Ontario

Deposit Insurance Corporation of Ontario

Société ontarienne d'assurance-dépôts

2018

Annual Report

Vision Statement

DICO will inspire confidence in the Ontario credit union sector by demonstrating leadership, excellence and best practices in solvency regulation and deposit insurance.

Mandate

DICO fulfills its objectives by:

1. Providing insurance against the loss of part or all of deposits;
2. Promoting standards of sound business and financial practices;
3. Ensuring compliance with legislative and regulatory provisions related to the solvency of credit unions; and
4. Promoting the stability of the Ontario credit union sector with due regard to its need to compete while taking reasonable risks.

In fulfilling its mandate, DICO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspectives of stakeholders. This ensures regulatory activities support the economic viability of the sector, while maintaining public confidence.

Values

- **Integrity:** We demonstrate high moral principles and fairness in all our actions. We are honest and act responsibly.
- **Respect:** We treat everyone respectfully. We embrace diversity and different points of view in the spirit of collaboration and trust.
- **Accountability:** We take ownership for the commitments we make and support others in the pursuit of theirs. We operate in a financially responsible and operationally effective manner.
- **Professionalism:** We communicate clearly and openly. We proactively pursue high standards of performance, competency and excellence in everything we do.
- **Agility:** We are forward-thinking. We continually strive to innovate and adapt in an everchanging environment.

DICO's Strategic Priorities			
Stakeholder Management	**People Management**	**Process Management**	**Financial Management**
Continuously enhance relationships with key stakeholders: the Government of Ontario and Ministry of Finance; the Credit Union Sector; and Depositors.	Enhance HR processes and ensure employees have the skills and competencies needed to succeed in today's sophisticated client environment.	Be an effective contributor in shaping Ontario's regulatory changes and the new FSRA governance framework, improve key organizational processes, and update and consolidate its Readiness Strategy to ensure DICO's continued strength and stability.	Maintain effective financial stewardship and ensure continued adequate protection by building the Deposit Insurance Reserve Fund (DIRF).

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1. MESSAGE FROM THE CHAIR AND THE CEO

We are pleased to present the Deposit Insurance Corporation of Ontario's (DICO) 2018 Annual Report. 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. The expectations placed on prudential supervisors and deposit insurers to ensure safety and soundness, while providing institutions sufficient scope to remain sustainable in a competitive environment, have never been greater. It has been a year filled with notable achievements, as DICO continued to successfully execute on its mandate and strategic plan while preparing for amalgamation with Ontario's newest regulator, the Financial Services Regulatory Authority of Ontario (FSRA), scheduled for 2019.

DICO's Board of Directors

Individually and collectively our Directors bring a tremendous variety of skills and experience to DICO, as well as a strong background in the credit union and caisse populaire sector, resulting in a robust oversight function and ensuring the effective governance of the Corporation.

A significant accomplishment of the Board and Management in 2018 was the completion of a project to reengineer DICO's strategic planning process. As well, in early 2018, a new Performance Management Program was launched to strengthen the link between staff goals and DICO's strategic and tactical priorities.

This past year, the Board hosted special events with area credit unions' Boards and management. These outreach activities are an essential component of the effective communication between DICO and the sector.

In addition, as part of our continuous improvement goal, to remain current in risk oversight and governance best practices and innovations, Directors participated in industry conferences, seminars and Board training sessions.

Overview of the Credit Union Sector

The Ontario credit unions and caisses populaires sector continued to grow in 2018. Aggregate sector assets increased by $6.3 billion year over year to $63.4 billion as at December 31, 2018, buoyed by robust growth in the residential mortgages ($4.5 billion) and commercial loan ($1.4 billion) portfolios. Sector capitalization remained adequate, with an average aggregate leverage ratio of 6.84% and an average aggregate risk weighted asset ratio of 13.29%.

To protect members' deposits, the CUCPA requires DICO to maintain a Deposit Insurance Reserve Fund (DIRF). As at year end, DICO's DIRF was $280.2 million, up $31.4 million or 12.6% from 2017, and represented 73 bps of the sector's insured deposits. We continue to make progress towards our goal of achieving 100 bps of insured deposits coverage within the DIRF.

The consolidation trend observed for the past few years continued in 2018, with the number of institutions in the sector decreasing by 15 to 78. Consolidation in many cases created stronger insured institutions who benefit from enhanced synergies and economies of scale and are usually more complex in terms of products, services and business lines. In order to continue to provide effective oversight in this increasingly complex operating environment, in 2018 DICO updated several of its processes and guidance and added resources to enhance the current skill set.

As financial institutions, credit unions take on risks in the normal operation of their business. Through its risk assessment and management protocols, which include financial monitoring, risk-based examinations, and focused discussions with Board and Senior Management of all credit unions, DICO assesses institutional and sector risks. In 2018, as a result of its assessment, DICO placed two institutions in a Depositor Protection Program to ensure that identified issues were addressed appropriately and that members' deposits are protected.

Looking Forward

DICO will merge with FSRA in 2019. Accordingly, DICO's Board and the Senior Leadership Team have been focused on ensuring the smooth transition of DICO's mandate and operations to FSRA.

Over the past 41 years, DICO has grown and evolved with the sector, from providing $20,000 of insurance coverage for savings held in one name to providing $250,000 of insurance coverage for many deposit products in addition to unlimited coverage for registered deposits. Over the same period, the DIRF has grown into a $280.2 million fund to protect Members' insured deposits.

The soundness and stability of the Ontario credit union sector is the result of the combined efforts of many. On amalgamation with FSRA, DICO's current Board of Directors will be dissolved.

We would like to extend our sincere appreciation to the members of the Board for their enthusiasm, wisdom, dedication and professionalism in providing insightful counsel and oversight to the organization. They have provided outstanding value to DICO and its stakeholders over the years.

We would also like to thank the Senior Leadership Team and the staff of DICO for their hard work, competence and deep commitment to the Credit Union sector, which they will bring to FSRA, resulting in a consistency of expertise and knowledge to the sector.

Finally, we wish to express our gratitude to our many stakeholders, including the Ministry of Finance and all credit union and caisses populaires in the Ontario sector for their ongoing support and collaboration.

We look forward to continuing to provide exceptional value to the sector, and are excited to be actively involved in the launch of FSRA.

Don Dalicandro	Guy Hubert
Chair of the Board	President and CEO

A Historical Look at DICO and Credit Union Sector: 1977-2018

1977

- Ontario Share and Deposit Insurance Corporation (OSDIC) established; reported to Ministry of Consumer and Commercial Relations; staff of 12
- 1,200 credit unions/caisses populaires (CU/CP)
- $2.5 billion in assets
- $20,000 of deposit insurance coverage
- OSDIC establishes Deposit Insurance Reserve Fund (DIRF) through a simple assessment formula of 1% of assets ($25 million)

1980

- 1,050 CU/CP
- $5.6B in assets
- DIRF: $46M
- OSDIC empowered to act as a liquidator

1982

- 952 CU/CP
- $6B in assets
- U/CP merged during the year
- Ontario's CUs recorded a sharp contraction of profits and struggled to become competitive in the Ontario financial services industry
- 68 institutions were placed under Administration, 49 were being monitored; a symptom of the struggling sector
- Deposit insurance coverage was raised to $60,000

1986

- 833 CU/CP
- Government introduced "Program for Change" to address major problems facing financial industry; aggregate deficit $99M
- DIRF: $846K

1989

- 696 CU/CP, with 129 of them carrying a total deficit of $159M
- $10B in assets
- DIRF: $100M deficit position

1992

- 563 CU/CP
- Amalgamations, acquisitions and closures further the consolidation of the sector
- The credit unions' deficits were reduced by one third compared to those at the peak of the recession

1994

- 501 CU/CP
- $25B in assets
- DIRF: $81M deficit position
- OSDIC became the Deposit Insurance Corporation of Ontario (DICO) and is established as stabilization authority for the entire CU/CP sector
- *Credit Unions and Caisses Populaires Act* (CUCPA) proclaimed

2000

- 321 CU/CP
- $47.6B in assets
- DIRF: $15.1M
- Elimination of the deficit in the DIRF, no claims against fund, no failed institutions
- Deposit insurance coverage increased to $100,000 (for registered/non-registered)

2007

- 207 CU/CP
- $126.6B in assets
- DIRF: $105.3M
- DICO becomes regulator for capital, liquidity and other solvency related areas

2008

- 198 CU/CP
- $142.3B in assets
- DIRF: $95.6M (for the first time the fund sees a reduction due to failure of large credit union)
- DICO implements Ombudsman program

2009

- Deposit insurance coverage becomes unlimited for registered products

2016

- Review of the mandates of the FSCO, FST and DICO recommends a new, independent and integrated regulatory agency called the Financial Services Regulatory Authority (FSRA) to improve consumer and pension plan beneficiary protections in Ontario

2017

- *Financial Services Regulatory Authority of Ontario Act, 2016*, comes into force on June 29, 2017 with the appointment of its first Board of Directors

2018

- 78 CU/CP (as of December 31, 2018)
- $63.5B in assets
- DIRF: $280.2M
- Deposit insurance coverage increased to $250,000 for non-registered products

2. CORPORATE AND ORGANIZATIONAL OVERVIEW

Who Is DICO

DICO's role is to protect depositors and contribute to the stability of the Ontario credit union/caisse populaire sector. DICO also monitors the safety and soundness of Ontario credit unions. DICO sets standards for sound business and financial practices and intervenes when necessary to reduce or manage excessive risk. In order to fulfill our mandate, DICO also works closely with the Financial Services Commission of Ontario (FSCO) and the Ontario Ministry of Finance (MOF).

DICO's Business Model

DICO's business model encapsulates the way in which DICO conducts its business 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.

<table>
<tr><td colspan="6">Ontario's Credit Unions and Caisses Populaires - Regulatory / Supervisory System
(MOF, FSCO, DICO)</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">Legislative Environment</td></tr>
<tr><td colspan="3">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</td><td colspan="3">Other Legislation, Statutory Requirements and Directives, including
- Management Board of Cabinet Directives
- Other Acts, i.e., French Language Services Act, Employment Standards Act, etc.</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">Governance</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">Board of Directors
(Strategic and Policy Direction)</td></tr>
<tr><td colspan="2">Risk Oversight Committee</td><td colspan="2">Governance and Human Resources Committee</td><td colspan="2">Audit and Finance Committee</td></tr>
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<tr><td colspan="6">President and CEO</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6">DICO Management Activities</td></tr>
<tr><td colspan="2">Corporate Affairs
Board Support
Strategic Planning
Privacy and Legal Counsel
Corporate Enterprise Risk Management
Compliance
Communication
Human Resources
Policy and Research
Corporate Operations</td><td colspan="2">Credit Union Regulation
Risk Monitoring
Examinations
Risk Assessment
Risk Management</td><td colspan="2">Corporate Finance & Information Systems
Accounting & Finance
Information Systems
DIRF Management
Investment
Failure Resolution Management</td></tr>
</table>

Corporate Governance

DICO is a self-funded Crown corporation established under the provisions of the *Credit Unions and Caisses Populaires Act*, *1994* (CUCPA). DICO is governed by a Board of Directors consisting of up to nine persons appointed by the Lieutenant Governor in Council. The Board is made up of the Chair and other independent Directors. DICO refers candidates who possess the appropriate skills and experience for consideration by the Minister to recommend appointment to the Lieutenant Governor in Council. Day-to-day management of DICO is the responsibility of its Corporate Officers.

DICO follows generally accepted practices in corporate governance, for example:

- Formal Director orientation process;
- Continuous individual Director and Board development;
- Board succession planning;
- Annual Board and peer assessment and feedback;
- Regularly scheduled Board meetings and 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.

Board of Directors*

Don Dalicandro, P. Eng., MBA, C.Dir., Chair
Don Dalicandro is President of Azertech Inc., a company providing capital funding and business expertise to growth companies. He has over 28 years of experience working with large- and medium-sized companies in diverse business sectors including technology, finance, manufacturing, consumer goods, oil and gas, field service, commercial office construction and leasing, retail and food service.
Don was appointed to the Board on March 23, 2011. He was appointed Vice-Chair of the Board on June 22, 2017, Chair of the Board on May 1, 2018, and his term expires on September 30, 2019, or when DICO merges with FSRA.

Gail Di Cintio
Gail Di Cintio is a Partner and Vice-President of Operations with Larus Technologies, a software company specializing in “big data solutions” using predictive data analytics. Gail has been involved in the technology sector for over 30 years, including as a Strategy and Technology consultant at both Fujitsu and Deloitte Consulting. Her experience includes strategic planning, change management and technology innovation projects for private, public and not-for-profit organizations.
Gail was appointed on May 4, 2011, and her term expires on May 5, 2019.

John Ferreira, LLB
John Ferreira is a commercial and real estate lawyer in Toronto whose practice is focused on real estate acquisitions, dispositions and financings. He also has significant personal experience in the areas of real property investment and development. He is active in the Toronto Portuguese community and is a graduate of the University of Western Ontario and the University of Oxford.
John was appointed on March 11, 2015, and his term expires on March 11, 2019.

James W. Houston, CFA, CPA, CMA, C.Dir
James Houston is a registered portfolio manager and chief compliance officer with ICPP Funds Ltd. He holds a Bachelor of Administrative Studies from Western University. As well, he is a CPA/CMA, is a Chartered Financial Analyst and a graduate of Degroote School of Business, McMaster University Chartered Directors College, C.Dir.
James was appointed on July 1, 2015, and his term expires on July 1, 2019.

