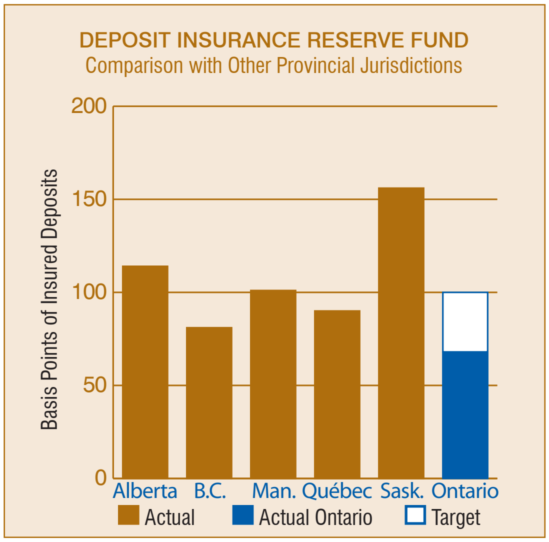
During 2013, DICO recorded adjustments to net provisions for insurance losses of $1.954 million – including increases of $3.516 million and recoveries of $1.562 million. All of these adjustments related to the ongoing liquidation of several institutions. The increases in provisions for losses are the expected shortfall on the realization of assets of these institutions after satisfying all creditor claims. The recoveries reflected the better than expected recoveries on losses incurred on past claims. We continue to pursue recoveries from other third parties on those past claims.

DEPOSIT INSURANCE RESERVE FUND AND PREMIUMS

Pursuant to our governing statute, DICO is required to maintain a Deposit Insurance Reserve Fund (DIRF) to protect depositors and ultimately taxpayers. As a result of continued better than expected claims experience and tight expense controls, DICO made considerable progress in building the fund. At the end of 2013, the fund

DICO's 2013 Financial Scorecard ($Millions)

	DICO Plan	DICO Actual
Insurance Fund	$161.1	$164.7
Gross Insurance Provisions	$ 5.0	$ 3.5
Recovery of Prior Years Losses	0	$ 1.5
Total Gross Operating Expenses	$ 9.5	$ 8.6
Total Net Operating Expenses	$ 8.8	$ 8.2
Return on Investments	1.1%	1.13%



stood at 68 bp of insured deposits – which met our current fund target. Given the continued growth and consolidation of the sector as well as size of the fund relative to other provincial benchmarks, DICO undertook a review of its target fund size during 2013. After considerable research and consultation with stakeholders, DICO's Board approved a revised fund target of 100 bp. Based on current projections of deposit and fund growth as well as insurance claims, we anticipate that the revised target will be achieved no later than 2020 without changes to overall premium levels.

DICO continues to strive to protect member deposits through its deposit insurance program, which includes the assessment of the on-going adequacy of this fund, and its regulatory activities to reduce risk to the sector and its members.

OUR STRATEGIES

PROACTIVE AND BALANCED RISK-BASED REGULATION AND RISK MANAGEMENT

As the prudential regulator and deposit insurer, the Corporation has the authority to respond to imprudent institutional and systemic risks and to ensure that prompt corrective action is taken as necessary. During the year DICO took appropriate measures to monitor and address any non-compliance with the Act and regulations. In particular, DICO's Board approved the issuance of various orders in the event that appropriate corrective action was not taken by the institutions involved to promptly address non-compliance situations. As a result, we are pleased to report that the institutions involved responded to the requirement to take prompt corrective action and that the orders were not required to be issued.

During the past year, DICO also worked on a number of important initiatives. The Capital Adequacy Guideline was revised to ensure ongoing changes in accounting rules were appropriately reflected in capital requirements. In addition, DICO began to assess compliance with the requirements for Director Training and Qualifications which became effective in 2012. Finally, with the assistance of expert and experienced practitioners in the sector, we published for consultation new requirements for stress testing and internal capital adequacy assessment programs (ICAAP).

DICO supplemented these initiatives with a series of webinars, application guides, sample tools and sector notices outlining DICO's expectations for implementation. All of these are available on our website.

As the result of significant changes that have occurred in the environment in which Ontario credit unions and caisses populaires operate, DICO completed its extensive review of the current differential premium system (DPS) and developed proposed revisions to the regime. After considering the results of the consultation process, DICO's Board recommended the proposed revised regime to the

At the end of 2013, the Deposit Insurance Reserve Fund stood at 68 bp of insured deposits which met our current fund target.

government for incorporation into a new Regulation which is anticipated to be issued in the spring of 2014. The new DPS is expected to come into effect on January 1, 2015. This timing will provide institutions with sufficient lead time to adjust their operations to the revised system. It is anticipated that the revised system will be cost neutral to the sector, however it is also expected that some institutions may experience an increase in premiums while others may see a decrease dependent largely on risk factors such as capital levels and the quality of governance and risk management.

SOUND CORPORATE GOVERNANCE

The Corporation prides itself on ensuring it operates within the highest standards of competence, professionalism and integrity. To this end, we regularly review and enhance our governance and management processes to ensure DICO is accountable, transparent and fair in all of its dealings with its insured institutions and with the public.

EFFECTIVE PUBLIC AND STAKEHOLDER AWARENESS

Providing clear, concise information regarding deposit insurance coverage and other regulatory matters are key elements of DICO's ongoing efforts to ensure sustained public confidence in credit unions and caisses populaires is maintained. Our point of sale brochures and our comprehensive web site are the primary tools to provide access to that information. Institutions, their members and the public may also contact DICO for information regarding our programs through our telephone information line and e-mail. During 2013, DICO answered in excess of 500 calls and e-mail inquiries. For further information about DICO and our programs, we invite stakeholders and readers to visit our web site at www.dico.com.

STRONG PARTNERSHIPS

To ensure that we work together effectively with all stakeholders, DICO maintains memoranda of understanding with the Minister of Finance, the Superintendent of the Financial Services Commission of Ontario (FSCO), Central 1 Credit Union, La Fédération des caisses populaires de l'Ontario, L'Alliance des caisses populaires de l'Ontario, FINTRAC and the Superintendent of the Financial Institutions Commission of British Columbia. In addition, we have several advisory committees comprised of key senior executives within the regulated sector, as well as Ministry of Finance and FSCO officials.

In the spirit of the co-operative movement we are also pleased to assist other jurisdictions across Canada and around the world in developing sound regulatory and depositor protection regimes for co-operative financial institutions. We continue to be a strong supporter of the Credit Union Prudential Supervisors Association (CUPSA), which is comprised of Canadian credit union and caisse populaire deposit protection agencies and prudential supervisors. CUPSA's purpose is to co-operatively pursue effective regulation and supervision of the credit union and caisse populaire sector in Canada.

We also periodically have the opportunity to interact with delegations from other countries which come to learn about the structure and regulatory framework of the Ontario credit union and caisse populaire sector.

We also continue to support the International Credit Union Regulators Network (ICURN) – a network of global credit union and caisse populaire regulators formed for the purpose of sharing information and experiences. DICO is pleased to have been a founder of this network which is helping the credit union movement achieve ever higher levels of performance.

LOOKING AHEAD

We believe that credit unions and caisses populaires have an important role to play in contributing to the financial and social fabric of Ontario. We also expect the sector will continue to follow its past trend of consolidation and restructuring in order to improve efficiencies, profitability and service to its members. The Board and staff of DICO are committed to supporting the sector's mission by providing protection, security and stability for the benefit of all its members and for the Ontario economy. We look forward to the opportunity of continuing to demonstrate our commitment in 2014 and beyond.

In closing, I would like to express my appreciation to our employees, who are an extremely dedicated group of professionals and the major source of DICO's corporate strength. I appreciate, as well, the advice and support that I continue to receive from DICO's Board of Directors. In particular, I am grateful to our Board Chair, Paul Mullins, for his ongoing wise counsel, guidance and support.

Andrew (Andy) Poprawa, CPA, CA, C.Dir.
President & CEO

DICO's Business Model 2014

DICO has developed a business model to encapsulate the way in which the Corporation conducts its business in light of its legislation and overall environment. This business model reflects DICO's position as an integral part of Ontario's financial safety net, with its own legislated mandate. DICO's Board of Directors and management activities are considered under the umbrella category of governance. This also reflects the importance of strategic management and enterprise risk management. The importance of accountability is also highlighted in the business model, as are the major functions of the Corporation in fulfilling its mandate.

Ontario's Financial Institutions - Regulatory / Supervisory System
Ministry of Finance, Financial Services Commission of Ontario, Deposit Insurance Corporation of Ontario

Legislative Environment

Credit Unions and Caisses Populaires Act

DICO's Business Objectives

For the Benefit of Depositors:

- Provide Deposit Insurance
- Promote Standards of Sound Business and Financial Practices
- Prudential Standards and Solvency Regulation

Other Legislation, Statutory Requirements and Guidelines, including

- Management Board of Cabinet Directives
- Other Acts, i.e. *French Language Services Act*, *Employment Standards Act*, etc.

Governance

Board of Directors
Strategic and Policy Direction

Risk Oversight Committee

Governance & Human Resources Committee

Audit and Finance Committee

Accountability

- Corporate Plan
- Annual Report
- Annual Information Meeting
- Stakeholder Meetings
- Stakeholder Advisory Committee
- External Auditor Advisory Committee

Strategic Management

DICO's Business Strategies:

- Risk Assessment / Management
- Minimizing Insurance Costs
- Protecting Depositors
- Collaborative Relationships
- Efficiency & Effectiveness

Enterprise Risk Management

DICO's Key Risk Categories:

- Strategic - incl. Reputational
- Insurance - incl. Systemic
- Regulatory
- Operational
- Financial
- Compliance

Major Functions

- Policy Development
- By-law Review & Development
- Advice on Legislation
- Standards of Sound Business & Financial Practices
- Depositor Communication & Awareness
- Internal Communications
- Liaison with Stakeholders
- International Collaboration
- Solvency Regulation

- Risk Assessment
- Insurance
- Member Compliance with Legislation & By-laws
- Intervention / Failure Resolution
- Payout Management
- Claims & Recoveries Management
- Payment Obligations
- Certificate of Insured Deposits
- Differential Premium System

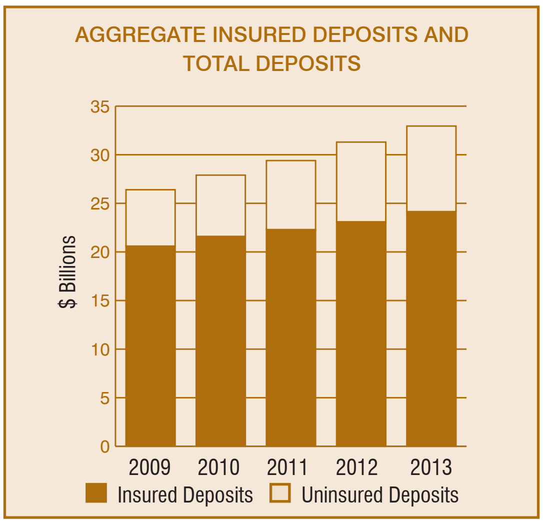
- Litigation Management
- Asset & Liability Management
- Finance & Treasury
- Human Resources Management
- Legal & Corporate
- Information Systems Technology & Management
- Internal Audit

Control Environment

Management's Discussion and Analysis

2013 Sector Overview

DICO provides protection for all eligible deposits held at Ontario credit unions and caisses populaires. Deposit insurance is part of a comprehensive protection program in all Ontario credit unions and caisses populaires. DICO insures non-registered deposits up to $100,000 subject to the eligibility criteria and maximum coverage limits. Deposits held in registered savings plans are fully insured with no maximum limit. For more details regarding the basic coverage that is available for all eligible deposits please visit our web site www.dico.com.



