Quarterly Financial Report

3rd QUARTER

Nine months ended
November 30, 2016

Manitoba Public Insurance

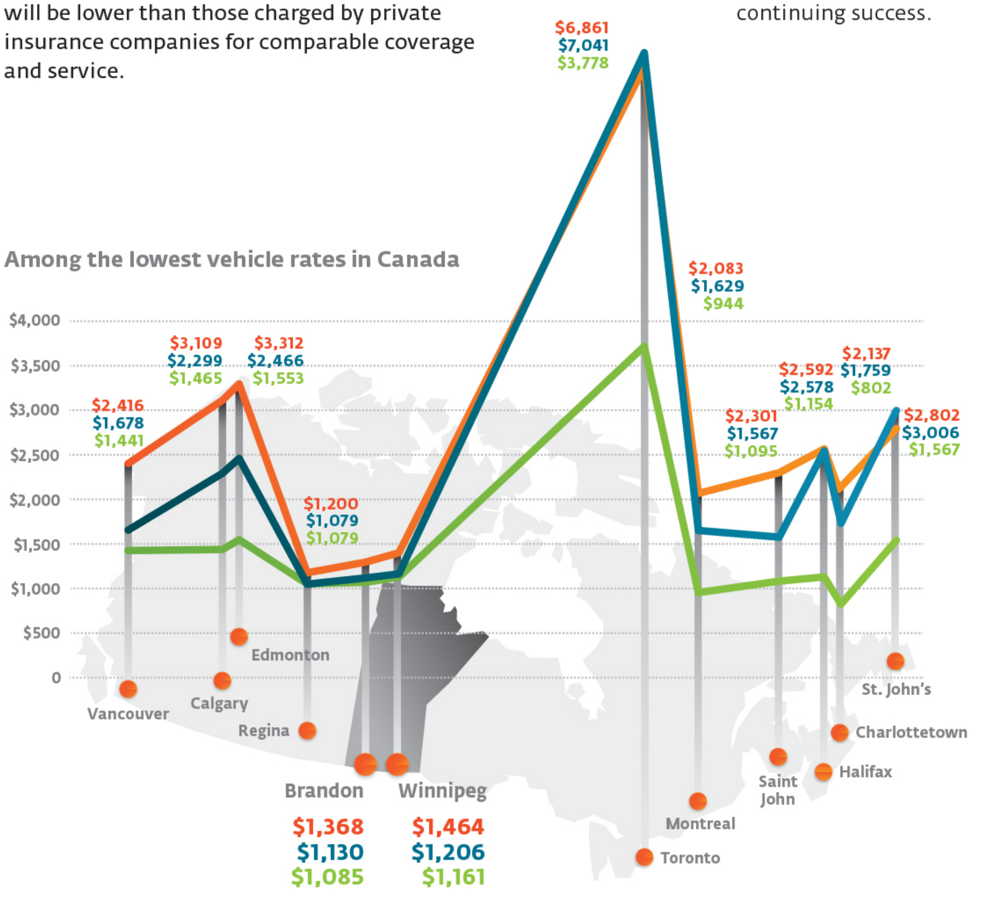
Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the third quarter ended November 30, 2016 included herein and the annual audited financial statements and supporting notes included in the Corporation's 2015 Annual Report. Certain information in this report consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.



- 21-year-old male, claims and conviction free
- 40-year-old couple both claims and conviction free, and 16-year-old son, claims and conviction free
- 35-year-old couple both claims and conviction free

2016 rates based on:
2010 Dodge Grand Caravan SE,
$500 All Perils deductible,
$2 million third-party liability

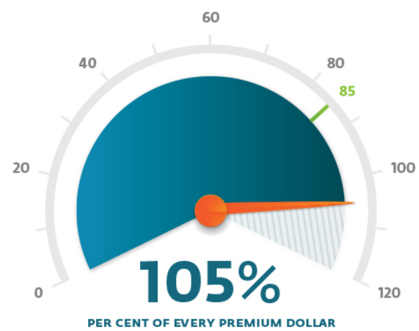
Notes:
1. The 2010 Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.
2. Manitobans will pay less for their automobile insurance in 2016 than most major Canadian cities.

Goal 2

The Basic plan will return at least 85 per cent of premium revenue to Manitobans in the form of claims benefits.