Carmen Rossiter, CPA, CA, ICD.D
Carmen Rossiter is Program Director for the Centre for Governance, Risk Management & Control Excellence at the Schulich Executive Education Centre at York University. She is also a former lecturer for the risk management session for the Institute of Corporate Directors program at the Rotman School of Management at the University of Toronto. She also serves as a member of the Panel of Senior Advisors to the Auditor General of Ontario. Her experience includes controllership and planning positions with Crown Life Insurance, Royal Trust (now RBC Financial) and CIBC.
Carmen was appointed on March 11, 2015, and her term expires on March 11, 2019.

Monique Tremblay, FCIA, FSA, MBA
Monique Tremblay is a pension actuary with in depth knowledge of the insurance industry, particularly the savings and retirement lines of business. Her broad experience in senior management includes accountability, strategic planning, communication, sound reporting and governance. Her business and actuarial skills cover the measurement and assessment of risk and its management implications.
Monique was appointed on April 18, 2011, and her term expires on April 19, 2019.

Helen Young, LLB
Helen Young has recently retired from a career in hospitality management. She maintains an active role in the vineyard and winery business she founded with her family, Cave Spring Cellars. Her varied background includes corporate governance, human resources, planning and budgeting.
Helen was appointed on March 11,2015 and her term expires on March 11, 2019.

*as at December 31, 2018

Director's Expenses in 2018	
Board Members	**2018**
Steve Blakely (Chair to April 30, 2018)	**$21,600**
Don Dalicandro (Chair from May 1, 2018)	**$42,537**
Gail Di Cintio	**$22,280**
John Ferreira	**$12,300**
James Houston	**$13,500**
Carmen Rossiter	**$21,300**
Monique Tremblay	**$15,365**
Helen Young	**$18,100**
Total	**$166,982**

Board Committees

Audit and Finance Committee

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

Governance and Human Resources Committee

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

Risk Oversight Committee

The Risk Oversight Committee assists the Board by considering and making recommendations on, and by carrying out, functions and duties in relation to deposit insurance and regulatory matters. This committee monitors risk policies and reviews and authorizes the exercise of powers of DICO. It also monitors the deposit insurance reserve fund and model assumptions. Finally, this committee oversees the conduct of legal actions.

	Audit and Finance	**Governance and Human Resources**	**Risk Oversight**
Don Dalicandro		Chair	✓
Gail Di Cintio	✓	✓	Chair
John Ferreira	✓		✓
James Houston		✓	✓
Carmen Rossiter	Chair		✓
Monique Tremblay	✓	✓	
Helen Young	✓	✓	

Ombudsman’s Report

In 2008, DICO implemented the Ombudsman program. The Office of the Ombudsman for DICO investigates complaints related to regulatory issues between credit unions/caisse populaires and DICO, or disputes between depositors or borrowers of credit unions/caisse populaires that are being liquidated and cannot be resolved at the operational level. This Office does not handle complaints related to market conduct, such as individual consumer complaints. The Ombudsman may also make recommendations to the DICO 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.

During 2018, there was one enquiry from a credit union member, which was immediately handled by DICO staff; and one complaint from a credit union member against a credit union, which was sent to DICO Management and copied to this Office. DICO Management referred the member to the Financial Services Commission of Ontario (FSCO), as the complaint was outside the jurisdiction of DICO and this Office. A credit union that had been placed under Supervision by DICO forwarded a complaint against DICO related to its actions prior to the Order. The credit union had filed a Notice of Appeal to the Financial Services Tribunal; therefore, this matter was essentially outside the jurisdiction of this Office and would be handled through the Tribunal Hearings process.

Since the implementation of this Office in 2008, there have been a total of 42 contacts:

Summary of Interactions with the Ombudsman's Office (2008-2018)	
Type of Contact	**No. of Instances**
Enquiries from members of liquidated institutions	8
Insured institution complaints	3
Enquiries requiring guidance	10
Outside jurisdiction	
Institutional	7
Consumer complaints not related to DICO	14
Total	42

Respectfully submitted,

Beryl Roberto, Ombudsman
Tel.: 416.325.9446
Email: ombudsman@dico.com

Organization

On the operational level, DICO is organized into three divisions: Credit Union Regulation, Corporate Affairs, and Corporate Finance & Information Systems. Each division is led by their respective Vice-President.

DICO's Executive Team		
Guy Hubert President and CEO		
Michelle Séguin Vice-President, Corporate Affairs & Chief Risk Officer	**Brian Mullan** Vice-President, Credit Union Regulation	**Randy Nanek** Vice-President, Corporate Finance & Information Systems

The President and Chief Executive Officer (CEO) has overall accountability for the affairs of DICO, which are divided into four main areas: prudential regulation, risk management, corporate stewardship and stakeholder relations.

Prudential Regulation

- Ensure that all credit unions and caisses populaires licensed in Ontario comply with the provisions of the CUCPA as related to solvency and prudential requirements.
- Issue interpretations and other advisories to credit unions and caisses populaires to provide guidance to ensure compliance.
- Issue orders, approvals and other regulatory decisions as prescribed by the CUCPA.

Risk Management

- Maintain public confidence in the safety of the credit union system by developing and promoting effective industry management practices, and providing a stabilization program and depositor protection.
- Ensure that DICO's risk exposure to insurance losses is properly assessed and managed to minimize claims against the Deposit Insurance Reserve Fund and maintain competitive deposit insurance premium rates.
- Ensure that DICO has adequate financial resources to meet its mandate.

Corporate Stewardship

- Lead in the development and implementation of corporate policies and strategic planning.
- Ensure employee commitment to the corporate vision, values and strategies.
- Ensure effective business planning and control to maintain the financial integrity of the Corporation.
- Recruit, direct and develop senior staff and manage their performance.
- Establish operational priorities and the allocation of resources in accordance with DICO's mandate, mission and business plans.

Stakeholder Relations

- Maintain effective stakeholder relations with sector representatives, the Financial Services Commission of Ontario (FSCO) and Ministry of Finance officials.

- Balance the interests of depositors, the Sector and government while ensuring the Corporation's compliance with the CUCPA.
- Remain abreast of public events that affect the policies and objectives of DICO.
- Provide the Board of Directors with all relevant information and recommendations to allow them to make informed policy decisions.

Corporate Enterprise Risk Management (ERM)

Most of DICO's business activities involve an element of risk and therefore effective management of risks is fundamental to DICO's success. Risks are identified and managed through a comprehensive Enterprise Risk Management (ERM) program that helps DICO identify, evaluate, mitigate and monitor risks.

There are a few events that, if they were to occur, would significantly impact DICO and its ability to meet its strategic priorities, including:

- A failure of a medium to large credit union;
- An inadequate amount of funds in the DIRF to pay out the credit union's members insured deposits; and
- A cybersecurity breach in a credit union resulting in member information being compromised as a result of vulnerabilities of credit union IT systems

In 2018, DICO enhanced its ERM methodology to align with the *Guide to the Risk-Based Approach for the Agency Establishment and Accountability Directive, 2010*. DICO performed a full Annual Risk Assessment using five (5) risk categories: strategic, accountability/governance, operational, workforce and IT/infrastructure. Following the Annual Risk Assessment, 23 risks and 62 sub-risks were identified. The final risk score was reached by multiplying likelihood and impact scores (between 1 and 25). Out of the 62 sub-risks identified, 36 were rated as "low" (scores between 1.0 - 4.4) and 26 as "medium" (scores between 4.5-11.4). None were rated as "high" (scores between 11.5-25.0).

DICO's five risk categories:

Strategic Risk: Linked to the fulfillment of DICO's mandate, meeting the strategic objectives as outlined in the Tactical Plan and potential reputation loss.

Accountability/Governance Risk: Related to adequacy of corporate governance at the Board and Executive level, compliance with laws/regulations, and efficiencies of internal controls related to accurate financial reporting.

Operational Risk: Connected to the ability to effectively regulate the increasing complexity of the credit union sector and the implications the increasing complexity/competitiveness of the CU/CP sector imposes on DICO as an effective prudential regulator. Additionally, the sufficiency of DIRF to pay depositors from failed credit unions.

Workforce Risk: Related to human resources practices and efforts to recruit and retain qualified staff.

IT/Infrastructure Risk: Connected to stability and security of IT systems ensuring that data is protected, and systems are resistant against privacy breaches.

DICO’s Top 10 Sub-Risks by Risk Category	
Description	**Score**
Operational Risk	
The increased complexity of the financial sector brings higher risks to credit unions	10.4
The CUCPA is not clear leading to differing interpretations and understandings	10.0
Credit union business models unsustainable	9.8
Changes to the regulatory environment puts additional demands on DICO	8.2
Necessary CUCPA, DICO By-Laws and Guidance Notes are not amended or issued in a timely manner	8.1
Prudential regulatory actions ineffective due to CUCPA deficiencies	7.5
DICO’s By-Laws and Guidance Notes are insufficient for the adequate oversight of credit union sector	8.2
IT/Infrastructure Risk	
Systems not meeting the organizational needs	8.1
Weak IT security (such as poorly designed software) makes DICO vulnerable to security threats	7.1
Strategic Risk	
FSRA transition mishandled impacting DICO's oversight of the credit union sector	7.0

These top risks are currently stable.

DICO’s Increasing Sub-Risk		
	Score	**Trend**
Operational Risk		
DIRF balance insufficient to pay depositors from failed CUs	5.0	increasing

In 2018, DICO placed a credit union under Administration. As a result, the “Insufficient DIRF balance” risk is trending “upward.” DICO is mitigating this risk by taking a number of actions.

3. STRATEGIC DIRECTIONS

Highlights of Strategic Achievements of 2018

- Developed Recovery Plan Framework for credit unions.
- Developed a draft Resolution Plan.
- Drafted IT Governance Framework consultation paper
- Developed Crisis Communication Plan.
- Published Securitization Guidance Note.
- Launched new Performance Management Program, strengthening the link between staff goals and DICO's strategic priorities.
- Developed comprehensive Communication Plan to manage issues that may arise and ensure timely and effective dissemination.

Performance Against Plan

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 while minimizing the administrative burden on credit unions.

In the Fall of 2018, the Government of Ontario confirmed its support for the transfer of DICO to FSRA in its 2018 Ontario Economic Outlook and Fiscal Review. As a result, the Board reviewed the 2018 Tactical Plan and approved removing action items that would no longer be appropriate to complete as there would be no benefit in the short-term to DICO and no long-term benefit to FSRA.

The following tables set out 2018 performance against planned targets, organized by DICO four Strategic Priorities (see page i for details). Where achievement of target was delayed, an overview of corrective action to be taken is provided.

Legend:
C Completed or Substantially Completed
P Postponed as approved by the Board

Stakeholder Management			
Key Strategy Initiatives	**P**	**C**	**Action**
Government of Ontario and the Ministry of Finance (MOF): DICO is known within the government as responsive to the MOF's needs and Government of Ontario's strategic priorities	✓		• Develop Stakeholder Relations Plan, including survey;
		✓	• Meet submission deadlines for mandatory reports.
Credit Union Sector: DICO		✓	• Implement tracking system of material interactions with CUs.

Stakeholder Management			
Key Strategy Initiatives	**P**	**C**	**Action**
is viewed as knowledgeable, diligent and fair	✓		• Develop CU survey to be sent pending feedback from FSRA. Once issued, benchmark baseline for relationship tracking to be established
	✓		• Develop consultation protocol to improve drafting of Guidance Notes.
All Stakeholders		✓	• Develop comprehensive Communication Plan to manage issues that may arise and ensure timely and effective dissemination.

People Management			
Key Strategy Initiatives	**P**	**C**	**Action**
Ensure that employee performance and variable pay are linked to DICO's strategic plan		✓	• Launch new Performance Management Program strengthening the link between staff goals and DICO's strategic priorities.
		✓	• Amend and launch new Variable Pay Plan to simplify and more closely align DICO and individual employee performance with the program.
Ensure that DICO recruits' staff with the appropriate skills and experience needed and staff are satisfied with their career development	✓		• Engage Services for Talent Management and Succession Plan to ensure appropriate talent, systems and processes are in place for growth and development.
		✓	• Complete staff skills inventory.
		✓	• Enhance examinations of staff competencies through tailored training plans.
		✓	• Complete Employee Engagement Survey and Action Plan Review to gather and respond to feedback.

