Financial Statements
(Expressed in thousands of dollars)

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Year ended March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Credit Union Deposit Insurance Corporation of British Columbia

We have audited the accompanying financial statements of the Credit Union Deposit Insurance Corporation of British Columbia, which comprise the statement of financial position as at March 31, 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union Deposit Insurance Corporation of British Columbia as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

June 15, 2016
Vancouver, Canada

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Statement of Financial Position
(Expressed in thousands of dollars)

As at March 31, 2016, with comparative information for 2015

	Note	2016	2015
Assets			
Cash		$ 4	$ 4
Current tax receivable		111	-
Investments	4	543,191	497,459
Total assets		$ 543,306	$ 497,463
Liabilities			
Accounts payable and accrued liabilities	6	$ 343	$ 274
Due to FICOM	6	562	711
Current tax payable		-	222
Deferred tax liability	5	676	1,235
Total liabilities		$ 1,581	$ 2,442
Equity			
Retained earnings		$ 537,391	$ 487,103
Accumulated other comprehensive income		4,334	7,918
Total equity		$ 541,725	$ 495,021
Total liabilities and equity		$ 543,306	$ 497,463

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

Approved on behalf of the Board:

Director

Director

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Statement of Comprehensive Income
(Expressed in thousands of dollars)

Year ended March 31, 2016, with comparative information for 2015

	Note		2016		2015
Revenue:					
Assessments	8	$	46,762	$	40,258
Finance income	7		9,324		10,171
			56,086		50,429
Expenses:					
Administration	6		4,883		4,986
Finance costs	6, 7		363		292
			5,246		5,278
Income before income taxes			50,840		45,151
Current income tax expense	5		552		661
Net income			50,288		44,490
Other comprehensive income (loss):					
Items that will be reclassified to net income:					
Changes in unrealized gains (losses) on available-for-sale assets net of income tax recovery of $559 (2015 - income tax expense of $866)			(3,584)		5,555
Total comprehensive income		$	46,704	$	50,045

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

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Statement of Changes in Equity
(Expressed in thousands of dollars)

Year ended March 31, 2016, with comparative information for 2015

	Retained earnings	Accumulated other comprehensive income (loss) [i]	Total equity
Balance at March 31, 2014	$ 442,613	$ 2,363	$ 444,976
Net income	44,490	-	44,490
Other comprehensive income	-	5,555	5,555
Balance at March 31, 2015	487,103	7,918	495,021
Net income	50,288	-	50,288
Other comprehensive loss	-	(3,584)	(3,584)
Balance at March 31, 2016	$ 537,391	$ 4,334	$ 541,725

[i] Represents unrealized gains (losses) on available-for-sale financial assets.

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

CREDIT UNION DEPOSIT INSURANCE CORPORATION OF BRITISH COLUMBIA

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Net income	$ 50,288	$ 44,490
Adjustments for:		
Interest income	(6,970)	(7,601)
Realized (gain) loss on sale of investments	(2,354)	(2,570)
Current tax expense	552	661
	41,516	34,980
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	69	28
Due to FICOM	(149)	67
	(80)	95
Income taxes paid	(884)	(139)
Interest received	5,779	7,313
Net cash provided by operating activities	46,331	42,249
Investments:		
Acquisition of investments	(289,344)	(572,833)
Proceeds from investments	243,013	530,585
Net cash used in investing activities	(46,331)	(42,248)
Increase in cash	-	1
Cash, beginning of year	4	3
Cash, end of year	$ 4	$ 4

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

1. Reporting entity:

The Credit Union Deposit Insurance Corporation of British Columbia (the "Corporation") is a statutory corporation continued under the *Financial Institutions Act* ("FIA"), and administered by the Financial Institutions Commission ("FICOM") of the Province of British Columbia. The address of the Corporation's office is Suite 2800, 555 West Hastings Street, Vancouver, BC, V6B 4N6, and the Corporation is domiciled in Canada.

