Ontario

Deposit Insurance Corporation of Ontario

Société ontarienne d'assurance-dépôts

DEPOSIT INSURANCE CORPORATION OF ONTARIO

2015 Annual Report

PROTECTION, SECURITY, STABILITY

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Throughout this document: the term "credit union" also refers to "caisse populaire".

DEPOSIT INSURANCE COVERAGE

To be insured by DICO, your deposits must be held in an Ontario credit union or caisse populaire that is insured by DICO. All credit unions and caisses populaires incorporated in Ontario are insured by DICO.

WHAT'S COVERED?

DICO insures Canadian currency deposits payable in Canada including:

Non-Registered Deposits

DICO covers eligible deposits up to the prescribed statutory limit of $100,000 per depositor for each of the following:

- savings and chequing accounts;term deposits, including index-linked term; deposits and GICs, money orders, and certified cheques etc.; and
- deposits held in one name
- deposits held in joint names
- deposits held in trust

Registered Plans

DICO fully insures all eligible Canadian deposits in each type of registered plan:

- Tax Free Savings Account (TFSA)
- Registered Retirement Savings Plan (RRSP)
- Registered Retirement Income Fund (RRIF)
- Registered Education Savings Plan (RESP)
- Registered Disability Savings Plan (RDSP)

WHAT'S NOT COVERED?

DICO does not insure any of the following:

- member shares and investment shares issued by the credit union
- mutual funds
- stocks, bonds and debentures
- treasury bills
- foreign currency deposits
- contents of safety deposit boxes
- securities held for safekeeping

CONTACT US

DICO is dedicated to answering your questions about deposit insurance. You can reach us through the following options:

Deposit Insurance Corporation of Ontario
4711 Yonge Street, Suite 700
Toronto ON
M2N 6K8

Toll-free telephone service: 1-800-268-6653
Website: www.dico.com
E-mail: info@dico.com
Fax: (416) 325-9722

MANDATE

A "Board-Governed" Agency of the provincial government established in 1977 as the Ontario Share and Deposit Insurance Corporation, the Deposit Insurance Corporation of Ontario (DICO) was continued under the Credit Unions and Caisses Populaires Act, 1994 and reports to the Ministry of Finance. DICO is responsible for administering and ensuring compliance with the rules set by the Ontario government related to the solvency of credit unions and caisses populaires, promoting standards of sound business and financial practices, providing insurance against the loss of deposits, and promoting and contributing to the stability of the Ontario credit union/caisse populaire sector with due regard to its need to compete.

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 and 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 manage its operations efficiently and effectively for the benefit of all stakeholders.

MESSAGE FROM THE CHAIR

DICO continues to deliver on its mandate of protecting members' deposits and enhancing the safety and soundness of Ontario's credit unions and caisses populaires. In 2015, there were no credit union failures and hence there were no deposit insurance claims. In fact, in DICO's 38-year history, no member has ever lost any of their deposits.

Continued volatility in financial markets due to record low oil prices has had a negative impact on the Canadian dollar, economic growth and interest rates. While this has restrained interest and investment income earned on the deposit insurance reserve fund, prudent expense management combined with no losses or claims against the fund has allowed the fund to continue to grow at a healthy pace.

The expectations placed on prudential supervisors and deposit insurers to ensure safety and soundness while providing sufficient scope to remain sustainable in a competitive environment have never been greater. During the year, DICO maintained its strong regulatory oversight by continuing to enhance examination and risk assessment processes and providing guidance to the sector. In addition, a new premium assessment system was implemented that rewards credit unions and caisses populaires for adopting best in class governance practices and holding higher capital levels, enhancing the strength and stability of the sector.

In 2015, DICO worked with the Financial Services Commission of Ontario (FSCO) to assist the Ministry of Finance staff in supporting the Parliamentary Assistant's review of the *Credit Unions and Caisses Populaires Act, 1994*. She has reported her recommendations to the Minister and we look forward to working toward enhancing the regulatory framework to strengthen Ontario's financial services sector.

DICO also participated in the review of the mandates of DICO, FSCO and the Financial Services Tribunal. The preliminary recommendations in the review advocate a fundamental restructuring to create a more flexible, adaptable and responsive regulatory regime in Ontario better suited to a rapidly changing environment.

This past year the Board welcomed four new directors; John Ferreira, James Houston, Carmen Rossiter, and Helen Young. We look forward to their insightful counsel in the coming years. I extend sincere thanks to all members of the Board for their enthusiasm, commitment, wisdom and valuable contributions this past year.

During the year we said farewell to two retiring directors; Paul Mullins and Raymond Boucher. Paul served on the Board for 11 years, the last four as Chair. His dedication to DICO as well as his commitment to the continued success and sustainability of the sector is his lasting legacy. Raymond, with his long and vast experience within the caisse populaire sector in Northern Ontario brought a unique perspective to the Board. We thank these dedicated gentlemen for their excellent service and contribution to DICO and wish them well in the future.

I extend my sincere appreciation to our President and CEO, Andy Poprawa, for his leadership, diligent work and dedication to DICO and the sector. The staff and the executive team are commended for their commitment and hard work in maintaining DICO as a proactive and effective regulator and deposit insurer. We are grateful to the many stakeholders we have worked with this year and look forward to the continued contributions to the ongoing success of the credit union and caisse populaire sector in Ontario.

Steve Blakely, ICD.D

CORPORATE GOVERNANCE

The Deposit Insurance Corporation of Ontario (DICO) is a "Board-Governed" 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, the Agency and Appointments Directive issued by the Management Board of Cabinet and other applicable directives and laws. The Corporation is accountable to the Minister of Finance for the conduct of its affairs.

The Act requires that DICO's Board of Directors (the Board) "manage the affairs or supervise the management of the affairs of the Corporation…". The Board is composed of up to nine persons all of whom are appointed by the Lieutenant-Governor-in-Council to serve for a two term limit up to three years per term. A robust Board appointment process is followed to ensure that the best qualified people are recruited. DICO typically provides the Minister with recommended candidates which possess the appropriate skills and experience.

In addition to a position description for Directors, a skills profile has been established. 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.

The criteria for consideration of candidates for Board membership include:

- experience in the financial services industry and in particular, financial cooperatives;
- understanding of credit union / caisse populaire principles, sector structure and methods of operation;
- Board experience, director training or a background in business or academia;
- understanding of business concepts, operations and financial reports;
- effective communications skills;
- strategic thinking skills; and
- decision making skills using sound judgement.

Best practices are followed 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 governance, risk management, 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 insights into best and emerging practices for achieving excellence in governance.

BOARD OF DIRECTORS & BOARD COMMITTEES

AS AT DECEMBER 31, 2015

Audit & Finance Committee

Composition: Carmen Rossiter (Chair), John Ferreira, Jim Houston, Monique Tremblay, Helen Young, Steve Blakely (ex-officio)

This committee considers and makes recommendations to the Board on audit, finance and other related matters including the review of all financial statements. It oversees the external and internal audit processes, reviews the Annual Report and makes recommendations to the Board for the approval of the business plan and budget. The committee reviews the investment policy and strategy and the risk management strategies related to the committee's area of responsibility.

From L to R *Top Row:* John Ferreira, Gail Di Cintio, Steve Blakely, Jim Houston, Don Dalicandro
Bottom Row: Helen Young, Carmen Rossiter, Monique Tremblay

Governance & Human Resources Committee

Composition: Don Dalicandro (Chair), Gail Di Cintio, Jim Houston, Monique Tremblay, Helen Young, Steve Blakely (ex-officio)

This committee considers and makes recommendations to the Board regarding governance and human resources matters. It reviews the structure of Board committees, its composition and skill profiles of the Board members and the human resource policies which impact the corporate governance of the Corporation. It also reviews succession planning related to senior personnel, compensation policies and pension plan, and oversees stakeholder relationships and communication strategies.

Risk Oversight Committee

Composition: Gail Di Cintio (Chair), Don Dalicandro, John Ferreira, Carmen Rossiter, Steve Blakely (ex-officio)

This committee considers and makes recommendations regarding functions and duties related to deposit insurance and regulatory matters. This committee monitors risk policies, reviews and authorizes the exercise of powers of the Corporation, reviews the deposit insurance reserve fund and model assumptions, supervises legal actions, reviews and makes recommendations to the Board for the approval of the information systems' strategic plan, and approves financial assistance requests from credit unions.

More information about the Board can be found at www.dico.com.

Attendance at Board and Committee Meetings 2015*

	DICO Board	Audit & Finance	Governance & Human Resources	Risk Oversight
Number of Meetings held	5	5	6	5
Total number of members	7-9	3-5	2-5	2-4
Total scheduled attendance	42	18	20	16
Total actual attendance	39	18	20	15
% of attendance	93%	100%	100%	94%

*Does not include S. Blakely, ex-officio, for Committee meetings, and MOF Observer.

MESSAGE FROM THE CEO

As has been the case for the past number of years, the number of credit unions in 2015 decreased while assets have grown. We expect this trend of consolidation to continue as credit unions respond to competitive and financial pressures. The positive aspects of this consolidation include the formation of stronger and more diversified deposit taking institutions serving more communities and members.

DICO's mandate is to ensure that depositors are protected from the loss of their deposits. We fulfill this mandate by confirming that credit unions are financially and operationally sound through proactive risk-based prudential oversight. This includes a robust on-site examination program and comprehensive off-site monitoring processes. Credit unions which do not meet our stringent standards can be placed on a watchlist or could face other regulatory action such as being placed under supervision. During 2015, a total of 52 examinations were completed by our staff and agents. We are pleased to report that all deficiencies noted were promptly addressed and hence there was no cause to issue any regulatory or compliance orders during the year.

In early 2015 as part of standard setting process, DICO published Guidance Notes and assessment workbooks on Corporate Governance for the Board of Directors, the Audit Committee and Management. The objective of these documents is to outline DICO's expectations for corporate governance at every credit union. We are encouraged by the broad acceptance and implementation of these revised standards. Looking forward, additional guidance is expected on Liquidity Management and IFRS 9 (loss provisioning) as DICO continues to address emerging risks in the sector.

DICO prides itself on ensuring it operates with the highest standards of competence, professionalism and integrity. We regularly review and enhance our governance and management processes to ensure DICO is accountable, transparent and fair in all of its dealings with credit unions and the public.

As is evidenced in this annual report, DICO had a very positive year financially. We expect to meet our target fund goal of 100 basis points of insured deposits in 2020.