Process Management			
Key Strategy Initiatives	**P**	**C**	**Action**
Provide effective input in the shaping of new governance framework and ensure, if applicable, the transition of DICO into FSRA is seamless		✓	• Provide support and cooperation in the establishment of FSRA.
		✓	• Provide representation in various MOF, FSRA and/or FSCO working groups to discuss transition issues, workstreams and proposed solutions ensuring DICO's interests were promoted.
Ensure DICO's interests are reflected in the new regulation		✓	• Actively participate in the review of the CUCPA through providing input and analysis on how it can further reduce risks within the sector, support DICO's risk management activities and improve compliance.
Enhance DICO's risk management practices, data collection and analysis		✓	• Enhance data analytics through the establishment of the Regulation and Risk Management Unit.
		✓	• Realign departments to better integrate analysis and risk assessment functions.
		✓	• Tracking compliance improvement and reduction of credit union sector risk; review of metrics proposed.
Ensure that the examination program includes all relevant areas of risk and incorporates best practices		✓	• Implement new examination methodology with increased frequency and risk-based scoping process. On track for developing process to examine CU subsidiaries.
		✓	• Establish benchmark baseline to track success of examination program.
Ensure Guidance Notes clearly articulate DICO's expectations of CUs		✓	• Complete Guidance Note development process framework to make the process more efficient and effective.
		✓	• Issue Securitization Guidance Note introducing metrics and best practices for the prudent management of securitization programs.
		✓	• Complete Residential Mortgage Lending Guidance Note.
	✓		• Develop IT Governance Guidance Note consultation paper
Ensure IT systems support DICO's business needs and that all systems are secure		✓	• Implement security assessment recommendations, where feasible, to ensure stability and security of IT systems.
Update DICO's Resolution		✓	• Develop Crisis Communication Plan.

Process Management			
Key Strategy Initiatives	**P**	**C**	**Action**
Strategy as part of Readiness Strategy		✓	• Draft a Resolution Strategy and review existing policies and manuals
Ensure that the CUs have recovery plans in place and that these are reviewed as part of Readiness Strategy		✓	• Develop Recovery Plan Framework for CUs

Financial Management			
Key Strategy Initiatives	**P**	**C**	**Action**
Ensure the effective use of funds		✓	• Manage operational expenses prudently, in a cost-effective manner; budget met.
Maintain the DIRF as tool to pay out depositors in the event of a CU failure		✓	• Develop strategy model to appropriately stress test the DIRF.
		✓	• Reassess the timeframe that the DIRF is anticipated to achieve 100 bps as a result of the increase of deposit insurance coverage from $100,000 to $250,000 effective January 1, 2018

Looking Forward

The development of DICO's 2019–2021 Strategic Plan is in the context that DICO's responsibilities will transition to FSRA. Therefore, actions related to improvements to DICO's oversight of credit unions and the DIRF continue to move forward. Until the transition, DICO will continue with its current mandate, respond to changes in the economic environment and prepare for the continuing growth, complexity and changing risk profile of the sector. In addition, DICO is continuing to make improvements and enhancements to its prudential regulation and deposit insurance functions.

FSRA has been developing a comprehensive transition plan and DICO executives and staff have been involved in FSRA working groups supporting the transition. DICO's Strategic Plan considers how to prepare staff for the changes ahead, ensuring that staff are well informed throughout the transition process, how to effectively transition staff into FSRA and preparing for the transition.

The Tactical Plan for 2019 provides an overview of the initiatives planned over the next year to achieve DICO's strategic priorities and goals and address the corporate risks identified earlier. The following summarizes the key initiatives to be undertaken in 2019.

DICO's Key Initiatives for 2019
Stakeholder Management
Supporting the smooth amalgamation of DICO with FSRA by drafting an Action Plan and taking actions before the date of merger.
Ensuring credit unions are well informed of the status of the transition to FSRA by coordinating key messages with FSRA and maintaining regular status updates with credit unions.
Maintaining the independence of the DIRF, which has been reflected in CUCPA and FSRA Act.
People Management
Engaging staff in the transition to FSRA by involving staff in FSRA working groups. Regular status updates provided to the Board on FSRA, including staff involvement.
Ensuring staff are well informed of the status of the transition to FSRA by: - Coordinating key messages with FSRA; and - Maintaining regular status updates provided to staff.
Improving the skills of managers by providing training beneficial in a larger and more complex environment. Training provided on progressive disciplinary action, recruitment process, procurement policy and other training sessions (in support of FSRA transition, as appropriate).
Process Management
Ensuring DICO remains an effective regulator by proactively supporting MOF in considering changes to the CUCPA and by acquiring the necessary expertise on new lines of business and gaining expertise on emerging risks.

Ensuring DICO continues to appropriately assess the risk profile of CUs by: - Developing strategy for modernizing Risk Assessment Process; and - Reviewing risk rating system and proposing changes.
Ensuring examinations are risk-based and appropriately scoped by incorporating IT Governance in examinations.
Improving DICO's regulatory oversight and CUs understanding of expectations and requirements by: - Developing plan for the review and updating of all Guidance Notes on a regular basis; - Publishing and implementing an IT Governance Framework Guidance Note and Commercial Lending Guidance Note; - Updating ICAAP Guidance Note to reflect best practices adopted within the CU sector.
Updating DICO's website and ensuring that high priority content is accessible in accordance with FSRA timelines.
Reducing CU risk of failure by ensuring that CUs have recovery plans by implementing Recovery Plan Framework for CUs.
Ensuring DICO is ready for any CU failure by drafting a Resolution Strategy Plan.
Financial Management
Ensuring fee structure maintains accountability of the DIRF and protects CU interests.

4. ACTIVITIES AND ACHIEVEMENTS

2018 Highlights

- In 2018, the Policy and Research group drafted a Residential Mortgage Lending Guidance Note and drafted an IT Governance Framework consultation paper to be released in early 2019.
- In 2018, 41 examinations of credit unions/caisses populaires were completed. Furthermore, specific enhancements to the examination program were undertaken as part of the examination program methodology review with the goal to ensure the quality of the credit union's practices.
- During 2018, the Monitoring and Analysis department within Credit Union Regulation was enhanced with additional resources to support proactive and effective risk monitoring of credit unions and related activities including emerging issues and risk trends.
- DICO's info line received 703 calls and emails. The majority of them (over 70%) were about deposit insurance.
- DICO's employees participated actively in 45 FSRA consultations.
- DICO placed a credit union under Administration.

Overview of Programs and Activities

The focus of DICO is to protect depositors and contribute to the soundness, stability and success of the sector by being an effective solvency regulator and deposit insurer. DICO performs its mandate through the CUCPA, regulations and DICO By-Laws. DICO issues Guidance Notes and advisories, which include sound business practices and requirements credit unions are expected to adhere to.

DICO promotes and contributes to the stability of the credit union sector by ensuring credit unions manage risks prudently through its prudential regulation oversight functions. DICO monitors credit unions by requiring them to submit statistical reports monthly, conducting regular on-site examinations, approving specific business activities undertaken by credit unions and the issuing orders for non-compliance with the CUCPA and regulations, when required.

Policy and Research

The Policy and Research function within DICO defines minimum expectations and develops guidance and standards for the sector on specific risk management activities such as Corporate Governance and Liquidity Risk Management. These typically align with internationally recognized standards and reflect globally accepted best practices advocated by Basel and other recognized regulatory bodies and committees.

In addition, the Policy and Research department supports and provides advice to the government through the MOF on amendments to and development of legislation and regulations.

Prudential Regulation

The primary focus of DICO's Prudential Regulation activities is to determine and assess the impact of current and potential future events on the risk profiles of credit unions. DICO ensures that each credit union maintains adequate capital reserves to protect its members in the event of a loss or failure.

DICO takes a co-operative and respectful approach to working with credit unions. DICO respects each credit union's right to govern its own affairs; however, DICO has the authority to take immediate action on issues that may put depositor funds at risks. DICO's powers include conducting regular on-site examinations, monitoring credit unions through monthly reporting, and the issuance of orders for non-compliance with the CUCPA and regulations.

In situations where a credit union is not in compliance with the CUCPA and regulations, DICO takes appropriate regulatory action, which includes Orders, Penalties, Administration, Supervision and Liquidation. DICO has a number of other powers that it may use as the circumstances require. These include the power to:

- Impose conditions of deposit insurance;
- Impose an administrative penalty for failure to perform specified requirements;
- Apply to the court to set aside a restricted party transaction; and
- Require a meeting of the directors of an Ontario credit union.

These activities are performed through four departments: Relationship Management, Monitoring and Analysis, Examination and Regulation & Risk Management. Each of their functions is described further below.

Relationship Management

The Relationship Management team is the predominant outward facing element of DICO's structure as they meet with the management and Board of credit unions regularly to review all aspects of:

- Credit union examination protocol;
- Credit Union Risk Management (including the dynamic impacts of asset growth on Liquidity and Funding, Capital, Credit Risk and Asset Liability Management);
- Operational and financial performance;
- Business strategies and business plans; and
- Detailed information in Board and Committee packages.

The Relationship Management team is responsible for reviewing the appropriateness of Credit Union Action Plans, created after an examination, and tracking corrective actions by the relevant the credit union. The corrective action process is implemented by the team to ensure credit union accountability for each corrective action based on the findings of the examination.

Relationship managers identify credit union risks, assess issues and provide guidance as needed. Credit unions with assets over $500M meet quarterly with their relationship managers. On occasion, relationship managers will request to sit on a credit union Board meeting and/or receive Board and Committee packages, so they can maintain closeness with the sector and gain a better understanding of its operations.

In 2018, the Relationship Management team met approximately 150 times with credit unions. This number includes attending the Annual General Meetings.

Monitoring and Analysis

The Monitoring and Analysis team is primarily responsible for collecting and analyzing financial and non-financial data from credit unions to support assessing risks and related trends, and to promote compliance in the sector. Risks assessed (Governance) include credit, market, operational, liquidity/funding, capital, as well as structural and strategic risks. The process of risk assessment contemplates both quantitative (e.g., financial information) and qualitative (e.g., operational/ strategic) risks. It also considers the quality of risk management and governance at the credit union.

The risk assessment framework monitors capital and earnings trends to support and manage the deposit insurance premium process. This is a collaborative process conducted in conjunction with annual financial reporting and the results of the examination process. The risk assessment may be adjusted at any stage of the monitoring process due to significant events, new findings, observations, changes in business activities and/or economic conditions.

The Monitoring and Analysis department supports both the Examination Program and Relationship Management teams by analyzing recurring and other financial and non-financial information. This involvement includes:

- Monthly and ongoing review of early warning indicators of changes in key metrics
- Financial analysis and additional data collection to support environment and market changes (e.g., new accounting rules, regulatory changes, new products etc.); and
- Capital and Liquidity Stress Testing.

In 2018, 85% of credit unions had an insurance risk rating of *low* to *moderate*. Year-over-year results show that DICO's assessment of insurance risk has decreased slightly with 15% of sector assets rated as *moderate-high* or *high* versus 16% in 2017. The increase in the *high* category from 1% to 3% is due to one credit union (placed under Administration) that holds 1.9% of sector assets moving from the *moderate-high* to *high* tier.

Sector Assets by Insurance Risk Category						
Risk Category	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Low	18%	20%	19%	20%	19%	19%
Low-Moderate	13%	7%	13%	39%	17%	17%
Moderate	54%	57%	58%	37%	53%	53%
Moderate-High	12%	15%	5%	4%	10%	9%
High	3%	1%	5%	0%	0%	1%

Examinations

The examination process measures the level of compliance with the CUCPA and Regulations, DICO's By-Law No. 5, *Standards of Sound Business and Financial Practices*, and other guidance publications, which outline DICO's expectations for good corporate governance and risk management. The frequency of examinations can range from 20 to 36 months and is determined by the risk profile and size of the credit union.

Based on the risk assessment of each credit union, an examination is scheduled, which includes both off-site and on-site reviews by a team of examiners. Following an examination, a Corrective Action Plan is created. The Corrective Action Plan identifies areas of improvement, which the Relationship Management team tracks to completion on an individual basis with each credit union.

In 2018, specific enhancements to the Examination Program were implemented as a result of the Examination Program methodology review. These efforts will continue to result in an increased focus on the quality of the credit union's practices in addition to compliance. These enhancements include:

- Development of a risk-based scoping process and pre-exam risk questionnaire to be completed by the Board and Management;
- Enhanced internal audit assessment; and
- Enhanced analysis of specific business and risk issues.

In 2018, 41 examinations were completed. Under our 2019 scheduling approach, no credit unions with assets >$1B, or classified as high-risk would go more than 20 months without being examined.

Regulatory Affairs

The CUCPA requires credit unions to apply to DICO for approval of business activities, including:

- Purchasing or selling assets in excess of 15% of the assets of a credit union;
- Borrowing from another credit union;
- Investing in another credit union;
- Acquiring or establishing a subsidiary; and
- Creating a group capital agreement.

In addition, credit unions must apply to DICO for a temporary exemption or variation under the CUCPA regarding prescribed limits, such as:

- Capital and liquidity requirements;
- Guarantees and Exemptions to aggregate limits for guarantees; and
- Lending and investment limits.

During 2018, 21 applications were reviewed by DICO, comprised of 16 new applications and updated information on five pending applications from the previous years. Of these applications five related to asset purchases and sales, 13 were to acquire or establish subsidiaries, one request was for a variation and two requests for amendments to agreements. Eleven applications were approved, three were withdrawn, and seven remained pending at the end of 2018. One order placing a credit union under the Administration of DICO was issued due to issues regarding governance. No exemptions or administrative monetary penalties were issued.

Summary of Regulatory Activities					
Category	**2018**	**2017**	**2016**	**2015**	**2014**
Applications	13	7	16	9	6
Variations & Exemptions	1	0	1	0	0
Orders	1	0	3	0	0
Administrative Penalties	0	0	0	0	0
Amending Agreements	2	0	0	0	0
Total	17	7	20	9	6

5. FINANCIAL REPORT

Management Discussion & Analysis

Dynamic and Challenging Environment

Assets within the credit union sector grew at a pace of 11.0% (10.3% in 2017) led by growth in residential mortgage loans of 14.8% (15.3% in 2017) and commercial loans of 9.3% (9.3% in 2017) while personal loans continued to decrease.

