Canada Deposit
Insurance Corporation

2021 ANNUAL REPORT

We protect your deposits

Canada

CDIC'S MANDATE

CDIC's mandate is composed of these four objects in the *Canada Deposit Insurance Corporation Act* (the CDIC Act):

- To provide insurance against the loss of part or all of deposits.
- To promote and otherwise contribute to the stability of the financial system in Canada.
- To pursue these objects for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss.
- To act as the resolution authority for its members.

CDIC'S VISION

Earning the trust of Canadians as the global leader in deposit insurance and resolution.

CDIC'S RISK PHILOSOPHY

CDIC will continuously improve its preparedness to take action against risks that threaten the protection of insured deposits and the stability of the Canadian financial system. CDIC is prepared to accept informed and targeted risks that will:

- Assist in fulfilling CDIC's statutory objects assigned to it by Parliament.
- Drive the development and execution of strategic objectives.
- Support operational resilience.
- Instill confidence and trust in CDIC.

FOR MORE INFORMATION ABOUT CDIC

Visit our website at **www.cdic.ca**. You can also reach us by phone, e-mail, fax or letter:

Head office
Canada Deposit Insurance Corporation
50 O'Connor Street, 17th Floor
Ottawa, Ontario
K1P 6L2

Toronto office
Canada Deposit Insurance Corporation
1200-79 Wellington Street West
P.O. Box 156
Toronto, Ontario
M5K 1H1

Toll-free telephone service:
1-800-461-CDIC (2342)
TTY: 613-943-6456
Fax: 613-996-6095
Website: **www.cdic.ca**
E-mail: info@cdic.ca

Catalogue number: CC391-1

cdic
Canada Deposit
Insurance Corporation

PROTECTING YOUR DEPOSITS

CDIC is a federal Crown corporation that protects your deposits for up to $100,000 per insured category at financial institutions that are CDIC members. Coverage is free and automatic.

What's covered?

- Savings and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits
- Foreign currency deposits

What's not covered?

- Mutual funds, stocks, and bonds
- Exchange Traded Funds (ETFs)
- Cryptocurrencies

Not every deposit is eligible for CDIC protection. Visit **www.cdic.ca** to learn more.

Add up your coverage

We protect deposits in CDIC member institutions. If you deposit money in **savings accounts**, **chequing accounts**, or **GICs** and **other term deposits**, it is protected for up to $100,000.

You	$100,000 (in your name alone)
+ You and another	$100,000 (joint total)
+ Your savings in trust	$100,000 (for each beneficiary, includes RESPs)
+ Your tax-free savings	$100,000 (TFSA)
+ Your retirement savings	$100,000 (RRSP)
+ Your retirement income	$100,000 (RRIF)
+ Your property taxes	$100,000 (for mortgaged properties)

= Your total protection in *each* CDIC member

What happens if a CDIC member fails?

CDIC works hard to protect your savings and your access to financial services. If your institution closes, we will provide access to your insured funds (including interest) within days. It's automatic—we will contact you.

What can you do?

- Know what is covered and what is not.
- Keep your contact information up-to-date at your financial institution.
- Make sure your broker or financial advisor knows about CDIC's rules for deposit protection.

Want to know more?

CDIC is a federal Crown corporation, and is fully funded by CDIC members.

Visit our website
www.cdic.ca

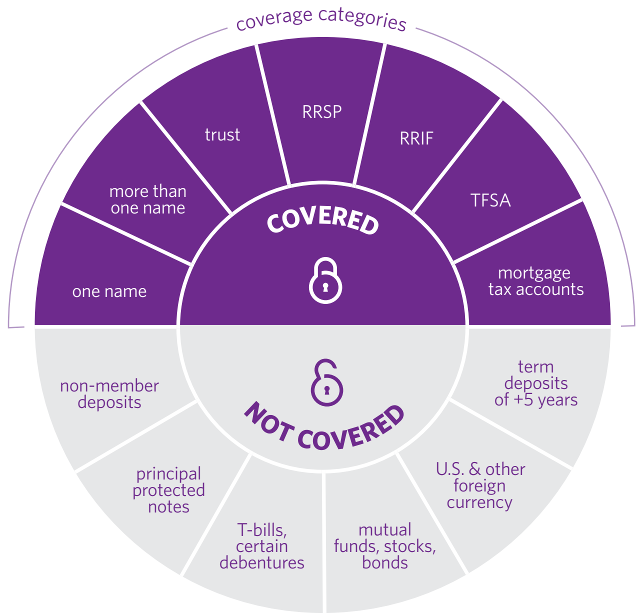
Call us
1-800-461-2342

Follow us

Canada

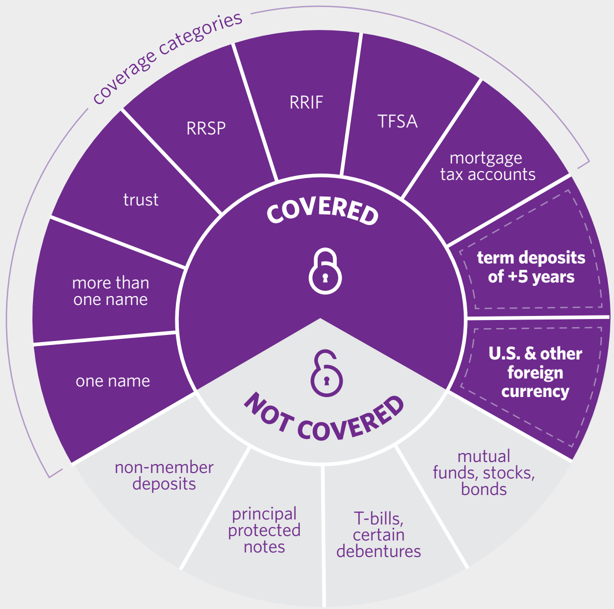
PROTECTING YOUR DEPOSITS: CHANGES TO CDIC'S COVERAGE

Before April 30, 2020



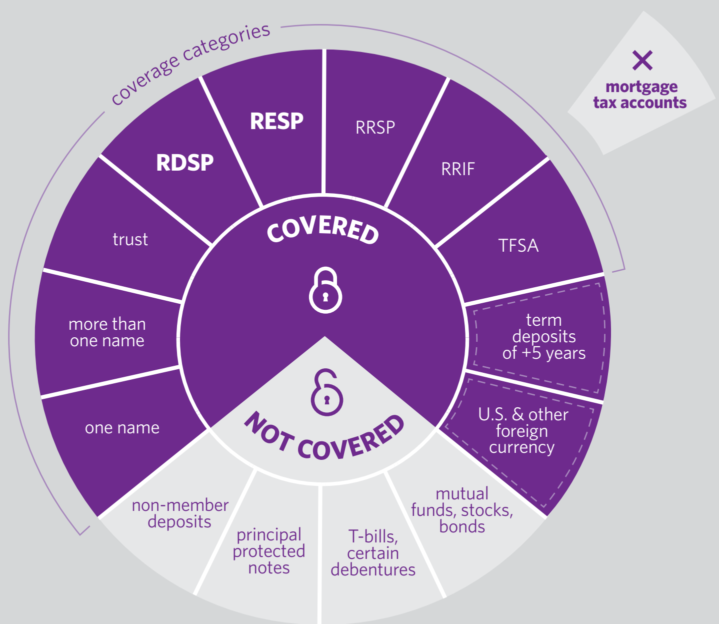
As of April 30, 2020

- **U.S. and other foreign currency**, and **term deposits with a maturity of more than 5 years** are eligible for CDIC deposit protection within each coverage category.