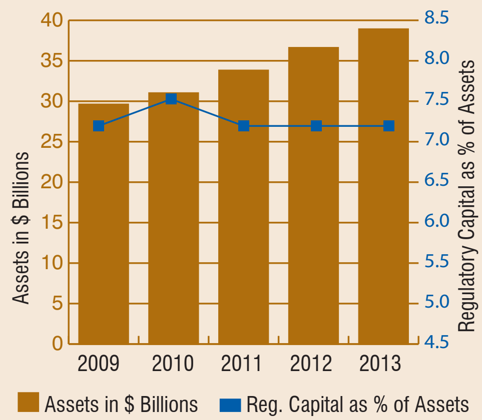
DICO fulfills its mandate in a complex, dynamic and highly competitive environment. Despite these conditions, the credit union and caisse populaire sector is well capitalized at an average of 7.2% of assets which remained stable from 2012. A variety of factors continued to affect the success of our insured institutions.

The economy, the performance of insured institutions and legislative and regulatory developments are continually monitored. The Ontario economy grew at a modest pace as global economic uncertainty has restrained export growth and business investment and is expected to remain slow for some time. Inflation in Ontario has hovered at just over 1% and growth in GDP and consumer demand has been sluggish. During the year, the unemployment rate fell 0.5% to 7.5%. as 72,000 jobs were added. In the fourth quarter of 2013, the manufacturing sector was hit with several announcements of plant closures in south western and central Ontario, including the Heinz plant in Leamington, Kellogg's in London, Faurecia Automotive Seating in Bradford, Novartis International in Mississauga and Worthington Cylinders in Tilbury, that will come into effect over the course of 2014 and 2015. This may constrain the deposit and loan growth for credit unions in those areas.

Over the past year, the service sector has been the main source of employment growth in Ontario, led by health care, professional, scientific and technical services industries. Toronto, Kitchener-Waterloo and Barrie areas led the employment growth in the province. Conversely, there were declines across four economic regions: Hamilton-Niagara Peninsula, Northwest Ontario, Ottawa and Kingston-Pembroke. Insured institutions in the growth regions have an opportunity to capitalize on this anticipated growth, while those experiencing a contraction will need to be creative in their offerings to continue to grow.

The Bank of Canada is continuing its low interest rate policy and the predominant view of Canadian economists is that the next rate increase will be in early to mid 2015. This is dependent on the success of economic policies to help stimulate growth and the continued economic uncertainty around the globe. The downward impact on sector earnings from lower interest rates in the past year is estimated at $56 million, primarily due to continued lower residential mortgage and commercial loan yields as consumers renew their loans at these lower rates.

THE ONTARIO SECTOR ASSETS AND REGULATORY CAPITAL



Housing sector sales have begun to moderate even though interest rates have remained at a historically low level. Mortgage rates are expected to rise later in 2014 making housing somewhat less affordable than over the past few years resulting in higher interest costs on consumer debt loads and a reduction in mortgage loan demand. The average Ontario resale home price increased approximately 3% in 2013 and it is expected that a balanced resale market will result in more stable average home prices going forward.

Household and consumer debt remains high. The Bank of Canada continued to warn Canadians about the dangers of carrying high levels of debt where rising interest rates could result in larger payments for borrowers that they may no longer be able to afford. Potential credit defaults could have a negative impact on the sector.

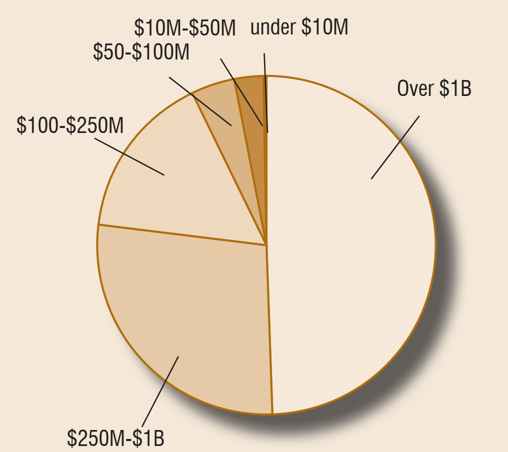
DICO's Sector Profile at a Glance

	2013	2012
Number of Institutions	**127**	143
Total Assets (billions)	**$39.0**	$36.6
Total Deposits (billions)	**$33.0**	$31.3
Insured Deposits (billions)	**$24.3**	$23.1
Insured Deposits as a % of Total Deposits	**73%**	74%
Regulatory Capital Ratio (Leverage Basis)	**7.20%**	7.20%
Loan costs (as a % of Average Assets)	**0.08%**	0.12%
Profitability (net income as a % of Average Assets)	**0.43%**	0.37%

OVERVIEW OF ONTARIO CREDIT UNIONS AND CAISSES POPULAIRES

During 2013, the long-term consolidation trend continued. Mergers or liquidations resulted in a decline of 16 insured institutions to 127. Nine Class 1 institutions merged with larger ones to form stronger institutions that offered their members access to a larger branch network and more products and services. An emerging trend in mergers is the partnering of larger Class 2 institutions (six merged in 2013), creating institutions with increased economies of scale that can provide a wider range of products and services that should result in an improvement to their profitability. Today, approximately 50% of the assets of the Ontario sector are held by the seven largest insured institutions. The largest institution holds $9.2 billion in assets. Five per cent of assets are held by the smallest 57 institutions of which the smallest institution holds $2.3 million in assets. Further consolidation is expected as institutions look to grow and protect their members' assets.

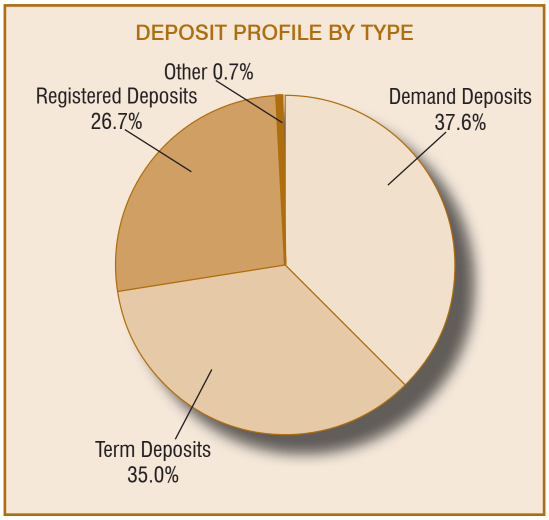
SECTOR PROFILE BY ASSET SIZE



Sector Profile by Asset Size

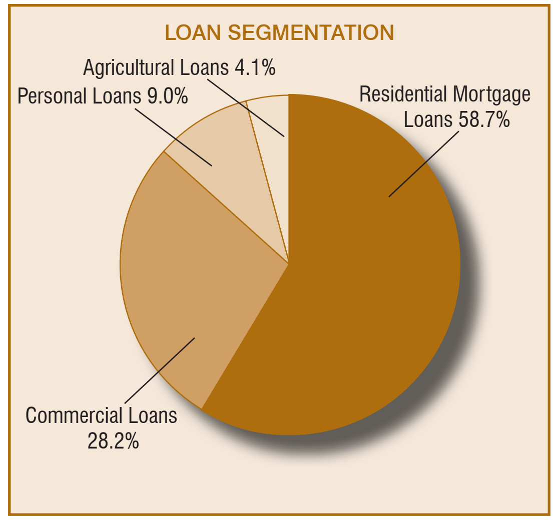
Asset size	$ (millions)	# of Institutions
Over $1B	19,334	7
$250M-$1B	10,765	20
$100-$250M	6,160	35
$50-$100M	1,621	21
$10M-$50M	1,068	36
under $10M	44	8
Total	**38,992**	**127**

Growth in aggregate assets increased year over year by 6.6% to $39.0 billion. Deposits grew by 5.7% to $33.0 billion led by strong growth in registered deposits of 7.5% and term deposits of 5.6%. Brokered deposits accounted for 1.5% of total deposits.

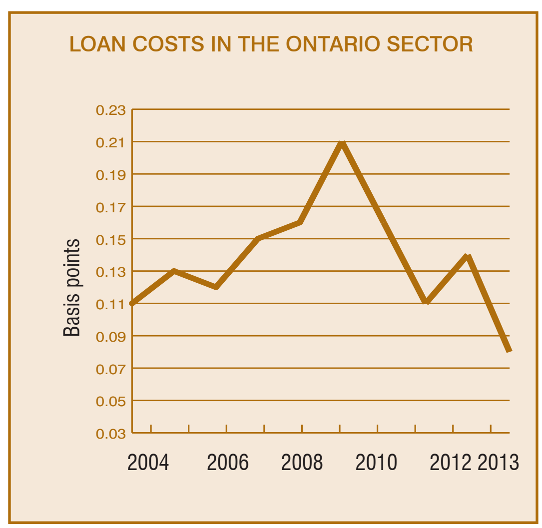


Total residential mortgage loans in 2013 reached $19.6 billion with securitizations accounting for $2.1 billion of the total. Growth, net of securitizations, was 8.4% in 2013 as compared to 7.5% in 2012.

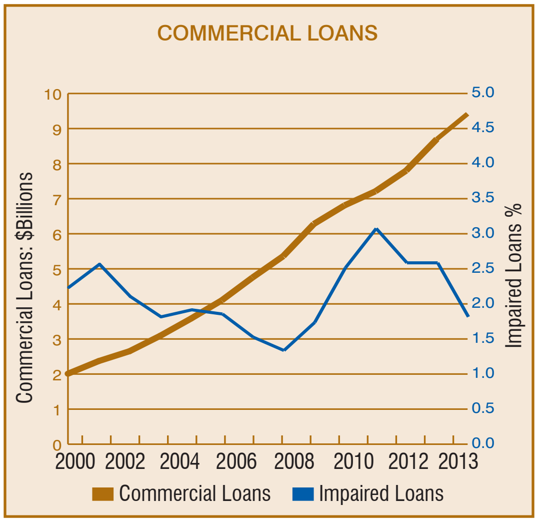
Commercial loan growth remained strong at 10% (10% in 2012), reaching $9.4 billion in 2013. While these loans generally have a better rate of return, they also bring an increased level of risk due to their unique and complex nature with respect to underwriting and the valuation of the underlying security pledged for the loan. The personal loan portfolio contracted in 2013 by 0.4% (1.2% in 2012) to $2.9 billion and continues to represent a declining proportion of the total loan portfolio of 9.0% in 2013, versus 9.7% in 2012, as members seek to reduce their unsecured debt load.



Throughout 2013, the sector's aggregate credit risk, as measured by aggregate loan costs and delinquency, remained relatively stable as market and economic conditions marginally improved. The coverage ratio (loan allowances as a percentage of impaired loans) has increased slightly to 38% compared to 37% in 2012. Gross delinquency greater than 30 days of 107 bp of total loans is unchanged from 2012, returning to levels experienced just prior to the recession. Loan costs also decreased significantly to 8 bp (14 bp in 2012). This improvement has had a positive impact on sector profitability.