Providing clear, concise information regarding deposit insurance coverage and other regulatory matters is a fundamental element of DICO's ongoing efforts to ensure sustained public confidence in credit unions is maintained. Our point of sale brochures and our comprehensive website (www.dico.com) are the primary tools to provide access to that information.

DICO strives to work effectively with all stakeholders and maintains memoranda of understanding with the key ones. We also have several advisory committees comprised of senior executives in the sector, the Ministry of Finance and the Financial Services Commission of Ontario. We work together with organizations in other jurisdictions across Canada and around the world in developing sound regulatory and depositor protection principles for co-operative financial institutions in the pursuit of effective regulation and supervision of the sector.

DICO participated in and supported the reviews of both its mandate and the *Credit Unions and Caisses Populaires Act, 1994* being undertaken by the government. We look forward to assisting with the implementation of the recommendations put forth.

In closing, as this will be my last opportunity prior to my retirement from DICO, I would like to express my appreciation to our talented employees, an extremely dedicated group of professionals and the major source of DICO's corporate strength. I appreciate, as well, the sage advice and support that I continue to receive from the Board under the leadership of Steve Blakely. We look forward to continuing our commitment to credit union depositors throughout 2016.

Andrew (Andy) Poprawa, CPA, CA, C.Dir.

OMBUDSMAN'S REPORT

The Office of the Ombudsman for the Deposit Insurance Corporation of Ontario (DICO) investigates complaints and recommends solutions. More specifically, the Ombudsman assists in resolving problems by helping the complainant to define options and recommends actions to the parties involved. The Ombudsman cannot, at any time, decide on matters in dispute or advocate the position of the complainant, DICO or other parties.

Complaints must relate to regulatory issues between credit unions and DICO or to disputes between depositors or borrowers of credit unions that are being liquidated that cannot be resolved at the operational level. The Ombudsman may also make recommendations to the Board for systemic changes to deal with recurring problems revealed through investigations. 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.

DICO's website (www.dico.com) provides full details about the complaint resolution process, including DICO Management contacts and specific instances where this Office has no jurisdiction, such as: matters involving an order for administration or liquidation; in litigation; or a member's consumer complaint towards a credit union.

During 2015, there were three interactions with members of credit unions:

1. One complaint was received dealing with a matter in litigation and therefore, outside the jurisdiction of this Office;
2. A complaint was received against a credit union and therefore, outside the jurisdiction of this Office. The member was advised to speak to the credit union and if the matter could not be resolved at that level, the Financial Services Commission of Ontario (FSCO) should be contacted; and
3. A member of a liquidated credit union requested assistance. The matter was referred to DICO Management and was immediately resolved.

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

Respectfully submitted,

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

DICO'S BUSINESS MODEL 2016

DICO has developed a business model to encapsulate the way in which business is conducted within the context of its legislative mandate and overall regulatory environment. This business model reflects DICO's position as an integral part of Ontario's financial safety net.

Ontario's Credit Unions and Caisses Populaires - Regulatory/Supervisory System
Ministry of Finance, Financial Services Commission of Ontario, Deposit Insurance Corporation of Ontario

Legislative Environment

Credit Unions and Caisses Populaires Act,1994
DICO's Business Objectives
For the Benefit of Depositors:

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

Other Legislation, Statutory Requirements and Directives, 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

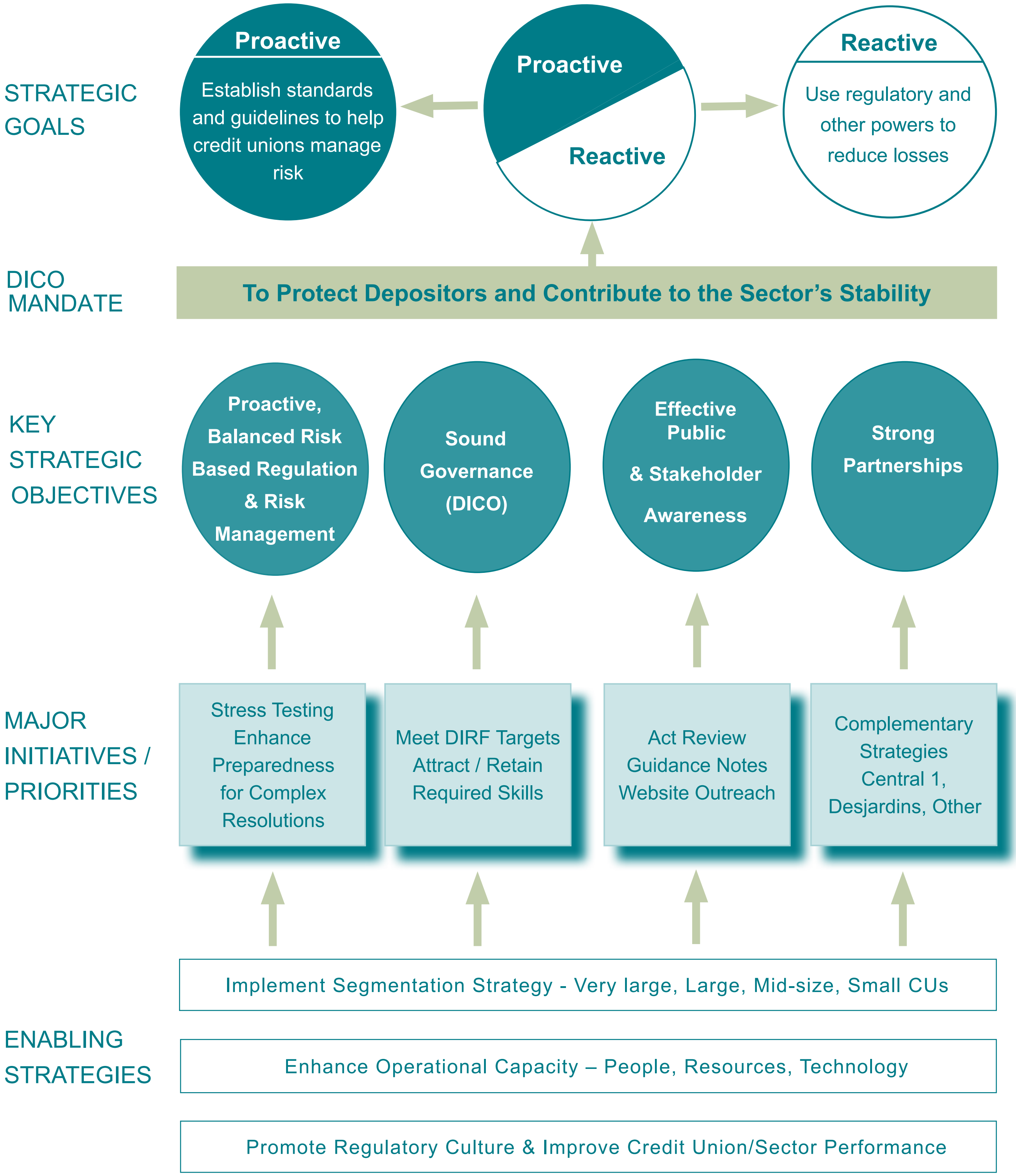
CEO

DICO Management Activities

Corporate Affairs
Strategic Planning
Enterprise Risk Management
Accounting & Finance
Information Technology
Compliance
Human Resources
DIRF Management
Policy & Research
Corporate Operations

Regulation and Risk Management
Risk Assessment
Risk Management
Risk Monitoring
Examinations
Intervention
Solvency Regulation
Failure Resolution Management
Liquidations

DICO'S STRATEGIC PLAN 2016-2018



RISK MANAGEMENT

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

Overview of DICO's Assessment of Significant Risks as at December 31, 2015

	Rating	Outlook
Deposit Insurance and Regulatory Risks		
Risk Assessment Risk: The risk that credit unions that pose an unacceptable level of insurance risk are not promptly or systematically identified resulting in financial loss. This risk includes Risk Assessment Risk.	Moderate	Stable
Risk Management Risk: The risk that appropriate action is not taken with respect to credit unions posing an unacceptable level of insurance risk that may result in financial loss. This risk includes Risk Management Risk, Capital Adequacy Risk, Systemic Risk, Public Confidence Risk, and Liquidity Risk.	Moderate	Stable
Failure Resolution Risk: The risk that appropriate action is not taken to manage credit unions under Administration or Liquidation resulting in increased financial loss. This risk includes Failure Resolution Risk, Loss Management Risk, and Litigation Risk.	Moderate	Stable
Regulatory Risk: The risk that responsibilities as prudential solvency regulator are not met. This risk includes Prudential Standards Risk, DICO's Failure to address Non-Compliance Risk, and Non-Compliance Risk.	Low	Stable
Corporate Risks		
Strategic Risk: The risk that policies and/or tools to address system weaknesses are not implemented in a timely manner. This risk includes External Influence Risk, Strategic Direction Risk, Reputation Risk, Communication Risk, and Public Policy Risk.	Moderate	Decreasing
Operational Risk: The risk that appropriate internal operations and controls are not maintained resulting in reputational and/or financial losses. This risk includes Liability/ Litigation Risk, Health & Safety Risk, Business Continuity Risk, Social Media Risk, Outsourcing Risk, and Human Resources Risk.	Low	Stable
Financial Risk: The risk that assets and liabilities are not managed appropriately resulting in financial loss. This risk includes Adequacy of the Deposit Insurance Reserve Fund Risk, Adequacy of DICO's Loss Provisions Risk, Liquidity Risk, Investment / Market Risk, and Internal Controls Risk.	Low	Stable
Compliance Risk: The risk of failure to comply with all applicable legislation, directives and policies resulting in financial loss. This risk includes Legislation Risk, Income Tax Act Risk, Directive Risk, and Policy Risk.	Low	Stable
Technology Risk: The risk that Information Technology systems are not effective in ensuring the complete, accurate, valid, timely, confidential and secure collection and processing of data to support operations. This risk includes Technology Support Risk, Technology Risk, and Information Security Risk.	Moderate	Increasing*

* Organizations are increasingly relying on technology to communicate and operate. While this enhances operational efficiency and promotes increased interconnectedness between systems and organizations, it also creates a more sophisticated and complex technology infrastructure. New threats and targeted cyber-attack methods are evolving quickly increasing the probability of a disruption of business operations and raising the level of potential impact.