As of April 30, 2022

- Separate coverage for eligible deposits in **RDSPs** and **RESPs**.
- Removal of separate coverage for **mortgage tax accounts** (these deposits will be combined with eligible deposits in other categories).



FIVE-YEAR FINANCIAL AND STATISTICAL SUMMARY

For the years ending March 31	2021	2020	2019	2018	2017
Selected statement of financial position items (C$ millions)					
Cash and investments	6,493	5,735	5,036	4,374	3,833
Provision for insurance losses	2,650	2,250	2,050	2,050	1,600
Retained earnings	3,842	3,480	2,985	2,322	2,236
Selected statement of comprehensive income items (C$ millions)					
Premiums	739	668	645	535	420
Investment income	90	86	66	46	40
Total revenue	829	754	711	582	461
Operating expenses	60	51	43	46	41
Increase in provision for insurance losses	400	200	—	450	300
Income tax expense	7	9	6	—	—
Total comprehensive income	362	494	663	86	120
Member institutions (number)					
Domestic banks and subsidiaries	53	54	53	50	50
Subsidiaries of foreign financial institutions	15	15	16	17	17
Domestic trust and loan companies and associations	15	15	14	14	14
Federally regulated credit unions	2	2	2	1	1
Total number of institutions	85	86	85	82	82
Total insured deposits[a] (C$ billions)	968	852	807	774	741
Growth rate of insured deposits (%)	13.6	5.5	4.3	4.4	6.5
***Ex ante* funding** (C$ billions)	6.5	5.7	5.0	4.4	3.8
Basis points of insured deposits	67	67	62	55	52
Borrowing limit (C$ billions)[b]	28	25	23	23	22
Basis points of insured deposits	289	293	285	297	297
Permanent employees (number)[c]	165	135	116	126	126

[a] Insured deposits are calculated as at April 30 of each year. The amounts presented for the years ended March 31 are therefore reflective of the prior year's April 30 calculation and include insured deposits of new member institutions during the fiscal year, where applicable.

[b] Under the CDIC Act, CDIC has the authority to access additional funds through borrowing, subject to ministerial approval. The borrowing limit is indexed to the growth of the volume of insured deposits.

[c] Represents the number of full-time, permanent employees at year end.

THE YEAR AT A GLANCE

In 2020/2021 . . .

- CDIC's membership numbered **85 members**. Deposits insured by CDIC **increased 14% year over year to $968 billion** as at April 30, 2020. The growth in insured deposits reflects changes to CDIC insurance eligibility, which extended coverage to include eligible deposits held in foreign currency and eligible deposits with terms greater than five years, as well as the impact of the COVID-19 pandemic that saw an increased level of savings by Canadians.
- Although the path of Canada's economic recovery from the COVID-19 pandemic remains subject to many variables, CDIC's membership's financial results remained resilient, including solid profitability and healthy capital and liquidity ratios. **CDIC will continue to monitor the resilience of its member institutions closely** with its financial safety net partners. It is precisely in times of uncertainty that CDIC's mandate to resolve any troubled member institutions and its continued transformation are critical, so that **Canadians can rest assured their savings are protected**.
- To continue to bolster Canadians' confidence and trust in the safety and security of their deposits during the COVID-19 pandemic, CDIC **increased its public awareness advertising** on TV, digital and social media, helping to achieve 61% public awareness of CDIC or federal deposit protection, and hitting its target range of 60%–65%.
- CDIC is **embracing innovation and technological change in the financial sector** to ensure CDIC can respond quickly, consistent with depositor expectations in the event of a member failure. In 2020, CDIC launched a multi-year payout modernization project. The project is on schedule with strategic design details being defined, and the selection of a technology partner and the establishment of a Project Management Office completed.
- CDIC **completed year two of its three-year Organization and Culture Strategy and Plan**. CDIC modernized its learning and development and talent acquisition tools while pivoting the organization to a virtual work environment in response to COVID-19. Throughout this transition, mental health and employee well-being took centre stage to ensure that staff were supported and provided with flexibility to manage the blending of work and home life. This included shoring up resources in priority business areas, enhancing CDIC wellness programs and amending workplace policies.
- To prepare for additional changes to CDIC deposit insurance coverage on April 30, 2022, CDIC **engaged with member institutions and other industry stakeholders** involved in the placement of trust deposits to help promote strong application of the new data and eligibility requirements. CDIC is also continuing work to update internal systems and processes to operationalize the new elements of the deposit insurance framework and further support industry implementation.
- Through its **Simulation Centre of Excellence program**, CDIC remains focused on being ready to resolve any troubled member institutions. It exceeded its target by completing nine exercises to help enhance preparedness for CDIC and its financial safety net partners, including a multi-day deposit insurance payout simulation.
- CDIC welcomed **two new *ex officio* Directors** to its Board of Directors: Tiff Macklem, Governor of the Bank of Canada, and Michael Sabia, Deputy Minister of the Department of Finance Canada.

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We protect your deposits

Message from the Chair

Over the past year, many organizations have faced the operational demands of responding to the COVID-19 pandemic while continuing to adapt their strategies to navigate a rapidly changing economy. This is certainly true of CDIC.

During 2020/2021, CDIC continued to enhance its readiness in the face of this volatility to ensure that Canadians can be confident that CDIC is prepared to quickly step in to protect their hard-earned savings in the event of a member institution failure. At the same time, the Corporation initiated a thorough review of its governance framework, and approved a bold and forward-looking Corporate Plan that demonstrates a firm commitment to continued transformation of the organization and modernization in the delivery of its mandate. The strategy and initiatives set out in this report underpin CDIC's vision of being the global leader in resolution and deposit insurance.

It is precisely in times of uncertainty that CDIC's mandate to resolve any troubled member institution is critical, so Canadians can rest assured that their savings are protected. The Board of Directors strongly supports initiatives that position CDIC to anticipate and respond to changes to excel at preparedness. Throughout this period, the Board continued to support its own preparedness by participating in a range of simulation and testing exercises. These exercises provided opportunities to enhance strategic decision making and fast mobilization in the heat of a crisis when information is not always complete or perfect.

This year, in order to ensure agility in the midst of these uncertain times, the Corporation initiated a review of its governance framework to ensure that decision making at CDIC remains world class. The review underscored that in pursuing Parliament's directives, CDIC's CEO and the Executive Management team will engage fearlessly and transparently with the Board, and vice versa, to foster a trusting and productive relationship. CDIC has embraced radical candour, effective challenge and learning from its errors in the promotion of learning, innovation and growth to foster a psychologically safe workplace. The Board is responsible for setting the tone at the top, exemplifying CDIC's values through its words and actions, including its interactions with the CEO and Executive Management. An updated governance framework will form the basis of revised Board and Committee charters in 2021/2022.

Several membership changes to our Board occurred during the year. We welcomed Bank of Canada Governor Tiff Macklem and Department of Finance Deputy Minister Michael Sabia to the ranks of our *ex officio* membership. During his six years as a Director, we sincerely appreciated the dedication of Finance Deputy Minister Paul Rochon. And by the time this report is tabled in Parliament, the Superintendent of Financial Institutions, Jeremy Rudin, will have completed his term. I would like to thank Superintendent Rudin and Deputy Minister Rochon for their outstanding service to Canadians and CDIC. Our Board benefited greatly from their extraordinary depth and breadth of knowledge about the financial system.