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Past results

109%	100%	99%	98%	93%	101%	110%	105%
Q4–14/15	Q1–15/16	Q2–15/16	Q3–15/16	Q4–15/16	Q1–16/17	Q2–16/17	Q3–16/17

Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index

Past results

3.6	3.5	3.5	3.6	3.6	3.5	3.5	3.6
Q4–14/15	Q1–15/16	Q2–15/16	Q3–15/16	Q4–15/16	Q1–16/17	Q2–16/17	Q3–16/17

Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet customer service standards that are based on customer expectations.

Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, How Often We Meet/Exceed Standards

Past results

97% Q4–14/15	97% Q1–15/16	97% Q2–15/16	98% Q3–15/16	97% Q4–15/16	98% Q1–16/17	97% Q2–16/17	98% Q3–16/17

Customer satisfaction in major operational areas

Physical Damage Claims

Past results

87% Q4–14/15	88% Q1–15/16	87% Q2–15/16	89% Q3–15/16
88% Q4–15/16	87% Q1–16/17	86% Q2–16/17	87% Q3–16/17

Bodily Injury Claims

Past results

83% Q1–15/16	81% Q3–15/16
86% Q1–16/17	84% Q3–16/17

Driver and Vehicle Licensing

Past results

91% Q4–14/15	91% Q1–15/16	91% Q2–15/16	93% Q3–15/16
91% Q4–15/16	92% Q1–16/17	93% Q2–16/17	93% Q3–16/17

Insurance Operations Policyholder Transactions

Past results

88% Q4–14/15	90% Q1–15/16	89% Q2–15/16	90% Q3–15/16
91% Q4–15/16	90% Q1–16/17	91% Q2–16/17	91% Q3–16/17

Goal 5

Total equity will be maintained within established target levels.

Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the total equity within its target range helps us control rates. Manitobans deserve stable, affordable premiums over the long term.

Basic Total Equity

Past results

Actual	**231.0**	**264.8**	**231.4**	**245.7**
Target	231.0	231.0	181.0	159.0
	Year-End Feb. 29, 2016	Q1–16/17	Q2–16/17	Q3–16/17

Extension Total Equity

Past results

Actual	**88.3**	**98.7**	**107.5**	**112.5**
Target	71.0	71.0	71.0	71.0
	Year-End Feb. 29, 2016	Q1–16/17	Q2–16/17	Q3–16/17

SRE Total Equity

Past results

Actual	**70.7**	**75.0**	**81.7**	**81.5**
Target	50.0	50.0	50.0	50.0
	Year-End Feb. 29, 2016	Q1–16/17	Q2–16/17	Q3–16/17

Goal 6

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

Why? We value our employees.

Employee Engagement

Past results

68% Q1–15/16	73% Q3–16/17

Goal 7

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public Support for Road Safety

Past results

88% Q4–12/13	87% Q4–13/14	87% Q4–14/15	89% Q4–15/16

Results of Operations

Manitoba Public Insurance reported net loss of $3.6 million for the nine months ended November 30, 2016 compared to net income of $10.9 million for the same period last year. This includes net loss of $31.2 million (2015 – net loss of $6.0 million) from the Basic insurance line of business. Corporate net income (loss) decreased from the previous year by $14.5 million due to:

i) an increase in earned revenues of $48.5 million, offset by an increase in total expenses of $6.8 million;
ii) an increase in claims cost of $158.0 million;
iii) an increase in investment income of $101.8 million mainly due to the higher gains on sale of equities and other investments of $31.1 million, lower unrealized losses on Fair Value Through Profit or Loss bonds of $67.8 million and higher gains on foreign exchange of $8.2 million related to sale of equities, offset by lower gains on the sale of Fair Value Through Profit or Loss bonds of $1.5 million, lower interest income of $2.5 million and a decline in unrealized gains/loss on infrastructure of $1.9 million.

Current Year and Last Year

Total earned revenues for the nine months ended November 30, 2016 increased from the previous year by $48.5 million. This increase is primarily attributed to motor vehicle earned revenues which increased by $40.5 million or 5.6%; due to the growth in the number of vehicles on the road in Manitoba, and the value of these vehicles and movement of drivers down the Drivers Safety Rating scale resulted in higher premiums.

Claims costs for the nine months ended November 30, 2016 increased by $158.0 million or 24.4% compared to last year due primarily to an increase of $98.5 million or 109.6% in bodily injury claims incurred and an increase of $56.8 million or 12.7% in physical damage claims incurred. The $98.5 million increase in bodily injury claims was impacted by a current year to date increase of $16.9 million due to the interest rate adjustment on unpaid claims. This is $106.0 million higher than last year. Collision claims increased by 3,831 claims compared to last year, representing an increase of $36.6 million in collision claims incurred. This increase contributed significantly to the physical damage claims incurred. Claims expense increased by $3.3 million or 3.3% from the previous year, offset by a decrease in road safety and loss prevention expenses by $0.6 million or $5.0%.