PERFORMANCE MEASURES

DICO continually makes enhancements in all areas of its operations to improve the monitoring and management of risks to ensure:

- risks in the sector are appropriately managed and mitigated;
- credit unions comply with legislation and implement strategies to meet DICO's articulated expectations surrounding sound business and financial practices;
- depositors are protected to legislated deposit insurance limits for eligible deposits;
- stability of the sector is effectively promoted; and
- public confidence in the sector is maintained.

DICO's strategic initiatives are aligned with and support the achievement of key government priorities and objectives for enhanced accountability, efficiency and value for money in the delivery of services, evidence-based decision making and policy development, and minimizing the administrative burden on credit unions.

The Board-approved strategic objectives for 2015 were to ensure:

- credit unions comply with the Act, Regulations and Sound Business and Financial Practices;
- DICO's Mandate and Strategic Objectives are achieved;
- information is transparent and accessible; and
- strong relationships are built with and feedback obtained from key stakeholders.

The 2015 year-end results for performance measures established by DICO were on target.

Key Strategy Initiatives	Status	Update
Strategic Objective: 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 strength in risk assessment, risk management, loss management, and regulatory oversight.		
Effective Credit Union Risk Assessment	▲	Fifty-two examinations were completed in 2015. Review of Corporate Governance standards was added to the examination process. High risk credit unions and instances of non-compliance were identified within the five-day standard.
Risk Management	▲	Appropriate resolution strategies were developed for those credit unions that exhibited higher risk exposure. No compliance orders were required to be issued. Risk Assessment Profiles were updated for all credit unions.
Effective Sector Risk and Regulatory Compliance Assessment	▶	The development of tools for the sector on emerging risks and related business activities continued. Corporate Governance Guidance Notes for Board, Audit Committee, and Management and assessment workbooks were published. Enhancements to the existing Liquidity Risk Management guidance is underway in consultation with the sector. Development of IT Governance guidance was deferred pending completion of analysis and stakeholder consultation.
Regulatory Actions	▲	Nine regulatory applications were received, six of which were for asset purchases and three for approval to acquire or establish a subsidiary. Eight applications were approved, with one pending. All service standards were met.
Failure Resolution	▲	There were no failures in 2015. Ten credit unions remain in liquidation and are in the process of being wound up.
Depositor Payouts and Liquidations	▲	There were no deposit insurance payouts made in 2015. Final Liquidator meetings were held for two credit unions and final payouts of residual assets made at that time.

LEGEND

▲ Planned progress on schedule and within budget

▶ Slippage in terms of time to completion and/or budget variances

Key Strategy Initiatives	Status	Update
Strategic Objective: 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 the DIRF is sufficient to protect depositors.		
Sound Governance	▲	Operating expenses were $0.8 million under budget. DICO was in full compliance with the Act, Directives and internal policies. All Ombudsman complaints were promptly resolved. The Board met five times during the year with an average attendance of 93% and expeditiously dealt with all matters brought forward.
Effective Enterprise Risk Management (ERM)	▲	The Annual review of ERM was completed, which included a review of the framework, internal ERM policies and the identification and scoring of risks.
Adequate Deposit Insurance Reserve Fund	▲	DIRF was ahead of plan by $3.4 million as at Dec. 31, 2015. Attainment of the DIRF target of 100 bps of insured deposits in 2020 is on track. The revised DPSD system, which went into effect January 1, 2015, was implemented with 100% of the yearly invoices issued on time.
Strategic Objective : Effective Public and Stakeholder Awareness DICO must ensure that the public and other stakeholders have ready access to deposit insurance information and a clear and transparent understanding of DICO's role, standards, and actions.		
Communications	▲	In 2015, DICO hosted two webinars on IFRS 9, and published reports including the Sector Outlook, Financial Statistics, and Guidance Notes. DICO maintained a bilingual toll-free enquiry line which received more than 250 calls, mostly related to deposit insurance questions. DICO's comprehensive Communications Plan ensures transparent and accessible information is provided to the public and stakeholders.
Strategic Objective: 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	▲	DICO continued to maintain Memoranda of Understanding with strategic partners and continued its involvement in several advisory committees.
Stakeholder Relations	▲	During 2015, DICO provided information and submissions to the Mandate Review Panel and participated in a working group for the review of the Act. DICO also worked with various associations, working groups and committees with shared interests, both nationally and internationally.

LEGEND

▲ Planned progress on schedule and within budget

▶ Slippage in terms of time to completion and/or budget variances

Dynamic and Challenging Environment

DICO fulfills its mandate to ensure the stability of the credit union sector in a complex, dynamic and highly competitive environment. The sluggish economy and persistently low interest rates continued to weigh down profitability of the sector. DICO monitors the impact of these factors on the performance and on-going viability of credit unions on a monthly basis.

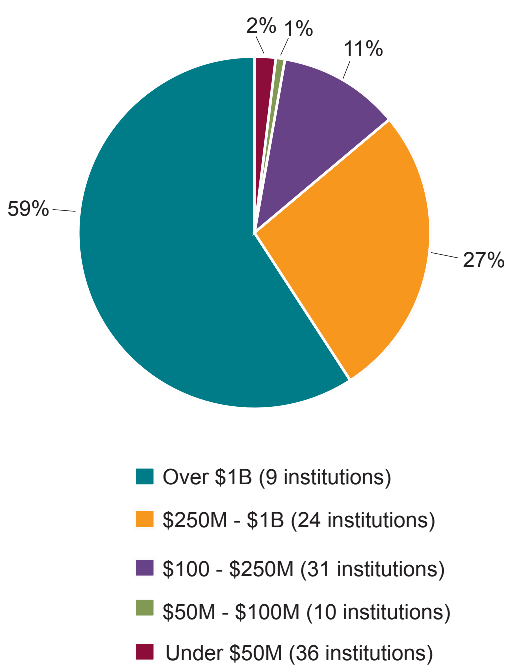
While the sector further consolidated, it has also managed to expand services to communities and members across the province. Due to poor profitability or losses, future viability of some credit unions continues to be a concern. However, the sector remains stable and plays an important role in the financial and economic landscape by striving to provide a cost-effective banking alternative for Ontarians.

Ontario Credit Union Sector Profile at a Glance

	2015	2014*	% Change
# of Credit Unions	110	117	(6.0%)
Total Assets	$46.6	$42.5	9.6%
Total Deposits	$37.6	$35.1	7.1%
Insured Deposits	$26.4	$25.3	4.7%
Insured Deposits (% of Total Deposits)	70%	72%	(2.8%)
Regulatory Capital (Leverage Ratio)	7.3%	7.0%	4.3%
Loan Costs	0.09%	0.09%	0.0%
Profitability	0.28%	0.36%	(22.2%)

* 2014 numbers may differ slightly from prior annual report to reflect 2014 audited financial information received from credit unions.

Sector Profile by Asset Size

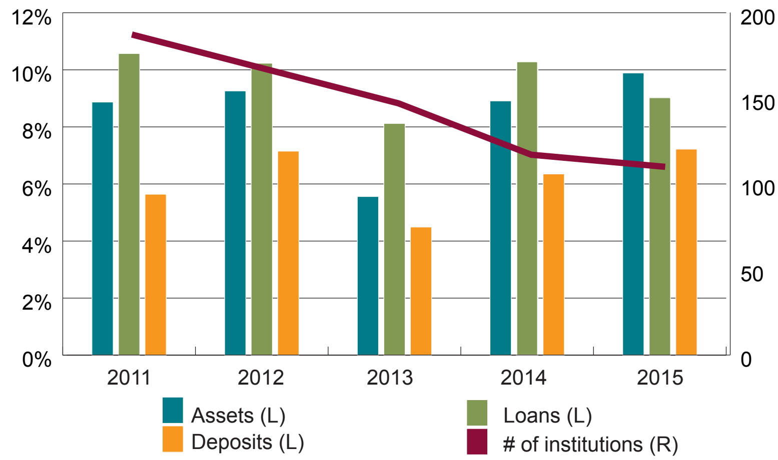


During 2015, seven mergers resulted in a decline in the number of credit unions to 110 as long-term consolidation in the sector continued. This resulted in stronger organizations, creating increased economies of scale that offer their members access to a larger branch network and more products and services.

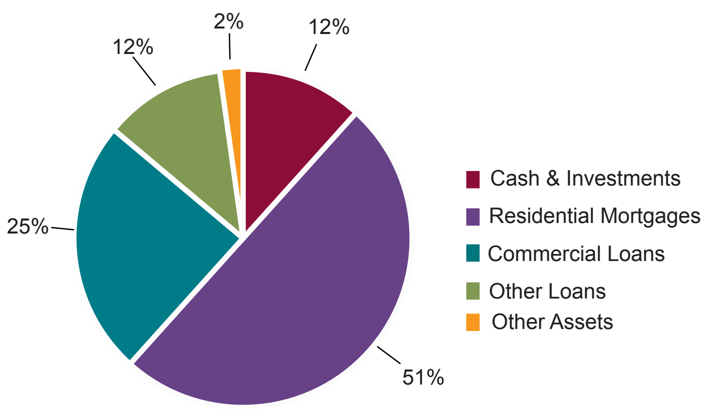
Approximately 59% of the assets of the sector are held by the nine largest credit unions. The largest credit union holds $11.1 billion in assets while the smallest holds $2.7 million. Only five percent of sector assets are held by the smallest 52 credit unions. Further consolidation is expected as credit unions seek mergers to remain viable and protect their members' assets.

Growth Trends

Aggregate assets increased year over year by 9.9% to $46.6 billion. Deposits grew by 7.2% to $37.6 billion led by strong growth in demand deposits of 15.1%. Term deposit balances declined marginally as interest rates on products with terms less than three years were generally less favourable than those offered in high interest savings accounts that provide members with more flexibility.



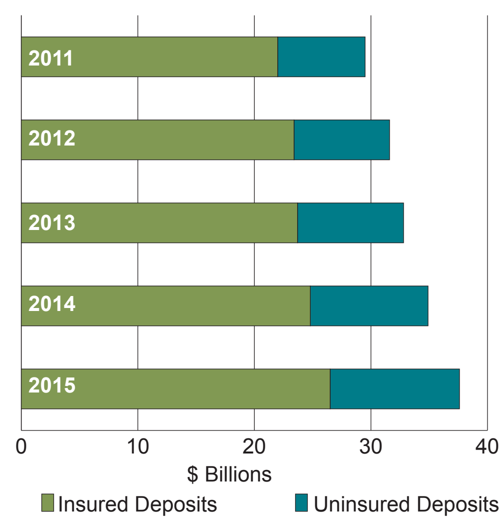
Asset Mix



On average, the majority of credit union assets are currently held in residential mortgage loans, with commercial loans accounting for the next largest portion. The total loan portfolio has experienced growth of 9% over the past year driven by a strong demand for residential mortgages with growth of 9.9% and commercial loans with 10.2%.