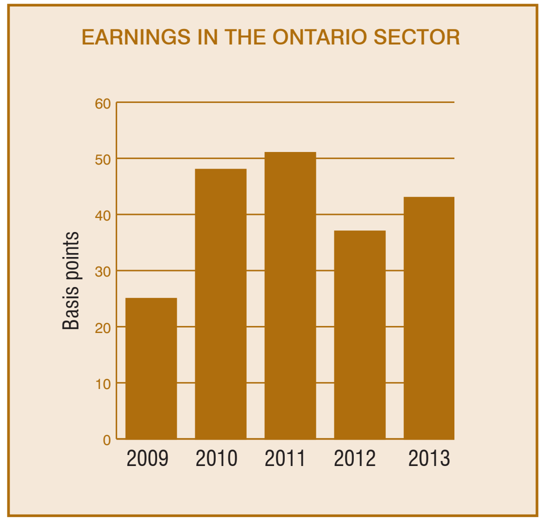
Delinquency levels and impairments in commercial lending are still a concern but are trending in a positive direction. Commercial loan delinquencies greater than 30 days improved to 180 bp from 203 bp in 2012. Commercial loan impairments decreased substantially to 179 bp of total loans from 260 bp in 2012.



At the end of 2013, liquidity continued to decrease to 11.0% compared to 12.8% in 2012 as the result of loan growth outpacing the growth in deposits. Aggregate capital remained unchanged at 7.2% of assets. Mortgage securitizations and the change in accounting for future employee benefit obligations were areas that continued to have the largest downward pressure on aggregate sector capital. Regulatory capital is comprised of retained earnings (62%), investment and patronage shares (35%) and membership shares (3%). All institutions met the prescribed statutory minimum capital requirements.

Profitability during 2013 increased to 43 bp from 37 bp in 2012. The low interest rate environment continued to constrain earnings which reduced income from loans and investments by 13 bp and limited the ability of institutions to improve their financial margin. To offset the lower income levels, institutions reduced interest paid to members on their deposits as well as non-interest expenses and continued to look for new sources of revenue.

Six institutions experienced operating losses during 2013. These institutions are being closely monitored to ensure that the underlying reasons for the losses are being rectified and sufficient capital is being injected by members to support their continued viability.



During 2013, DICO's adherence to the Standards of Sound Business and Financial Practices improved as measured by the results of the Examination program. At the end of the year, 114 institutions (97% based on assets), were in full compliance with all standards compared to 87% in 2012. Weakness in credit risk management remains the main cause of institutions not being in full compliance with the standard.

DICO's Differential Premium System (DPS) is based on the aggregate risk profiles of institutions using quantitative and qualitative factors for five key components - capital, asset quality, adherence to standards of sound business and financial practices, earnings, and interest rate risk.

The average premium rate improved to $1.12 in 2013 versus $1.15 in 2012 due to the improvements in governance scores and earnings. The following table indicates the aggregate DPS ratings at the end of 2013.

Annual Risk Premium Summary (as a percentage of total assets)						
Premium Rate *($ per $1,000)*	Risk Level	**2013**	2012	2011	2010	2009
1.00	Low	**35.0%**	30%	53%	47%	26%
1.15	Low +	**59.0%**	60%	34%	34%	53%
1.40	Moderate	**5.7%**	8%	10%	10%	16%
1.75	High	**0.2%**	2%	2%	8%	3%
3.00	High +	**0.1%**	0%	1%	1%	2%

In the context of a continuing low interest rate and competitive market environment, the Ontario credit union and caisse populaire sector has further consolidated and, at the same time, expanded services to communities and members across the province. Due to poor profitability or losses, future viability of some insured institutions continues to be a concern. However, notwithstanding, the sector remains stable and plays an important role in the financial and economic landscape in Ontario providing a cost effective banking alternative to Ontarians.

In 2013, DICO facilitated a review of the credit union and caisse populaire sector (Project Symphony) by engaging a consulting firm to propose options available to insured institutions to assist in the development of a sustainable future for the sector. The results of the review, which were shared with all institutions, are expected to promote meaningful dialogue between institutions and, where appropriate, may result in the strategic partnering of larger institutions and increased cooperation within the sector.

LEGISLATIVE AND REGULATORY DEVELOPMENTS

During 2013, DICO received eight applications relating to asset purchase and sales and three applications for approval to acquire or establish a subsidiary. Ten applications were approved with the remaining application pending.

When the revised *Credit Unions and Caisses Populaires Act, 1994* and regulations came into force October 1, 2009, credit unions and caisses populaires were provided with augmented capabilities to compete in the financial services marketplace.

In addition, DICO's role, responsibilities and powers were expanded to include solvency regulation with broader scope to protect depositors and members and to contribute to the stability of the sector. According to the Act (s. 334(1)), "the Minister shall appoint one or more persons to review the operation of this Act and the regulations and to make recommendations to the Minister".

We look forward to the opportunity of working with stakeholders in anticipation of a review of the *Credit Unions and Caisses Populaires Act*.

Information regarding DICO's regulatory powers and activities, including criteria, guides and service standards is available on its web site at www.dico.com.

2013 Financial Overview

This section provides a review of the Corporation's key financial performance for the fiscal year 2013. It should be read in conjunction with the Corporation's financial statements and notes which begin on page 32.

Highlights:

- Premium income was $25.6 million for the year, an increase of $0.4 million (1.7%) from 2012. The modest increase was mainly due to the growth of the sector's insured deposits, offset by the impacts of improved overall risk ratings as well as the change of fiscal periods and other transitioning adjustments as a result of the amalgamation of some member institutions during the year.
- Investment and other income was $1.7 million for the year, an increase of $0.4 million (36.7%) from last year. The increase was primarily the result of the growth in the investment portfolio.
- Operating expenses, before recoveries, were $8.6 million which were slightly less than last year by $0.05 million (0.5%). Recovery of operating expenses decreased by $0.4 million largely because of fewer institutions under DICO's intervention programs in 2013.
- Net provision for insurance losses for the year was $2 million as compared with a net recovery of insurance losses of $16 million last year. The provision was mainly due to the uncertainty of a litigation concerning a credit union in liquidation.
- The Deposit Insurance Reserve Fund (DIRF) was $164.7 million at December 31, 2013, an increase of $17.2 million (11.6%) over the 2012 fiscal year. The fund represents 68 bp of the sector's insured deposits, an improvement of 4 bp from 2012. The increase was primarily attributed to the controlled operating expense growth and minimized insurance losses.

Premium income

Premiums are based on the amount of insured deposits reported by insured institutions as of their fiscal year ends, calculated in accordance with the differential premium risk classification system (no change in rates for 2013, ranging from $1.0 to $3.0 per thousand of insured deposits).

Premium Class	**1**	**2**	**3**	**4**	**5**
Risk Rating	Low	Low +	Medium	High	High +
Premium Rate	$1.00	$1.15	$1.40	$1.75	$3.00

Premium income increased $433 thousand (1.7%) to $25.6 million in 2013 compared with $25.2 million a year ago. The increase was primarily due to the growth of the sector's insured deposits, offset by the improved differential premiums risk ratings for some institutions as well as the impact of the change of fiscal year end by some member institutions due to amalgamations during the year.

For the year ended December 31 ($ thousands)	**2013**	**2012**	**2011**	**Change from 2012**		**Plan 2013**
	$	$	$	$	%	$
Premium Income	**25,626**	25,193	24,342	433	1.7%	26,100
Average premium rate per thousand of insured deposits	**$1.12**	$1.15	$1.14	-$0.03	-2.6%	$1.13

Net provision (recovery) for deposit insurance losses

The provision for insurance losses represents the Corporation's best estimate of the losses it is likely to incur as of December 31, 2013. It includes the specific and general provision for insurance losses.

For the year ended December 31 ($ thousands)	2013	2012	2011	Change from 2012		Plan 2013
	$	$	$	$	%	$
Provision for current year losses	**3,516**	1,532	1,100	1,984	129.5%	5,000
(Recovery) of provision for prior's year losses	**(1,562)**	(17,569)	(1,197)	16,007	-91.1%	-
Net provision (recovery) for insurance losses for the year	**1,954**	(16,037)	(97)	17,991	-112.2%	5,000

The provision of $3.5 million in 2013 represents specific provisions for losses with respect to institutions placed in Liquidation. Recovery of provisions for prior year's losses amounted to $1.6 million which was largely due to the better than estimated loan and other recoveries from the estates of some dissolved institutions. The recovery also included a reduction in the general accrual for losses of $0.3 million to $3.2 million.

Operating expenses

For the year ended December 31 ($ thousands)	2013	2012	2011	Change from 2012		Plan 2013
	$	$	$	$	%	$
Gross operating expenses	**8,649**	8,696	8,673	-47	-0.5%	9,521
Recovery of operating expenses	**(469)**	(822)	(2,025)	353	-42.9%	(713)
Net operating expenses	**8,180**	7,874	6,648	306	3.9%	8,808

Gross operating expenses, including salaries and benefits, totaled $8.6 million for the year, slightly lower than last year's by $47 thousand (0.5%). Salaries and personnel related benefits decreased $39 thousand or 0.6% from 2012. The decrease was mainly due to the reduced accrual of employee retention plans for key personnel as the majority of the plans were fully provided for at the end of last year and the impact was partially offset by the nominal increase in salaries. Other operating expenses also decreased by $8 thousand (0.4%) compared with 2012. During the year, DICO successfully strengthened our internal examination resources and significantly reduced the third party examination costs by $236 thousand or 71%. The savings were mostly offset by unanticipated litigation costs ($218 thousand) regarding a counterclaim against the Corporation relating to the estate of a credit union being liquidated.

Recovery of operating expenses consisted mainly of administrative costs of managing the estates of institutions in Liquidation and fees charged to institutions in Supervision. The decrease of recoveries of $0.4 million in 2013 was due to fewer institutions being managed under Liquidation and other programs. As of the end of 2013, DICO managed 14 institutions in Liquidation, one in Supervision and none in Administration.

Statement of Financial Position

The Corporation's total assets grew to $177.6 million as at December 31, 2013, an increase of 9.4% over last year. The majority of DICO's assets are investments managed by the Ontario Financing Authority ("OFA").

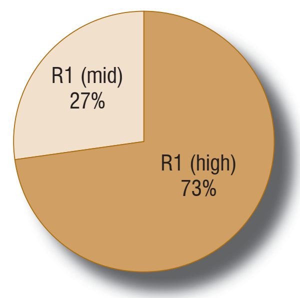
Investments

As at December 31, 2013, DICO's total investment portfolio under the OFA's management increased to $150.5 million, from $131.8 million as at December 31, 2012, an increase of $18.7 million or 14%.

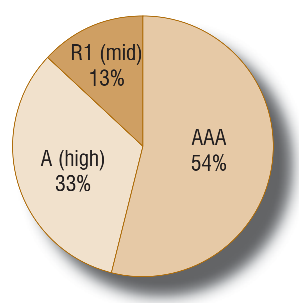
For the year ended December 31 ($ thousands)	December 31, 2013	December 31, 2012	December 31, 2011	Change from 2012		Plan 2013
	$	$	$	$	%	$
Current investments	**126,898**	119,986	92,294	6,912	6%	129,000
Non-current investments	**24,081**	12,476	0	11,605	93%	12,000
Total	**150,979**	132,462	92,294	18,517	14%	141,000

DICO's investment portfolio is the primary source of funds to meet potential deposit insurance claims from depositors in insured institutions. DICO's investment policy is formulated to ensure that the Corporation has the resources readily available to pay out insured deposits when warranted. Our key objectives are to achieve an appropriate balance between liquidity, investment security and yield, as well as compliance with the requirements of both the provisions of the *Income Tax Act* and Regulation 237/09 of the *Credit Unions and Caisses Populaires Act, 1994* (the "Act").