Total expenses increased by $6.8 million compared to last year due primarily to an increase of $3.2 million or 3.6% in operating expenses, an increase of $1.5 million or 2.7% in commission expenses, an increase of $1.4 million or 5.8% in premium taxes and an increase of $0.7 million or 27.8% in regulatory and appeal costs.

Investment income increased $101.8 million compared to last year primarily due to lower unrealized losses on bonds of $67.8 million and higher gains on the sale of equities and other investments of $31.1 million.

Retained Earnings

Net loss of $3.6 million for the nine months ending November 30, 2016 decreased retained earnings from $346.7 million to $343.1 million (November 30, 2015 – $388.9 million). Retained earnings are comprised of $163.3 million for Basic insurance (November 30, 2015 - $171.8 million) and $179.8 million for non-Basic lines (November 30, 2015 - $217.1 million).

Total Equity

Total equity of $439.7 million (November 30, 2015 – $399.4 million) is comprised of $343.1 million retained earnings (November 30, 2015 – $388.9 million) and $96.6 million accumulated other comprehensive income (November 30, 2015 - $10.5 million).

The Corporation's Chief Actuary concluded that a minimum total equity level of $159.0 million would be required for Basic to achieve satisfactory future financial condition. At the end of the third quarter, Basic insurance reported total equity of $245.7 million (November 30, 2015 – $180.5 million). Extension's current capital target level for total equity is $71.0 million based on the 2015 MCT report. At the end of the third quarter, Extension insurance reported total equity of $112.5 million (November 30, 2015 - $151.2 million). Special Risk Extension's current capital target level for total equity is $50.0 million based on the 2015 MCT report. At the end of the third quarter, Special Risk Extension insurance reported total equity of $81.5 million (November 30, 2015 - $67.7 million).

Outlook

The Corporation remains committed to achieving its seven Corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

On December 15, 2016, PUB released its ruling (Order 162/16) on the Corporation's rate application for 2017/18 fiscal year. Effective March 1, 2017, overall average Basic insurance rates will increase by 3.7% from the previous year. This marks the 3rd time in the past 10 years that Manitoba Public Insurance will be increasing rates overall for Manitobans.

The PUB approved the lower Rate Stabilization Reserve (RSR) Target of $159 million, based on the Corporation's application for a 4.3% rate increase, and a shift to a best estimate interest rate forecast, neither of which were approved by the PUB. The lower RSR target, based on the approved 3.7% rate increase, and the pre-existing 'standard interest rate forecast', is somewhat higher than $159 million, and will be brought to the Corporation's Board of Directors for information, once the Dynamic Capital Adequacy Test modeling has been completed.

The approved 3.7% overall general rate increase does not mean that rates for all vehicles within each major class will increase by this amount. Based on MPI's rate design, major vehicle classes will be impacted as follows:

- Private passenger +3.39% change
- Commercial +8.41% change
- Public (taxi) +5.72% change
- Motorcycle +2.25% change
- Trailers +9.83% change
- Off-road vehicles 0.0% change
- Total overall 3.7% change

Over 216,000 vehicles (19%) will experience either no change or a reduction in rates from the previous year. Rates paid by individual policyholders within each class will be determined based on their driving record, the registered vehicle (make and model and year), the purpose for which the vehicle is driven and the territory in which the policyholder resides. The breakdown of vehicles receiving a reduction, no change or an increase is as follows:

- 99,695 (8.94%) of vehicles receiving a decrease in rate
- 116,338 (10.45%) of vehicle receive no change in rate
- 897,337 (80.61%) of vehicle receiving an increase in rate