Insured Deposits

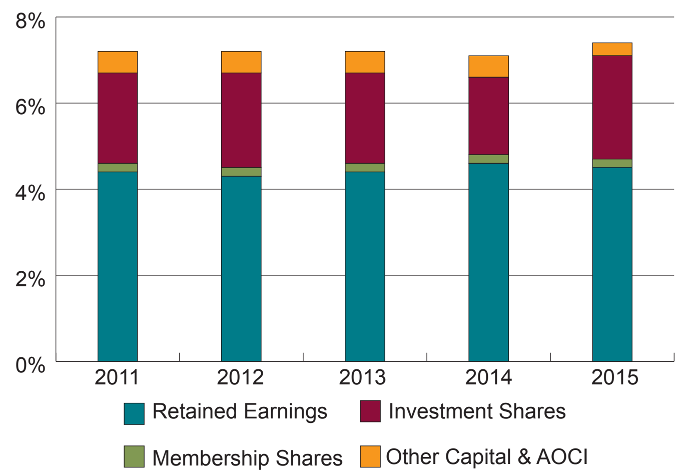
As at December 31,2015 aggregate non-registered deposits were insured up to $100,000 per account and on an unlimited basis for registered accounts. Insured deposits grew to $26.4 billion and continue to represent a declining percentage of total deposits at 70%. While total deposits grew by 7.2%, insured deposits grew by only 4.7%, well below the growth of uninsured deposits of 9.9%. More details regarding the coverage available for all eligible deposits can be found on our website at www.dico.com.



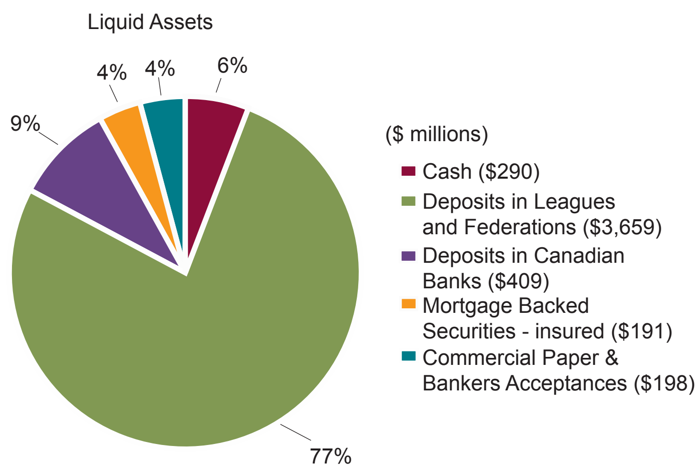
Regulatory Capital Mix

Minimum regulatory capital using a leverage ratio is 5% for Class 1 credit unions and 4% for Class 2 credit unions. The sector is well capitalized at an average aggregate leverage ratio of 7.32%, up from 7.0% in 2014. In 2015, eight credit unions raised additional capital through investment share offerings of approximately $300 million.

The average aggregate risk weighted capital ratio was 14.27% (minimum regulatory requirement of 8%). All credit unions met the prescribed statutory minimum capital requirements as at December 31, 2015.



Liquidity

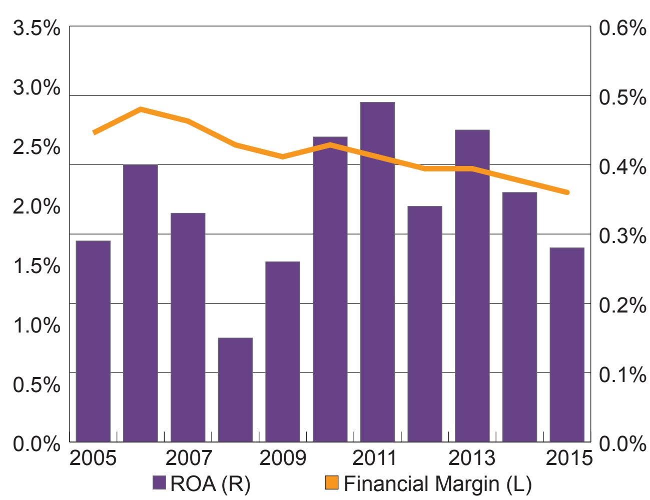


The sector has invested its available liquidity in high quality assets with the largest portion (77%) invested in liquid reserve deposit accounts through Leagues and Federations. Minimum liquidity levels are substantially determined by each credit union using a prudent person approach. DICO is in the process of revising published guidance that will assist credit unions to ensure their liquidity management processes comply with Basel III requirements. At the end of 2015, liquidity improved to 11.2% compared to 10.4% at the end of 2014.

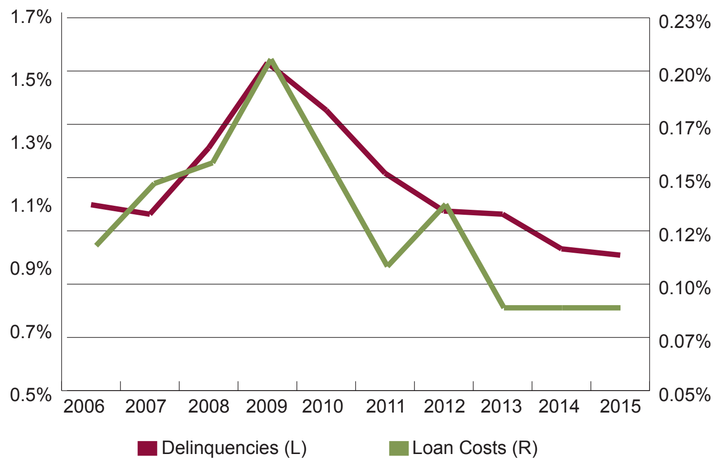
Earnings

Profitability during 2015 decreased to 28 bps from 36 bps in 2014 as the low interest rate environment continued to reduce income from loans and investments by 21 bps. This was somewhat offset by lower deposit interest (10 bps) and dividends (3 bps) paid to members.

Fourteen credit unions experienced operating losses during 2015. All are being closely monitored to ensure that appropriate resolution strategies are being effectively implemented and sufficient capital is maintained to support their continued viability.



Loan Costs and Delinquencies



The sector's aggregate credit risk as measured by delinquency and loan costs is holding at relatively stable levels. Total delinquency was 0.93%, a slight decrease from 2014 and far lower than just after the recession. Loan costs have remained unchanged for the last three years at 0.09%. DICO is seeing improvement in credit risk within the sector with improving documentation and underwriting practices.

Compliance with By- Law No. 5

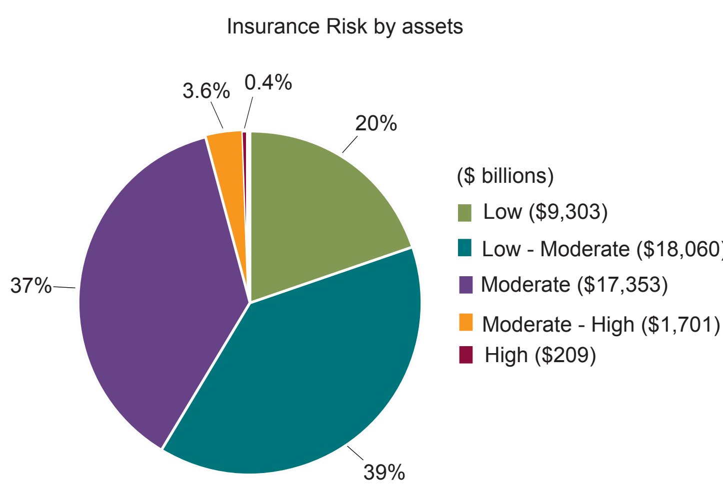
Credit unions' adherence to DICO's By-law No. 5 - Standards of Sound Business and Financial Practices, as measured by the results of the Examination program, remained almost unchanged year over year with 85% of credit unions (based on assets) in full compliance. While improvements have been noted in the area of credit risk management, further enhancements in this area and board governance are required to increase credit union compliance with the by-law. New Corporate Governance Standards were introduced in 2014. Using an enhanced examinations program, these standards are now assessed on a three level scale as opposed to the previous pass/fail system.

DICO's Differential Premium Determination System

Effective January 1, 2015, DICO's new Differential Premium Determination System is based on Capital and Corporate Governance metrics to determine the appropriate premium rate to be paid by each credit union.

This new premium system calculates premium rates on a continuous scale from $1.00 to $1.75 per $1,000 of insured deposits with a $3.00 rate for credit unions not meeting minimum capital and governance requirements.

The average premium rate improved to $1.06 in 2015 versus $1.10 in 2014 due mainly to successful completion of $300 million in investment share offerings by eight credit unions in 2015.



Regulatory Activities

To protect consumers and enhance public confidence in the sector, DICO takes appropriate regulatory action in situations where a credit union is in non-compliance with the Act and Regulations. Consistent with DICO's commitment to transparency, fairness and responsiveness, details of all orders and other regulatory activities are available on our website.

During 2015, DICO received a total of nine applications for approval, six relating to asset purchases and sales and three to acquire or establish subsidiaries. Eight applications were approved and one remained pending at the end of the year. There were no orders, variations or exemptions issued.

Summary of Regulatory Activities					
Category	2015	2014	2013	2012	2011
Applications	9	6	11	6	10
Orders	0	0	0	0	6
Variations & Exemptions	0	0	0	2	0
Administrative Penalties	0	0	0	0	0
Total	9	6	11	8	16

Additional information regarding DICO's regulatory powers and activities, including criteria, guides and service standards is available on our website at www.dico.com.

2015 FINANCIAL PERFORMANCE REVIEW

This section provides management's analysis of DICO's financial performance for the fiscal year ended December 31, 2015. It should be read in conjunction with the 2015 financial statements and related notes.