The Board was also pleased to approve a Corporate Plan that addresses the risks elevated by CDIC's operating environment while demonstrating a firm commitment to modernization. As a safety net organization, the Corporation must advance its readiness to respond effectively in a crisis, including through having sufficient staff as well as the necessary processes, systems and robust relationships with partners and stakeholders. It will continue to enhance organizational resiliency by transforming its culture and workplace. And it will innovate to meet evolving depositor expectations. The essence of CDIC's vision to be the global leader in resolution and deposit insurance is that no matter what happens, Canadians can expect to have fast and seamless access to their money should their financial institution fail.

On behalf of the Board of Directors, I want to thank all employees at CDIC for their focus and dedication in the trying environment of the past year. Deftly led by our President and CEO and leadership team, CDIC employees have proven their resilience in challenging times and demonstrated their sincere commitment to CDIC's mandate to protect Canadians.

Robert O. Sanderson

Message from the President and CEO

When the COVID-19 pandemic struck early in 2020, CDIC took rapid action to reassure Canadians about the safety of their hard-earned savings, and to enhance our readiness for resolving crises in a climate of financial uncertainty. We also sustained CDIC's transformation to renew our culture and to bolster competencies necessary to fulfill our promises to Canadians.

Over the last year, Canadians rose to challenges presented by the pandemic and our economy is now on the mend as vaccinations continue apace. The Bank of Canada has forecast strong consumer-led growth in the second half of 2022. Importantly, Canada is broadly on track to meet its objective of immunizing all those for whom vaccines are approved and recommended by the fall of 2021. Despite an initial spike in concern early in the pandemic about the safety of their savings, Canadians' confidence has rebounded to pre-COVID levels. We believe our intensified public awareness and outreach activities helped fuel the rebound in confidence.

While the prospect of recovery is strong, a number of challenges remain.

First is Canada's housing market. CDIC takes a close interest in housing market developments because they could have an impact on our member institutions and, therefore, our risk exposure as deposit insurer. Over the past year, Canadians have had a lively national discussion about supply and demand for residential real estate, prompting understandable concern about the housing market. This is not a new challenge for Canada. The story of our national residential housing finance system reflects the successful interplay between the marketplace and the disciplined and measured prudential boundary setting by policymakers and regulators. I am confident that Canadians will continue to benefit from a resilient housing financing system.

Second, we face risk bumps in the pandemic recovery. We are well over a year into the COVID-19 crisis, the impact of which is beyond anything most Canadians have experienced in our lifetimes. We have lost friends and family and we have struggled with the mental health strain that comes with the necessary prioritization of pandemic health and safety precautions. But Canada as a country will come out stronger and we will overcome the personal challenges brought on by the pandemic. Amongst our better qualities, we Canadians are resilient. While the economic recovery may be uneven and some of our members may face challenges, CDIC, through its readiness activities, is well-prepared to handle these as they arise.

This brings me to an overriding question as the pandemic winds down. How will CDIC adapt in a post-COVID environment to protect Canadian depositors?

Although we have accomplished many of our transformational objectives, we have more work to do to realize our aspirational vision to be the global leader in resolution and deposit insurance. In the year ahead, we will continue to reinforce our readiness for resolution and embed our transformation, all while drawing upon CDIC's strengths.

Readiness

Even while responding to the pandemic, CDIC has continued to improve our resolution readiness.

Overall, we are satisfied with the resolution planning progress being made by our six largest banks, which are systemic to Canada's financial system and economy. While some areas for improvement remain, we believe they will be addressed in the 2021 resolution plan submissions. The focus of the plans in future years will be the testing of resolution capabilities. CDIC views testing as an integral facet of building a credible and feasible resolution plan and expects each bank to validate the effectiveness of its crisis capabilities through testing exercises.

Last year, CDIC finished the first iteration of resolution plans for its mid-sized members, and we now shift our focus to resolution planning for our smaller member institutions. These activities bolster our readiness and reinforce our commitment to put depositors first in every possible resolution scenario.

Inasmuch as we expect our members to have and to test their own resolution plans, CDIC also regularly tests and challenges its own readiness. In fact, we consider ourselves leaders in the field of crisis simulations. As part of current operations, we conduct regular "war games" to play out potential financial crises in a safe environment so we can test our resolution plans and coordination. We hold a number of these each year, of differing size and complexity. So far, they have been either internal to CDIC, with our Board of Directors, or with our federal government financial safety net partners. These activities contribute to the resilience of Canada's financial system and ensure CDIC is ready to respond swiftly and effectively in a crisis to fulfill our responsibilities to Canadians.

Transformation

CDIC's transformation picked up pace last year and will continue in the years ahead.

The foundational elements of CDIC's cultural transformation are our promises and commitments. Our four fundamental promises to Canadians and to one another are: we serve Canadians; we are accountable; we work as one; and we anticipate and respond. Despite the challenges of the pandemic on family and work life, our internal "pulse" surveys of staff suggest a significant increase in engagement and pride in our work on behalf of Canadians.

Another transformation arising by necessity from the pandemic pertains to how we serve Canadians on a day-to-day basis. Last year, CDIC moved to a virtual environment, including our Board of Directors. Employees and Board members displayed great flexibility and patience throughout the shift, and I would like to thank them for their resilience and commitment. COVID-19 has changed the way we work and CDIC, like many organizations, will be looking at the future of work before the return to a post-pandemic environment.

Over the past year, we have strengthened our Enterprise Risk Management (ERM) function, which is a central part of our business model. By defining our fundamental risk appetites in advance, we can respond faster to events as they arise. And being forthright about our vulnerable points (i.e., "red" risks) has helped us take proactive steps toward solutions. The ERM program is now at the stage of "embedding" this balanced approach to risk.

This year we also began the transformation of our technology platform to improve our ability to perform a rapid reimbursement of deposits after a member failure. This will be the largest financial investment in CDIC's history. In addition to updating our internal capabilities, CDIC continued to engage with key industry stakeholders to implement new requirements for the placement of trust deposits. This work will ensure that CDIC can make a swift and accurate reimbursement of trust deposits in the event of a member institution failure.

Financial strength

CDIC's financial strength will enable its continuing transformation and this means that Canadians can count on CDIC to protect their hard-earned savings in uncertain times.

Premiums paid by our member institutions fund CDIC, not taxpayers. The size of our *ex ante* insurance fund, which is designed to cover possible insurance losses, is growing and will rise in the years ahead. As at March 31, 2021, the level of *ex ante* funding was 67 basis points of insured deposits. The Corporation has developed a funding plan that would see the fund reach the minimum target of 100 basis points in 2027/2028.

Because CDIC has a very low expense base relative to its *ex ante* fund size, CDIC's operations are fully funded by the interest revenues from the *ex ante* fund. All premiums paid annually by our members therefore go directly into this fund. Indeed, with the material growth in insured deposit balances induced by COVID-19, premiums have risen strongly. During the year, we launched an initiative to review the current premium assessment base to determine whether or not it remains appropriate and sufficient for the requirements of our mandate.

Our borrowing authority, combined with our *ex ante* fund, gives us ample financial flexibility to serve Canadians effectively through periods of financial instability.

For more than 50 years, Canadians have relied on CDIC to protect their savings. And through both good times and difficult times, no one has ever lost a dollar under CDIC protection. With better days ahead, please know that CDIC will keep your money safe, always.