In addition, in 2018 the sector experienced further consolidation resulting in stronger credit unions who benefit from enhanced synergies and larger economies of scale. There were 78 credit unions at the end of 2018 (down from 93) ranging in size from $7.0 million to $17.3 billion with an average asset size of $813.4 million ($615.5 million in 2017), with 15 credit unions each holding $1 billion or more in assets (14 credit unions in 2017).

Sustained low interest rates since 2009 and ever-increasing competition led to another challenging year for profitability for many credit unions. As the result of thin margins in this low interest rate environment, some credit unions continue to be a concern, which has resulted in increased monitoring.

The Bank of Canada increased its prime overnight interest rate three times during 2018 but maintained it at 1.75% in its January 2019 release. The Bank stated that the appropriate pace of future increases would depend on how the economic outlook evolves, with a focus on developments in oil markets, the Canadian housing market and global trade policy. As higher interest rates are reflected in new and repriced loans, financial margins within the sector could increase; however near-record household debt levels could give rise to increasing delinquencies and potentially higher loan losses.

During 2018, to boost capital levels to support continued growth, credit unions raised an additional $57 million in capital through new share offerings. As at December 31, 2018, the sector is well capitalized with an average aggregate leverage ratio of 6.84%, down from 7.11% in 2017; the minimum regulatory capital requirement is 4%. All credit unions except for the credit union placed under Administration met the prescribed statutory minimum risk-weighted capital requirements, with an average aggregate risk-weighted capital ratio for the sector of 13.29%; currently the minimum regulatory risk-weighted capital requirement is 8%.

The stability of the sector plays an important role in the financial and economic landscape by offering members access to more products and services while striving to provide a cost-effective alternative to federally regulated banks.

Ontario Credit Union Sector Profile (in $ billions)			
	2018	2017*	% Change
Number of Credit Unions	78	93	(16%)
Total Assets	$63.4	$57.2	11.0%
Total Deposits	$51.0	$45.7	11.6%
Insured Deposits	$38.5	$30.5	26.2%
Insured Deposits (% of Total Deposits)	75%	67%	11.9%
Regulatory Capital (Leverage Ratio)	6.84%	7.15%	(4.3%)
Loan Costs	0.06%	0.04%	50.0%
Profitability	0.37%	0.36%	2.8%

*2017 numbers may differ slightly from prior annual report to reflect 2017 audited financial information received from credit unions.

Profitability

Profitability during 2018 increased to 37 bps from 36 bps in 2017. During the year there was an increase in net interest and investment income of 14 bps to 3.49%. While investment income fell by 3bps, it was more than offset by an increase of 17 bps in interest on loans. Total interest and dividend expense increased by 19 bps to 1.58% during the period under review. Similarly, loan costs increased by 2 bps to 6 bps. On average, the sector continued to experience an improvement of non-interest expenses of 9 bps.

Six credit unions experienced operating losses during 2018. All are being carefully monitored to ensure that appropriate resolution strategies are being implemented and sufficient capital is maintained to support their continued viability. In addition, one credit union was placed under Supervision and one under Administration for governance issues.

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 greater than 30 days was 0.65%, a slight increase over 2017 (0.67%) and much lower than post-recession figures (2009: 1.54%). Commercial loan delinquency increased to 1.03% from 0.88% in 2017. Overall loan costs increased to 0.06% from 0.04% in 2017. As interest rates rise, members who have variable rate loans may find it increasingly difficult to continue to make their payments, which could result in an increase in delinquencies and loan costs.

Protection of Insured Deposits

To ensure the protection of insured deposits, there are five sources of liquidity in the event a credit union fails:

1. the credit union's liquidity resources;
2. if available, a credit union's line of credit with its banker;
3. the DIRF;

4. DICO's line of credit with the OFA; and
5. an increase in deposit insurance premium rates and/or the payment of a special levy pursuant to s. 262 (1)(d) of the CUCPA, if approved by the Minister of Finance.

Insured Deposits

Beginning January 1, 2018, the deposit insurance limit increased to $250,000 for eligible non-registered deposits and remains unlimited for registered accounts. During 2018, total deposits increased by 11.6% (10.4% in 2017) to $51.0 billion and the insured portion of $38.5 billion represents 75% of total deposits (67% in 2017 under the $100,000 insurance coverage program).

DICO's Differential Premium Determination System

DICO collects premiums from Ontario credit unions to pay for its operating costs and build the Deposit Insurance Reserve Fund (DIRF) so that it has access to an appropriate level of liquidity to cover the potential cost of any failed credit unions in a timely manner.

Deposit insurance premium rates are calculated on a continuous scale from a minimum of $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.

Average Premium Rate by Year				
2018	**2017**	**2016**	**2015**	**2014**
1.05	1.07	1.04	1.06	1.10

The average premium rate decreased slightly to $1.05 from $1.07 in 2017 reflecting the increase in corporate governance scores as part of the examination process. DICO expects the average premium rate to decrease slightly in 2019 as credit unions raised an additional $57 million in capital through new share offerings in 2018. Fifty-seven credit unions with a total of $37.3 billion in assets paid a deposit insurance premium rate of $1.00 per $1,000 of insured deposits. The highest rate paid was $1.58.

Deposit Insurance Reserve Fund (DIRF)

Pursuant to the CUCPA, 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. To ensure the DIRF is sufficient to cover its insurance risks, DICO evaluates the adequacy of the fund and its liquidity requirements on a regular basis.

DICO uses several models to assess the appropriate size, range and growth of the fund based on historical experience and expense projections, including a model developed by an actuarial consultant. 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, 2018, the DIRF was $280.2 million, up $31.4 million or 12.6% from 2017 and represented 73 bps of the sector's estimated insured deposits, down from 82 bps in 2017. The decrease in the bps of insured deposits is largely due to the increase in coverage to $250,000 for insurable deposits on January 1, 2018. The change in the deposit insurance coverage had no effect on the absolute amount of the DIRF. The increase in the DIRF is the aggregate result of premium income ($36.9 million) and investment and other income ($4.7 million), offset by operating expenses ($9.8 million) and provisions for loss ($0.5 million).

While the increase in deposit insurance coverage to $250,000 has had a temporary downward impact on the DIRF (as a percentage of insured deposits), it also increases deposit insurance premium revenue due to the larger insured deposit base. As a result of increasing coverage and premiums, DICO anticipates the DIRF will reach the 100 bps target by approximately 2025.

Financial Performance Analysis

This section provides management's analysis of DICO's financial performance for the fiscal year ended December 31, 2018. It should be read in conjunction with the 2018 audited financial statements and related notes.

Summary of Key Financial Performance

For the year ended Dec 31, 2018	2018 Actual	2017 Actual	Variance to 2017 Actual Fav/(Unfav)		2018 Budget	Variance to Budget Fav/(Unfav)	
($ thousands unless indicated)	**$**	$	$	%	$	$	%
Deposit Insurance Reserve Fund (DIRF)	**280,245**	248,840	31,405	12.6%	277,318	2,927	1.1%
Estimated Sector Insured Deposits at end of period ($ billions)	**38.4**	30.5	7.9	25.9%	39.2	(0.8)	(0.2%)
DIRF as % of Sector Insured Deposits	**0.73%**	0.82%	-	(0.1%)	0.71%	-	-
Investments	**287,574**	253,981	33,593	13.2%	282,166	5,408	1.9%
Premium Income	**36,925**	30,208	6,717	22.2%	38,635	(1,710)	(4.4%)
Other Income	**4,730**	2,248	2,482	110.4%	3,027	1,703	56.3%
Operating Expenses	**9,774**	9,330	(444)	(4.8%)	10,477	703	6.7%
Excess of Income over Operating Expenses	**31,881**	23,126	8,755	37.9%	31,185	696	2.2%
Provision for Losses (PFL)	**476**	334	(142)	(42.5%)	3,000	2,524	84.1%
Excess of Income over Expenses	**31,405**	22,792	8,613	37.8%	28,185	3,220	11.4%

Financial Highlights

- DIRF of $280.2 increased $31.4 million from prior year and is now at 73 bps of insured deposits. The DIRF had a favourable budget variance of $2.9 million due to the provision for loss of $0.5 million compared to budget of $3.0 million and less than budgeted operating expenses of $0.7 million.

- Provision for loss (PFL) of $0.48 million increased $0.15 million from prior year amount of $0.33 million. Management reviewed the acquired impaired loans that are considered as stage 3 under the IFRS 9 expected credit loss model for lifetime credit losses and assessed a writeoff of $1.48 million. In addition, a decrease was made to the specific provision of $1.0 million as a result of management's assessment of a legal matter related to a liquidated credit union. The provision for loss was favourable compared to the budget.

- DICO's investment portfolio was $287.6 million an increase of $33.6 million or 13.2% up from prior year, due to increased DIRF funds invested throughout the year. The favourable budget variance of $5.4 million was due to the growth of the investment portfolio and increased investment income.

- Premium income increased by $6.7 million or 22.2% from the prior year, due to the higher insurance coverage level of $0.25 million effective January 1, 2018. This was offset by a decrease in the average premium rate charged to credit unions of $1.05 compared to $1.07 in 2017. Premium income was $1.7 million less than budgeted as governance and capital levels in the credit union industry resulted in higher Deposit Premium Scores and lower premiums.

- Other Income of $4.7 million increased $2.5 million or 110.4% from prior year, largely due to higher interest rates on investments between Q1 to Q3 2018 and asset growth.

- Operating expenses of $9.8 million, increased $0.4 million over prior year due to increased legal fees of $0.3 million comprised of HR, compliance and credit union regulatory matters and $0.1 million in professional fees for external audit fees and regulatory initiatives. A favourable budget variance of $0.7 million or 6.7% reflected $0.3 million in lower salaries and benefits as a result of 2 unfilled positions and partial year salaries in 2018. Consulting fees were under budget by $0.2 million, travel expenses under budget by $0.1 million, and staff training under budget by $0.1 million.

Statement of Financial Position

Assets

The Corporation's total assets as at December 31, 2018 grew by 12.1% to $293.3 million, an increase of $31.6 million over the previous year. The majority of DICO's assets are its investment portfolio which represent 98.0% of the total assets. The remaining 2.0% is comprised of cash and cash equivalents, premiums receivable, prepaid expenses and other receivables, deposit insurance advances recoverable, and property, plant and equipment.

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 CUCPA. 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 assessed 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 adverse market conditions.

($ in thousands)	**2018**	2017	Change	
Current investments	174,718	185,987	(11,269)	(6.1%)
Non-current investments	112,856	67,994	44,862	66.0%
Total	287,574	253,981	33,593	13.2%

Current Investments

The current investments in the portfolio represent are valued at $174.7 million, consisting of highly liquid and secure Canadian federal and provincial government securities and bankers' acceptances of Canadian chartered banks with credit ratings of A (high) and R-1 (mid) or higher with a term of one year or less. The money market portfolio outperformed the benchmark by 3 bps for the last quarter, and 20 bps for the 12-month period.

Non-current investments

The non-current investments consisted of government bonds laddered from 6 months to a maximum of 3 years and 3 months, and government floating rate notes for up to 2 years, valued at $112.9 million. The government bond laddered investments for the last quarter outperformed the benchmark by 9 bps, and 37 bps for the 12-month period.

The money market and government bond portfolios' credit ratings are:

Portfolio Composition by Credit Rating								
	2018				2017			
Credit Rating	Money Market Portfolio		Government Bond laddered portfolio		Money Market Portfolio		Government Bond laddered portfolio	
	% of Total	Market Value	% of Total	Market Value	% of Total	Market Value	% of Total	Market Value
AAA	-	-	17%	10,893	-	-	17%	8,909
AA (high)	-	-	9%	5,664	-	-	7%	3,795
AA	-	-	3%	1,953	-	-	4%	1,980
AA (low)	7%	16,182	42%	27,087	24%	48,413	44%	22,736
A (high)	14%	31,806	26%	16,754			28%	14,387
R-1 (high)	42%	94,302	-	-	52%	104,644	-	-
R-1 (mid)	36%	80,910	3%	2,025	24%	49,117	-	-
Total	100%	223,200	100%	64,374	100%	202,173	100%	51,808

The portfolio will continue to be invested 100% in benchmark treasury bills, non-benchmark provincial treasury bills and floating rate notes issued by Canadian federal and provincial government bonds with allocation to bank paper issued by 5 major Canadian banks. The OFA continues to evaluate and alter the risk/return qualities of the funds based on market conditions to appropriately balance between security, liquidity and yield.

The fund's exposure to credit and market risk are minimal due to high quality government bond holdings. The bond portfolio's short duration reduces fluctuations from interest rate risk. Interest rate risk exists due to the nature of the investment portfolio. The weighted average number of days to maturity is 232 days slightly down from 243 days in 2017.