The mandate of the Corporation is to guarantee all British Columbia credit union deposits and non-equity shares. To meet this mandate the Corporation undertakes functions set out in the FIA and maintains the deposit insurance fund which is held in trust in accordance with the FIA. FICOM is empowered to augment the deposit insurance fund by annually assessing each British Columbia credit union. In addition to assessments, the FIA enables the Corporation to issue debentures to British Columbia credit unions. No debentures were issued in the last fiscal year and none are outstanding as at March 31, 2016.

FICOM verifies the amounts of deposit insurance payments and determines the manner in which financial assistance is made from the fund, however CUDIC determines the timing and form of deposit insurance payments and whether financial assistance is provided from the fund. These are dependent on future events and outcomes. Outcomes that may require financial assistance are rehabilitation, amalgamation or liquidation of credit unions.

2. Basis of preparation:

Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on June 15, 2016.

(a) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial assets classified as "available-for-sale" which are measured at fair value.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and expressed in thousands of dollars.

(c) Use of estimates and judgments:

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

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

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

Information about the significant area of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is described in note 3(d) - Provision for credit union assistance.

(d) Liquidity format:

The Corporation presents its statement of financial position broadly in order of liquidity.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(a) Financial instruments:

(*i*) Non-derivative financial assets:

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as available-for-sale) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation's non-derivative financial assets comprise: financial assets classified as available-for-sale and loans and receivables.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(*i*) Non-derivative financial assets (continued):

Financial assets classified as available-for-sale

All investments are classified as available-for-sale. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit and loss.

Subsequent to initial recognition, investments are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented separately in equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net income.

The calculation of fair value is based on market conditions or estimates at a point in time and may not be reflective of future fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performing risk.

Investments are valued based on quoted prices in active markets where available. For those investments, where quoted prices in active markets are not available, fair values are determined using valuation techniques commonly used by market participants.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise the Corporation's cash balances which are held with banks and other financial institutions.

(*ii*) Non-derivative financial liabilities:

The Corporation's non-derivative financial liabilities consist of accounts payable and accrued liabilities and amounts due to FICOM. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(*iii*) Impairment:

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by the debtor, indications that the issuer of a security will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security, or a significant or prolonged decline in fair value of an equity security below its cost.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income and presented in accumulated other comprehensive income in equity, to net income. The cumulative loss that is removed from other comprehensive income and recognized in net income is the difference between the acquisition cost net of any principal repayments and amortization, and the current fair value, less any impairment loss previously recognized in net income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in net income, then the impairment loss is reversed, with the amount of the reversal recognized in net income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is not reversed in net income, and is otherwise recognized in other comprehensive income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

3. Significant accounting policies (continued):

(b) Finance income and finance costs:

Finance income from investments is recorded on an accrual basis using the effective interest method. Distributions from pooled fund investments are recognized on the distribution date to the extent that collection is reasonably assured, as evidenced by the fair value of the respective pooled fund being in excess of amortized cost. Gains and losses from investment transactions are calculated on an average cost basis and recorded when realized. Premiums or discounts related to the purchase of bonds are recorded as part of the carrying value of the bond at the date of purchase and are amortized using the effective interest method.

Transaction costs for available-for-sale fixed income securities are added to the value of the security at acquisition and are recognized in net income using the effective interest method or immediately on the subsequent sale of a security. Other finance costs are generally expensed as incurred on an accrual basis.

(c) Assessments:

FICOM has established a deposit insurance fund target in relation to the total of British Columbia credit union system deposits and non-equity shares, based on the Deposit Insurance Fund Target Policy (note 8). Assessments are recognized as revenue when earned and collection is reasonably assured.

(d) Provision for credit union assistance:

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 an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The Corporation may provide assistance to credit unions in respect of deposit insurance. Specific provisions are established for financial assistance provided to a credit union and for deposit insurance claims related to a credit union in financial difficulty. These provisions are recorded when it is probable that payment out of the fund will be required and the amount can be reasonably estimated. No payments or accruals were made in relation to credit union assistance and deposit insurance claims in the current or prior year.