Peter D. Routledge

We protect
your deposits

PART 1 Management's Discussion and Analysis

CDIC's operating environment

Economic environment

During 2020/2021, resurgences of COVID-19 cases and tightened public health containment measures interrupted growth and imposed renewed hardship on households and businesses. Economic activity declined as consumers and firms learned how to conduct business while complying with restrictions and public health guidelines. During this economic environment, CDIC's membership financial results remained resilient, including solid profitability and healthy capital and liquidity ratios. However, consumer indebtedness remained high and real estate prices experienced a sharp increase in several markets relative to local household income.

Going forward, the vaccination rollout, improving commodity prices and consumption, coupled with fiscal and monetary stimulus, are helping to offset the economic impacts of the pandemic. While the full impact of the COVID-19 pandemic on the economy and on CDIC member institutions remains uncertain, CDIC continues to monitor the resilience of its member institutions closely with its financial safety net partners and remains focused on being ready to resolve any troubled member institutions if necessary.

CDIC increased advertising on TV, digital and social media to help maintain confidence and trust in the safety and security of depositors' hard-earned savings. As a result, measures that showed a deterioration in confidence in the wake of the pandemic in March 2020 are rebounding and back to pre-pandemic levels.

Regulatory environment

Within weeks of the start of the COVID-19 pandemic, CDIC took several actions to adjust specific regulatory expectations for its member institutions to assist them with navigating challenges posed by the pandemic. These measures, implemented throughout the year, included: the delay of CDIC's data compliance testing program; the waiving of the annual data compliance attestations and the annual notification to multi-beneficiary trust depositors; practical accommodations to permit members more time to come into compliance with *Deposit Insurance Information By-law* requirements; and a six-month delay of granular deposit data submissions.

The Deposit Insurance Review that was announced in Budget 2014 resulted in several amendments to the *Canada Deposit Insurance Corporation Act* (the CDIC Act) which received Royal Assent on June 21, 2018. These amendments will modernize and enhance Canada's deposit insurance framework. The Government set two phases for the changes to come into force:

- On April 30, 2020, CDIC's deposit insurance was extended to eligible deposits held in foreign currencies and eligible deposits with terms greater than five years, and coverage for travellers' cheques was eliminated. These first phase changes to the deposit insurance framework have been implemented by member institutions and communicated to depositors to ensure strong awareness of this enhanced protection.

- The second phase of the Deposit Insurance Review was set to come into force on April 30, 2021. In response to the COVID-19 pandemic, the Government changed the coming into force date amendments to the CDIC Act to April 30, 2022. These changes will: extend separate coverage up to $100,000 for eligible deposits held under Registered Disability Savings Plans (RDSPs) and Registered Education Savings Plans (RESPs); remove separate coverage for deposits in mortgage tax accounts; and introduce an enhanced set of requirements for deposits held in trust.

CDIC delayed the dates upon which the amended Data and System Requirements specifications and the *Canada Deposit Insurance Corporation Co-owned and Trust Deposit Disclosure By-law* take effect to align with the new legislative coming into force date, and engaged with its membership to explain the practical implications.

CDIC continues to engage with key industry stakeholders (including member institutions, brokerage firms, trustees and other industry intermediaries) to promote strong implementation of the second phase elements of the Deposit Insurance Review. Key to this engagement has been addressing issues where clarity is needed to support the successful implementation of the new data standards and eligibility requirements. To this end, significant progress has been made to develop information for member institutions and trustee depositors, and to implement industry-focused best practices to promote robust implementation of the amended coverage framework.

Corporate environment

Digital acceleration

In recent years and during the COVID-19 pandemic, the pace of new technology adoption has continued to accelerate for Canadians—including how they communicate, bank and access their money. Fintech, digital currencies and the concept of open banking present opportunities and challenges with respect to cyber security and data privacy. Depositor expectations have evolved alongside technological advances to include access to real-time information. CDIC continues to adapt to ensure that it meets these expectations. In 2020, CDIC launched a multi-year payout modernization project to enhance the systems and processes that underpin its insurance determination and reimbursement process, and to better inform and serve Canadians in the event it is necessary to resolve any troubled member institutions.

Depositor awareness

Public awareness of CDIC or federal deposit protection helps Canadians make informed financial decisions and builds confidence in the financial system. CDIC's public awareness target range is 60%–65%. CDIC has made progress in increasing awareness with its target audiences where awareness is lowest, including amongst younger Canadians (aged 18–34), women and low-income Canadians. A survey of more than 2,400 Canadians conducted for CDIC in March 2021 showed that awareness of CDIC and/or of federal deposit protection was 61%. Average awareness for the year increased by 3 percentage points over the prior year period. The survey also showed that trust in the savings protection provided by the Government of Canada is 13 percentage points higher than it was in December 2018.

Organization and Culture Strategy and Plan

CDIC completed year two of its three-year Organization and Culture Strategy and Plan. With a renewed leadership team and a risk-oriented organizational structure underpinned by CDIC's cultural framework, the Corporation evolved its approach to total rewards (employee compensation, benefits, recognition, etc.), leadership development and succession planning, and performance management. CDIC modernized its learning and development and talent acquisition tools while pivoting the organization to a virtual work environment as a result of the COVID-19 pandemic. In doing so, employee mental health and well-being took centre stage to ensure that staff were supported and provided with flexibility to manage the blending of work and home life. This included shoring up capacity and capability in priority business areas, enhancing CDIC wellness programs and amending workplace policies as required.

Office environment and COVID-19

CDIC has offices in Ottawa and Toronto, Ontario. Throughout all of 2020/2021, CDIC employees worked from home, and office access was restricted as pandemic waves occurred and provincial and municipal lockdowns ensued. The Corporation expects that staff will continue to do work from home until pandemic risks have abated. Plans for longer-term office re-entry and the future of work have begun, with an eye on reducing the Corporation's footprint as a part of sustainable development and greening initiatives.

CDIC membership

As at March 31, 2021, CDIC had 85 member institutions, a net decrease of one institution from the prior year.

Insured deposits

As at April 30, 2020 (the annual date on which insured deposits are calculated for insurance premiums), deposits insured by CDIC increased by 14% year over year to $968 billion and accounted for 25% of total deposits held at member institutions. The growth in insured deposits reflects amendments to the deposit insurance eligibility criteria which extended coverage to include eligible deposits held in foreign currency and eligible deposits with terms greater than five years, as well as the impact of the COVID-19 pandemic that saw an increased level of savings by Canadians. Insured deposits continue to be a highly valued, cost-effective and stable source of funding for member institutions. Most deposits insured by CDIC are from individuals.

CDIC member peer groups

Member institutions consolidate to 54 member groups on the basis of affiliation with a parent. For the purpose of analysis, each member institution or member group is assigned to a peer group based on similar size, and/or its primary business activities.