Financial Highlights

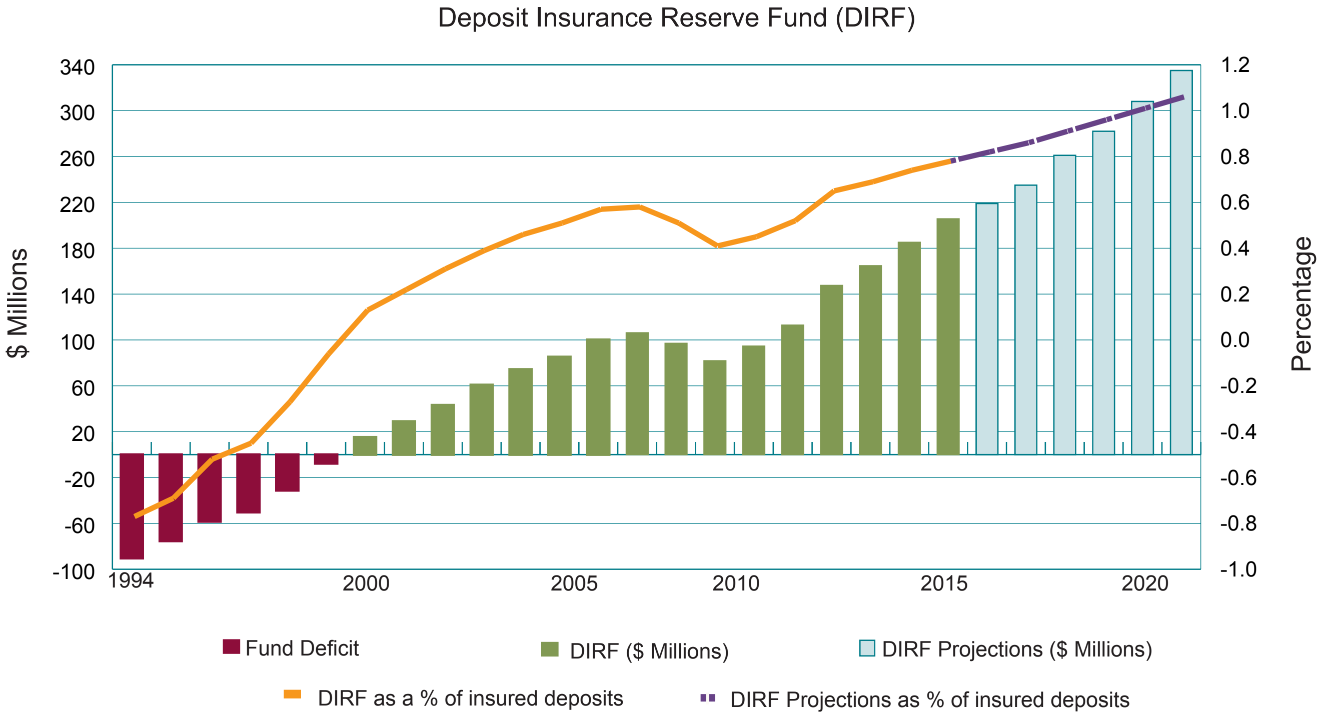
- The Deposit Insurance Reserve Fund increased by $20.4 million to $205.6 million (78 bps of insured deposits) and $3.4 million more than budgeted.
- There were no losses to the DIRF in 2015 and no new provisions required for existing liquidations.
- Premium income was $26.6 million for the year, marginally higher than 2014.
- Total comprehensive income was $20.7 million.
- Investment and other income was $1.7 million, $0.5 million (24%) less than last year due to lower yields on investments.
- Total operating expenses, net of recoveries, were $8.1 million, $1.0 million (11%) less than budgeted due to unfilled vacancies and prudent expense management.

Deposit Insurance Reserve Fund (DIRF)

Pursuant to the Act, DICO is required to maintain a DIRF that may be used to pay its operating and related insurance costs, including providing financial assistance to credit unions. In order to ensure 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 uses several models to determine the appropriate size, range and growth of the fund based on historical experience and expense projections, including a model developed by a firm of actuaries. A number of principles, assumptions and other factors were identified and used throughout these models to determine loss incidence, severity and risk rating drifts to assist in the determination of growth projections for the fund. This data is updated regularly to account for changes in the economic conditions and interest rates, the risk profile and growth of the sector, and DICO's premium revenues, loss experience, recoveries and expense projections.

As at December 31, 2015, the DIRF had reached $205.6 million, up $20.4 million or 11.0% from 2014 and represented 78 bps of the sector's estimated insured deposits at current coverage levels. While income from investments was down from the prior year due to lower investment yields, this was offset by the prudent management of operating expenses and actions taken to manage high risk credit unions and minimize insurance losses. DICO's goal remains to build the DIRF to 100 basis points of total insured deposits in 2020.



Statement of Financial Position

Assets

DICO's total assets grew by 10% to $218.7 million as at December 31, 2015. DICO's investment portfolio represents 93% of total assets. The remaining 7% of assets is comprised of cash and cash equivalents, premiums receivable, prepaid expenses and other receivables, property plant and equipment and intangible assets.

Investments

DICO has an agreement with the Ontario Financing Authority (OFA) to manage its investment portfolio. This portfolio is the primary source of funds to meet potential deposit insurance claims from depositors of credit unions. The investment policy adopts a conservative investment strategy to ensure funds can be readily available to pay out insured depositors when warranted. It has been formulated based on three key objectives:

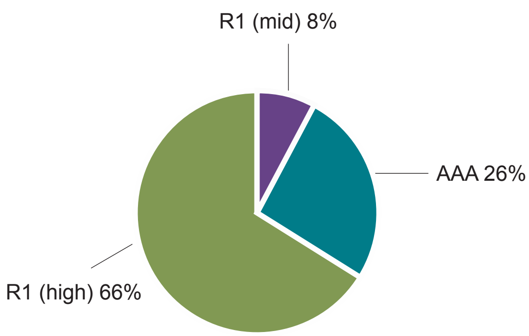
1. Preserving capital and limiting credit and market risk;
2. Providing necessary liquidity to pay claims and ongoing operating expenses; and
3. Striking a balance between obtaining a reasonable return within policy guidelines and risk tolerance.

All investments must be made in compliance with the requirements of the provisions of the Income Tax Act and Regulation 237/09 of the Credit Unions and Caisses Populaires Act. Investments may consist of government-issued securities, bankers acceptances with a minimum rating of A or higher and commercial paper and short-term debt that has a minimum rating of R1 (middle). These investments are considered to be of a superior credit quality with a high capacity for the payment of short-term financial obligations as they fall due and are unlikely to be significantly vulnerable to future events.

($ in thousands)	**2015**	2014	Change	
Current investments	162,413	146,766	15,647	11%
Non-current investments	41,944	29,768	12,176	41%
Total	204,357	176,534	27,823	16%

The Board reviews this policy at least annually and ensures the minimum investment ratings, asset mix and diversification, investment durations, concentration limits and return expectations are clearly defined and appropriately reflect the Board's risk tolerance level of no net investment loss to the portfolio. No significant amendments were made to the investment policy in 2015. Management monitors the performance of the investment portfolio on a monthly basis and reports the results to the Board at their meetings. DICO's total investments increased by 16% ($27.8 million) to $204.4 million as at December 31, 2015, mostly as the result of revenues exceeding expenses by $20.2 million.

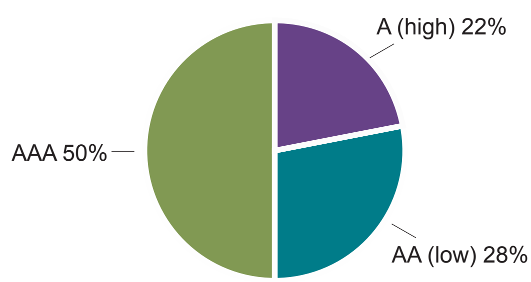
Current Investments



Eighty percent or $162.4 million of the investment portfolio was invested in current investment vehicles consisting of highly liquid and secure Canadian federal and provincial government securities and bankers' acceptances of Canadian chartered banks with credit ratings of R-1 (mid) or higher with a term of one year or less.

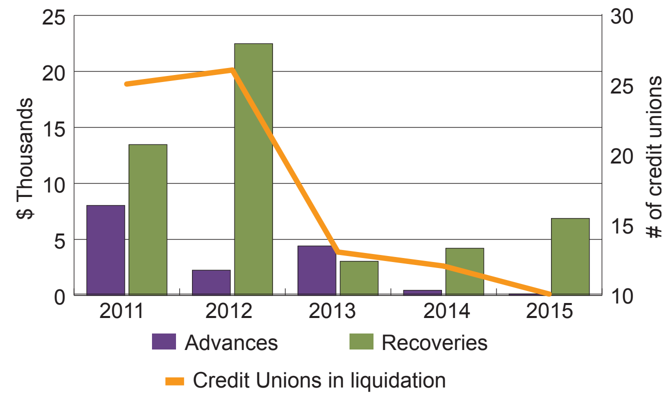
Non-current Investments

Non-current investments of $41.9 million, or 20% of the portfolio, consisted of government bonds laddered from 6 months to a maximum of 3.25 years. These are all Canadian federal and provincial government bonds with credit ratings ranging from A (high) to AAA. DICO's exposure to market, credit and interest rate risk is minimal due to this conservative position and relatively short duration. The weighted average number of days to maturity increased to 182 days from 159 days in 2014.



Deposit Insurance Advances Recoverable

DICO is responsible under the Act to pay deposit insurance claims from depositors up to statutory limits when the credit union is no longer able to meet its obligations to depositors. Circumstances may arise where a credit union may not have sufficient funds on hand to meet their current financial obligations or pay depositors. When this situation occurs, DICO puts the credit union into the Administration program and advances funds to cover the credit union's shortfall and pay depositors. This makes DICO a creditor of the credit union and the advance is recorded as an asset on the books of DICO.



Over time, these advances are offset by:

- loss provisions estimated based on the difference between what is realistically expected to be received from this process and what was advanced; and
- recoveries resulting from the sale of assets and payments received from members of liquidated credit unions and settlements from legal actions.

No new credit unions were placed into Administration or Liquidation in 2015. Two credit unions in liquidation required additional temporary advances over and above their original accrual. Recoveries for advances made during the year were $6.9 million representing nine credit unions in liquidation. As at December 31, 2015, Deposit Insurance Advances Recoverable fell to $10.1 million as compared to $16.7 million in 2014. The number of credit unions in liquidation has fallen steadily over the last five years with two more wound up in 2015.