(e) Income taxes:

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in net income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies (continued):

(e) Income taxes (continued):

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

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

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.

(f) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Corporation, with the exception of IFRS 9 - *Financial Instruments*. IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard is effective for years beginning January 1, 2018, but early adoption is permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(Expressed in thousands of dollars, unless otherwise indicated)

4. Investments:

The Corporation can make any investment that a pension plan is capable of making under the Pension Benefits Standards Act. Accordingly, the Corporation's investment policy permits investment in debt securities issued or insured by a federal, provincial, or municipal government of Canada. Investments are managed on both a segregated basis and in pooled funds by British Columbia Investment Management Corporation ("bcIMC"), the Corporation's investment manager.

The amortized cost and fair values of investments as at March 31 were as follows:

	2016		2015	
	Fair value	Amortized cost	Fair value	Amortized cost
Bonds:				
Canadian	$ 318,549	$ 315,417	$ 341,801	$ 335,356
Provincial	165,899	164,201	120,474	117,766
Municipal	24,641	24,462	-	-
Pooled funds:				
Money market	30,765	30,763	33,038	33,038
Accrued interest	3,337	3,337	2,146	2,146
	$ 543,191	$ 538,180	$ 497,459	$ 488,306

For the years ended March 31, 2016 and 2015, no impairment losses were recognized. The Corporation's exposure to credit and interest rate risks related to its investments is disclosed in note 11.

5. Income taxes:

Under the *Income Tax Act*, the Corporation pays income taxes on its taxable income at the statutory rate prescribed for deposit insurance corporations. To maintain status as a deposit insurance corporation under the *Income Tax Act*, 50% of the cost of the Corporation's investment property must be held in eligible securities, defined as bonds or other fixed income securities either issued by the Canadian federal, provincial or municipal governments, or guaranteed by the federal government.

(Expressed in thousands of dollars, unless otherwise indicated)

5. Income taxes (continued):

The provision for income taxes comprises:

	2016	2015
Current tax expense:		
Current year	$ 552	$ 662
Adjustment for prior years	-	(1)
Deferred tax expense	-	-
Total income tax expense	$ 552	$ 661

Income tax expense differs from the amount that would be consistent with tax computed by applying the combined federal and provincial statutory income tax rate of 13.5% (2015 - 13.5%) to income before income taxes.

The reasons for the differences are outlined below:

	2016		2015	
	Rate	Amount	Rate	Amount
Income before income taxes	-	$ 50,840	-	$ 45,151
Income tax using the Corporation's statutory income tax rate	13.5%	6,864	13.5%	6,096
Non-taxable credit union assessments	(12.4)%	(6,312)	(12.0)%	(5,435)
	1.1%	$ 552	1.5%	$ 661

The tax effect of the temporary difference that gives rise to a deferred income tax asset (liability) is presented below:

	2016	2015
Deferred income tax asset (liability):		
Unrealized gains on available-for-sale financial assets	$ (676)	$ (1,235)

(Expressed in thousands of dollars, unless otherwise indicated)

6. Related party transactions:

(a) Expenses:

As the Corporation is administered by FICOM, administrative expenses relating to the Corporation's mandate are charged by FICOM to the Corporation at cost. The allocation of a percentage of salaries to the Corporation is calculated based on the activities performed by FICOM staff on tasks pertinent to the mandate of the Corporation. Other expenses, including occupancy costs, are allocated to the Corporation according to the Corporation's proportionate share of activities. These transactions are conducted in the normal course of business at amounts established and agreed to by both parties.

In the current year, total expenses charged to the Corporation by FICOM amounted to $4,883 (2015 - $4,986) (note 6(c)). The balance remaining payable to FICOM at March 31, 2016 was $562 (2015 - $711).

The Corporation is related to bcIMC, the Corporation's investment manager, which is also a British Columbia provincial crown corporation. Investment management fees of $363 (2015 - $292) were incurred during the year from bcIMC (note 7(b)). The balance payable to bcIMC at March 31, 2016 was $343 (2015 - $274) and is included in accounts payable and accrued liabilities.