Current investments consisted of 67% Canadian government (federal and provincial) securities and 33% bankers' acceptances/deposit notes of Canadian chartered banks with terms less than 1 year. These investments have credit ratings of R-1 (mid) or higher.



Non-current investments consisted of government bonds laddered at various terms, from 6 months to a maximum of 3.25 years. These are all Canadian government bonds with credit ratings ranging from R-1 (mid) to AAA.



As at December 31, 2013 the effective yield of the current investments averaged 0.98% and the non-current investments (laddered bonds) averaged 1.39%. The weighted average effective yield of the total investments as at December 31, 2013 was 1.23% (2012 – 1.18%), with weighted average days to maturity of 157 days (2012 – 105 days). The Corporation's exposure to market, credit and interest rate risks is very minimal due to its conservative portfolio and relatively short-term duration.

Other non-current investments consisted of the CUCO Co-op Class B shares which were previously held by a number of credit unions in liquidation. DICO purchased these shares in order to facilitate the orderly liquidation of these estates. Total fair market value of these purchased shares was $473 thousand as at December 31, 2013.

All investments are classified as available-for-sale. The investments are measured at fair value at the end of the reporting period with unrealized gains and losses recorded in other comprehensive income until realized or sold.

Deposit insurance advance recoverable

DICO is responsible under the Act to pay deposit insurance claims from depositors up to statutory limits when the insured institution is no longer able to meet its obligations to depositors. Provisions for losses are estimated based on the net costs to DICO's insurance fund after the anticipated realization of assets and other recoveries of the failed institution. When funds advanced in respect of deposit insurance claims are in excess of the estimated loss provision at the end of the reporting period, the balance is reported as deposit insurance advance recoverable on the Statement of financial position.

After recording provisions and recoveries for insurance losses for the year, the deposit insurance advance recoverable balance was reduced to $20.9 million (2012: $22.8 million) as at December 31, 2013, a net change of $1.9 million from last year.

Accrual for deposit insurance claims

The accrual for deposit insurance claims represents the amount of losses recorded in the year and in previous years which have not been advanced at the date of the Statement of Financial Position. The total includes both provisions for specific losses and a general accrual for losses. As of December 31, 2013 total accruals amounted to $3.5 million, of which $3.2 million represented the general accrual for losses and the balance of $0.3 million represented the accruals of specific provisions. The general accrual for losses of $3.2 million (2012-$3.5 million) reflects management's best estimate of losses on insured deposits arising from the inherent risk in insured institutions.

Employee benefits

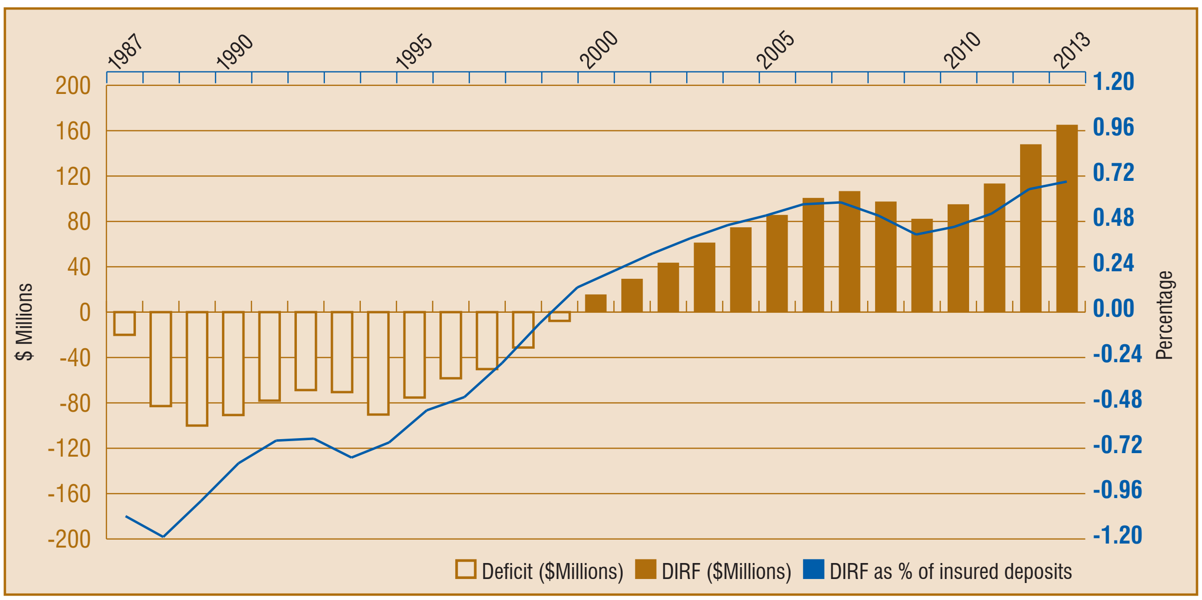
As at December 31, 2013 the accrued non-current employee benefits increased $251 thousand or 5% from 2012 to a total of $5.5 million which includes DICO's pension plans, future non-pension post-retirement benefit plan and key management personnel retention plans. The future non-pension post-retirement benefit plan is a defined benefit plan funded on a pay-as-you-go basis by contributions from DICO. The benefits include extended health, dental and life benefits for both eligible active employees and existing qualified retirees. The actuarial valuation of the future benefits obligations as at December 31, 2013 was carried out by an independent actuary, using the projected unit credit method. On January 1, 2012, DICO adopted the amended International Accounting Standard 19 (June 2011) ("IAS 19R") which requires any actuarial gains and losses from remeasurement of defined benefit plan assets and liabilities to be presented in the Other Comprehensive Income ("OCI") section of the statement of comprehensive income. The transition to the OCI approach was recognized on January 1, 2011 with all unrecognized actuarial gains and losses and past service costs reflected in the Deposit Insurance Reserve Fund as at that date as a one-time transition adjustment. The disclosures of the year end obligations and the related service and interest costs are detailed in note #9 of the appended Notes to Financial Statements.

Deposit Insurance Reserve Fund (DIRF)

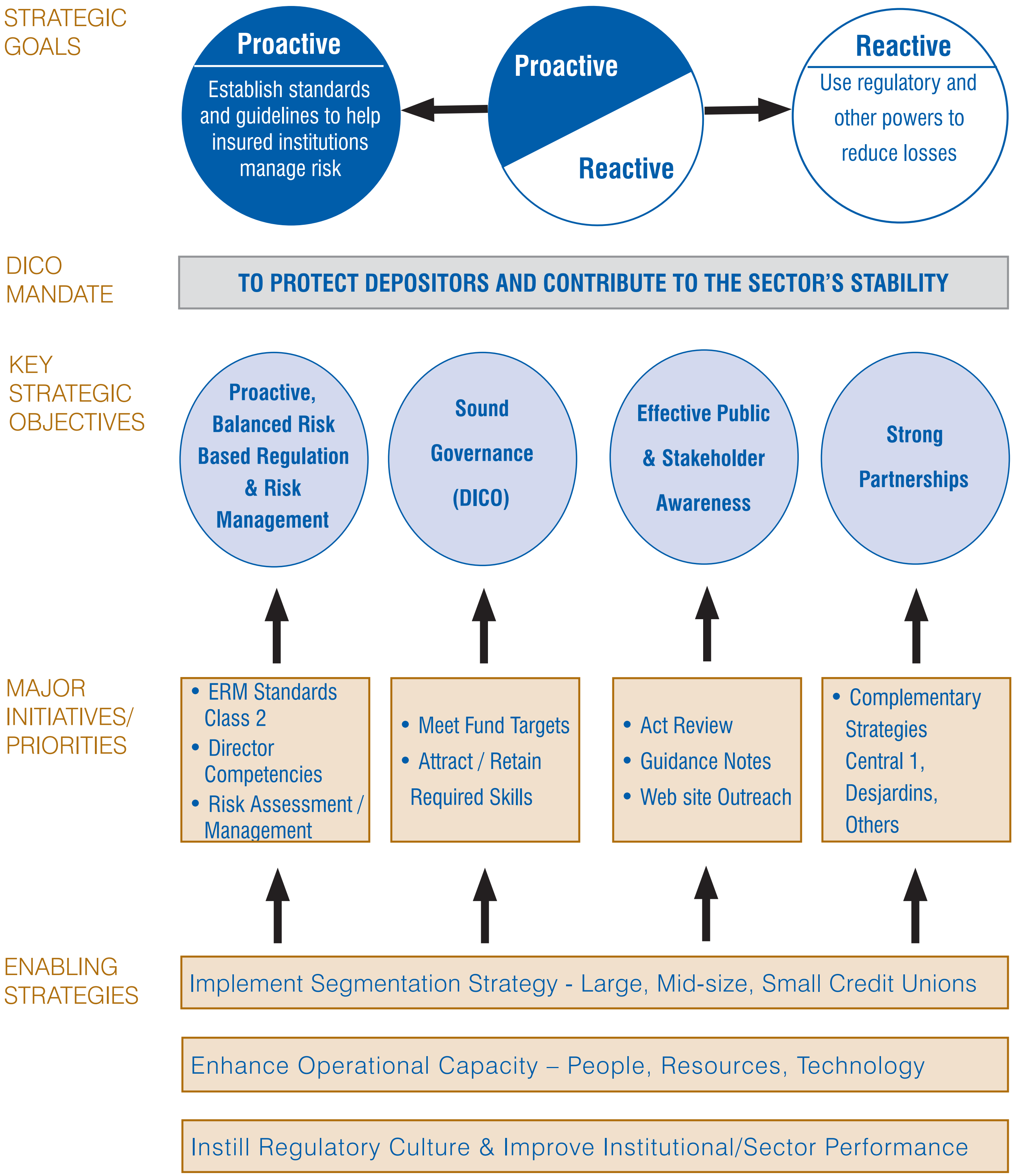
DICO is responsible for providing insurance against the loss of part or all of insured deposits with Ontario credit unions and caisses populaires. One of the primary mechanisms to ensure that deposit funds are well insured is the maintenance of a Deposit Insurance Reserve Fund ("DIRF"). In order to ensure that the DIRF is sufficient to cover its insurance risks, DICO evaluates the adequacy of the fund and of its liquidity requirements on a regular basis. DICO, with the assistance of an actuarial consulting firm, has developed a sophisticated model to determine the appropriate range of the fund size based on a number of principles, assumptions and other factors which include criteria such as the risk profile of insured institutions, economic conditions, premium revenue, interest rates, loss history, risk migration and sector growth. The assumptions and other factors used in the model are updated regularly to account for changes in the sector's environment.

For the year ended December 31 ($ thousands)	**2013**	**2012**	**2011**	**Change from 2012**		**Plan 2013**
	$	$	$	$	%	$
DIRF	**164,684**	147,531	112,960	17,153	11.6%	161,123
% of Sector Insured Deposits	**0.68%**	0.64%	0.51%	-	0.04%	0.67%
Estimated Sector Insured Deposits ($billions)	**24.3**	23.1	22.3	1.2	5.2%	24.0

In 2013, DICO reviewed and established a new reserve fund target of 100 bp of the sector's insured deposits to be achieved by 2020. As at December 31, 2013, the DIRF reached $164.7 million, up $17.2 million or increased 11.6% from a year ago. It represented 68 bp of the sector's estimated insured deposits, 4 bp better than last year. The increase was largely attributable to the controlled operating expenses and measures taken to minimize insurance losses for the year.