Domestic systemically important banks (D-SIBs)—includes the largest six banks designated by the Office of the Superintendent of Financial Institutions (OSFI) as being of systemic importance domestically

Residential—main business line is residential mortgages

Commercial—main business lines are business loans or commercial mortgages

Consumer—main business lines are retail consumer loans or credit cards

Fee Income—revenues are largely derived from services and related fees, although these members do not necessarily operate in similar business lines

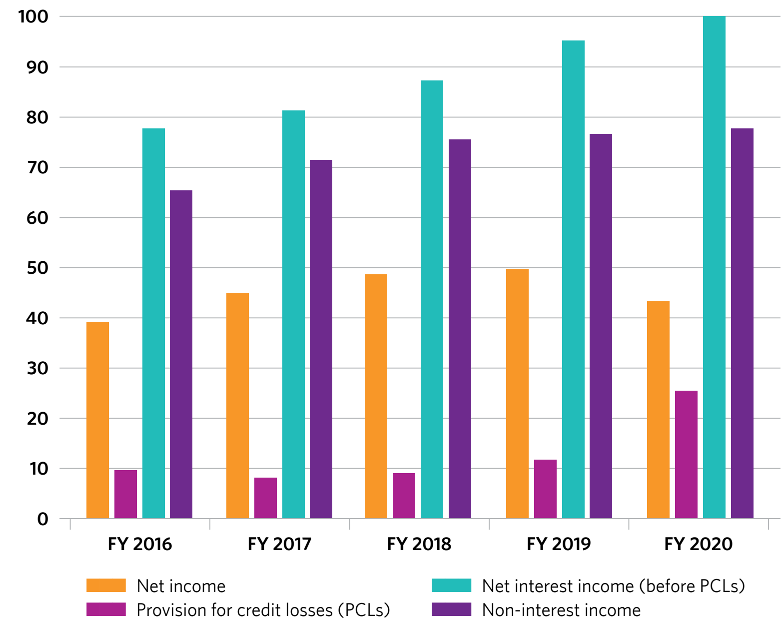
Member institution financial results

CDIC members earned a total net income of $43.4 billion in 2020. Lower profits for the membership were attributable to higher provisions for credit losses, partially offset by an increase in net interest income. Non-interest income and expenses were stable year over year. Provisions for credit losses of $25.4 billion increased 124% year over year, driven mainly by the members' need to provision for estimated credit losses due to the impact of the COVID-19 pandemic. CDIC members demonstrated resilience in the face of the COVID-19 pandemic, as they continued to support critical economic activity while maintaining rates of arrears near historical lows.

Net interest income increased by 5.2% ($4.9 billion) in 2020 due to higher loan volumes, as net interest margins fell along with benchmark interest rates in 2020. Non-interest income increased 0.7% ($0.5 billion), driven by higher revenue from trading.

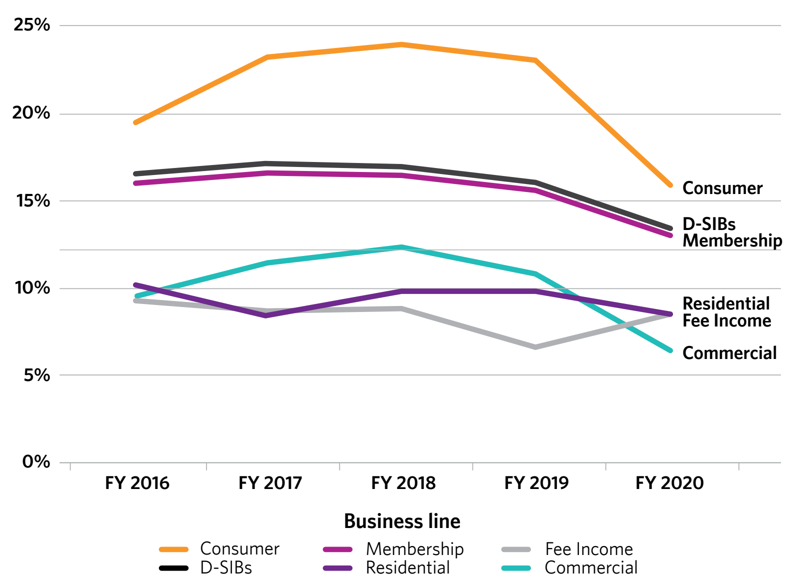
The membership's return on average shareholders' equity (ROAE), a broad-based measure looking at institutions' profitability, was 13.1%, down from 15.6% last year. Apart from the Fee Income peer group, ROAE declined across the membership as net income was impacted by higher provisions for expected credit losses flowing from the pandemic. As shown in the graph opposite, the ROAE varies by peer group, due to the type of lending and the degree of leverage utilized.

Revenue, provisions and profits for CDIC members, 2016–2020 (C$ billions)



FY = Fiscal year performance of member institutions that employ either October 31 or December 31 as their fiscal year end, as applicable.

Return on average shareholders' equity (ROAE) by peer group, 2016–2020

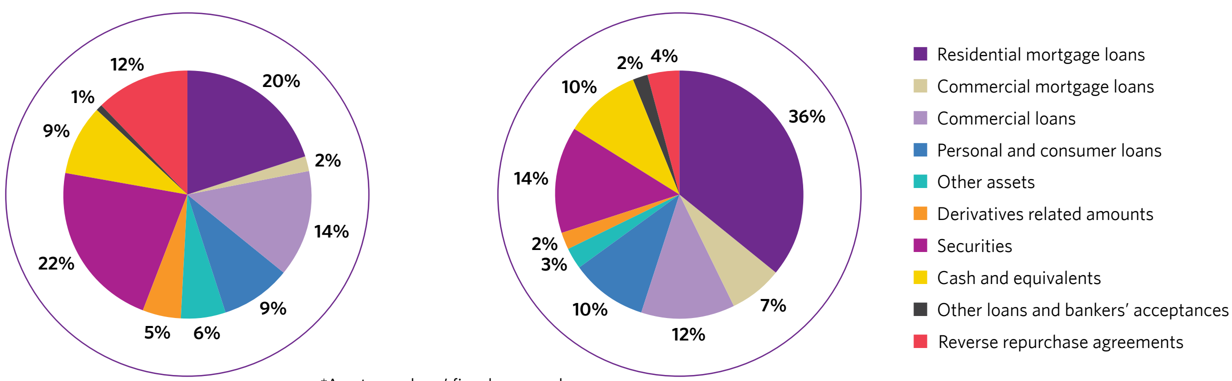


Asset composition, growth and quality

The membership's total asset base grew 13.8% year over year to $6.9 trillion, with cash and cash equivalents increasing from 4% to 9% of total assets, partly driven by the increase in deposits. Residential mortgages, one of the largest asset classes on the balance sheets of CDIC members, totalled approximately $1.5 trillion, or 21% of the membership's on-balance sheet assets. Other significant asset classes included securities (22% of total assets, 28% of which were Canadian government-issued securities), commercial loans (14%), personal and consumer loans (9%), and reverse repurchase agreements (12%).

Asset mix—D-SIB peer group (%),* 2020 (C$6.5 trillion)

Asset mix—all other peer groups (%),* 2020 (C$398 billion)



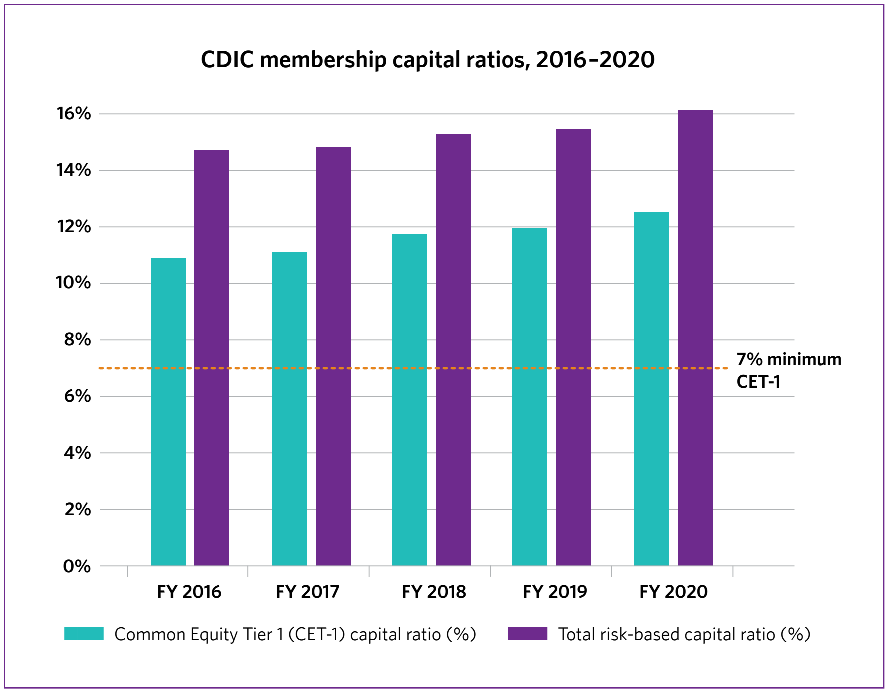
*As at members' fiscal year end
Note: Totals may not add to 100% due to rounding.