There will be no change to permit and certificate rates, vehicle premium discounts, driver's licence premiums, service and transaction fees, fleet rebates or surcharges, or the $40 discount on approved aftermarket and manufacturer/dealer installed anti-theft devices.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	*Notes*	November 30, 2016	February 29, 2016
Assets			
Cash and cash equivalents	*5*	**51,413**	37,322
Investments	*5*	**2,543,026**	2,455,622
Investment property	*5*	**41,929**	42,206
Due from other insurance companies		**57**	45
Accounts receivable		**437,683**	423,918
Prepaid expenses		**3,118**	2,318
Deferred policy acquisition costs		**28,731**	28,844
Reinsurers' share of unearned premiums		**3,913**	115
Reinsurers' share of unpaid claims		**2,446**	6,445
Property and equipment		**113,680**	115,652
Deferred development costs		**82,751**	78,430
		3,308,747	3,190,917
Liabilities			
Due to other insurance companies		**193**	178
Accounts payable and accrued liabilities		**63,308**	66,035
Financing lease obligation		**4,213**	4,281
Unearned premiums		**557,597**	560,548
Provision for employee current benefits		**23,410**	22,685
Provision for employee future benefits		**390,451**	378,117
Provision for unpaid claims	*4*	**1,829,858**	1,769,110
		2,869,030	2,800,954
Equity			
Retained Earnings		**343,110**	346,736
Accumulated Other Comprehensive Income		**96,607**	43,227
Total Equity		**439,717**	389,963
		3,308,747	3,190,917

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

Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	Notes	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Earned Revenues					
Gross premiums written		**285,116**	277,107	**884,128**	851,714
Premiums ceded to reinsurers		**(45)**	(158)	**(15,516)**	(16,575)
Net premiums written		**285,071**	276,949	**868,612**	835,139
(Increase) decrease in gross unearned premiums		**1,774**	(3,727)	**(21,845)**	(36,376)
Increase (decrease) in reinsurers' share of unearned premiums		**(3,860)**	(3,978)	**3,798**	4,158
Net premiums earned		**282,985**	269,244	**850,565**	802,921
Service fees & other revenue		**8,222**	8,459	**23,790**	23,857
The Drivers and Vehicles Act operations recovery		**7,349**	6,975	**21,923**	20,925
Total Earned Revenues		**298,556**	284,678	**896,278**	847,703
Claims Costs					
Direct claims incurred - gross		**159,059**	196,013	**693,056**	539,036
Claims (recovered) incurred ceded to reinsurers		**2**	(188)	**447**	(852)
Net claims incurred		**159,061**	195,825	**693,503**	538,184
Claims Expense		**34,400**	33,320	**102,880**	99,616
Loss prevention/Road safety		**3,728**	3,716	**10,476**	11,028
Total Claims Costs		**197,189**	232,861	**806,859**	648,828
Expenses					
Operating		**30,664**	30,036	**92,694**	89,516
Commissions		**19,123**	18,711	**57,920**	56,402
Premium taxes		**8,606**	8,201	**25,868**	24,460
Regulatory/Appeal		**1,193**	997	**3,319**	2,597
Total Expenses		**59,586**	57,945	**179,801**	172,975
Underwriting income (loss)		**41,781**	(6,128)	**(90,382)**	25,900
Investment income (loss)	*6*	**(14,481)**	483	**86,756**	(15,032)
Net income (loss) from operations		**27,300**	(5,645)	**(3,626)**	10,868

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015	Nine Months Ended November 30, 2016	Nine Months Ended November 30, 2015
Net income (loss) from operations	**27,300**	(5,645)	**(3,626)**	10,868
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets	**26,008**	8,363	**93,238**	(32,006)
Reclassification of net realized (gains) losses related to Available for Sale assets	**(34,207)**	3,155	**(39,858)**	(856)
Other Comprehensive Income (Loss) for the period	**(8,199)**	11,518	**53,380**	(32,862)
Total Comprehensive Income (Loss)	**19,101**	5,873	**49,754**	(21,994)

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

Condensed Interim Statement of Changes in Equity

(Unaudited - in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2015	378,050	43,377	421,427
Net income from operations for the period	10,868	-	10,868
Other comprehensive income (loss) for the period	-	(32,862)	(32,862)
Balance as at November 30, 2015	388,918	10,515	399,433
Balance as at March 1, 2016	346,736	43,227	389,963
Net income (loss) from operations for the period	(3,626)	-	(3,626)
Other comprehensive income for the period	-	53,380	53,380
Balance as at November 30, 2016	**343,110**	**96,607**	**439,717**