Liabilities

Liabilities consist mainly of accruals for deposit insurance claims (23%) and employee benefits (44%). The remaining liabilities (33%) represent payables and deferred premium income.

Accrual for Deposit Insurance Claims

The accrual for deposit insurance claims represents an estimate for losses recorded during the year and in previous years which have not yet been advanced at the end of the year. It includes a provision for both specific and general insurance losses.

The specific provision for insurance losses is estimated and recorded in the period in which the loss conditions exist. As there were no new credit unions placed into liquidation in 2015, no new specific accruals were required.

General provisions are estimated and recorded at the end of the year. The general accrual for losses reflects management's best estimate of losses on insured deposits arising from the inherent risk in credit unions based on factors such as current market and economic conditions, the likelihood of losses and the application of historic loss experience. As of December 31, 2015 total accrual for losses amounted to $3 million, which was completely comprised of the general provision.

Employee Benefits

All eligible employees and retirees are provided with a defined contribution pension plan and future non-pension post-employment benefit plan. Supplemental pension benefits and retention plans exist for key management personnel. The accrued non-current employee benefits decreased by $150 thousand during 2015 to $5.83 million. The retirement of a number of long-service employees in 2015 was the main reason for the decrease in the accrual for benefits.

Statement of Operations

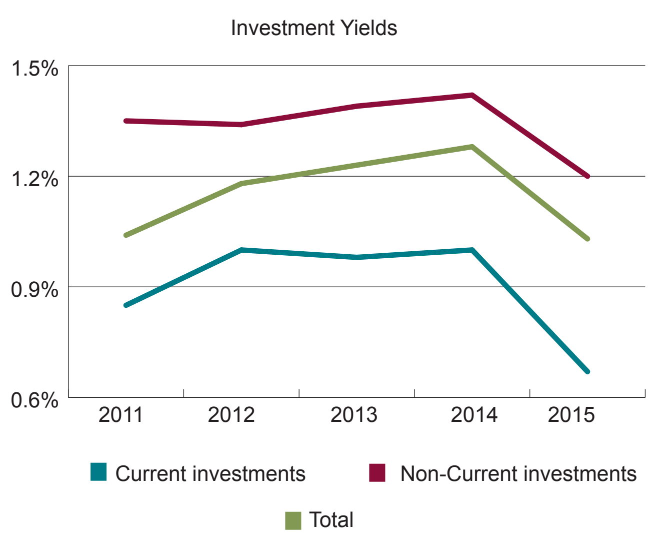
Premium Income

($ in thousands)	**2015**	2014	Change		2015 Budget
Premium Income	26,623	26,541	82	0.3%	26,900
Average premium rate (per $000 of insured deposits)	1.06	1.10	(0.04)	(3.6%)	1.07

DICO's operations are funded by deposit insurance premiums assessed and collected from credit unions annually. Each year, the adequacy of premium rates is reviewed and a recommendation made to the Minister for consideration. A revision to the methodology used in determining the differential premium rates was approved by the government in 2014. Beginning January 1, 2015, the new Differential Premium Score Determination system (DPSD) calculates a credit union's premium score based on two measures: Capital (weighted 64%) and Corporate Governance (weighted 36%). This score is then used to calculate a premium rate on a continuous scale based on a range between $1.00 to $3.00 per $1,000 of insured deposits. For further details of the premium rate determination, please refer to the document entitled "DICO Differential Premium Score Determination" as published in The Ontario Gazette, Date April 12, 2014 and Ontario Regulation 120/14 5.1.

DICO had provided advance communication of this change which allowed most credit unions adequate time to take steps to increase their capital levels and strengthen corporate governance practices to improve their overall score and thereby reduce their deposit insurance premium rate. This resulted in the average premium rate billed in 2015 falling to $1.06 per thousand of insured deposits compared to $1.10 in 2014. As anticipated, total 2015 premium income increased only marginally by $82,000 or 0.3% to $26.6 million. Premium income for the year was marginally less than the budgeted amount of $26.9 million by $0.3 million, because of the lower than estimated average premium rate billed.

Other Income



Other income is composed mostly of investment income earned on DICO's investment portfolio. Due to the low interest rate environment and the necessity for DICO to hold shot-term highly liquid and secure investments in the portfolio, the yield did not meet budget projections. As at December 31, 2015 the weighted effective yield of the current investments was 0.67%, down from 1.00% in 2014 while the yield for the non-current investments was 1.20%, down from 1.42% in 2014. This resulted in the overall weighted average effective yield falling to 1.03% from 1.28% in 2014.

Operating Expenses

($ in thousands)	2015	2014	Change		2015 Budget
Salaries and benefits	6,592	6,912	(320)	(4.6%)	6,988
Operating Expenses	1,988	2,076	(88)	(4.2%)	2,413
Recovery of operating expenses	(446)	(773)	327	42.3%	(231)
Net total expenses	8,134	8,215	(81)	(1.0%)	9,170

In 2015, total expenses (net of recoveries) were $8.1 million, marginally less ($0.1 million) than in 2014 and 11% less than the 2015 budget. Salaries and benefits were $320,000 lower than 2014 and $396,000 lower than budgeted primarily due to the retirement of four employees that was partially offset by the hiring of two new employees during the current year. In addition, during the year DICO changed benefit providers which produced significant savings for the Corporation in payroll related benefits while maintaining a similar level of coverage.

Major operating expenses in 2015 include occupancy (24%), depreciation (16%), professional services (11%), IT maintenance and support (10%), travel costs (10%), legal (6%), on-site examinations by third parties (3%) and all other administrative costs (20%).

Operating expenses before recoveries were $2.0 million, 4.2% less than 2014 and 17.6% ($425,000) lower than the 2015 budget. This favourable variance was a result of prudent cost management, especially in areas of travel and professional services. Cost savings were also realized in the area of third party examinations through the utilization of DICO's internal examination staff instead of outside accounting firms. In addition, DICO regularly reviews all contracted services and tailors these arrangements to ensure that value for money is obtained from all providers and service standards are met.

Recovery of operating expenses in 2015 consisted mainly of administrative costs of managing the estates of credit unions in liquidation. Total recoveries were $327,000 less than last year primarily due to the one time recovery of legal expenses in 2014. Additionally, the total number of credit unions in liquidation was reduced from twelve to ten by the end of 2015.

Net provision (recovery) for deposit insurance losses

Changes in the estimates for the accrual for specific and general provisions and recoveries are recorded during the year. Management provided a budget estimate for potential losses for specific credit unions of $3 million for 2015. This provision was not required as the credit unions in question have taken action to remain viable in the short term. The general accrual for insurance losses remained unchanged at the end of 2015 as the risk in the sector remained relatively stable.

($ in thousands)	2015	2014	Change		2015 Budget
(Decrease) in general accrual for insurance losses	-	(200)	200	100%	-
Increase in new specific loss provision during the year	-	-	-	-	3,000
Increase in specific provision for prior years' losses	425	850	(425)	(50%)	-
Recovery of specific provision for prior years' losses	(674)	(508)	(166)	(33%)	-
Total net provision (recovery) for insurance losses for the year	(249)	142	(391)	(275%)	3,000

The total net recovery of deposit insurance losses of $249,000 was recorded in 2015 compared with the net loss provision of $142,000 in 2014, a net favourable change of $391,000.

There was an increase in specific provisions for losses realized prior to 2015 of $425,000 relating to a change in the estimated losses owing to poor loan collection results for two credit unions in liquidation. Recoveries of loss provisions from prior years were $674,000 during the year due largely to better than expected loan collections and other recoveries from the estates of dissolved credit unions compared to budget estimates. Overall there was a net favourable variance of $3.2 million compared with the 2015 budget of $3 million.

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

Richard Dale
Vice President, Corporate Affairs

Toronto, Canada
March 24, 2016

INDEPENDENT AUDITORS' REPORT

KPMG LLP

To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the accompanying financial statements of the Deposit Insurance Corporation of Ontario, which comprise the statement of financial position as at December 31, 2015, the statements of operations and changes in the deposit insurance reserve fund, comprehensive income, accumulated other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 the 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 our 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, we consider internal control relevant to the entity'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 entity'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 the Deposit Insurance Corporation of Ontario as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants

March 24, 2016
Toronto, Canada

Deposit Insurance Corporation of Ontario

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)	*Notes*	As at December 31, 2015	2014
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,970**	$ 2,224
Investments	*5*	**162,413**	146,766
Premiums receivable		**1,081**	1,227
Prepaid expenses and other receivables		**391**	711
Total current assets		**165,855**	150,928
Non-current assets			
Investments	*5*	**41,944**	29,768
Deposit insurance advances recoverable	*6*	**10,145**	16,688
Property, plant and equipment	*7*	**403**	404
Intangible assets	*8*	**377**	527
Total non-current assets		**52,869**	47,387
Total Assets		**$ 218,724**	$ 198,315
LIABILITIES			
Current liabilities			
Payables and accruals		**$ 1,279**	$ 942
Deferred premium income	*4*	**2,053**	2,288
Total current liabilities		**3,332**	3,230
Non-current liabilities			
Payables and accruals		**954**	971
Employee benefits	*9*	**5,838**	5,990
Accrual for deposit insurance claims	*6*	**3,000**	3,240
Total non-current liabilities		**9,792**	10,201
Total Liabilities		**$ 13,124**	$ 13,431
EQUITY			
Accumulated other comprehensive income (loss)		**$ 41**	$ (229)
Deposit Insurance Reserve Fund		**205,559**	185,113
Total Equity		**$ 205,600**	$ 184,884
Total Liabilities and Equity		**$ 218,724**	$ 198,315

See accompanying notes to financial statements.

On behalf of the Board:

Director

Carmen Rossiter

Director

Deposit Insurance Corporation of Ontario

STATEMENT OF OPERATIONS AND CHANGES IN THE DEPOSIT INSURANCE RESERVE FUND

(in thousands of dollars)		Year ended December 31,	
	Notes	**2015**	2014
INCOME			
Premium income	*4*	**$ 26,623**	$ 26,541
Other income		**1,708**	2,245
		28,331	28,786
EXPENSES			
Salaries and benefits		**6,592**	6,912
Operating expenses		**1,988**	2,076
Recovery of operating expenses		**(446)**	(773)
		8,134	8,215
Excess of income over operating expenses		**20,197**	20,571
Net (recovery) provision for insurance losses	*6*	**(249)**	142
Excess of income over total expenses		**20,446**	20,429
Deposit Insurance Reserve Fund, beginning of year		**185,113**	164,684
Deposit Insurance Reserve Fund, end of year		**$ 205,559**	$ 185,113

See accompanying notes to financial statements.