Performance Comparison

	Year ended 2018	Year ended 2017	Change
Portfolio Return[1] (Money Market)	1.58%	0.89%	0.69%
Benchmark (Money Market)	1.38%	0.56%	0.82%
Value Added (Money Market Portfolio)	0.20%	0.33%	-0.13%
Portfolio Return[1] Government Bond Laddered	1.49%	1.15%	0.34%
Benchmark return[2] (Government Bond Laddered)	1.12%	0.73%	0.39%
Value Added (Government Bond Laddered)	0.37%	0.42%	-0.05%
Total Portfolio Return	1.56%	0.94%	0.62%
FTSE TMX Short Term All Government Index	1.96%	-0.38%	2.34%

Notes

[1] Performance is calculated by the Risk Control Division and is gross of fees (0.03% per annum for the Money Market Portfolio and 0.04% for the Government Bond Laddered Portfolio). Cash is excluded. The bank cash balance in the Money Market portfolio was $486.83 as of December 31, 2018.

[2] The Benchmark is a laddered government bond benchmark with equal weights assigned to 0.5, 1.0, 1.5, 2, 2.5- and 3-year Government of Canada Bonds.

Deposit Insurance Advances Recoverable

The Corporation is responsible under the CUCPA to pay deposit insurance claims from depositors up to statutory limits when a credit union is no longer able to meet its obligations to depositors. Circumstances may arise where a credit union does 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 liquidation and advances funds to cover the credit union's shortfall and pay depositors. This makes the Corporation a creditor of the credit union and the advance is recorded as an asset on DICO's books.

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, which are recorded as increases to the DIRF.

In January 2018 a new accounting standard was adopted, IFRS 9 Financial Instruments, which introduced an expected credit loss (ECL) impairment model for all financial assets not measured at fair value through profit or loss. In the case where DICO acquires impaired loans from liquidated credit unions at net realizable value, the loans are assessed as IFRS 9's stage 3, for objective evidence of impairment. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Based on management's judgement impaired loans of $1.48 million were written off, as the current evidence for collectability was assessed on impaired loans held at net realizable value, where the collateral has been determined to have no active market, and therefore no reasonable expectation of further recovery.

Management also decreased the provision for deposit insurance losses and increased the provision for deposit advances recoverable by $1.0 million in relation to a legal matter, as a result of decreased risk to the Corporation.

Provision for Deposit Insurance Losses

The provision for deposit insurance losses represents an estimate for losses recorded during the year and similar to previous years, 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.

The 2018 general provision for loss (GPL) was $3.0 million (2017 – $3.0 million), calculated at the present value, pre-tax rate. This provision is determined based on a model methodology that takes into account Credit Union Insurance Risk Ratings, key performance indicator methodology and historical sector loss experience. The GPL also considers other factors, including the increase in the deposit insurance coverage to $0.25 million in 2018 from $0.10 million in 2017. Based on all these inputs, the GPL was maintained at the current $3.0 million level, given average historical losses in the sector which was within the range determined from the general provision for loss model.

Liabilities

Total liabilities are $12.4 million as at December 31, 2018, reflecting a decrease of $1.0 million or 7.3% less than prior year of $13.4 million.

Total liabilities consist of current liabilities of payables and accruals (16.6%), deferred premium income (8.3%) and non-current liabilities of provision for deposit insurance losses (24.2%), employee benefits (42.5%) and the remaining (8.4%) representing payables.

Employee benefits

All eligible employees and retirees are provided with a defined contribution pension plan and future non-pension post-employment benefit plan. The 2018 total accrued non-current employee benefits obligation was $5.2 million compared to prior year of $6.3 million. The decrease of $1.1 million was comprised of $0.6 million in retention benefits paid to key management personnel and future non-pension benefits that were actuarially determined to be $0.5 million less than prior year.

Statement of Operations

Premium income

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. The Differential Premium Score Determination system (DPSD) calculates a credit union's premium score which is used to calculate an annual 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*, April 12, 2014, and Ontario Regulation 120/14 made on May 1, 2014, amending O.Reg. 237/09.

($ in thousands)	**2018**	2017	Change		2018 Budget
Premium Income	36,925	30,208	6,717	22.2%	38,635
Average premium rate (per $1,000 of insured deposits)	1.05	1.07	(0.02)	(1.9%)	1.04

Total 2018 premium income revenue was $36.9 million, an increase of $6.7 million or 22.2% over prior year. Premium rate calculation methodology remained unchanged in 2018. Insured deposits were $38.4 billion an increase of $7.9 billion or 25.8%, compared to $30.5 billion a year ago. The average premium rate billed in 2018 was 1.05 per thousand of insured deposits as compared to $1.07 in 2017, due to increased capital and governance scores at the credit unions which resulted in higher Deposit Premium Scores and lower premiums. Premium revenue of $36.9 was $1.7 million or 4.4% less than the budgeted amount of $38.6 million due to lower than anticipated insured deposits.

Other income

Other income is composed mostly of investment income earned from the Corporation's investment portfolio. Total investment yield was $4.7 million and exceeded budget by $1.7 million as a result of the growth of the portfolio and higher interest rates in 2018. Bond returns increased as the Bank of Canada (BOC) increased overnight rates in 2018 by 75 bps to 1.75%. The BOC has maintained the rate at 1.75% in January 2019, as Canada's economic growth is expected to slow to 1.7% in Q1 2019. This is as a result of the drop in global oil prices and the trade conflict between China and the United States, which lowers trade and national income, weakening consumer consumption.

The BOC expects the policy interest rate to rise over time into a neutral range which achieves the inflation target rate of 2%. The pace of interest rate increases will depend on the evolving economic outlook, with a focus on developments in oil markets, the Canadian housing market, and global trade policy.

The Ontario Financing Authority monitors the market conditions and assesses the risk / return qualities of the investments to create value for the portfolio. As at December 31, 2018, the money market portfolio's cumulative 12 month return was 1.58% up from 0.89% in 2017, and the government bond laddered portfolio's 12 month return was 1.49% up from 1.15% in 2017. The combined money market and laddered portfolio's annualized yield for 2018 was 1.56% compared to 0.94% in 2017.

Operating expenses

In 2018, total expenses (net of recoveries) were $9.8 million, $0.4 million (4.8%) higher than prior year, and 6.7% less than the 2018 budget of $10.5 million.

Salaries and benefits were $7.19 million slightly less than $7.25 million in 2017. Salaries and benefits had a favourable budget variance of $0.3 million due to new positions being hired later than budgeted and unfilled positions being deferred to 2019.

Major operating expenses in 2018 included legal fees (21.6%), occupancy (19.2%), professional services (17.0%), travel costs (7.2%), consulting (7.1%), IT maintenance and support (7.0%), depreciation (5.2%), on-site examinations by third parties (1.9%) and all other general administrative costs such as insurance, printing, translation, telephone, directors' expenses, office supplies, couriers, dues and fees comprise 13.8% of the total.

($ in thousands)	**2018**	2017	Change		2018 Budget
Salaries and benefits	7,187	7,247	(60)	0.1%	7,442
Operating expenses	2,676	2,245	431	19.2%	3,059
Recovery of operating expenses	(89)	(162)	73	-45.1%	(24)
Net total expenses	9,774	9,330	444	4.8%	10,477

Operating expenses before recoveries were $2.7 million and $0.4 million or 19.2% higher than prior year of $2.2 million. This was mainly due to increased legal fees of $0.3 million comprised of $0.1 million for human resources initiatives' including FIPPA and employee terminations and $0.2 million for regulation and risk legal fees related to Credit Union Regulation. In addition, professional services increased by $0.1 million due to deferral of 2017 recruitment fees to 2018 and increased audit expenses in 2018. Recovery of operating expenses in 2018 consisted mainly of the administrative costs of managing the assets of credit unions in liquidation. In 2018 two credit unions remained in liquidation, one under Supervision and one placed in Administration.

The total expenses of $9.8 million compared to 2018 budget of $10.5 million showed a favourable total budget variance of $0.7 million which is the result of prudent cost management, specifically in the area of salaries and benefits. In addition, DICO regularly reviews all contracted services and customizes these arrangements to ensure that value for money is obtained from all providers and service standards are met.

Management’s Responsibility for Financial Information

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in conformity with International Financial Reporting Standards (IFRS), and, where appropriate, include amounts based on management’s best estimates and judgments.

Management is also responsible for developing and maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded, and the Corporation adheres to legislation and regulatory requirements. These systems include the communication of policies and the Corporation's code of ethics and business conduct throughout the organization.

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.

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 (CUCPA).

Guy Hubert

President & CEO

Randy Nanek

Vice President & Chief Financial Officer

Toronto, Canada
April 3, 2019

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Independent Auditors' Report

To the Board of Directors of Deposit Insurance Corporation of Ontario

Opinion

We have audited the financial statements of the Deposit Insurance Corporation of Ontario (the Entity), which comprise:

- the Statement of Financial Position as at December 31, 2018
- the Statement of Operations and Changes in the Deposit Insurance Reserve Fund for the year then ended
- the Statement of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss) for the year then ended
- the Statement of Changes in Equity for the year then ended
- the Statement of Cash Flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 3, 2019

Statement of Financial Position

(in thousands of dollars)	*Notes*		As at December 31 **2018**	2017
ASSETS				
Current assets				
Cash and cash equivalents		$	**1,858**	1,527
Investments	*5*		**174,718**	185,987
Premiums receivable			**667**	594
Prepaid expenses and other receivables			**990**	653
Total current assets			**178,233**	188,761
Non-current assets				
Investments	*5*		**112,856**	67,994
Deposit insurance advances recoverable	*6*		**2,022**	4,699
Property, plant and equipment	*7*		**210**	225
Total non-current assets			**115,088**	72,918
Total Assets		$	**293,321**	261,679
LIABILITIES				
Current liabilities				
Payables and accruals		$	**2,068**	2,050
Deferred premium income	*4*		**1,026**	989
Total current liabilities			**3,094**	3,039
Non-current liabilities				
Payables and accruals			**1,054**	1,024
Employee benefits	*8*		**5,273**	6,339
Provision for deposit insurance losses	*6*		**3,000**	3,000
Total non-current liabilities			**9,327**	10,363
Total Liabilities		$	**12,421**	13,402
EQUITY				
Accumulated other comprehensive income (loss)		$	**655**	(563)
Deposit Insurance Reserve Fund	*6,9*		**280,245**	248,840
Total Equity		$	**280,900**	248,277
Total Liabilities and Equity		$	**293,321**	261,679

See accompanying notes to financial statements

On Behalf of the Board: Carmen Rossiter

Director *Director*

Statement of Operations and Changes in the Deposit Insurance Reserve Fund

(in thousands of dollars)	*Notes*		Year ended December 31 **2018**	2017
Income				
Premium Income	*4*	$	**36,925**	30,208
Other Income			**4,730**	2,248
			41,655	32,456
Expenses				
Salaries and benefits			**7,187**	7,247
Operating expenses			**2,676**	2,245
Recovery of operating expenses			**(89)**	(162)
			9,774	9,330
Excess of income over operating expenses			**31,881**	23,126
Provision for insurance losses	*6*		**476**	334
Excess (deficiency) of income over total expenses			**31,405**	22,792
Deposit Insurance Reserve Fund, beginning of year	*6,9*		**248,840**	226,048
Deposit Insurance Reserve Fund, end of year	*9*	$	**280,245**	248,840

See accompanying notes to financial statements

Statement of Comprehensive Income

(in thousands of dollars)		Year ended December 31 **2018**		2017
Excess (deficiency) of income over total expenses	**$**	**31,405**	$	22,792
Other comprehensive income:				
Items that may be subsequently reclassified to excess (deficiency) of income over total expenses				
Net change in unrealized gains (losses) on investments during the year		**597**		(70)
Net change in unrealized gains (losses) on investments acquired from liquidated institutions during the year		-		56
		597		(14)
Items that may not be subsequently reclassified to excess (deficiency) of income over total expenses				
Net change in actuarial gains (losses) on post-employment, non-pension benefits during the year		**621**		(374)
Total other comprehensive income (loss)		**1,218**		(388)
Comprehensive income	**$**	**32,623**	$	22,404

Statement of Accumulated Other Comprehensive Income (Loss)

(in thousands of dollars)		Year ended December 31 **2018**		2017
Accumulated other comprehensive income (loss), beginning of year	**$**	**(563)**	$	(175)
Sale of investments from opening balance of accumulated other comprehensive income		**(405)**		(126)
Unrealized gains (losses) on investments arising during the year		**1,002**		112
Actuarial gains (losses) on post-employment, non-pension benefits arising during the year		**621**		(374)
Net change during the year		**1,218**		(388)
Accumulated other comprehensive income (loss), end of year	**$**	**655**	$	(563)

See accompanying notes to financial statements

Statement of Changes in Equity

(in thousands of dollars)	For the year ended December 31 **2018**	2017
Deposit Insurance Reserve Fund		
Balance at beginning of year	**$248,840**	$226,048
Excess (deficiency) of income over total expenses during the year	**31,405**	22,792
Balance at End of Year	**280,245**	248,840
Accumulated other comprehensive Income on investments		
Balance at beginning of year	**249**	263
Items that may be subsequently reclassified to excess (deficiency) of income over total expenses		
Net change in unrealized gains (losses) on investments during the year	**597**	(14)
Balance at End of Year	**846**	249
Accumulated other comprehensive Income on post-employment, non-pension benefits		
Balance at beginning of year	**(812)**	(438)
Items that may not be subsequently reclassified to excess (deficiency) of income over total expenses		
Net change in actuarial gains (losses) on remeasurement of post-employment, non-pension benefits during the year	**621**	(374)
Balance at End of Year	**(191)**	(812)
Total Accumulated other Comprehensive Income, End of Year	**655**	(563)
Total Equity	**$280,900**	$248,277

Statement of Cash Flows

(in thousands of dollars)	*Notes*	Year ended December 31, **2018**	2017
Cash flows from / (used in) operating activities:			
Excess (deficiency) of income over total expenses		**$31,405**	$22,792
Adjustments for:			
Provision for insurance losses		**476**	334
Depreciation of property, plant and equipment	*7*	**135**	163
		32,016	23,289
Changes in:			
Premiums receivable		**(73)**	43
Prepaid expenses and other receivables		**(337)**	(254)
Payables and accruals		**48**	822
Deferred premium income		**37**	208
Employee benefits		**(445)**	(278)
		(770)	541
Net deposit insurance recoveries	*6*	**2,201**	1,222
		33,447	25,052
Cash flows from / (used in) investing activities:			
Interest received		**3,937**	1,934
Purchase of investments held at year end		**(286,977)**	(253,995)
Proceeds on sale of investments		**250,043**	227,456
Purchase of property, plant and equipment	*7*	**(119)**	(136)
		(33,116)	(24,741)
Net increase (decrease) in cash and cash equivalents		**331**	311
Cash and cash equivalents, beginning of year		**1,527**	1,216
Cash and Cash Equivalents, End of Year		**$1,858**	$1,527

Cash and cash equivalents comprise cash and short-term investments.
See accompanying notes to financial statements

Notes to Financial Statements Year ended December 31, 2018

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* (CUCPA).