The overall quality of the membership's assets in 2020 is comparable to last year with a gross impaired loan ratio remaining at 0.52% of total loans (2019: 0.49%). This measure remained low both relative to historical levels and to Canadian lenders' international peers.

Liquidity levels

The membership maintained satisfactory levels of liquid assets as of December 31, 2020, and all CDIC member institutions complied with regulatory expectations as set out in the *Liquidity Adequacy Requirements* of the Office of the Superintendent of Financial Institutions (OSFI). Viewed on a combined basis, these metrics and assessments, which include several qualitative considerations, provide CDIC with broad and deep perspectives of the liquidity adequacy of its members.

Capital ratios



Overall membership capital levels increased slightly in 2020 and remain well above the Basel III minimum requirements. The membership's average Common Equity Tier 1 (CET-1) capital ratio, as at each member's Q4 2020, was 13% (compared to the OSFI minimum requirement of 7.0%). The average total capital ratio for the membership increased slightly to 16%.

Further, under the terms of OSFI's *Leverage Requirements Guideline*, all institutions are required to maintain a leverage ratio that meets or exceeds 3% at all times. As at each member's Q4 2020, the average leverage ratio of the membership was 4.8%, with domestic systemically important banks (D-SIBs) having the lowest leverage ratio of the membership at 4.7% and the Consumer peer group having the highest leverage ratio of the membership at 14.4%.

Risk governance and management

CDIC is exposed to a variety of internal and external risks that could influence its ability to achieve its mandate and vision. To ensure that these risks are properly identified, assessed and managed, the Corporation maintains an Enterprise Risk Management (ERM) program that includes a comprehensive assessment of key corporate risks which are reported to CDIC's Board Risk Committee on a quarterly basis.

CDIC's risk philosophy and approach

CDIC will continuously improve its preparedness to take action against risks that threaten the protection of insured deposits and the stability of the Canadian financial system. CDIC is prepared to accept informed and targeted risks that will:

- Assist in fulfilling CDIC's statutory objects assigned to it by Parliament.
- Drive the development and execution of strategic objectives.
- Support operational resilience.
- Instill confidence and trust in CDIC.

CDIC's ERM Framework sets out a risk management approach to enable a common understanding of how CDIC manages risk, and provides employees with the information needed to manage risk effectively in a consistent manner. The Framework applies to every employee at CDIC, all of whom are expected to manage risk and ensure that CDIC's strategies and overall risk appetite are aligned across the organization.

Enterprise risk appetite statement

CDIC recognizes that risk avoidance is not realistic or practical, and that it cannot control, prevent or prepare for all risks; nor can it afford to do so at any cost. As a result, CDIC has adopted a balanced risk appetite that flows from its statutory mandate. This means that CDIC considers the interplay between all of the risks it faces and accepts some risks in order to avoid or mitigate other risks.

CDIC has a low risk appetite for any risk exposure that could threaten its protection of insured depositors and its promotion of financial stability. Its mandate drives all major decisions in the organization.

At the same time, CDIC cannot be execution ready to resolve *all* its member institutions at *all* times. This would result in an excessive and unnecessary financial cost for Canadians, for the Corporation, and for its member institutions. Instead, CDIC takes a balanced risk approach, maintaining a low risk appetite for being unaware of changes in the condition of its member institutions, complemented by a high risk appetite for early actions that support an orderly resolution of a troubled member institution. This means CDIC maintains an "early warning and early action" framework that links its level of preparedness using a risk-based approach to the risks presented by its member institutions.

In the pursuit of its statutory objects, CDIC is willing to accept higher risks that allow it to remain nimble and capable of responding quickly to changes in the financial system and CDIC member institutions. CDIC will pursue proactive resolution options, foster an inclusive culture, and take on operational strategies that support innovation and the continuous enhancement of its people, tools, processes, data and systems. These activities may require the acceptance of a certain degree of financial and/or operational risk.

CDIC strives to earn the trust of Canadians, as the global leader in deposit insurance and resolution. It has a low risk appetite for any negative impact on its reputation, with depositors or any of its other key stakeholders.

Risk taxonomy

CDIC categorizes its risks according to the taxonomy below.

Strategic	Preparedness	Operational	Financial	Organizational
Strategic risk	Assessment risk	Information, cyber and technology risk	Liquidity risk	Culture risk
External risk	Resolution risk	Security risk	Market risk	People risk
Execution risk	Legal powers risk	Natural and physical hazard risk	Credit risk	Succession planning risk
	Member compliance risk	Fraud risk	Funding risk	
		Compliance and legal risk		
Reputational				

The initiatives that address these key risks are described on the following pages under CDIC's three strategic objectives for the 2021/2022 fiscal year. CDIC will monitor the progress of its initiatives and will continually assess their impact on key risks to determine when the risks have been mitigated to an acceptable level.

The Corporation will also ensure that any new risks are identified. As outlined below, the impact of the COVID-19 pandemic on CDIC's risk environment, and so its activities, still remains uncertain as of April 2021 due to many variable and counter-balancing factors that could affect the health of Canadians, the economy and CDIC member institutions.

Emerging risk factors as of March 31, 2021

Increasing risk factors

- Continuation or further deterioration of COVID-19 waves in major economies could stress specific regions and hamper overall economic recovery
- Stress in impacted sectors, commercial real estate and other hard-hit industries may further amplify as the Government implements stringent containment measures in response to COVID-19

Uncertain risk factors

- Path of economic recovery/restrictions
- Consumer and business confidence, especially for certain sectors
- Stimulus transition gaps

Decreasing risk factors

- Medical vaccine/treatment timing more certain
- Overall monetary policy and rapid response
- High level of policy coordination among domestic and international policy makers

A look ahead to 2021/2022

As set out in the Corporation's 2021/2022 to 2025/2026 Corporate Plan, to mitigate the emerging risks discussed in the previous section, CDIC's work will focus over the short, medium and long term on three areas with corresponding strategic objectives and outcomes for the planning period.

1. Advance CDIC's readiness to respond effectively to a crisis.

CDIC must grow its strong state of preparedness to respond if one or more members experience difficulties. This goes with being part of Canada's financial safety net during times of economic uncertainty. CDIC must be prepared to safeguard the savings of Canadians and the stability of the financial system.

Preparedness involves having the necessary processes, tools, systems, financial capacity and the right people to allow CDIC to act in concert with its financial safety net partners and for its stakeholders. In line with its unique mandate, CDIC's people resourcing strategies include flexibility to adjust if the economic environment improves.