DICO's Strategic Plan 2014-2016



DICO's Risk Management

DICO's risks are managed in the context of our Enterprise Risk Management Framework (ERM) – a well defined set of Board approved risk management policies and practices, including a clearly defined risk appetite, to ensure that the Board, the Risk Oversight Committee of the Board and management understand and respond to the risks to which we are exposed. The ERM is reviewed in detail annually and is a primary driver in the development of DICO's operational business plan and budget each year.

Overview of DICO's Assessment of Significant Risks	
Description of Risk	**Risk Level/ Direction**
Deposit Insurance and Regulatory Risks:	
Risk Assessment (Monitoring Risk): The risk that DICO does not promptly or systematically identify insured institutions that pose an unacceptable level of insurance risk resulting in financial loss.	MODERATE ↔
Risk Management (Intervention Risk): The risk that DICO does not take appropriate action with respect to an unacceptable level of insurance risk posed by an insured institution resulting in financial loss including: • Risk Management Risk • Capital Adequacy Risk • Systemic Risk • Public Confidence Risk	MODERATE ↔
Failure Resolution Risk: The risk that DICO fails to take appropriate action to manage institutions under Administration or does not take appropriate action to manage the process of failure resolution of an institution resulting in increased financial loss and/or loss of reputation including: • Loss Management Risk • Bonding Insurance Risk • Litigation Risk • Failure Resolution Risk	LOW ↔
Regulatory Risks: The risk that DICO fails to meet its regulatory responsibilities as solvency regulator including: • Prudential Standards Risk • Non-Compliance Risk	LOW ↔
DICO's Corporate Risks	
Strategic Risks: The risk that the Board and senior management will select inappropriate long term strategies, fail to provide leadership or not properly implement strategies that may increase exposure to the Corporation including: • External Influence Risk • Strategic Direction Risk • Reputation Risk • Communications Risk • Public Policy Risk	LOW ↔
Operational Risks: The risk that the Corporation fails to maintain appropriate internal operations and controls so that it does not incur reputational and/or financial losses including: • Business Continuity Risk • Liability/Litigation Risk • Health & Safety Risk • Technology & Technology Support Risk • Information Security Risk • Social Media Risk • Outsourcing Risk • Human Resources Risk	LOW / MODERATE ↓
Financial Risks: DICO's risk of loss associated with managing its assets and liabilities including: • Adequacy of the Deposit Insurance Reserve Fund Risk • Adequacy of DICO's Provisions • Liquidity Risk • Investment / Market Risk • Internal Controls Risk	LOW / MODERATE ↔
Compliance Risks: DICO's risk of loss resulting from failure to comply with all applicable legislation and directives including: • Legislation Risk • Income Tax Act Risk • Directive Risk • Policy Risk	LOW ↔

Balanced Scorecard Overview 2013-2016

▲ Planned progress on schedule and within budget
▼ Slippage in terms of time to completion and/or budget variances
► In progress or deferred

DICO's Mission: To protect depositors and contribute to the stability of the Ontario Credit Union and Caisse Populaire sector

Strategic Objectives	2013 Results	2014-2016 Planned Key Initiatives	Key Performance Indicators
PROACTIVE AND BALANCED RISK-BASED REGULATION AND RISK MANAGEMENT DICO must continually stay alert to indicators of risk and the emergence of new risks so that it can respond quickly to manage insurance risk. The Corporation is focused on continuing to build its strength in risk assessment, risk management, loss management and in its regulatory role.	**Risk and Regulatory Compliance Assessment**		
	• Introduce requirements for Class 2 institutions with assets <$250 M ▲ • High risk /non-compliant institutions identified within 30 days of reporting/examinations ▲ • Introduce stress testing requirements and provide tools ▲ • Update examination program to assess compliance with ERM and director training competency guidelines ▲ • Enhanced monitoring systems and risk assessments to include emerging risks ▲	• New early warning systems (flags) • Expanded evaluation of sector risks • Continue to strengthen in-house examination capacity • High risk/non-compliant institutions identified within 30 days of reporting/ examinations • ERM for all Class 2 insured institutions	• Compliance with regulations and standards of Sound Business & Financial Practices • Timely identification of non-compliance and high risk institutions
	Risk Management		
	• All institutions meeting defined criteria in appropriate program ▲	• Assign high risk institutions to appropriate programs • Document all risk management processes	• All institutions in appropriate programs based on risk profiles • Improvement of risk profiles for institutions in Supervision
	Failure Resolution		
	• Large institution failure resolution strategies in place ▲ • Public confidence maintained ▲ • Losses minimized ▲	• Appropriate failure resolution strategies employed • Continuation of services for members and depositors • Mitigate losses to DIRF	• Institutions in appropriate programs based on defined criteria • Public confidence maintained • Losses minimized
	Depositor Payouts and Liquidations		
	• Timely depositor pay outs ▲ • Timely, accurate completion of liquidations ▲ • Maximized collections and recoveries from legal actions ▲	• Timely depositor payouts • Timely, accurate completion of liquidations • Maximize collections and recoveries from legal actions	• Depositors paid within 30 days • Recoveries maximized • Public confidence maintained

Strategic Objectives	2013 Results	2014-2016 Planned Key Initiatives	Key Performance Indicators
SOUND CORPORATE GOVERNANCE To maintain stakeholder and public confidence DICO must demonstrate that it is governed and managed in an efficient and effective way. To achieve this DICO will maintain sound governance, manage its significant risks (ERM) and work to ensure that sufficient funds are available to protect depositors.	**Regulatory Actions**		
	• Regulatory orders and approvals issued as needed ▲ • Service standards met ▲ • Webinars for management and directors of insured institutions ▲	• Issue orders as required • Publish Guidelines & Guidance Notes • New/revised Self-Assessment Workbook, Examination Guide, Process Guides • Webinars for management and directors of insured institutions	• Service standards met for Regulatory approvals • Effective governance • Consistent application • Transparent processes • Improved understanding and compliance
	Sound Governance		
	• Compliance with Act, Directives and policies ▲ • Net operating expenses $8.2 M or $0.6 M under budget ▲ • HR & IT strategies in place ▲ • Ombudsman function in place ▲ • Risk based Internal Audit ▲	• Compliance with Act and policies • Compliance with all laws and Directives and DICO policies • Net operating expenses $9.7 M • HR & IT strategies in place • Ombudsman function in place	• Meeting corporate objectives • Compliance with statutes, Directives and Policies • Budget targets met • Internal staff resources strengthened • Effective complaints mechanism
	Effective Enterprise Risk Management (ERM)		
	• ERM updated and expanded ▲	• ERM continually updated and improved	• Identification and management of all material risks • Integration of ERM with Business Plan and Budget
	Adequate Deposit Insurance Reserve Fund		
	• DIRF at $164.7 M (68 bp) ahead of the $161.1 M target for the year ▲ • $400 M Provincial Line of Credit in place until December 2018 ▲ • Premium recommendation to the Minister ▲ • Discussion paper released on proposed revisions to DIRF target ▲	• 2014 year end DIRF projected at $179.0 M or 71 bp of insured deposits • 2015 year end DIRF projected at $195.7 M or 74 bp of insured deposits • 2016 year end DIRF projected at $215.4 M or 79 bp of insured deposits • Implement revised Differential Premium System • Finalize DIRF target range and strategy	• Minimum fund targets achieved • Appropriate liquidity to meet insurance/ dissolution needs • Preservation of capital and rate of investment return

Strategic Objectives	2013 Results	2014-2016 Planned Key Initiatives	Key Performance Indicators
EFFECTIVE PUBLIC AND STAKEHOLDER AWARENESS DICO must ensure that the public and other stakeholders have ready access to deposit insurance information and a clear & transparent understanding of DICO's role, standards & actions.	**Comprehensive Web site**		
	• Web site continually updated • Accessibility software added to web site for people with disabilities	• Update Q&As for consumers • Implement accessibility software	• Transparency and accessibility of all appropriate information
	Toll-free Information Service		
	• Toll-free help line in place	• Maintain bilingual help line	• Utilization and response times
	Point of Sale Consumer Information		
	• Point of sale information available for all institutions • Quick Reference Guides for front line staff	• Revised Information Brochure • Expanded Quick Reference Guides for front line staff and on-line webinar	• Informative Brochures • Decals • Quick Reference Guides
	Communications		
	• Communications plan in place • Annual Meeting April 11 • Regular Sector Releases, Sector Outlooks etc. • Timely Webinars on current topics • Large CU GTA meeting - DICO's Board / Mgt. and CU / CP stakeholders • Positive feedback	• Continually updated communication strategy • Annual Meeting (April 24) • Timely webinars on current topics • Timely publication of sector information	• Consistent messages from DICO • Effective annual / regional meetings • Stakeholder feedback
STRONG PARTNERSHIPS To have the most expertise and impact DICO needs to work effectively with the government, sector / stakeholder representatives and other national and international deposit insurers.	**Strategic Alliances**		
	• Memoranda of understanding in place with strategic partners • Effective working relationships	• Maintain MOUs and effective working relationships	• Partners' (stakeholders and DICO's) satisfaction - feedback
	Stakeholder Relations		
	• Facilitated "Project Symphony" discussion on sector sustainability • Consultations process on Differential Premium System, etc. • Advisory Committees and Working Groups	• Work with Alliance of Larger Ontario Credit Unions and other stakeholders to implement recommendations • Advisory Committees and Working Groups • Consultation on all significant issues • Annual Meeting April 24	• Monitor sustainability of the sector • Partners (Stakeholders and DICO's) satisfaction - feedback • Awareness of stakeholder issues and support for DICO's initiatives

Management's Responsibility for Financial Statements

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the annual financial statements and all other information included in the annual report. The financial statements have been prepared in conformity with International Financial Reporting Standards.

The Corporation maintains systems of internal accounting controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that the Corporation's assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit and Finance Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by KPMG LLP, whose report follows.

Andrew (Andy) Poprawa, CPA, CA, C.Dir.
President & CEO

James Maxwell, CHRP, FLMI
Chief Administrative and Financial Officer

Toronto, Canada

March 19, 2014

Independent Auditors' Report

KPMG LLP

To the Board of Directors of Deposit Insurance Corporation of Ontario:

We have audited the financial statements of Deposit Insurance Corporation of Ontario ("the Corporation"), which are comprised of the Statement of Financial Position as at December 31, 2013, and the Statement of Operations and Changes in the Deposit Insurance Reserve Fund, Comprehensive Income, Statement of Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation of Ontario as at December 31, 2013 and the results of its financial performance and cash flows for the year ended December 31, 2013 in accordance with International Financial Reporting Standards.

Chartered Professional Accountants,
Licensed Public Accountants

March 19, 2014
Toronto, Canada

Statement of Financial Position

(in thousands of dollars)	*Notes*	**December 31, 2013**	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		**$ 2,286**	$ 2,284
Investments	*5*	**126,898**	119,986
Premiums receivable		**1,777**	3,050
Prepaid expenses and other receivables		**603**	729
Total current assets		**131,564**	126,049
Non-current assets			
Investments	*5*	**24,081**	12,476
Deposit insurance advances recoverable	*6*	**20,864**	22,753
Property, plant and equipment	*7*	**417**	445
Intangible assets	*8*	**662**	666
Total non-current assets		**46,024**	36,340
Total assets		**$ 177,588**	$ 162,389
LIABILITIES			
Current liabilities			
Payables and accruals		**$ 602**	$ 803
Deferred premium income		**2,477**	3,436
Total current liabilities		**3,079**	4,239
Non-current liabilities			
Payables and accruals		**969**	952
Employee benefits	*9*	**5,526**	5,275
Accrual for deposit insurance claims	*6*	**3,451**	4,768
Total non-current liabilities		**9,946**	10,995
Total Liabilities		**$ 13,025**	$ 15,234
EQUITY			
Accumulated other comprehensive loss		**$ (121)**	$ (376)
Deposit Insurance Reserve Fund		**164,684**	147,531
Total Equity		**$164,563**	$ 147,155
Total Liabilities and Equity		**$177,588**	$ 162,389

See accompanying notes to financial statements.