The objects of the Corporation under the CUCPA are to:

- Provide insurance for depositors 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 object 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 as stipulated under CUCPA or its regulations;
- Carry out such other objects as the Minister may specify in writing or as may be prescribed.

AMALGAMATION WITH FSRA

Corporation’s mandate review

In early 2015, the Minister of Finance appointed a 3-person panel to undertake a mandate review of three agencies important to the financial well-being of Ontarians: The Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO). In its report dated March 31, 2016, the expert panel called for the creation of a new, independent and integrated regulator to regulate most of the sectors overseen by FSCO and DICO.

The new regulator, named the Financial Services Regulatory Authority of Ontario (FSRA), was established under the Financial Services Regulatory Authority of Ontario Act, 2016 as a corporation without share capital. FSRA was incorporated effective June 29, 2017.

On December 6, 2018, the Restoring Trust, Transparency and Accountability Act, 2018 (Bill 57) received Royal Assent. Bill 57 includes legislative amendments that would, once proclaimed into force, provide for the amalgamation of DICO, including the deposit insurance reserve fund, with FSRA.

Following amalgamation, FSRA will administer the Deposit Insurance Reserve Fund, which will continue to be intended to pay deposit insurance claims and costs associated with the continuance or orderly winding up of credit unions/caisses populaires in financial difficulty.

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 April 3, 2019.

(b) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost basis, except for the provision for insurance losses, and certain employee benefits (see note 8), which are measured at their present value, and financial instruments which are measured as fair value through other comprehensive income (FVOCI). The Corporation's business model reflects how investments are managed and as such assets are Held-to-Collect-and-Sell (HTC&S) and the contractual terms of the financial instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Historical cost is generally based on the fair value of the consideration given in exchange for assets and the amount of cash expected to be paid to satisfy a liability.

The accounting policies set out in note 3 were consistently applied to all the periods presented unless otherwise noted below.

(c) Functional and presentation currency

These financial statements are presented in the Corporation's functional currency which is the Canadian dollar. All financial information is presented in Canadian dollars.

(d) Use of estimates, assumptions and judgements

In preparing the financial statements, management is required to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, net income, expenses and disclosures. Accordingly, actual results may differ from these estimates and assumptions. Management reviews estimates and underlying assumptions on an ongoing basis and revises them prospectively.

The most significant areas of assumptions and judgements are discussed and disclosed in the provision for deposit insurance losses and the provision for deposit insurance advances recoverable (note 6), and measurements of accrued benefit obligations in relation to future non-pension post-employment benefits (note 8).

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

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

(a) Premium income methodology

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. Premiums are invoiced annually, and income is recognized when earned by amortizing the premium over the credit union's fiscal year.

(b) Provision for financial assistance or insurance losses

Estimating the provision for financial assistance or insurance losses involves estimation uncertainty and requires that management make significant estimates and assumptions which affect the reported amount of assets, liabilities, net income and related disclosures. The provision for loss is determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount, timing and form of financial assistance that may be required for credit unions are dependent on future events and outcomes. Outcomes that may require financial assistance are stabilizations, amalgamations, arrangements, liquidations or dissolutions. The Corporation provides a provision for financial assistance based on three main components, as follows:

1. Where the need for financial assistance becomes likely and the amount for specific credit unions can reasonably be estimated.
2. Where the amount can be reasonably estimated and arises from indemnity agreements entered into with credit unions due to outcomes described above.
3. Where the Corporation has determined there is the potential for *financial* assistance based on an analysis of the inherent risks in the credit union system.

A contingent liability for financial assistance arises from a liability of sufficient uncertainty with respect to the probability and amount of the expected outflows, such that it does not qualify for recognition as a provision. Depending on the probability of loss occurring, contingent liabilities may be disclosed in the notes to the financial statements. Contingent liabilities may be established based on potential individual credit union assistance payments and/or an assessment of the inherent risk in the credit union system.

Provisions and contingencies for financial assistance consist of the calculation of potential liabilities and contingencies to meet the IFRS standards. Calculations include management's judgment based on historical information and other factors. Credit union analysis for potential liabilities includes a review of all credit unions based on key financial and risk information and provisions related to amalgamations or arrangements and any indemnity agreements.

Specific provision

The specific provision is for potential losses to the deposit insurance reserve fund (DIRF). This provision is estimated based on management's significant judgement considering the risks and uncertainties of the obligation and is recorded when it is likely that a payment from the DIRF is required to financially assist the credit union in the event of a failure. Specific provision for losses is recorded when conditions exist that will result in losses at a credit union.

General provision

The general provision 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, specific knowledge of its members 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 applies this methodology to evaluate all credit unions with the highest risk scores, under the 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 in the next 12 month period. The model's results are then considered along with the level of the existing allowance, as well as management's judgement regarding economic and market conditions, before arriving at a final determination of what the general provision for loss should be.

Other provisions

A provision is recognized when the Corporation has a legal or constructive obligation as a result of a past event and it has become probable that an outflow of resources is required to settle the obligation and a reliable estimate of the amount has been made at the reporting date.

(c) Employee benefits– pension and other post-employment

(i) Defined contribution pension 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. The Corporation's defined contribution pension plan covers all of the Corporation's regular, non-contractual employees. As well, there are supplemental arrangements which provide pension benefits for income in excess of registered pension plan limits to certain employees. 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 pension arrangements including investment management, plan benefits and funding decisions are managed by external parties, legally segregated from the Corporation. The Corporation assumes no actuarial or investment risk.

(ii) Defined non-pension post-employment benefits

The Corporation provides future non-pension post-employment benefits to provide extended health, dental and life benefits for both current 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 8(ii).

(iii) Other employee benefits

The Corporation also provides for 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. All existing plans have been accepted and recorded.

(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) The Corporation's financial instruments

The Corporation adopted IFRS 9 Financial Instruments (IFRS 9) in January 1, 2018 and elected not to restate comparative period results. New or amended disclosures have been provided for the current period, and for comparative period disclosures.

Funds allocated or advanced to credit unions are initially recorded at cost. Deposit insurance advances recoverable are presented on the Statement of Financial Position, net of specific allowances.

The Corporation's investments are non-equity financial instruments comprised of money market securities and government laddered bonds. On initial recognition, they are measured at fair value and any changes other than impairment losses, are recognized in Other Comprehensive Income and presented within equity. Interest income is recognized on an accrual basis.

Financial assets are derecognized when the contractual rights to the cash flow from the financial assets expire or when the substantial risks and rewards of ownership are transferred. When an investment is derecognized/sold, the cumulative gain or loss in Other Comprehensive Income 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 amortization and impairment losses. Cost includes expenditures that are attributable to the purchase of the asset and to bring the assets into working condition for their intended use, including the borrowing costs on qualifying assets.

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 the 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 hardware and related applications are amortized over three years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lease term and useful life of the asset.

(f) 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.

(g) 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 in the Statement of financial position 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 realized, based on the tax rates 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.

The Corporation's main source of revenue is premiums received from credit unions which are not taxable pursuant to subsection 137.1(2) of the Income Tax Act. As a result, the Corporation has been generating non-capital losses for tax purposes since its inception.

New accounting policies adopted in the current year

(h) IFRS 9 Financial instruments

(i) Classification of Financial Assets

IFRS 9 replaces the categories of financial instruments under IAS 39 which are held to maturity, loans and receivables and available for sale. IFRS 9 introduced a principles-based approach for the classification of financial assets. All financial assets are measured at fair value through profit or loss (FVTPL), fair value through OCI (FVOCI) or amortized cost based on the nature of the cash flows of the assets and the entity’s business model.

IFRS 9 introduces an expected credit loss impairment model with 3 stages, this differs significantly from the incurred loss model under IAS 39 and is expected to result in the earlier recognition of credit losses.

Under IFRS 9, financial assets are classified based on the Corporation’s business model. DICO’s investment strategy is achieved by collecting the contractual cash flows and selling the financial assets. The investments' contractual cash flows are solely payments of principal and interest (SPPI) and are measured at fair value through other comprehensive income (FVOCI). Financial liabilities follow the requirements of IAS 39. The effect of adopting IFRS 9 had no material impact on the carrying amounts of financial assets at January 1, 2018.

(ii) Impairment of financial assets
IFRS 9 replaced the "incurred loss" model under IAS 39 Financial Instruments with a forward-looking Expected Credit Loss (ECL) model.

The model has 3 stages:

- stage 1, on initial recognition, a loss allowance is recognized for 12 months of expected credit losses.
- stage 2, is based on whether an instrument’s credit risk as at the reporting date has significantly increased relative to the date it was initially recognized, and a loss allowance is recognized for lifetime expected credit losses.
- stage 3, occurs when a financial asset is considered as credit impaired based on loss events; and the loss allowance reflects lifetime expected credit losses and interest revenue is based on the carrying amount of the asset, net of loss allowance.

Financial assets can move in both directions through the 3 stages of the impairment model. If an asset is in Stage 2 and is no longer considered as a significantly increased credit risk compared to its initial recognition in a subsequent reporting period, it may move back to Stage 1. Similarly, an asset that is in Stage 3 may move back to Stage 2 if it is no longer considered to be credit-impaired.

The IFRS 9’s list of loss events that are used to determine if an asset is credit impaired are: significant financial difficulty of the issuer or the borrower, breach of contract, such as a default or past due event, the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider, it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market for that financial asset because of financial difficulties, and the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Corporation determines a significant increase in credit risk by considering a number of factors including the probability of default since acquisition and other criteria, which includes past due internal and external indicators of credit risk, changes to contractual terms, actual and expected performance and forecasts of future conditions. The loans acquired by the Corporation are typically impaired loans purchased from credit unions in liquidation and acquired at significant discounts from face value and are assessed based on the historical and behavioural information of the borrowers.

The Corporation has renegotiated loan agreements and conceded to receive lower payments, wage assignments, token payments, and arranged settlements on statute barred accounts (beyond the 2-year period specified by the provincial statute). There is no recourse to recover cash flows in arrears or to expect future payments to be made as per agreements.

For assets that are recognized as credit-impaired on purchase origination, the effective interest rate is calculated by considering the initial lifetime expected credit loss in the estimated cash flows with no additional 12-month expected credit loss allowance.

Forward-looking information
The estimation and application of forward-looking information requires considerable judgment in using information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions to determine significant increases in credit risk. Loss rates used in collectively-assessed Stage 3 allowances are adjusted based on the forward-looking macroeconomic scenarios.

Expected life
For instruments in Stage 2 or Stage 3, loss allowances will cover expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments. The expected life for these unsecured loans is based on the Corporation's historical experience.

Definition of default
The definition of default used in the measurement of expected credit losses and the assessment of qualitative indicators to determine the movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

A provision for expected credit losses is established on acquired impaired loans and is presented in the provision for deposit insurance losses. The Corporation measures impaired loans according to the IFRS 9 stage 3 expected credit loss impairment model. A financial asset is assessed to be in Stage 3 when it is considered to be credit-impaired and a provision for loss is recognized that is equal to credit losses expected over the remaining lifetime of the asset.

(i) IFRS 15 Revenue from contracts with customers

The Corporation adopted IFRS 15 on January 1, 2018 the date of initial application, with no restatement of comparative periods. The adoption of IFRS 15 did not have a material impact on our financial statements. In May 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers (IFRS 15). IFRS 15 sets out principles for the nature, amount, timing, and uncertainty of revenue and cash flows arising from the corporation's contracts with customers. The model features a principle based five-step model for revenue recognition, with exceptions for financial instruments, insurance contracts and leases which fall under the scope of other standards in IFRS.