(b) Key management compensation:

The Corporation's key management personnel include the Chief Executive Officer, Chief Financial Officer, and Directors of the Corporation. Compensation allocated by FICOM to the Corporation relating to key management personnel comprised the following:

	2016	2015
Salaries and other short-term employee benefits	$ 176	$ 66
Directors' fees	38	25
Post-employment benefits	14	5
	$ 228	$ 96

There were no other transactions with key management personnel.

(Expressed in thousands of dollars, unless otherwise indicated)

6. Related party transactions (continued):

(c) Administration expenses:

		2016		2015
Building occupancy	$	454	$	393
Directors' fees and expenses		38		25
Information services		95		95
Other		212		263
Professional services		725		1,414
Salaries and benefits		3,319		2,723
Travel		40		73
	$	4,883	$	4,986

7. Finance income and costs:

(a) Finance income:

		2016		2015
Interest income on financial assets classified as available-for-sale	$	6,970	$	7,601
Net gain (loss) on disposal of financial assets		2,354		2,570
Total finance income	$	9,324	$	10,171

(b) Finance costs:

		2016		2015
Investment management fees	$	363	$	292
Total finance costs	$	363	$	292

8. Depositor protection:

The deposit insurance fund (the "Fund") is comprised of the Corporation's retained earnings, accumulated other comprehensive income and a $30,000 Credit Union Financial Assistance Agreement with Stabilization Central Credit Union (refer to note 9). These combine to form an ex ante fund to pay for potential deposit insurance claims, to provide financial assistance when required and to provide liquidity in the event of the wind-up of a credit union.

In 2014, FICOM established a Deposit Insurance Fund Target Policy to attain prudent ex ante funding levels within a reasonable time period. FICOM approved a fund target range of 1.05% to 1.35% of credit union system deposits and non-equity shares, a target point within the fund target range of 1.05% and funding timeline of five years to achieve the target point. This year, during the annual review of the target point and funding timeline, FICOM revised the target point to 1.10% and reset the funding timeline for five years.

At March 31, 2016, the Corporation's retained earnings and accumulated other comprehensive income represent 0.932% (2015 - 0.903%) of British Columbia credit union deposits and non-equity shares of $58,129,701 (2015 - $54,811,731). Combined with the $30,000 Credit Union Financial Assistance Agreement, the Fund represents 0.984% (2015 - 0.958%) of British Columbia credit union deposits and non-equity shares, which is $67,702 below the current 1.10% target point; while 2015 was $50,502 below the 2015 fund target of 1.05%.

In its 2016 fiscal year, the Corporation issued assessments to British Columbia credit unions of $46,762 (2015 - $40,258).

9. Credit facilities:

The Corporation has available a $250 unsecured line of credit for operating purposes with Central 1 Credit Union, which bears interest at the prime rate.

The Corporation also has available a $200,000 liquidity line of credit with the British Columbia Minister of Finance to support deposit insurance operations. Advances will not be specifically secured, and confirmation of investment holdings is required prior to advances. Advances would be required to be repaid from the sale proceeds of the Corporation's investments.

On January 1, 2015, the Corporation entered into a $30,000 Credit Union Financial Assistance Agreement with Stabilization Central Credit Union (SCCU). Utilization of the SCCU's funding is to take place before the Corporation's fund is accessed for claims on the deposit insurance guarantee or financial assistance purposes. The initial term of this agreement is five years. CUDIC's interest in the securities, monies and other assets in the $30,000 fund is secured by a Specific Security Agreement.

10. Fair value of financial instruments:

The fair value of the Corporation's cash, accounts payable and accrued liabilities, and amounts due to FICOM approximate their carrying values due to their short-term nature.

Financial instruments measured at fair value in the financial statements are categorized according to the basis of their measurement using a fair value hierarchy:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Valuation technique using inputs other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly; or

Level 3 - Valuation technique using inputs for the asset or liability that are not based on observable market data.