On behalf of the Board:

Director Director

Statement of Operations and Changes in the Deposit Insurance Reserve Fund

(in thousands of dollars)		Year ended December 31,	
	Notes	**2013**	2012
INCOME			
Premium income	*4*	**$ 25,626**	$ 25,193
Other income		**1,661**	1,215
		27,287	26,408
EXPENSES			
Salaries and benefits		**6,406**	6,445
Operating expenses		**2,243**	2,251
Recovery of operating expenses		**(469)**	(822)
		8,180	7,874
Excess of income over operating expenses		**19,107**	18,534
Net provision (recovery) for insurance losses	*6*	**1,954**	(16,037)
Excess of income over total expenses		**17,153**	34,571
Deposit Insurance Reserve Fund, beginning of year		**147,531**	112,960
Deposit Insurance Reserve Fund, end of year		**$ 164,684**	$ 147,531

See accompanying notes to financial statements.

Statement of Comprehensive Income

(in thousands of dollars)	Year ended December 31,	
	2013	2012
Excess of income over total expenses	**$ 17,153**	$ 34,571
Other comprehensive income:		
Unrealized gains on available-for-sale investments arising during the year	**62**	83
Unrealized gains (losses) on available-for-sale investments acquired from liquidated institutions arising during the year	**(93)**	75
Actuarial gains on post-retirement, non-pension benefits arising during the year	**286**	(189)
Total other comprehensive income (loss)	**255**	(31)
Comprehensive income	**$ 17,408**	$ 34,540

Statement of Accumulated Other Comprehensive Income

(in thousands of dollars)	Year ended December 31,	
	2013	2012
Accumulated other comprehensive income (loss), beginning of year	**$ (376)**	$ (345)
Sale of available-for-sale investment from opening balance of accumulated other comprehensive income	**(200)**	(91)
Unrealized gains on available-for-sale investments arising during the year	**216**	174
Unrealized gains (losses) on available-for-sale investments acquired from liquidated institutions arising during the year	**(47)**	75
Actuarial gains (losses) on post-retirement, non-pension benefits arising during the year	**286**	(189)
Net change during the year	**255**	(31)
Accumulated other comprehensive loss, end of year	**$ (121)**	$ (376)

See accompanying notes to financial statements.

Statement of Changes in Equity

(in thousands of dollars)	Actuarial loss on post-retirement, non-pension benefits *	Unrealized gains (losses) on available-for-sale investments *	Deposit Insurance Reserve Fund	Total equity
Balance at January 1, 2012	$ (561)	$ 216	$ 112,960	$ 112,615
Total comprehensive income for the year:				
Excess of income over total expenses			34,571	34,571
Other comprehensive income:				
Net change in fair value of available-for-sale investments		83		83
Net change in fair value of available-for-sale investments acquired from liquidated institutions		75		75
Net change in fair value of post-retirement, non-pension benefits	(189)			(189)
Total comprehensive income (loss) for the year	(189)	158	34,571	34,540
Balance at December 31, 2012	**$ (750)**	**$374**	**$ 147,531**	**$147,155**
Balance at January 1, 2013	$ (750)	$ 374	$ 147,531	$ 147,155
Total comprehensive income for the year:				
Excess of income over total expenses			17,153	17,153
Other comprehensive income:				
Net change in fair value of available-for-sale investments		62		62
Net change in fair value of available-for-sale investments acquired from liquidated institutions		(93)		(93)
Net change in fair value of post-retirement, non-pension benefits	286			286
Total comprehensive income (loss) for the year	286	(31)	17,153	17,408
Balance at December 31, 2013	**$ (464)**	**$ 343**	**$ 164,684**	**$164,563**

* Accumulated other comprehensive income

See accompanying notes to financial statements.

Statement of Cash Flows

(in thousands of dollars)	*Notes*	Year ended December 31, 2013	2012
Cash flows from operating activities:			
Excess of income over total expenses		**$ 17,153**	$ 34,571
Adjustments for:			
Provision (Recovery) of losses		**1,954**	(16,037)
Loss on disposal of property, plant and equipment		**1**	-
Unrealized gains (losses) on available-for-sale investments arising during the year		**(31)**	158
Actuarial gains (losses) on post-retirement, non pension benefits arising during the year		**286**	(189)
Depreciation of property, plant and equipment	*7*	**146**	159
Amortization of intangible assets	*8*	**138**	129
		19,647	18,791
Changes in:			
Premiums receivable		**1,273**	952
Prepaid expenses and other receivables		**126**	273
Payables and accruals		**(184)**	173
Deferred premium income		**(959)**	(742)
Employee benefits		**251**	766
		507	1,422
Net deposit insurance (advances) recoveries	*6*	**(1,382)**	20,099
		18,772	40,312
Cash flows from investing activities:			
Interest received		**1,531**	1,043
Purchase of investments held at year end		**(150,979)**	(132,462)
Proceeds on sale of investments		**130,931**	91,768
Purchase of property, plant and equipment	*7*	**(119)**	(87)
Purchase of intangible assets	*8*	**(134)**	-
		(18,770)	(39,738)
Net increase in cash and cash equivalents		**2**	574
Cash and cash equivalents, beginning of year		**2,284**	1,710
Cash and cash equivalents, end of year		**$ 2,286**	$ 2,284

Cash and cash equivalents comprise cash and short-term investments.

See accompanying notes to financial statements.

1. REPORTING ENTITY

Deposit Insurance Corporation of Ontario ("DICO" or "the Corporation") is an "Operational Enterprise" Agency of the Province of Ontario established without share capital under the provisions of the *Credit Unions and Caisses Populaires Act, 1994* ("the Act").

The statutory objects of the Corporation under the Act are to:

- provide insurance against the loss of part or all of deposits with credit unions;
- promote and otherwise contribute to the stability of the credit union sector in Ontario with due regard to the need to allow credit unions to compete effectively while taking reasonable risks;
- pursue the objects set out in the above clauses for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Corporation to loss;
- collect, accumulate and publish such statistics and other information related to credit unions as may be appropriate;
- perform the duties provided under this Act or the regulations or do anything the Corporation is required or authorized to do under this Act or the regulations; and
- carry out such other objects as the Minister may specify in writing or as may be prescribed.

The Act empowers the Corporation to assess its insured institutions deposit insurance premiums to meet the Corporation's requirements for insurance funding and administrative costs. The premium rates are set out in the regulation to the Act. The Corporation reviews the adequacy of the premium rate annually and advises the government accordingly.

The Minister of Finance provides DICO with a $250 million line of credit with the Ontario Financing Authority (OFA) which expired on December 31, 2013. Effective January 1, 2014 a new revolving credit facility agreement is in place with an extension to a further five year period and an increase in the amount to $400 million. Under the current revolving credit facility arrangement, interest cost on any outstanding debt obligation is charged at an annual rate equal to the province's cost of funds for borrowings with a three month term, determined by the OFA at the time of the borrowing, plus an additional 0.40 percent per annum (0.575 percent per annum under the new agreement).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The fiscal year ended December 31, 2013 represents the Corporation's third annual reporting period under IFRS. These financial statements were approved by the Board of Directors on March 19, 2014.

(b) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost basis, except for the financial instruments classified as available-for-sale, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in the Corporation's functional currency which is the Canadian dollar. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant areas of assumptions and judgments are disclosed in provisions for losses (note 6) and measurement of accrued benefit obligations relating to future non-pension post-retirement benefits (note 9).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

To facilitate a better understanding of our financial statements, the Corporation has disclosed its significant accounting policies as summarized below. These policies have been applied consistently to all periods presented in the financial statements unless otherwise indicated.

(a) Premium income:

Premiums are based on a Differential Premium Risk Classification System, as defined by regulation applied to insured deposits held by insured institutions. Premium income is calculated based on the Annual Institution Return submitted by the insured institution, which is due 75 days after its fiscal year end. Premium income is recognized when earned.

(b) Provision for losses:

The provision for losses includes allowances against deposit insurance advances to insured institutions in liquidation and an accrual for losses for which advances have not been made at the date of the statement of financial position.

Funds advanced in respect of deposit insurance and loans to insured institutions are initially recorded at cost. Deposit insurance advances recoverable are presented on the statement of financial position, net of allowances thereon.

The accrual for deposit insurance claims includes both provisions for specific losses and a general accrual for losses. Specific provisions for losses in respect of insured deposits are estimated by management and recorded when conditions exist, in management's opinion, that will likely result in losses to the Corporation.

The general accrual for loss reflects management's best estimate of losses on insured deposits arising from the inherent risk in insured institutions. The provision is established by assessing the aggregate risk in insured institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates. A new methodology was developed by management which evaluates all institutions with the highest risk score under our current prospective risk rating system.

The methodology incorporates various iterations and key assumptions, such as historical probabilities of failures (from the Deposit Insurance Reserve Fund "DIRF" model) and actual probabilities of failure when possible. The model also categorizes the institutions based on asset size and discounts the estimated loss to the next 12 month period. Model results are then considered along with the level of the existing allowance, as well as management's judgement regarding economic and market conditions to come to a final determination of what the general accrual for loss should be.

(c) Employee benefits:

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into an independent entity and will have no legal or constructive obligation to pay further amounts. DICO's defined contribution pension plan covers all of DICO's regular, non-contractual employees. As well, there are supplemental arrangements which provide pension benefits for income in excess of registered pension plan limits. Earnings are charged with the cost of pension benefits earned by employees as service is rendered. Pension expense is determined by a fixed percentage of the employees' income plus the matching of the employees' contribution to a maximum of 4%. The Corporation assumes no actuarial or investment risk.

(ii) Defined benefit plans

The Corporation provides future non-pension post-retirement benefits which relate to DICO's extended health, dental and life benefits for both active employees for whom a full eligibility date was determined and existing qualified retirees. The Corporation accrues obligations under these plans as the employees render the service necessary to earn the future benefits and the benefit is discounted to determine its present value. There are no assets set aside to fund the benefits. The accrued benefits obligation is calculated annually by a qualified actuary using the projected unit benefit method prorated on service. In June 2011, the International Accounting Standards Board ("IASB") amended IAS 19- Employment Benefits, which applies to defined benefit plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach), require changes from remeasurement of defined benefit plan assets and liabilities to be recognized in full in the statement of other comprehensive income ("OCI"), and require additional disclosures. The amendments are effective for fiscal years beginning on or after January 1, 2013 but may be applied earlier.

The Corporation elected to apply this amendment effective January 1, 2012. The transition to the OCI approach was recognized on January 1, 2011 with all unrecognized actuarial gains and losses and past service costs reflected in the DIRF as at that date as a one-off transition adjustment.

(iii) Other long-term employee benefits

The Corporation's other obligation in respect of long-term employee benefits is the amount of retention benefits accrued for some key employees. The plans are designed to ensure the retention of key personnel to provide sufficient time for effective succession planning. Acceptance of the benefits is voluntary and the probabilities of acceptance are estimated at the end of the reporting period. The benefits are discounted to their present value if they are payable more than 12 months after the reporting period.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Corporation recognizes the unused entitlement of compensated vacations that has accumulated at the end of the reporting period as accrued short-term benefits.