Deposit Insurance Corporation of Ontario

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of dollars)	Year ended December 31, 2015	2014
Excess of income over total expenses	**$ 20,446**	$ 20,429
Other comprehensive income:		
Unrealized gains on available-for-sale investments arising during the year	**195**	16
Unrealized gains (losses) on available-for-sale investments acquired from liquidated credit unions arising during the year	**21**	(144)
Actuarial gains on post-employment, non-pension benefits arising during the year	**54**	20
Total other comprehensive income (loss)	**270**	(108)
Comprehensive income	**$ 20,716**	$ 20,321

STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

(in thousands of dollars)	Year ended December 31, 2015	2014
Accumulated other comprehensive income (loss), beginning of year	**$ (229)**	$ (121)
Sale of available-for-sale investments from opening balance of accumulated other comprehensive income	**(125)**	(149)
Unrealized gains on available-for-sale investments arising during the year	**320**	165
Unrealized gains (losses) on available-for-sale investments acquired from liquidated credit unions arising during the year	**21**	(144)
Actuarial gains on post-employment, non-pension benefits arising during the year	**54**	20
Net change during the year	**270**	(108)
Accumulated other comprehensive income (loss), end of year	**$ 41**	$ (229)

See accompanying notes to financial statements.

Deposit Insurance Corporation of Ontario

STATEMENT OF CHANGES IN EQUITY

(in thousands of dollars)	Actuarial loss on post-employment, non-pension benefits *	Unrealized gains (losses) on available-for-sale investments *	Deposit Insurance Reserve Fund	Total equity
Balance at January 1, 2014	$ (464)	$ 343	$ 164,684	$ 164,563
Total comprehensive income for the year:				
Excess of income over total expenses	-	-	20,429	20,429
Other comprehensive income:				
Net change in fair value of available-for-sale investments	-	16	-	16
Net change in fair value of available-for-sale investments acquired from liquidated credit unions	-	(144)	-	(144)
Net change in fair value of post-employment, non-pension benefits	20	-	-	20
Total comprehensive income (loss) for the year	20	(128)	20,429	20,321
Balance at December 31, 2014	**$ (444)**	**$ 215**	**$ 185,113**	**$ 184,884**
Balance at January 1, 2015	$ (444)	$ 215	$ 185,113	$ 184,884
Total comprehensive income for the year:				
Excess of income over total expenses	-	-	20,446	20,446
Other comprehensive income:				
Net change in fair value of available-for-sale investments	-	195	-	195
Net change in fair value of available-for-sale investments acquired from liquidated credit unions	-	21	-	21
Net change in fair value of post-retirement, non-pension benefits	54	-	-	54
Total comprehensive income for the year	54	216	20,446	20,716
Balance at December 31, 2015	**$ (390)**	**$ 431**	**$ 205,559**	**$ 205,600**

* Accumulated other comprehensive income

See accompanying notes to financial statements.

Deposit Insurance Corporation of Ontario

STATEMENT OF CASH FLOWS

(in thousands of dollars)		Year ended December 31,	
	Notes	**2015**	2014
Cash flows from / (used in) operating activities:			
Excess of income over total expenses		**$ 20,446**	$ 20,429
Adjustments for:			
Provision of losses		**(249)**	142
Unrealized gains (losses) on available-for-sale investments arising during the year		**216**	(128)
Actuarial gains (losses) on post-employment, non-pension benefits arising during the year		**54**	20
Depreciation of property, plant and equipment	*7*	**169**	154
Amortization of intangible assets	*8*	**150**	150
		20,786	20,767
Changes in:			
Premiums receivable		**146**	550
Prepaid expenses and other receivables		**320**	(108)
Payables and accruals		**320**	342
Deferred premium income		**(235)**	(189)
Employee benefits		**(152)**	464
		399	1,059
Net deposit insurance recoveries (advances)	*6*	**6,552**	3,823
		27,737	25,649
Cash flows from / (used in) investing activities:			
Interest received		**1,851**	1,796
Purchase of investments held at year end		**(204,357)**	(176,534)
Proceeds on sale of investments		**174,683**	149,183
Purchase of property, plant and equipment	*7*	**(168)**	(142)
Purchase of intangible assets	*8*	**-**	(14)
		(27,991)	(25,711)
Net decrease in cash and cash equivalents		**(254)**	(62)
Cash and cash equivalents, beginning of year		**2,224**	2,286
Cash and cash equivalents, end of year		**$ 1,970**	$ 2,224

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

See accompanying notes to financial statements.

1. REPORTING ENTITY

The Deposit Insurance Corporation of Ontario (DICO or the Corporation) is a “Board-Governed” 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 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 credit unions 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 approved a $400 million revolving credit facility agreement with the Ontario Financing Authority (OFA) for the purpose of ensuring the Corporation’s capacity to address systemic difficulties in the credit union system that may require resources above those in the Deposit Insurance Reserve Fund. The agreement is effective January 1, 2014 and expires on December 31, 2018. Under the 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 0.575 percent per annum.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and were approved by the Board of Directors on March 24, 2016.

(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 judgements are disclosed in provisions for losses (note 6) and measurements of accrued benefit obligations in relation to future non-pension post-employment 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 the Differential Premium Score Determination System, as defined by regulation, and applied to insured deposits held by credit unions. Premium income is calculated based on the Annual Information Return submitted by each credit union 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 credit unions 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 credit unions 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 credit unions. The provision is established by assessing the aggregate risk in credit unions 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. Management applied the methodology which evaluates all credit unions 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 model) and actual probabilities of failure when possible. The model also categorizes the credit unions 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.

Changes in the provision for insurance losses that result from quarterly reviews are recognized as an adjustment to the provision for insurance losses in the period in which the estimated changes occur.

(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 are related 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 Credit method. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized in full in the Statement of Other Comprehensive Income (OCI), and all projected defined benefit costs are expensed in the Statement of Operations. Additional disclosures are provided in Note 9(ii).

(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 the 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 calculated using 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 credit unions 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 recognized in the 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 the 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 is comprised of current and deferred tax. Current tax and deferred tax are recognized in the Statement of Operations and Changes in the Deposit Insurance Reserve Fund 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 the intent 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.

(i) Standards issued but not yet mandatorily effective:

IFRS 9 Financial Instruments:

In July 2014 the IASB issued the complete IFRS 9 *Financial Instruments* (IFRS 9). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018 and does not expect the standard to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers:

In May 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the standard to have a material impact on the financial statements.

4. PREMIUM INCOME

($000)	**2015**	2014
	26,623	26,541

Differential premiums are calculated based on the amount of each credit union’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. Following approval of amendments to the governing regulations by the government, the Corporation implemented a new differential premium score determination system (DPSD) effective January 1, 2015. The system determines a DPSD score based on a credit union’s reported regulatory capital level (64% weighting) and its corporate governance score as determined by the results of its most recent on-site examination (36% weighting). The score is measured on a continuous scale based on the existing premium rate range ($1.00 to $3.00 per $1,000 of insured deposits). The effective rates (per $1,000 of insured deposits) are determined as follows:

DPSD Score	Premium Calculation
Greater than or equal to 90 points	$1.00
Greater than 0 points and less than 90 points	$1.75 -(DPS Score/90 x $0.75)
0 points	$3.00

At December 31, 2015 DICO has deferred premium income of $2,053,000 (2014 - $2,288,000), which represents the balance of pro-rated premiums for the credit unions whose fiscal year straddles DICO’s fiscal year end.

5. INVESTMENTS

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, 2015, the current, highly liquid investments have a weighted-average yield of 0.67% (2014: 1.00%). The non-current investments are primarily laddered government bonds with a remaining weighted average term to maturity of greater than one year. The weighted average yield of these investments was 1.20% (2014: 1.42%). 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.

	December 31, 2015			December 31, 2014		
	Amount ($ thousands)	Weighted Average Effective Yield	Weighted Average Days to Maturity	Amount ($ thousands)	Weighted Average Effective Yield	Weighted Average Days to Maturity
Bankers' acceptances / Bank deposit notes	64,553	0.81%	40	58,182	1.19%	45
Treasury bills - Canada and Provincial	55,600	0.53%	96	88,584	0.93%	78
Canada Housing Trust floating rate bond	32,212	0.79%	75	-	-	-
Province of Alberta variable rate bond	10,047	0.73%	148	-	-	-
Total current investments	**162,413**	**0.67%**	**73**	**146,766**	**1.00%**	**65**
Laddered government bonds	41,589	1.20%	607	29,438	1.42%	626
CUCO Co-op Class B investment shares (acquired from liquidated credit unions)	355			330		
Total non-current Investments	**41,944**			**29,768**		
Total Investments	**204,357**			**176,534**		

Included in the total non-current investments are the CUCO Co-op Class B shares purchased from 19 credit unions in liquidation, mainly for the purpose of winding down their business. As of December 31, 2015, these investments were valued at $355,000 (2014: $330,000). During the year, there was no distribution of return of capital from the CUCO Cooperative Association (2014: $308,000).

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, 2015 and 2014, the Corporation's financial instruments were valued as follows:

Available-for-sale financial assets ($ thousands)	**2015**	2014
Level 1	204,002	176,204
Level 2	355	330
Level 3	-	-
Total	204,357	176,534

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 resulting from specific credit union failures and a general accrual for losses not identified with specific credit unions. 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 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 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” remains at $3,000,000 at December 31, 2015 (2014 - $3,000,000) and is calculated in accordance with the methodology as described in note 3(b).