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	*Notes*	Nine months ended November 30, 2016	Nine months ended November 30, 2015
Cash Flows from (to) Operating Activities:			
Net income (loss) from operations		**(3,626)**	10,868
Non-cash items:			
Depreciation of property and equipment		**3,901**	4,304
Amortization of deferred development costs		**11,363**	9,268
Amortization of bond discount and premium		**2,641**	2,747
(Gain) loss on sale of investments		**(49,860)**	(12,433)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**23,612**	91,455
Unrealized (gain) loss on investment in real estate		**(11,810)**	(10,743)
Unrealized (gain) loss on investment in infrastructure		**(584)**	(2,496)
		(24,363)	92,970
Net change in non-cash balances:			
Due from other insurance companies		**(12)**	416
Accounts receivable and prepaid expenses		**(14,565)**	43,658
Deferred policy acquisition costs		**113**	(1,477)
Reinsurers' share of unearned premiums and unpaid claims		**201**	(2,291)
Due to other insurance companies		**15**	143
Accounts payable and accrued liabilities		**(2,727)**	(75,607)
Unearned premiums		**(2,951)**	11,380
Provision for employee current benefits		**725**	332
Provision for employee future benefits		**12,334**	12,754
Provision for unpaid claims		**60,748**	(41,736)
		53,881	(52,428)
		29,518	40,542
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(621,190)**	(846,993)
Proceeds from sale of investments		**623,443**	790,457
Acquisition of property and equipment net of proceeds from disposals		**(1,928)**	(1,624)
Financing lease obligation		**(68)**	(62)
Deferred development costs incurred		**(15,684)**	(16,260)
		(15,427)	(74,482)
Increase (decrease) in Cash and Cash Equivalents		**14,091**	(33,940)
Cash and short-term investments beginning of period		**37,322**	68,882
Cash and Cash Equivalents end of period	*5*	**51,413**	34,942

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

Notes to Financial Statements

1) Status of the Corporation

The Manitoba Public Insurance Corporation (the “Corporation”) was incorporated as a Crown Corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation’s registered office is 234 Donald Street, Winnipeg, Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under The Drivers and Vehicles Act (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

2) Basis of Reporting

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of Presentation

The Corporation presents its Statement of Financial Position broadly in order of liquidity.

These statements are presented in thousands of Canadian dollars which is the Corporation’s functional and presentational currency except as otherwise specified.

Seasonality

The automobile insurance business, which reflects the primary business of the Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and second quarter of each year and lowest in the fourth quarter of each year. This is driven mainly by weather conditions which vary significantly between quarters.

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3 of the 2015 Annual Report. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value).

Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

3) Summary of Significant Accounting Policies

Refer to the 2015 Annual Audited Financial Statements for a summary outlining those accounting policies followed by the Corporation that have a significant effect on the condensed interim financial statements.

4) Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as Personal Injury Protection Plan (PIPP) and public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

5) Cash and Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit.

Cash equivalent investments have a total principal amount of $58.2 million (2015 – $39.3 million) comprised of provincial short-term deposits with effective interest rates of 0.53% (2015 - 0.50%) with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million (2015 - $5.0 million). There were no drawdowns against this line of credit at November 30, 2016 (2015 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at November 30, 2016	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Fair Value**
Cash and cash equivalents	51,413	-	-	-	51,413
Bonds					
Federal	-	-	223,593	-	223,593
Manitoba:					
Provincial	-	-	143,688	-	143,688
Municipal	-	11,666	32,090	-	43,756
Hospitals	-	-	-	-	-
Schools	-	583,300	-	-	583,300
Other provinces:					
Provincial	-	-	635,320	-	635,320
Municipal	-	-	68,142	-	68,142
Corporations	-	-	55,887	-	55,887
	-	594,966	1,158,720	-	1,753,686
Other investments	1,526	-	-	-	1,526
Infrastructure	-	-	97,076	-	97,076
Equity investments	461,369	-	-	-	461,369
Pooled Real Estate Fund	-	-	229,369	-	229,369
Investments	462,895	594,966	1,485,165	-	2,543,026
Investment property	-	-	-	41,929	41,929
	514,308	**594,966**	**1,485,165**	**41,929**	**2,636,368**

(in thousands of Canadian dollars)	Financial Instruments				
As at November 30, 2015	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Fair Value
Cash and cash equivalents	34,942	-	-	-	34,942
Bonds					
Federal	-	-	134,626	-	134,626
Manitoba:					
Provincial	-	-	186,307	-	186,307
Municipal	-	9,376	26,603	-	35,979
Hospitals	-	-	10,338	-	10,338
Schools	-	620,615	-	-	620,615
Other provinces:					
Provincial	-	-	500,959	-	500,959
Municipal	-	-	109,195	-	109,195
Corporations	-	-	53,339	-	53,339
	-	629,991	1,021,366	-	1,651,357
Other investments	2,446	-	-	-	2,446
Infrastructure	-	-	77,606	-	77,606
Equity investments	500,210	-	-	-	500,210
Pooled Real Estate Fund	-	-	215,589	-	215,589
Investments	502,656	629,991	1,314,561	-	2,447,208
Investment property	-	-	-	41,529	41,529
	537,598	**629,991**	**1,314,561**	**41,529**	**2,523,679**