(d) Financial instruments:

DICO's investments are non-derivative financial assets and are classified, based on management's intentions, as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in OCI and presented within equity. When an investment is derecognized/sold, the cumulative gain or loss in OCI is transferred to Statement of Operations.

(e) Property, plant and equipment:

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated amortization and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to a working condition for their intended use, including the borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on a net basis within the other income category. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(ii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation of furniture and equipment is provided by the diminishing-balance method at the rate of 20 % per annum. Computer and related equipment and software are amortized over three years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(f) Intangible assets:

The internally developed web-based software tool for electronic filing of financial data by the insured institutions is recorded as an intangible asset. The expenditure capitalized includes the direct cost of specialized and licensed software and direct labour costs that are attributable to preparing the asset for its intended use. The subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. The capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is recognised in Statement of Operations on a straight-line basis over the estimated useful life of seven years from the date that the assets are available for use.

(g) Lease payments:

Payments made under operating leases are recognized in Statement of Operations on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(h) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in Statement of Operations except for items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. PREMIUM INCOME

($000)	2013	2012
	$25,626	$25,193

Differential premiums are calculated based on the amount of each institution's insured deposits at the end of its fiscal year and on various risk criteria which generate a risk rating based on a points system. The higher the points, the lower the premium rate. The effective rates (per $1,000 of insured deposits) are as follows:

Class	Points	Rate
1	85	$1.00
2	70-84	$1.15
3	55-69	$1.40
4	40-54	$1.75
5	<40	$3.00

At December 31, 2013 DICO has deferred premium income of $2,477,000 (2012 - $3,436,000), which represents the balance of pro-rated premiums for the insured institutions whose fiscal year straddles DICO's fiscal year end.

5. INVESTMENTS

	December 31, 2013			December 31, 2012		
	Amount ($ thousands)	Weighted Average Effective Yield	Weighted Average Days to Maturity	Amount ($ thousands)	Weighted Average Effective Yield	Weighted Average Days to Maturity
Treasury bills - Canada and Ontario	$ 65,979	0.93%	88	$ 57,850	0.98%	88
Bankers' acceptances / Bank deposit notes	$ 41,953	1.10%	49	55,434	1.08%	25
Ontario Infrastructure and Land Corp.	$ 18,966	1.05%	62	6,702	1.01%	15
Total current investments	**$ 126,898**	**0.98%**	**71**	**$ 119,986**	**1.00%**	**55**
Laddered government bonds	$ 23,608	1.39%	619	$ 11,835	1.34%	616
CUCO Co-op Class B investment shares (acquired from liquidated institutions)	$ 473			$ 641		
Total non-current Investments	**$ 24,081**			**$ 12,476**		
Total Investments	**$ 150,979**			**$ 132,462**		

The Corporation's current and non-current investments are classified as available-for-sale and are measured at fair value with unrealized gains and losses recorded in the Statement of Accumulated Other Comprehensive Income until the investment is sold.

As of December 31, 2013, the current, highly liquid investments have a weighted-average yield of 0.98% (2012: 1.00%). The non-current investments are the laddered government bonds with a remaining weighted average term to maturity of greater than one year. The weighted average yield of these investments averaged 1.39% (2012: 1.34%). The Corporation has contracted with the OFA to manage its investment portfolio. The composition of DICO's investments reflects the nature of the Corporation's potential insurance obligations and is structured to comply with the requirements under both the *Income Tax Act*, the *Credit Unions and Caisses Populaires Act*, 1994 and Regulation 237/09.

During the year, in order to facilitate the orderly wind-down of some credit unions in liquidation, DICO purchased the CUCO Co-op Class B shares held by these credit unions at the carrying value of $25,000 (2012 - $49,000).

Fair value hierarchy:

The Corporation uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. As of December 31, 2013, the Corporation's financial instruments were valued as follows:

Available-for-sale financial assets:

($ thousands)	2013	2012
Level 1	**$ 150,506**	$ 131,821
Level 2	**$ 473**	$ 641
Level 3	**-**	-
Total	**$ 150,979**	$ 132,462

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. DEPOSIT INSURANCE ADVANCES RECOVERABLE AND ACCRUAL FOR DEPOSIT INSURANCE CLAIMS

The provision for losses includes specific provisions for known or likely losses from specific insured institutions not included in their financial statements and a general accrual for losses not identified with specific institutions. That portion of the provision for losses recorded in the year and in previous years which has not yet required payment by the Corporation is shown in liabilities on the statement of financial position as "Accrual for deposit insurance claims". When funds advanced in respect to deposit insurance claims are in excess of the estimated loss provision at the end of the reporting period, the balance is reported as "Deposit Insurance advances recoverable" on the statement of financial position.

Specific provisions for losses in respect of insured deposits are estimated by management and recorded when conditions exist, in management's opinion, that will likely result in losses to the Corporation.

The general accrual for losses included in "Accrual for deposit insurance claims" is $3,200,000 at December 31, 2013 (2012 - $3,500,000) and is calculated in accordance with the methodology as described in note 3(b).

	2013			2012		
($ thousands)	**Deposit Insurance Advances Recoverable**	**Accrual for deposit insurance claims**	**Net**	Deposit Insurance Advances Recoverable	Accrual for deposit insurance claims	Net
Balance at beginning of year	22,753	(4,768)	17,985	27,333	(5,286)	22,047
Net change during the year :						
Increase in specific provisions for current year losses	-	(50)	(50)	-	(1,500)	(1,500)
Reduction in General accrual for the year	-	300	300	-	1,500	1,500
Net change in specific provisions for prior years' losses booked and advanced	(2,204)	-	(2,204)	16,037	-	16,037
Total net (accrual) / recovery for insurance losses	**(2,204)**	**250**	**(1,954)**	**16,037**	**-**	**16,037**
Total cash advances for losses accrued	3,344	1,067	4,411	-	518	518
Total cash recoveries for prior years' losses	(3,029)	-	(3,029)	(20,617)	-	(20,617)
Net deposit insurance advances (recoveries)	**315**	**1,067**	**1,382**	**(20,617)**	**518**	**(20,099)**
Total net change	**(1,889)**	**1,317**	**(572)**	**(4,580)**	**518**	**(4,062)**
Balance at end of year	**20,864**	**(3,451)**	**17,413**	**22,753**	**(4,768)**	**17,985**

7. PROPERTY, PLANT AND EQUIPMENT

($ thousands)	Furniture and Fixture	Office Equipment	Computer and Related Equipment	Software	Leasehold Improvement	Total
Cost or deemed cost						
Balance at January 1, 2012	$ 516	$ 75	$ 1,936	$ 719	$ 499	$ 3,745
Additions	8	6	43	12	18	87
Disposals	-	-	(32)	-	-	(32)
Balance at December 31, 2012	**$ 524**	**$ 81**	**$ 1,947**	**$ 731**	**$ 517**	**$ 3,800**
Balance at January 1, 2013	$ 524	$ 81	$ 1,947	$ 731	$ 517	$ 3,800
Additions	8	6	67	28	10	119
Disposals	(4)	(18)	(140)	-	-	(162)
Balance at December 31, 2013	**$ 528**	**$ 69**	**$ 1,874**	**$ 759**	**$ 527**	**$ 3,757**
Depreciation						
Balance at January 1, 2012	$ 416	$ 69	$ 1,831	$ 692	$ 220	$ 3,228
Depreciation for the year	21	2	64	22	50	159
Disposals	-	-	(32)	-	-	(32)
Balance at December 31, 2012	**$ 437**	**$ 71**	**$ 1,863**	**$ 714**	**$ 270**	**$ 3,355**
Balance at January 1, 2013	$ 437	$ 71	$ 1,863	$ 714	$ 270	$ 3,355
Depreciation for the year	18	2	56	16	54	146
Disposals	(4)	(17)	(140)	-	-	(161)
Balance at December 31, 2013	**$ 451**	**$ 56**	**$ 1,779**	**$ 730**	**$ 324**	**$ 3,340**
Carrying amount						
At January 1, 2012	$ 100	$ 6	$ 105	$ 27	$ 279	$ 517
At December 31, 2012	$ 88	$ 12	$ 81	$ 18	$ 246	$ 445
At December 31, 2013	**$ 77**	**$ 13**	**$ 95**	**$ 29**	**$ 203**	**$ 417**

8. INTANGIBLE ASSETS

($ thousands)	Development Costs
Cost	
Balance at January 1, 2012	$ 902
Additions	-
Disposals	-
Balance at December 31, 2012	**$ 902**
Balance at January 1, 2013	$ 902
Additions	134
Disposals	-
Balance at December 31, 2013	**$1,036**
Amortization	
Balance at January 1, 2012	$ 107
Amortization for the year	129
Balance at December 31, 2012	**$ 236**
Balance at January 1, 2013	$ 236
Amortization for the year	138
Balance at December 31, 2013	**$ 374**
Carrying amounts	
At January 1, 2012	$ 795
At December 31, 2012	666
At December 31, 2013	**$ 662**

9. EMPLOYEE BENEFITS

(i) Pension plan

The Corporation operates a defined contribution pension plan for all eligible employees. In addition DICO accrues benefits to a Supplemental Pension Plan and an Auxiliary Pension Plan (both non-registered). The Supplemental Pension Plan provides the same benefit as the registered plan on that portion of an employee's income in excess of the registered plan limits. The Auxiliary Pension Plan provides an additional defined contribution amount for the CEO on his base salary. The total pension expense for the Corporation charged to Statement of Operations in 2013 was $517,000 (2012 - $583,000). Total accrued pension plan benefits as at December 31, 2013 amounted to $1,453,000 (2012- $1,312,000).

(ii) Future non-pension post-retirement benefits

The Corporation adopted the amended IAS 19 (June 2011) on January 1, 2012. Due to the requirement to provide comparative information, a transition adjustment was made on January 1, 2011 to equity to bring the existing current IAS 19 balances in line with the requirements of the amended IAS 19.

The Corporation accounts for the current value of future non-pension post-retirement benefits. The accrued benefit liability as at December 31, 2013, as actuarially determined, is $2,892,000 (2012 - $2,997,000). The annual benefit cost, including current service cost and interest cost amounted $232,000 (2012 - $212,000). The last updated actuarial valuation for the Corporation's plan was completed as of December 31, 2011 and the next required valuation will be as of December 31, 2014.

The assumptions used in the actuarial valuation of the future benefits obligations consisted of: interest rate of 4.85% (2012 - 4.0%), rate of compensation increase of 3.5% (2012 - 3.5%) and initial weighted average trend rate in health and dental costs of 5.72% (2012 - 5.90%), grading down to 4.5 % per annum by 2032. The Corporation measures its accrued benefit obligations as at December 31st.

Change in non-pension post retirement benefit obligation *($ thousands)*	**December 31, 2013**	December 31, 2012
Benefit obligation at beginning of year	**$ 2,997**	$ 2,655
Current service cost	**115**	95
Interest cost	**118**	117
Benefit payments	**(52)**	(59)
Re-measurements of effect of changes in assumptions included in OCI	**(286)**	189
Benefit obligation at end of year	**$ 2,892**	$ 2,997

Sensitivity analysis: *($ thousands)*	**December 31, 2013**	December 31, 2012
1. Discount rate		
a. Discount rate -25 basis points	**$ 3,011**	$3,124
b. Discount rate +25 basis points	**$ 2,779**	$2,877
2. Health care cost trend rates		
a. Health care cost trend rates -100 basis points	**$ 2,461**	$2,572
b. Health care cost trend rates +100 basis points	**$ 3,441**	$3,539
3. Mortality		
a. Life expectancy plus 1 year	**$ 2,947**	N/A

The Corporation has also implemented a human resources retention plan for key management personnel for the purpose of ensuring effective transition and succession planning. Total accrued retention benefits were $1,181,000 at December 31, 2013 (2012 - $966,000).