Initiatives supporting this strategy include:

- Strengthening and testing CDIC's overall resolution preparedness, ensuring that CDIC can effectively utilize its full suite of resolution tools.
- Foreseeing emerging risks to depositor protection and financial stability before they materialize.
- Developing a comprehensive stakeholder engagement strategy to ensure a proactive, coordinated and consistent approach to engaging with external stakeholders critical to achieving CDIC's mandate.

2. Enhance organizational resiliency by transforming CDIC's culture and workplace.

As is the case for many organizations, the global pandemic represents an opportunity for CDIC to learn and break away from existing organizational constructs, by taking the best options from the different ways of working that CDIC employees adopted in 2020. This means continuing to foster a people-first organization that supports balancing work and personal life.

CDIC will enhance employee mental health and wellness programs to build and sustain resiliency by continuing the cultural transformation that began in 2019 with its multi-year Organization and Culture Strategy and Plan. This involves envisioning and planning for the next long-term strategy addressing the future of work. Among other things, the strategy will bring to bear new leadership skills, employee choice and flexibility, as well as changes to the physical workplace. In addition, CDIC will ensure that its enterprise technology strategy, data systems and operational processes are able to support productivity, flexibility and accessibility, while safeguarding privacy and security.

Initiatives supporting this strategy include:

- Expanding CDIC's Organization and Culture Strategy and Plan to promote employee resilience and inclusion and to adapt proactively to the future of work.
- Implementing a multi-year enterprise technology strategy with a focus on flexibility, data governance and security, continued Cloud migration to support the future of work, and digital transformation.

3. Innovate to meet evolving depositor expectations.

In 2019, CDIC's Board approved a bold, multi-year modernization program to enhance the systems and processes that underpin CDIC's insurance determination and reimbursement process. Modernization will also address CDIC's need to support new channels of payment delivery and communications between CDIC and depositors, to better inform and serve Canadians in the event of member non-viability.

Looking to the future, CDIC must continue to embrace innovation and technological advances. It must keep step with the financial industry in order to deliver a timely and accurate insurance determination and payout in the event of a member failure. This means expanding CDIC's insurance payment options beyond mailed cheque payments, supported by the deposit data necessary to calculate insurance eligibility. It also means considering new ways of promoting public awareness and understanding new innovative trends in the financial sector.

Initiatives supporting this strategy include:

- Conducting comprehensive multi-year reviews of CDIC's differential premiums and *ex ante* funding frameworks.
- Implementing a new three-year strategy to promote public awareness of CDIC and federal deposit protection.
- Enhancing CDIC's understanding of emerging financial sector trends, products and technologies.

2021/2022 to 2025/2026 financial plan

The financial projections included in CDIC's 2021/2022 to 2025/2026 Corporate Plan are based on a number of assumptions and estimates available at the time of developing the Plan and, accordingly, actual results may vary materially from the figures below. Key financial assumptions include the following:

- A growth of 3.5% in insured deposits year over year.
- The premium rates as well as the distribution of members across the differential premium categories will remain unchanged from 2020/2021.
- Investment income is based on an assumed average yield on cash and investments of 1.1% for fiscal 2021/2022, declining to 0.81% by fiscal 2022/2023, followed by a gradual increase to a yield of 0.97% in fiscal 2025/2026.
- No member institution failures are assumed during the planning period.
- The provision for insurance losses is forecasted to increase at a similar rate to that of the assumed growth in insured deposits, although other inputs into the calculation, such as the default probabilities, are not taken into consideration.

2021/2022 fiscal year

Total comprehensive income is planned at $671 million for the 2021/2022 fiscal year.

Total revenues are planned to be $841 million in the 2021/2022 fiscal year, including $765 million of premium revenue and $76 million of investment income.

Planned **premium revenue** of $765 million is $26 million higher than fiscal 2020/2021 premium revenue of $739 million. The increase is primarily as a result of the expected increase in insured deposits.

Expected **investment income** of $76 million is $14 million lower than investment income of $90 million in fiscal 2020/2021, resulting from the impact of the decline in the assumed average yield on investments.

Net operating expenses are planned to be $68 million in fiscal 2021/2022, compared to $60 million actual operating expenses in fiscal 2020/2021. The $68 million budget reflects a full staffing complement, furthering preparedness and resolution capabilities and a $7 million public awareness budget.

Cash and investments are planned to be $7.3 billion at the end of the 2021/2022 fiscal year.

The **provision for insurance losses** is planned to increase to $2.7 billion[1] at the end of the 2021/2022 fiscal year based on the calculations using assumptions as at December 31, 2020.

The level of ***ex ante* funding** is planned to be $7.3 billion at the end of the 2021/2022 fiscal year, representing 72 basis points of forecast insured deposits, an increase of 5 basis points from March 31, 2021.

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[1] As at March 31, 2021, the provision for insurance losses was $2.65 billion.

Performance against Plan

The following Scorecard summarizes progress as at March 31, 2021, in support of the five corporate strategic objectives identified in CDIC's 2020/2021 to 2024/2025 Corporate Plan. These strategies support the Corporation's mandate to provide insurance against the loss of part or all of deposits, to promote and otherwise contribute to the stability of the financial system in Canada, and to act as resolution authority for its members.

In response to the uncertain impacts of the COVID-19 pandemic, CDIC undertook a strategic review exercise to ensure that CDIC heightened its focus on being ready to resolve any troubled member institutions and CDIC's operational response to the pandemic. Although some deliverables or deadlines were extended to create flexibility, progress against CDIC's fiscal 2020/2021 corporate strategic objectives and initiatives were completed, exceeded, or otherwise proceeding as planned as at March 31, 2021.

The Corporate Scorecard that follows provides information on the specific measures adjusted in response to the COVID-19 pandemic and includes details on all key corporate initiatives.

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

<table>
<tr><th>Strategic</th><th colspan="2">Transform CDIC's Enterprise Risk Management program</th></tr>
<tr><th>Key initiatives and outcomes</th><th>Status</th><th>Update</th></tr>
<tr><td rowspan="2">Implement Enterprise Risk Management (ERM) program.

2020/2021 key deliverables:
• Finalize and then operationalize ERM Framework and policies.
• Provide more robust reporting to CDIC's Leadership Council, the Risk Committee and the Board.
• Complete internal process review and update operational risk management policies.</td><td>On track</td><td>CDIC continued to implement the ERM program, with an annual review of the ERM Framework and Risk Appetite by Major Risk approved by the Board, ERM training completed, and an updated Quarterly Risk Report completed.

The ERM function completed a broad, rapid risk identification and assessment with business teams, to report and undertake ongoing monitoring for any impacts from the COVID-19 pandemic.

The build of the Enterprise Program Management Office is progressing well, with a pilot launched for the current telework environment by fiscal year end.</td></tr>
<tr><td>Progressing, but partial delays implemented in response to COVID-19</td><td>CDIC's Risk Register build commenced in 2020/2021 and is on track for completion, but was extended to support other operational priorities while maintaining regular quarterly reporting to the Risk Committee. The Board risk policy review is scheduled to commence in 2021/2022 to ensure alignment with, and to build on, the Board of Directors' governance review.