Gross unrealized gains and gross unrealized losses included in accumulated other comprehensive income on available for sale equity and other investments are comprised as follows:

As at November 30, 2016

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	**302,980**	**130,243**	**433,223**
With unrealized (losses)	**31,523**	**(3,377)**	**28,146**
Subtotal – Equity Investments	**334,503**	**126,866**	**461,369**
Other Investments			
With unrealized gains	**401**	**1,125**	**1,526**
With unrealized (losses)	**-**	**-**	**-**
Subtotal – Other Investments	**401**	**1,125**	**1,526**
Total AFS Equity and Other Investments	**334,904**	**127,991**	**462,895**

As at November 30, 2015

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	306,516	10,004	416,520
With unrealized (losses)	120,890	(37,200)	83,690
Subtotal – Equity Investments	427,406	72,804	500,210
Other Investments			
With unrealized gains	182	1,562	1,744
With unrealized (losses)	772	(70)	702
Subtotal – Other Investments	954	1,492	2,446
Total AFS Equity and Other Investments	428,360	74,296	502,656

AFS financial assets where the investment's underlying cost is greater than the fair value, the loss has not been recognized in net income either because:

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

Fair Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair value hierarchy. The fair value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1 – Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2 – Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3 – Fair value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

The following table presents financial instruments measured at fair value in the Statement of Financial Position, classified by level within the fair value hierarchy.

As at November 30, 2016 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**193,978**	**949,980**	**14,792**
Infrastructure	**-**	**-**	**97,076**
Pooled real estate	**-**	**229,369**	**-**
Total FVTPL financial assets	**193,978**	**1,179,349**	**111,838**
AFS financial assets			
Cash and cash equivalents	**51,413**	**-**	**-**
Other investments	**-**	**-**	**1,526**
Equity investments	**461,369**	**-**	**-**
Total AFS financial assets	**512,782**	**-**	**1,526**
Total assets measured at fair value	**706,760**	**1,179,349**	**113,364**

As at November 30, 2015 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	98,594	907,292	15,480
Infrastructure	-	-	77,606
Pooled real estate	-	215,589	-
Total FVTPL financial assets	98,594	1,122,881	93,086
AFS financial assets			
Cash and short term investments	34,942	-	-
Other investments	-	-	2,446
Equity investments	500,210	-	-
Total AFS financial assets	535,152	-	2,446
Total assets measured at fair value	633,746	1,122,881	95,532

Fair value measurement of instruments included in Level 3	**FVTPL**		**AFS**	
(in thousands of Canadian dollars)	**2016**	**2015**	**2016**	**2015**
Balance at March 1	**102,367**	71,410	**2,115**	2,446
Total gains/(losses)				
Included in net income	**583**	2,497	**168**	-
Included in other comprehensive income		-	**(169)**	-
Purchases	**13,266**	19,179		-
Sales	**(4,648)**	-	**(588)**	-
Balance at November 30	**111,838**	93,086	**1,526**	2,446

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value.

6) Investment Income

(in thousands of Canadian dollars)	**November 30, 2016**	November 30, 2015
Interest income	**36,574**	39,095
Gain (loss) on sale of FVTPL bonds	**10,002**	11,572
Unrealized gain (loss) on FVTPL bonds	**(23,613)**	(91,455)
Unrealized gain on pooled real estate	**11,810**	10,743
Dividends on infrastructure investments	**1,171**	1,138
Unrealized gain (loss) on infrastructure investments	**584**	2,496
Dividend income	**11,392**	11,642
Gain on sale of equities and other investments	**31,918**	892
Gain (loss) on foreign exchange	**8,277**	72
Income from investment property	**2,144**	2,057
Investment management fees	**(3,503)**	(3,284)
Total Investment income (loss)	**86,756**	(15,032)

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(in thousands of Canadian dollars)	**November 30, 2016**	November 30, 2015
Pension benefits	**19,773**	19,558
Other post-employment benefits	**1,353**	1,335
Total	**21,126**	20,893

8) Depreciation and Amortization

The total depreciation and amortization included in expenses are as follows:

(in thousands of Canadian dollars)	**November 30, 2016**	November 30, 2015
Amortization – Deferred Development	**11,363**	9,268
Depreciation – Property and equipment	**3,901**	4,304
Total	**15,264**	13,572

For more information contact:

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