Summary of employees benefit liabilities (non-current):

($ thousands)	December 31, 2013	December 31, 2012
Employee pension benefits	$ 1,453	$ 1,312
Employee future non-pension post-retirement benefits	2,892	2,997
Retention benefits for key management personnel	1,181	966
Total	$ 5,526	$ 5,275

10. OPERATING LEASES

The non-cancellable annual operating lease payments for the Corporation are summarized as follows:

($ thousands)	2013	2012
Less than 1 year	-	-
Between 1 and 5 years	$320	$310
More than 5 years	-	-

Under the operating lease for its premises the Corporation is required to pay property taxes and common area maintenance costs which are currently approximately $328,000 per annum.

11. INCOME TAXES

Income tax expense reported in the Statement of Operations is as follows:

Recognition of effective tax rate

($ thousands)	2013	2012
Profit before income tax	$ 17,153	$ 34,571
Income tax using the combined statutory rate 26.5% (2012 - 26.5%)	4,545	9,161
Income not included for tax purposes	(6,386)	(11,125)
Current year losses for which no deferred tax asset was recognized	1,691	1,652
Other, net	150	312
Provision (recovery)	$ -	$ -

Deferred tax assets and liabilities

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

($ thousands)	2013	2012
Deductible temporary differences	$ 3,153	$ 3,440
Tax benefit of loss carry-forwards	$ 10,969	$ 9,275
	$ 14,122	$ 12,715

The tax losses expire starting in 2014. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits.

12. RELATED PARTIES

Transactions with key management personnel

Directors and key management personnel compensation

During the year the directors received an aggregate remuneration of $136,000 (2012 - $127,000). Total directors' expenses were $59,000 (2012 - $62,000). The remuneration for the Chair is a minimum of $2,000 per month which includes a per diem rate of $500. The per diem rate for all other Board members is $400 (2012 - $400) plus an annual retainer of $3,500.

Under the public Sector Salary Disclosure Act 1996, DICO publishes the name, title, salary and taxable benefits for all employees who earned $100,000 or more during 2013. The information is available on the Ministry of Finance web site at www.fin.gov.on.ca/en/publications/salarydisclosure.

In addition to their salaries, the Corporation provides human resources retention plans for key management personnel for the purpose of ensuring effective transition and succession planning. The terms of the plans vary with individuals and the acceptance is voluntary. Other benefits include DICO's contributions to the pension plan and non-pension future employee benefits in which all employees of DICO are entitled to participate when they meet the qualification criteria.

Key management personnel compensation included:

($ thousands)	2013	2012
Short-term benefits	**$ 58**	$ 55
Post-employment benefits	**193**	167
Other long-term benefits	**196**	275
Total	**$ 447**	$ 497

13. CONTINGENCY

When acting in the capacity of administrator or liquidator of a credit union, the Corporation manages various legal actions in the normal course of business. One of these legal actions led to a counterclaim against the Corporation which remained outstanding at the end of 2013. As management believes there is no merit to the counterclaim, no provision has been made in these financial statements.

14. RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's investment securities. The Corporation minimizes its credit risk by investing in high quality financial instruments and by limiting the amount invested in any one counter party. All investments in the DIRF are limited to those permitted by legislation, by the terms of the line of credit agreement with the OFA and to any limits made by the Corporation's investment policy. The Corporation establishes an allowance for doubtful accounts that represents its estimate of deposit insurance losses in insured institutions. The main components of this allowance are specific provisions that relate to individually significant exposures, and a general provision established in respect of losses that have been incurred but not yet identified. The general provision is determined based on historical data of payment statistics for similar financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations to depositors as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

Typically the Corporation ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations, if any; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Corporation maintains a line of credit approved by the Minister of Finance of $250 million (increased to $400 million effective January 1, 2014) that can be drawn down to provide liquidity to DICO as deposit insurer of insured institutions in the Province of Ontario. The terms of the line of credit require DICO to liquidate its DIRF investments before it can borrow above $20 million. The revolving credit facility has been extended for a 5-year term effective from January 1, 2014 to December 31, 2018. Interest would be payable at an annual rate equal to the province's cost of funds for borrowings for a three month term, plus an additional 0.575 percent, as determined by the OFA at the commencement of each three month period.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect income or the value of the holdings of financial instruments. The Corporation does not have any dealings with foreign currency. DICO's primary investment objective is to preserve capital and provide necessary liquidity to pay claims and ongoing operating expenses.

(d) Fair value sensitivity analysis for fixed rate instruments

The Corporation accounts for its fixed rate financial assets as available-for-sale. Therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments. A change of 1 percent in interest rates for the investments would have increased or decreased equity by $1,466,000 (2012: $1,239,000).

(e) Capital management

The Board's policy is to enhance the financial soundness of the credit union and caisse populaire sector. As of December 31, 2013, the Corporation has a DIRF of $164.7 million, which represents 68 basis points of the sector's insured deposits. DICO's target range for the reserve fund is 100 basis points of total insured deposits. The Corporation is committed to continue building the fund to ensure that it is adequate to meet the Corporation's obligations to depositors.

15. FAIR VALUE DISCLOSURE

The fair value of financial assets and liabilities which include cash and cash equivalents, premiums receivable, payables and accruals, and employee benefits, approximate their carrying amounts. The fair value of accrual for deposit insurance claims has not been determined because it is not practicable to determine fair value with sufficient reliability.

Deposit Insurance Corporation of Ontario's Insured Institutions

as at December 31, 2013

CREDIT UNIONS (96)

Adjala Credit Union Limited
Airline Financial Credit Union Limited
All Trans Financial Services Credit Union Limited
Alterna Savings and Credit Union Limited
APPLE Community Credit Union Limited
Auto Workers Community Credit Union Limited
Bay Credit Union Limited
Bayshore Credit Union Limited
Buduchnist Credit Union Limited
C.N. (London) Credit Union Limited
CCB Employees' Credit Union Limited
City Savings & Credit Union Limited
Communication Technologies Credit Union Limited
Community First Credit Union Limited
Copperfin Credit Union Limited
Creative Arts Savings & Credit Union Limited
DUCA Financial Services Credit Union Limited
Dundalk District Credit Union Limited
Dunnville and District Credit Union Limited
Durham Educational Employees' Credit Union Limited
Education Credit Union Limited
Energy Credit Union Limited (The)
Equity Credit Union Inc.
Espanola & District Credit Union Limited
Estonian (Toronto) Credit Union Limited
Federal Employees (Kingston) Credit Union Limited
Finnish Credit Union Limited
Fire Department Employees Credit Union Limited (The)
FirstOntario Credit Union Limited
Fort Erie Community Credit Union Limited
Fort York Community Credit Union Limited
Frontline Financial Credit Union Limited
Ganaraska Credit Union Limited
Goderich Community Credit Union Limited
Golden Horseshoe Credit Union Limited
Hald - Nor Community Credit Union Limited
Hamilton Municipal Employees' Credit Union Limited
Hamilton Teachers' Credit Union Limited
Health Care Credit Union Limited
Heritage Savings & Credit Union Inc.
Italian Canadian Savings & Credit Union Limited
Kawartha Credit Union Limited
Kellogg Employees Credit Union Limited
Kingston Community Credit Union Limited
Korean (Toronto) Credit Union Limited
Korean Catholic Church Credit Union Limited
Krek Slovenian Credit Union Limited
L.I.U.N.A. Local 183 Credit Union Limited
Lambton Financial Credit Union Limited
Latvian Credit Union Limited
Libro Credit Union Limited
London Fire Fighters' Credit Union Limited
Luminus Financial Services & Credit Union Limited
Mainstreet Credit Union Limited
Member Savings Credit Union Limited
MemberOne Credit Union Limited
Mennonite Savings and Credit Union (Ontario) Limited
Meridian Credit Union Limited
Momentum Credit Union Limited
Motor City Community Credit Union Limited
Northern Credit Union Limited
Northern Lights Credit Union Limited
Ontario Civil Service Credit Union Limited
Ontario Educational Credit Union Limited
Ontario Provincial Police Association Credit Union Limited
Oshawa Community Credit Union Limited
Ottawa Police Credit Union Limited
Pace Savings & Credit Union Limited
Parama Lithuanian Credit Union Limited
PenFinancial Credit Union Limited
Peterborough Community Credit Union Limited
Police Credit Union Limited (The)
Prosperity One Credit Union Limited
Provincial Alliance Credit Union Limited
QuintEssential Credit Union Limited
Resurrection Credit Union Limited
Saugeen Community Credit Union Limited
Slovenia Parishes (Toronto) Credit Union Limited
Smiths Falls Community Credit Union Limited
Southwest Regional Credit Union Limited
St. Stanislaus-St. Casimir's Polish Parishes Credit Union Limited
State Farm (Toronto) Credit Union Limited
Sudbury Credit Union Limited
Taiwanese - Canadian Toronto Credit Union Limited
Talka Credit Union Limited
Thamesville Community Credit Union Limited
Thorold Community Credit Union Limited
Toronto Municipal Employees' Credit Union Limited
Ukrainian Credit Union Limited
United Communities Credit Union Limited
United Employees' Credit Union Limited
Utilities Employees' (Windsor) Credit Union Limited
Victory Community Credit Union Limited
Windsor Family Credit Union Limited
Your Credit Union Limited
Your Neighbourhood Credit Union Limited

CAISSES POPULAIRES (31)

Caisse populaire Azilda Inc.
Caisse populaire Coniston Inc.
Caisse populaire d'Alban Limitée
Caisse populaire d'Alfred Limitée
Caisse populaire d'Orléans Inc.
Caisse populaire de Bonfield Limitée
Caisse populaire de Cochrane Limitée
Caisse populaire de Cornwall Inc.
Caisse populaire de Field Limitée (La)
Caisse populaire de Hawkesbury Limitée
Caisse populaire de Hearst Limitée
Caisse populaire de Kapuskasing Limitée
Caisse populaire de la Vallée
Caisse populaire de Mattawa Limitée
Caisse populaire de Mattice Limitée
Caisse populaire de Noëlville Limitée
Caisse populaire de North Bay Limitée
Caisse populaire de Timmins Limitée (La)
Caisse populaire de Verner Limitée
Caisse populaire des Voyageurs Inc.
Caisse populaire du Témiskaming Ontarien Limitée (La)
Caisse populaire Nouvel-Horizon Inc.
Caisse Populaire Pointe-aux-Roches-Técumseh Inc.
Caisse Populaire Rideau-Vision d'Ottawa Inc.
Caisse populaire St-Jacques de Hanmer Inc.
Caisse Populaire St. Charles Limitée
Caisse populaire Sturgeon Falls Limitée
Caisse populaire Trillium Inc.
Caisse populaire Val Caron Limitée
Caisse populaire Vermillon
Caisse populaire Welland Limitée

LEAGUES

L'Alliance de caisses populaires de l'Ontario Inc.
La Federation des caisses populaires de l'Ontario Inc.