	2015			2014		
($ 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	**16,688**	**(3,240)**	**13,448**	**20,864**	**(3,451)**	**17,413**
Reduction in General accrual for the year	-	-	-	-	200	200
Net change in specific recoveries (provisions) for prior years’ losses booked and advanced	9	240	249	(342)	-	(342)
Total net recovery / (accrual) for insurance	**9**	**240**	**249**	**(342)**	**200**	**(142)**
Total cash advances for losses accrued	321	-	321	445	11	456
Total cash recoveries for prior years' losses	(6,873)	-	(6,873)	(4,279)	-	(4,279)
Net deposit insurance advances (recoveries)	**(6,552)**	**-**	**(6,552)**	**(3,834)**	**11**	**(3,823)**
Total net change	**(6,543)**	**240**	**(6,303)**	**(4,176)**	**211**	**(3,965)**
Balance at end of year	**10,145**	**(3,000)**	**7,145**	**16,688**	**(3,240)**	**13,448**

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, 2014	**528**	**69**	**1,874**	**759**	**527**	**3,757**
Additions	12	-	62	67	1	142
Disposals	(2)	-	(18)	-	-	(20)
Balance at December 31, 2014	**538**	**69**	**1,918**	**826**	**528**	**3,879**
Balance at January 1, 2015	538	69	1,918	826	528	3,879
Additions	4	-	147	17	-	168
Disposals	(2)	-	(14)	-	-	(16)
Balance at December 31, 2015	**540**	**69**	**2,051**	**843**	**528**	**4,031**

($ thousands)	Furniture and Fixture	Office Equipment	Computer and Related Equipment	Software	Leasehold Improvement	Total
Depreciation						
Balance at January 1, 2014	**451**	**56**	**1,779**	**730**	**324**	**3,340**
Depreciation for the year	16	2	57	22	57	154
Disposals	(3)	-	(17)	-	-	(20)
Balance at December 31, 2014	**464**	**58**	**1,819**	**752**	**381**	**3,474**
Balance at January 1, 2015	464	58	1,819	752	381	3,474
Depreciation for the year	14	2	59	36	57	169
Disposals	(2)	-	(13)	-	-	(15)
Balance at December 31, 2015	**477**	**60**	**1,865**	**788**	**438**	**3,628**

($ thousands)	Furniture and Fixture	Office Equipment	Computer and Related Equipment	Software	Leasehold Improvement	Total
Carrying amount						
At January 1, 2014	77	13	95	29	203	417
At December 31, 2014	74	11	98	74	147	404
At December 31, 2015	**63**	**9**	**185**	**56**	**90**	**403**

8. INTANGIBLE ASSETS

($ thousands)	Development Costs
Cost	
Balance at January 1, 2014	1,036
Additions	14
Disposals	-
Balance at December 31, 2014	**1,050**
Balance at January 1, 2015	1,050
Additions	-
Disposals	-
Balance at December 31, 2015	**1,050**
Amortization	
Balance at January 1, 2014	374
Amortization for the year	150
Balance at December 31, 2014	**524**
Balance at January 1, 2015	524
Amortization for the year	150
Balance at December 31, 2015	**674**
Carrying amounts	
At January 1, 2014	662
At December 31, 2014	527
At December 31, 2015	**377**

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 the Statement of Operations and Changes in the DIRF in 2015 was $519,000 (2014 - $545,000). Total accrued pension plan benefits as at December 31, 2015 amounted to $1,683,000 (2014 - $1,614,000).

(ii) Future non-pension post-employment benefits

The Corporation accounts for the current value of future non-pension post-employment benefits which relate to DICO's extended health, dental and life benefits plan. The most recent full actuarial valuation of the defined benefit plan was completed as of December 31, 2014, by an independent actuary. The valuation of the benefit obligations are estimated using the Projected Unit Credit method. The accrued benefit liability as at December 31, 2015, as actuarially determined, is $3,184,000 (2014 - $3,056,000). The annual benefit cost, including current service cost and interest cost amounted to $242,000 (2014 - $238,000).

The assumptions used in the actuarial valuation of the future benefits obligations consisted of: discount rate of 4.10% (2014 - 4.05%), rate of compensation increase of 3.0% (2014 - 3.0%) and immediate trend rate in health and dental costs of 5.00% (2014 - 5.34%), grading down to 4.5 % per annum by 2031. The Corporation measures its accrued benefit obligations as at December 31st.

Change in non-pension post-employment benefit obligation ($ thousands)	**December 31, 2015**	December 31, 2014
Benefit obligation at beginning of year	3,056	2,892
Current service cost	120	101
Interest cost	122	137
Benefit payments	(60)	(54)
Re-measurements of effect of changes in assumptions included in OCI	(54)	(20)
Benefit obligation at end of year	3,184	3,056

Sensitivity analysis: ($ thousands)	**December 31, 2015**	December 31, 2014
1. Discount rate		
a. Discount rate - 25 basis points	3,331	3,197
Assumption	3.85%	3.80%
Weighted average duration of obligation (in years)	18.03	18.13
b. Discount rate +25 basis points	3,047	2,923
Assumption	4.35%	4.30%
Weighted average duration of obligation (in years)	17.65	17.74
2. Health care cost trend rates		
a. Health care cost trend rates - 100 basis points	2,684	2,604
Assumption - Initial	4.00%	4.34%
Assumption - Ultimate	3.50%	3.50%
b. Health care cost trend rates +100 basis points	3,827	3,633
Assumption - Initial	6.00%	6.34%
Assumption - Ultimate	5.50%	5.50%
3. Mortality		
a. Mortality + 1 year life expectancy	3,341	3,203
Assumption	1 year younger	1 year younger
b. Mortality - 1 year life expectancy	3,033	2,914
Assumption	1 year older	1 year older

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 $971,000 at December 31, 2015 (2014 - $1,320,000).

Summary of employees benefit liabilities (non-current):

($ thousands)	December 31, 2015	December 31, 2014
Employee pension benefits	**1,683**	1,614
Employee future non-pension post-employment benefits	**3,184**	3,056
Retention benefits for key management personnel	**971**	1,320
Total	**5,838**	5,990

10. OPERATING LEASES

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

($ thousands)	2015	2014
Less than 1 year	**-**	-
Between 1 and 5 years	**306**	315
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 $340,000 per annum.

11. INCOME TAXES

Income tax expense reported in the Statement of Operations and Changes in the Deposit Insurance Reserve Fund is as follows:

Recognition of effective tax rate

($ thousands)	2015	2014
Profit before income tax	**20,446**	20,429
Income tax using the combined statutory rate 26.5%	**5,418**	5,414
Income not included for tax purposes	**(7,157)**	(7,139)
Current year losses for which no deferred tax asset was recognized	**1,741**	1,518
Other, net	**(2)**	207
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)	2015	2014
Deductible temporary differences	**3,979**	3,221
Tax benefit of loss carry-forwards	**12,473**	11,482
	16,452	14,703

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.

At December 31, 2015, $47,066 of income tax losses included with the above unrecognized deferred tax assets will expire between 2026 and 2035 (2014 - $43,329 between 2015 and 2034).

12. RELATED PARTIES

Transactions with key management personnel

Directors and key management personnel compensation

During the year the Directors received an aggregate remuneration of $120,000 (2014 - $114,000). Total Directors' expense claims were $41,000 (2014 - $47,000). 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 (2014 - $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 2015. The information is available on the Ministry of Finance website 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 future non-pension post-employment benefits in which all employees of DICO are entitled to participate when they meet the qualification criteria.

Key management personnel compensation included:

($ thousands)	**2015**	2014
Short-term benefits	**43**	52
Post-employment benefits	**178**	215
Other long-term and termination benefits	**265**	195
Total	**486**	462

13. CONTINGENCY

When acting in the capacity of administrator or liquidator of a credit union, the Corporation may be exposed to various legal actions in the normal course of business. As of December 31, 2015, there were no legal claims pending against the Corporation.

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 deposit insurance losses in credit unions.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 $400 million that can be drawn down to provide liquidity to DICO as deposit insurer of credit unions 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 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 $1,974,000 (2014 - $1,764,000).

(e) Capital management

One of the Corporation's mandates is to enhance the financial soundness of the credit union and caisse populaire sector. As of December 31, 2015, the Corporation has a DIRF of $205.6 million, which represents 78 basis points of the sector's estimated insured deposits. The Corporation will continue to build the DIRF to its target of 100 basis points in 2020 in order to ensure that it continues to be adequate to enable the Corporation to protect 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 CREDIT UNIONS, CAISSES POPULAIRES AND LEAGUES

as at December 31, 2015

CREDIT UNIONS

Adjala Credit Union Limited
Airline Financial Credit Union Limited
All Trans Financial Services Credit Union Limited
Alterna Savings and Credit Union Limited
Auto Workers Community Credit Union Limited
Bay Credit Union Limited
Bayshore Credit Union Ltd.
Buduchnist 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 Ltd.
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
Finnish Credit Union Limited
Fire Department Employees Credit Union Limited (The)
FirstOntario Credit Union Limited
Fort York Community Credit Union Limited
Frontline Financial Credit Union Limited
Ganaraska Credit Union Ltd.
Golden Horseshoe Credit Union Limited
Hamilton Municipal Employees' Credit Union Limited
Health Care Credit Union Limited
Heritage Savings & Credit Union Inc.
Italian Canadian Savings & Credit Union Limited
Kawartha Credit Union Limited
Kingston Community Credit Union Limited
Korean (Toronto) Credit Union Limited
Korean Catholic Church Credit Union Limited
Krek Slovenian Credit Union Ltd.
L.I.U.N.A. Local 183 Credit Union Limited
Latvian Credit Union Limited
Libro Credit Union Limited
Limestone Credit Union Ltd.
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 Educational Credit Union Limited
Ontario Provincial Police Association Credit Union Ltd.
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)
QuintEssential Credit Union Limited
Rapport Credit Union Limited
Resurrection Credit Union Limited
Slovenia Parishes (Toronto) Credit Union Limited
Smiths Falls Community Credit Union Limited
Southwest Regional Credit Union Ltd.
St. Stanislaus-St. Casimir's Polish Parishes Credit Union Ltd.
Sudbury Credit Union Limited
Taiwanese - Canadian Toronto Credit Union Limited
Talka Credit Union Limited
Tandia Financial Credit Union Limited
Thamesville Community Credit Union Limited
Thorold Community Credit Union Limited
Toronto Municipal Employees' Credit Union Limited
Ukrainian 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

Caisse populaire d'Alban Limitée
Caisse populaire d'Alfred Limitée
Caisse populaire de Bonfield Limitée
Caisse populaire de Cochrane Limitée
Caisse populaire de Cornwall Inc.
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 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. Charles Limitée
Caisse populaire Sturgeon Falls Limitée
Caisse populaire Trillium Inc.
Caisse populaire Vallée Est Limitée
Caisse populaire Vermillon
Caisse populaire Voyageurs Inc.
Caisse populaire Welland Limitée

LEAGUES

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