The Corporation's investments are measured at fair value and are classified as Level 1 in the fair value hierarchy. During the years ended March 31, 2016 and 2015, no financial instruments were transferred between levels and there were no financial instruments measured using unobservable market data (Level 3).

11. Financial risk management:

Investments are exposed to financial risks including credit risk, liquidity risk and market risk:

(a) Credit risk:

Credit risk relates to the possibility that a loss may occur from the failure of another party to comply with the terms of contract. The investment policy established by the Corporation limits the credit risk of bonds held by permitting investment in Canadian federal, provincial or municipal government bonds only. The credit risk within the pooled funds is managed by the investment manager in accordance with their individual policies.

(b) Liquidity risk:

Liquidity risk relates to the possibility that the Corporation does not have sufficient cash or cash equivalent to fulfill its financial obligations as they come due. All of the Corporation's investments are classified as available-for-sale and are readily redeemable or saleable, and can be sold if the need arises.

(c) Market risk:

Market risk relates to the possibility that investments will change in value due to future fluctuations in market prices. Investments are carried on the statement of financial position at fair value and are exposed to fluctuations in fair value. Changes in unrealized gains (losses) of investments are recorded in other comprehensive income, net of any impairments which are recognized immediately in net income.

(Expressed in thousands of dollars, unless otherwise indicated)

11. Financial risk management (continued):

(c) Market risk (continued):

Market risk comprises the following three types of risk:

(*i*) Currency risk:

Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. At March 31, 2016 and 2015, all investments were denominated in Canadian dollars.

(*ii*) Interest rate risk:

Interest rate risk relates to the possibility that fixed income investments will change in value due to future fluctuations in market interest rates. As fixed income investments are carried at their fair value, the carrying value of investments has exposure to interest rate risk. The Corporation is also exposed to interest rate risk on investment returns on reinvestment following maturity or sale. Fluctuations in interest rates may adversely impact the Corporation's fair value of investments. The Corporation's investment manager monitors duration and re-pricing risk of fixed income investments. The effective yield and duration of fixed income investments is described below:

2016	Weighted average rate	Less than one year	1 to 3 years	3 to 5 years	Total
Bonds:					
Canadian	0.75%	$ 12,105	$ 197,042	$ 109,402	$ 318,549
Provincial	1.03%	-	102,976	62,923	165,899
Municipal	1.47%	-	-	24,641	24,641
	0.88%	$ 12,105	$ 300,018	$ 196,966	$ 509,089

Interest rate sensitivity is based on the modified duration measure of the portfolio as at fiscal year-end. As at March 31, 2016, a one percent increase or decrease in interest rates would result in a decrease or increase, respectively, of $14,327 or 2.6% in the fair value of total investments including money market investments.

2015	Weighted average rate	Less than one year	1 to 3 years	3 to 5 years	Total
Bonds:					
Canadian	0.66%	$ 2,044	$ 173,922	$ 165,835	$ 341,801
Provincial	0.86%	10,179	91,606	18,689	120,474
	0.71%	$ 12,223	$ 265,528	$ 184,524	$ 462,275

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11. Financial risk management (continued):

(c) Market risk (continued):

(*ii*) Interest rate risk (continued):

As at March 31, 2015, a one percent increase or decrease in interest rates would have resulted in a decrease or increase, respectively, of $12,200 or 2.5% in the fair value of total investments including money market investments.

(*iii*) Other price risk:

Other price risk relates to the possibility that the fair value of future cash flows from financial instruments will change due to market fluctuations (other than due to currency or interest rate movements). The Corporation's investments are not exposed to other price risks.

12. Capital management:

While the Corporation is not subject to externally imposed capital requirements, a deposit insurance fund target point of 1.10% of total British Columbia credit union deposits and non-equity shares has been adopted (note 8). FICOM determines the rate of annual assessment with the view to growing the fund and maintaining it within range of the target. A risk based variable assessment methodology is in place, resulting in higher rates of assessment being assigned to those credit unions with higher risk indicators.