(j) Summary of new and revised accounting standards

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases* ("IAS 17"). IFRS 16 recognizes a right of use asset and a lease liability. A right of use asset is amortized on a straight-line basis and a lease liability is accounted for similarly to a mortgage loan with higher interest being charged in the earlier years. This is considered a front-loaded expense in the Statement of Operations, even when the lessee pays the same amount of rent each period. The lease liability is measured at the present value of the lease payments over the lease term, discounted at the rate implicit in the lease, or the incremental borrowing rate.

A contract to lease is identified as the right to control or obtain the economic benefits from the use of an asset over a term in exchange for consideration. IFRS 16 provides for a recognition exemption, the lessee may elect to recognize lease payments as an expense over the term of the lease for two types of leases: (i) leases with a term of 12 months or less that have no purchase options and (ii) leases where the underlying asset has a low value, such as computers or office furniture. IFRS 16 may be applied retrospectively for annual periods beginning on or after January 1, 2019. A preliminary assessment was completed on the implementation of IFRS 16 and the Corporation will utilize the exemption under IFRS 16 and will not recognize a right of use asset and lease liability. The Corporation's office lease agreement is mutually agreed upon with the lessor to have the option to renegotiate the lease prior to February 5, 2019.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 to establish a comprehensive global insurance standard which provides guidance on the recognition, measurement, presentation and disclosures of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfillment values using one of three approaches. This new standard will be effective for on January 1, 2021 and will be applied retrospectively with restatement of comparatives unless impracticable. The Corporation is evaluating the potential impact of this new standard on its financial statements and the impact is not known at this time.

4. PREMIUM INCOME (in $000's)

2018	2017
36,925	30,208

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. The Corporation uses a differential premium score determination system (DPSD). The DPSD system determines a 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

As at December 31, 2018 the Corporation reported deferred premium income of $1.03 million (2017 - $0.99 million) which represents the balance of pro-rated premiums for the credit unions whose fiscal year straddles the Corporation's fiscal year end.

5. INVESTMENTS

The Corporation's investments are composed of short-term money market securities and government bonds portfolio with terms of up to 3.25 years. The investments are measured at FVOCI with unrealized gains and losses recorded in the Statement of Accumulated Other Comprehensive Income (Loss) until the investment is sold or assessed as impaired.

As at January 1, 2018 and December 31, 2018, the Corporation's investments were Stage 1 financial assets with de minimus expected credit losses.

As of December 31, 2018, the current, highly liquid investments have a weighted-average yield of 1.88% (2017: 0.96%). The non-current investments are primarily laddered government bonds and government floating rate notes with a remaining weighted average term to maturity of greater than one year. The weighted average yield of these investments as at December 31, 2018 was 1.94% (2017: 1.34%). The Corporation has contracted with the Ontario Financing Authority to manage the investment portfolio. The composition of the Corporation'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.

	As at December 31, 2018			As at December 31, 2017		
	Amount (in $000)	Weighted Average Effective Yield	Weighted Average Days to Maturity	Amount (in $000)	Weighted Average Effective Yield	Weighted Average Days to Maturity
Bankers' acceptances / Bank deposit notes	76,201	2.11%	20	61,462	1.31%	36
Treasury bills - Canada and Provincial	98,517	1.77%	32	92,249	0.97%	78
Province of Ontario floating rate notes	-	-	-	32,276	0.88%	337
Total current investments	174,718	1.88%	27	185,987	0.96%	109
Laddered provincial and federal government bonds	64,374	2.05%	613	51,808	1.39%	610
Province of Ontario floating rate notes (up to two years)	48,482	1.75%	467	16,186	1.19%	603
Total non-current Investments	**112,856**	**1.94%**	**550**	67,994	1.34%	608
Total Investments	**287,574**			253,981		

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, 2018, and 2017, the Corporation's financial instruments were valued as follows:

Fair Value Hierarchy of Financial Assets		
(in $ 000)	**2018**	2017
Level 1	287,574	253,981
Level 2	-	-
Level 3	-	-
Total	**287,574**	253,981

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).

No investments have moved between hierarchy levels during the year. The Corporation's total investment income for financial assets was $4.25 million for the year ended December 31, 2018 (2017: $2.08 million).

6. PROVISION FOR DEPOSIT INSURANCE LOSSES

(a) Provision for deposit insurance losses

The provision for deposit insurance losses includes specific provisions, for known or likely losses resulting from specific credit union failures and a general provision for losses not identified with a specific credit union. The portion of the provision for losses recorded in the year and in previous years which have not yet required payment by the Corporation is shown under liabilities on the Statement of Financial Position as provision for deposit insurance losses. Any reduction or recoveries due to a change in the estimate of the provision for deposit insurance losses results in an increase to the deposit insurance reserve fund (DIRF).

The provision for insurance losses represents the Corporation's best estimate of losses on insured deposits and the future consideration required to assist a credit union in the event of failure and is determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The 2018 General Provision for Loss (GPL) was $3.0 million, (2017 – $3.0 million), calculated at the present value, pre-tax rate. This provision is determined based on a model methodology that takes into account credit union insurance risk ratings, key performance indicator methodologies and historical sector loss experience. The general provision for loss considers other factors, including the increase in the deposit insurance coverage to $0.25 million in 2018 from $0.10 million in 2017. Based on all these inputs, the GPL was maintained at the current \$3.0 million level given average historical losses in the sector which was within the range determined from the GPL model.

The following tables summarize the general provision for loss:

(in \$ 000)		**IAS 37 As at December 31, 2018**			
	As at December 2017	Change in the General Provision	Recoveries	Total Net Change	As at December 2018
General Provision for Losses (GPL)	(3,000)	-	-	-	(3,000)
Total	**(3,000)**	-	**-**	**-**	**(3,000)**

(in \$ 000)		**IAS 37 As at December 31, 2017**			
	As at December 2016	Change in the General Provision	Recoveries	Total Net Change	As at December 2017
General Provision for Losses (GPL)	(3,000)	-	-	-	(3,000)
Total	(3,000)	-	-	-	(3,000)

(b) Deposit insurance advances recoverable

The Corporation purchases credit impaired loans from credit unions under liquidation to facilitate their wind up. The loans are either unsecured or secured by property. Management has reviewed the loan purchases and valued them at net realizable value.

IFRS 9 Impairment introduced an expected credit loss impairment model for all financial assets not measured at fair value through profit or loss. Impaired loans are assessed as Stage 3, under IFRS 9's list of loss events as the conditions for credit loss recognition were met. Loans were written off based on management's judgement of the current evidence for collectability on impaired loans held at net realizable value, where the collateral has been determined to have no active market, and therefore no reasonable expectation of further recovery. A write off has been recognized as a net increase to the provision for deposit insurance losses of $1.48 million, with a corresponding reduction to the deposit insurance advances recoverable.

The Corporation may recognize amounts previously written off such as administrative and legal expenses, hence these would be recorded as amounts recoverable and result in an increase to the DIRF. Any reversals to specific provisions for credit unions in the process of winding down are recorded as recoverable and result in an increase to the deposit insurance reserve fund (DIRF).

During 2018, management reviewed the recoverable amount of the Other recoveries in view of a legal matter initiated in 2012 by a claimant against the board of a credit union under liquidation and CUMIS Services. Management's review of the minutes of settlement, legal theories and interpretations advanced for the case, resulted in a $1.0 million decrease in the provision for deposit insurance losses and a corresponding increase of the deposit insurance advances recoverable due to decreased risk to the Corporation.

At January 1, 2018 and December 31, 2018, the Corporation had no stage 1 or stage 2 loan expected credit losses. The following table shows the impacts of IFRS 9 impairment on acquired impaired loans:

(in $ 000)		IFRS 9 As at December 31, 2018				
Deposit insurance advances recoverable	As at December 2017	Net change in specific provision	Advances paid during the year	Recoveries	Total Net Change	As at December 2018
Acquired Impaired loans - liquidated credit unions	1,811	(1,476)	-	(335)	(1,811)	-
Other recoveries liquidated credit unions	2,888	1,000	-	(1,866)	(866)	2,022
Total	**4,699**	**(476)**	**-**	**(2,201)**	**(2,677)**	**2,022**

(in $ 000)		As at December 31, 2017				
Deposit insurance advances recoverable	As at December 2016	Net change in specific provision	Advances paid during the year	Recoveries	Total Net Change	As at December 2017
Liquidated credit unions	6,255	(334)	1,016	(2,238)	(1,556)	4,699
Total	6,255	(334)	1,016	(2,238)	(1,556)	4,699

7. PROPERTY, PLANT AND EQUIPMENT

Computer equipment, furniture and fixtures, and other equipment with finite useful lives are recognized at cost less accumulated depreciation or amortized over the useful life of the assets. Useful lives are reassessed at each reporting period and adjusted as appropriate. Any assets assessed as impaired are tested to determine if the carrying amount is less than the recoverable amount. If the assets are recognized as impaired, depreciation is adjusted in the future periods to reflect the asset's revised carrying amount. The following table presents details of the Corporation's computer equipment, and other depreciable assets as at December 31, 2018.

(in $ 000)	Furniture and Fixture	Office Equipment	Computer and Related Equipment	Software	Leasehold Improvement	Total
Cost or deemed cost						
Balance at January 1, 2017	529	69	2,073	857	528	4,056
Additions	2	-	98	36	-	136
Retirements and Disposals	-1	-	-16	-	-	-17
Balance at December 31, 2017	530	69	2,155	893	528	4,175
Additions	15	1	86	17	-	119
Retirements and Disposals	-	-	-33	-	-	-33
Balance at December 31, 2018	**545**	**70**	**2,208**	**910**	**528**	**4,261**
Depreciation						
Balance at January 1, 2017	480	62	1,944	823	495	3,804
Depreciation for the year	10	2	88	30	33	163
Retirements and Disposals	-1	-	-16	-	-	-17
Balance at December 31, 2017	489	64	2,016	853	528	3,950

Depreciation for the year	11	1	102	20	-	134
Retirements and Disposals	-	-	-33	-	-	-33
Balance at December 31, 2018	**500**	**65**	**2,085**	**873**	**528**	**4,051**
Carrying amount						
At December 31, 2017	41	5	139	40		225
As at December 31, 2018	**45**	**5**	**123**	**37**	**-**	**210**

8. EMPLOYEE BENEFITS

(i) Pension plan

The Corporation operates a defined contribution pension plan for all eligible employees. In addition, the organization 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 the 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 former CEO of the Corporation. The total pension expense for the Corporation, charged to the Statement of Operations and Changes in the Deposit Insurance Reserve Fund in 2018 was $0.52 million (2017 - $0.49 million). Total accrued pension plan benefits as at December 31, 2018 amounted to $1.82 million (2017 - $1.85 million).

(ii) Future non-pension post-employment benefits

The Corporation accounts for the current value of future non-pension post-employment benefits related to the extended health, dental and life benefits plan. The most recent triennial valuation of the defined benefits plan was completed by an independent actuarial firm in 2017. The valuation of the benefit obligations is estimated using the Projected Unit Credit method. The accrued benefit liability as at December 31, 2018, is actuarially determined at $3.45 million (2017 - $3.92 million). The annual benefit cost, including current service cost and interest cost amounted to $0.30 million (2017 - $0.27 million).

The assumptions used in the actuarial valuation report as at December 2018, for the future benefits obligations consisted of a discount rate of 4.00% (2017 - 3.50%), rate of salary increases of 2.60% per annum (2017 - 2.60%) and immediate trend rate in health care costs of 4.42% (2017 - 5.26%), grading down to 4.00% per annum by 2040. Mortality improvement scale MI-2017 has been adopted since 2017. The Corporation measures its accrued benefit obligations as at December 31.

Change in non-pension post-employment benefit obligation (in $ 000)	**2018**	**2017**
Benefit obligation at beginning of year	3,924	3,409
Current service cost	168	133
Interest cost	135	134
Benefit payments	(155)	(125)
Re-measurements of the effect of changes in assumptions included in OCI	(621)	374
Benefit obligation at end of year	**3,451**	3,925
Sensitivity analysis: (in $ 000)	**2018**	2017
1. **Present value of defined benefit obligation**		
Discount rate - 25 basis points	3,605	4,113
Discount rate + 25 basis points	3,307	3,748
Health care cost trend rates -100 basis points	2,964	3,315
Health care cost trend rates +100 basis points	4,070	4,710
Mortality assumption – 1-year life expectancy	3,302	3,733
Mortality assumption + 1-year life expectancy	3,605	4,123
2**. % impact on the defined benefit obligation**		
Discount rate - 25 basis points	4.45%	4.82%
Discount rate + 25 basis points	(4.17%)	(4.50%)
Health care cost trend rates -100 basis points	(14.13%)	(15.53%)
Health care cost trend rates +100 basis points	(17.95%)	(20.01%)
Mortality assumption – 1-year life expectancy	(4.31%)	(4.86%)
Mortality assumption + 1-year life expectancy	4.47%	5.08%

3. Change in the defined benefit obligation		
Discount rate - 25 basis points	154	189
Discount rate + 25 basis points	(144)	(177)
Health care cost trend rates -100 basis points	(488)	(610)
Health care cost trend rates +100 basis points	619	785
Mortality assumption – 1-year life expectancy	(149)	(191)
Mortality assumption + 1-year life expectancy	154	199
4. Weighted average duration of defined benefit obligation (in years)		
Discount rate - 25 basis points	17.41	18.83
Discount rate + 25 basis points	17.04	18.42

The Corporation has implemented a human resources retention plan for key management personnel with the objective of transition and succession planning. As at December 31, 2018, all retention benefits have been paid (2017 - $0.57 million).

The following is summary of employees accrued benefit liabilities (non-current):

(in $ 000)	**As at December 31, 2018**	As at December 31, 2017
Employee pension benefits	1,822	1,845
Employee future non-pension post-employment benefits	3,451	3,924
Retention benefits for key management personnel	-	570
Total	**5,273**	6,339

9. DEPOSIT INSURANCE RESERVE FUND (DIRF)

In accordance with Section 276 of the *Credit Unions and Caisses Populaires Act, 1994*, the Corporation is required to maintain a Deposit Insurance Reserve Fund (DIRF or the “fund”) for the benefit of the credit union sector.

As at December 31, 2018, the fund is 0.73 percent (2017 - 0.82 percent) of sector insured deposits. The decrease in the percentage of sector insured deposits is largely due to the increase in deposit insurance coverage from $100,000 to $250,000 as of January 1, 2018. One of the Corporation's objectives is to aspire to achieve a fund target of 1% of sector insured deposits.

10. OPERATING LEASES

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

(in $ 000)	**2018**	2017
Less than 1 year	**179**	157
Between 1 and 5 years	**-**	68
More than 5 years	**-**	-

Under the operating lease for premises the Corporation is required to pay property taxes and common area maintenance costs which are recognized as an expense and are approximately $0.29 ($0.29 million in 2017). The current occupancy lease of the Corporation's office is due to expire on August 5, 2019.

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:

(in $ 000)	**2018**	2017
Excess of Income over expenses before income tax	**31,405**	22,792
Income tax using the combined statutory rate 26.5%	8,322	6,040
Income/expense not included for tax purposes	(9,681)	(8,048)
Current year losses for which no deferred tax asset was recognized	1,612	1,938
Other, net	(253)	70
Provision (recovery)	**-**	-

Deferred tax assets, liabilities and unrecognized deferred tax assets

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

(in $ 000)	**2018**	2017
Deductible temporary differences	3,266	4,308
Tax benefit of loss carry-forwards	17,527	16,017
Total	**20,793**	20,325

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, 2018 $66.0 million of income tax losses included in the above unrecognized deferred tax assets will expire between 2027 and 2039 (2017 - $60.0 million between 2027 and 2038).

12. RELATED PARTIES

Transactions with key management personnel

Directors and key management personnel compensation

During the year the directors received an aggregate remuneration of $0.2 million (2017 - $0.2 million). Total directors' expense claims were $0.02 million (2017 - $0.04 million). Compensation for the Chair is $500 for each per diem plus an annual retainer of $12,000. The per diem rate for all other Board members is $400 plus an annual retainer of $3,500.

Under the Public-Sector Salary Disclosure Act, 1996, the Corporation publishes the name, title, salary and taxable benefits for all employees who earned $0.10 million or more annually. The information is available on the Ministry of Finance website at www.fin.gov.on.ca/en/publications/salarydisclosure.

Other benefits for key management personnel include the organization’s contributions to the pension plan and future non-pension post-employment benefits in which all employees are entitled to participate when they meet the qualification criteria.

Key management personnel compensation included:

(in $ 000)	**2018**	2017
Short-term benefits	17	26
Post-employment benefits	65	95
Other long-term and termination benefits	-	-
Total	**82**	121

13. CREDIT FACILITY

The Minister of Finance approved an extension of 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 which may require resources above those in the deposit insurance reserve fund (DIRF). The agreement replaces a credit facility that expired December 31, 2018 which had similar terms and conditions, with the exception of the annual interest rate which included an additional fee of 0.575%.

The renewed agreement is effective January 1, 2019 and expires on December 31, 2023. Under the revolving credit facility arrangement, interest costs on any outstanding debt obligation is charged at an annual rate equal to the 90-day Ontario treasury bill rate, as determined by the OFA at the time of the borrowing, plus an additional fee of 0.725% per annum, (which includes a 0.025% per year cost recovery fee) up to the repayment date of the original advance. The terms of the line of credit require the Corporation to liquidate its investments in the DIRF before it can borrow above $20 million.

As the Corporation transitions to FSRA in 2019, it is recognized that the credit facility will be available to FSRA.

14. CONTINGENCIES

The Corporation may be exposed to various legal and regulatory requirements that continue to evolve during the normal course of business when acting in the capacity of administrator or liquidator of a credit union. The Corporation reviews the status of all matters with significant judgement in resolving them, as well as the impact to operations in any particular period. In 2018 there were no legal claims pending against the Corporation.

Credit Union Matters

In the normal course of business, the Corporation is required to monitor credit unions/caisses populaires and perform duties as stipulated under CUCPA or its regulations. As part of these requirements, in 2018 a credit union was placed under Administration pursuant to section 294(1) of the CUCPA. The Corporation has reason to believe that the credit union was conducting its affairs in a way that may harm the interests of members or depositors or that would indicate an increase in the risk of claims by depositors against the Corporation. The Corporation has performed an assessment of the operations of this credit union including a review of the credit union's commercial lending portfolio, personal loans, residential mortgages and non-lending assets. This review also included an analysis on the regulatory capital levels of the credit union and a forward looking 2019 projected liquidity analysis. This preliminary analysis indicated that there may be a potential shortfall in regulatory capital levels for the credit union upon the completion of its 2018 year-end audited financial statements that could be up to $90 million which is material to the credit union.

The Corporation is required by section 262 of the CUCPA, to maintain the DIRF to pay deposit insurance claims, costs associated with the continuance of or orderly wind up of credit unions/caisses populaires in financial difficulty and for providing financial assistance to impaired credit union. Taking into consideration this potential shortfall in regulatory capital at the credit union, the Corporation has performed a further liquidity analysis, performing a valuation of the credit union using both the Fair Value (FV) and Net Realisable Value (NRV) approach which are performed on a going concern and liquidation basis respectively. This analysis required estimation which involves exercising significant judgement to establish a potential range of outcomes which could significantly vary.

The Corporation is of the view, and has received legal confirmation to support this view, that non-compliance with regulatory capital requirements by a credit union, does not necessitate funding action by the Corporation and hence there is no present obligation for the corporation to contribute any funds to this credit union. Accordingly, the Corporation has not recorded a liability at December 31, 2018 for any future contribution. In view of the inherent difficulty of predicting the outcome of such matters, the Corporation cannot, at this point, determine the probable outcome of this matter, the timing of the ultimate resolution, or if there will be any required payments from the DIRF to either continue the operations of the credit union or facilitate an orderly wind up of the credit union.

If at a point in the future, the Corporation becomes obligated or committed to fund the credit union from the DIRF, management will estimate the amount of the required provision based upon available information that is subject to significant judgment and a variety of assumptions and uncertainties.

15. 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. As a deposit insurer under the CUCPA, the Corporation may at times be obligated to make payments to insured depositors in the event of a credit union failure which results in deposit insurance advances recoverable by the Corporation. Realization on its claims is largely dependent on the credit quality or value of assets held within the estates of failed credit unions. The Corporation is directly involved in the asset realization process of these credit unions in liquidation in order to mitigate credit risk and minimize any potential loss to the Corporation.

(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 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, up to 60 percent of the Corporation's investments are held in highly liquid short-term instruments.

(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. The 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

A change in interest rates at the reporting date would not affect net income with respect to fixed rate instruments. A change of 1.0 % in interest rates for the investments at December 31, 2018 would have increased or decreased DIRF by $2.50 million (2017 - $2.13 million).

(e) Capital management

One of the Corporation's mandates is to enhance the financial soundness of the credit union sector. As of December 31, 2018, the Corporation has a deposit insurance reserve fund of $280.2 million, which represents 0.73 percent of the sector's estimated insured deposits (2017- $248.8 million, and 0.82 percent).

16. FAIR VALUE DISCLOSURE

The fair value of financial assets and liabilities which include cash and cash equivalents, premiums receivable, payables provisions and employee benefits all approximate their carrying amounts.

17. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

6. ABOUT THE SECTOR

Economic Impact	
78 **Credit Unions** / Caisse Populaires	
66 Credit Unions	12 Caisse Populaires
601 locations	
7, 521 permanent employees at credit unions	
$63.48 Billion held in assets in CU/CP	
1,665,217 members of CU/CP	
11.7% of Ontarians belong to a CU/CP	

List of Credit Unions

Ontario Credit Unions, Caisse Populaires and Leagues
As at December 31, 2018

Credit Unions
Adjala Credit Union Limited
Airline Financial Credit Union Limited
Alterna Savings and Credit Union Limited
Auto Workers Community Credit Union Limited
Bay Credit Union Limited
Buduchnist Credit Union Limited
City Savings & Credit Union Limited
Comtech Fire Credit Union Limited
Copperfin Credit Union Limited
Creative Arts Savings & Credit Union Limited
DUCA Financial Services Credit Union Ltd.
Dundalk District Credit Union Limited
Education Credit Union Limited
Equity Credit Union Inc.
Estonian (Toronto) Credit Union Limited
Finnish Credit Union Limited
FirstOntario Credit Union Limited
Fort York Community Credit Union Limited
Frontline Financial Credit Union Limited
Ganaraska Credit Union Ltd.
Golden Horseshoe Credit Union Limited
Health Care Credit Union Limited
Healthcare and Municipal Employees' Credit Union Limited
Heritage Savings & Credit Union Inc.
Italian Canadian Savings & Credit Union Limited
Kawartha Credit Union Limited
Kindred Credit Union Limited
Kingston Community Credit Union Limited
Korean (Toronto) Credit Union Limited
Korean Catholic Church Credit Union Limited
L.I.U.N.A. Local 183 Credit Union Limited
Latvian Credit Union Limited
Libro Credit Union Limited
Luminus Financial Services & Credit Union Limited
Mainstreet Credit Union Limited
Member Savings Credit Union Limited
Meridian Credit Union Limited
Momentum Credit Union Limited
Motor City Community Credit Union Limited
Moya Financial Credit Union Limited
Northern Credit Union Limited
Ontario Educational Credit Union Limited
Ontario Provincial Police Association Credit Union Limited
Oshawa Community Credit Union Limited
Ottawa Police Credit Union Limited
Pace Savings & Credit Union Limited

Parama Credit Union Limited
PenFinancial Credit Union Limited
Quinte First Credit Union Limited
Rapport Credit Union Limited
Resurrection Credit Union Limited
Smiths Falls Community Credit Union Limited
Southwest Regional Credit Union Ltd.
St. Stanislaus-St. Casimir’s Polish Parishes Credit Union Limited
Sudbury Credit Union Limited
Taiwanese - Canadian Toronto Credit Union Limited

Caisses Populaires
Caisse populaire Alliance limitée
Caisse populaire d’Alfred Limitée
Caisse populaire de Cornwall Inc.
Caisse populaire de Hawkesbury Limitée
Caisse populaire de la Vallée
Caisse populaire Nouvel-Horizon Inc.
Caisse Populaire Rideau-Vision d’Ottawa Inc.
Caisse populaire Sud-Ouest Ontario Inc.
Caisse populaire Trillium Inc.
Caisse populaire Vallée Est Ltée.
Caisse populaire Vermillon
Caisse populaire Voyageurs Inc.

Leagues
La Fédération des Caisses populaires de l’Ontario Inc.

Talka Credit Union Limited
Tandia Financial Credit Union Limited
The Energy Credit Union Limited
The Police Credit Union Limited
Thorold Community Credit Union Limited
Ukrainian Credit Union Limited
United Employees Credit Union Limited
Windsor Family Credit Union Limited
Your Credit Union Limited
Your Neighbourhood Credit Union Limited

Historical Highlights

Ontario Credit Union Sector Profile 2009-2018

10-year Financial and Statistical Summary of Ontario CU/CP Sector

Category	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Credit Unions										
Number of Credit Unions	78	93	99	110	117	127	143	152	167	186
Permanent employees at credit unions	7,521	6,373	7,059	6,897	6,813	6,606	6,652	6,473	6,297	6,205
Deposits ($ billions)										
Total deposits held by credit unions	$51	$45.5	$41.4	$37.6	$35.1	$33	$31.3	$29.4	$27.9	$26.4
Total insured deposits	$38.4	$30.5	$28.6	$26.4	$25.3	$24.3	$23.1	$22.3	$21.5	$20.6
Insured deposits (% of total deposits)	75.3%	67.1%	69.1%	70.2%	72.1%	73.6%	73.8%	75.8%	77.1%	78%
Growth rate of insured deposits (%)	25.8%	6.7%	8.3%	4.3%	4.1%	5.2%	3.6%	3.7%	4.4%	6.7%
Premiums										
DICO's premium revenue ($ thousands)	$36,924	$30,208	$27,134	$26,623	$26,541	$25,626	$25,193	$24,342	$21,196	$19,947
Premium rate (per $000 of insured deposits)	1.05	1.07	1.04	1.06	1.10	1.12	1.15	1.14	1.03	1.03
Deposit Insurance Reserve Fund (DIRF)										
Balance ($ millions)	$280.2	$248.8	$226.1	$205.6	$185.1	$164.7	$147.5	$113.2	$94.6	$81.5
DIRF as a % of sector insured deposits	0.73%	0.82%	0.79%	0.78%	0.73%	0.68%	0.64%	0.51%	0.44%	0.40%