The operational risk management policy review commenced in 2020/2021 and will be completed in 2021/2022 to maintain alignment with Board risk policies, while further strategic reviews will be conducted on targeted operational risk areas.</td></tr>
</table>

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

Preparedness	Refine CDIC's capability to respond quickly and effectively to member institution failures	
Key initiatives and outcomes	**Status**	**Update**
Enhance CDIC's resolution readiness: • Intensive, early stage preparatory activities for higher risk members. • Maintaining resolution plans for small and mid-size members. • Maturing the domestic and global systemically important bank (D-SIB/G-SIB) resolution planning efforts. ***2020/2021 key deliverable:*** • CDIC defines and is operating within an acceptable level of resolution preparedness (risk tolerance) for all member institutions commensurate with their failure risk and resolvability profile.	**On track**	In accordance with CDIC's Graduated Preparedness Framework, CDIC engaged with higher risk members to reach appropriate preparedness according to their risk profiles. CDIC received resolution information packages from relevant members and provided feedback, conducted follow-up operational planning and payout preparedness activities with individual members as needed, and now has resolution plans in place for these members. CDIC made data testing services available to members to support their data and system compliance attestation procedures. To improve data quality and payout processes for brokered deposits, CDIC partnered with a member institution and brokers to conduct an internal testing exercise of data gathering systems and developed recommendations for continued improvement.
	Progressing, but partial delays implemented in response to COVID-19	CDIC issued supplemental guidance to the D-SIBs and G-SIBs to support further development of resolution planning efforts and the next resolution plans. However, to ensure members could focus resources on responding to the COVID-19 pandemic, the submission of the next resolution plans has been rescheduled to fall 2021.

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

Preparedness (continued)	Refine CDIC's capability to respond quickly and effectively to member institution failures	
Key initiatives and outcomes	**Status**	**Update**
Strengthen CDIC's capacity to manage multiple member failures. ***2020/2021 key deliverable:*** • Refine CDIC's crisis model for responding to multiple member institution failures, including cross-training of necessary internal and standby resources.	**Completed**	CDIC continues to strengthen its capacity to manage multiple member failures. To help refine the crisis model, CDIC completed an assessment of baseline preparedness and took measures to close identified gaps. It completed additional planning to operationalize its financial assistance and bridge bank powers. Through simulation exercises, CDIC identified further actions to bolster preparedness for payout, liquidation and assisted transaction scenarios. To bolster preparedness at the employee level, CDIC filled all preparedness roles, identified backups for key roles and employees who can provide swing capacity in an intervention. Training and awareness plans were established, with intense training activities completed through 2020/2021.

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

Preparedness (continued)	Refine CDIC's capability to respond quickly and effectively to member institution failures	
Key initiatives and outcomes	**Status**	**Update**
Engage stakeholders on regulatory implementation (Brokered Deposit Advisory Group (BDAG)) and nominee broker data compliance efforts. ***2020/2021 key deliverables:*** • Lead the BDAG, which includes key industry groups. Develop industry best practices concerning the organization and transmission of broker client data to CDIC member institutions. • Develop and implement, in consultation with the industry, a comprehensive nominee broker compliance framework that includes systems development, guidance, enforcement, and a monitoring and testing program. • Monitor broker progress towards compliance with the revised coverage rules and assess and consider options to deal with any residual coverage risk.	**On track**	Work to support industry's transition towards the new insurance regime is progressing, in preparation for the implementation of new legislative data requirements for trust deposits on April 30, 2022. Significant advancements were made to develop industry best practices and guidelines related to key implementation issues, develop a brokered deposits compliance framework, and work with member institutions regarding related data and system requirements.
Advance preparedness through Centre of Excellence crisis simulations program. ***2020/2021 key deliverable:*** • At least one simulation test per quarter, as aligned with risk areas, with varying levels of participation from the CDIC Board, Management, safety net partners and CDIC employees.	**Completed**	CDIC conducted nine simulation exercises, more than twice the target number for 2020/2021. Simulation exercises aligned with key risk areas, and included varying levels of participation amongst CDIC employees, Board members and financial safety net partners.

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

<table>
<tr><th>Operational</th><th colspan="2">Modernize CDIC's payout systems and enhance its information security practices</th></tr>
<tr><th>Key initiatives and outcomes</th><th>Status</th><th>Update</th></tr>
<tr><td>Modernize payout systems.
2020/2021 key deliverable:
• CDIC defines strategy details and commences implementation of a payout execution strategy, including key vendor selection and industry alignment.</td><td>On track</td><td>CDIC launched the multi-year payout modernization project in 2020/2021. The project is on schedule with strategic design details being defined, the selection of a technology partner and the establishment of a Project Management Office completed.</td></tr>
<tr><td rowspan="2">Enhance CDIC's information security.
2020/2021 key deliverables:
• Enhanced secure and resilient information security program is in place, ensuring that best practices (including privacy protection) and emerging risks are identified and mitigated.
• Strategic partnerships are created to enhance CDIC's security capabilities.</td><td>On track</td><td>CDIC has made substantial progress towards enhancing information security. CDIC's Modern Workplace project is substantially completed and the organization has fully migrated to SharePoint Online. The enhanced cyber framework build continued in 2020/2021 and is scheduled to be finalized in Q1 2021/2022, with a training and awareness campaign completed for employees.
As a result of the COVID-19 pandemic, information security and systems pivoted to support the entire organization in a virtual work environment throughout 2020/2021.</td></tr>
<tr><td>Progressing but partial delays implemented in response to COVID-19</td><td>CDIC experienced some delays in the Cloud migration initiative, as the Corporation prioritized virtual workplace supports during the COVID-19 pandemic. A revised plan is expected to be completed in 2022/2023.</td></tr>
</table>

CDIC's Corporate Scorecard—2020/2021

(as at March 31, 2021)

Organizational	Implement the Organization and Culture Strategy and Plan	
Key initiatives and outcomes	**Status**	**Update**
Continue implementation of CDIC's Organization and Culture Strategy and Plan: a) Develop key metrics to conduct a culture effectiveness assessment to measure the degree of transformation. b) Redesign the 360° feedback leadership program and revamp talent management and succession planning. c) Undertake compensation review. ***2020/2021 key deliverable:*** • Implement year two of CDIC's three-year Organization and Culture Strategy and Plan.	**Completed**	CDIC completed year two of its three-year Organization and Culture Strategy and Plan on schedule. CDIC modernized its learning and development and talent acquisition tools to support CDIC's virtual work environment in response to COVID-19. In addition to planned deliverables, mental health and employee well-being took centre stage to ensure staff were supported and provided with flexibility to manage the blending of work and home life. This included shoring up capacity and capability in priority business areas, enhancing CDIC wellness programs and amending workplace policies. Culture effectiveness metrics improved by 15%.
Reputational	**Increase public awareness of CDIC's deposit protection**	
Key initiatives and outcomes	**Status**	**Update**
Maintain at least 60% public awareness of CDIC/deposit insurance protection. ***2020/2021 key deliverable:*** • Steadily increase public awareness levels to at least 60% awareness of CDIC or federal deposit protection by March 31, 2021.	**Completed**	To bolster Canadians' confidence and trust in the safety and security of their deposits during the COVID-19 crisis, CDIC increased its public awareness advertising on TV, digital and social media. Quarterly surveys showed that public confidence rebounded since the beginning of the pandemic. Awareness of CDIC's role in protecting deposits reached 61% as of March 2021, which was within the key deliverable target range of 60%–65% this fiscal year. As part of its increased advertising presence, CDIC tested several new media channels with a focus in key regions that had lower than average awareness levels (the Prairies and Québec, with a skew towards women) with strong positive results.

Financial overview

This section of CDIC's Management's Discussion and Analysis provides a narrative context in which to interpret the Corporation's financial position, financial performance and cash flows. It should be read in conjunction with CDIC's fiscal 2020/2021 consolidated financial statements and notes.

CDIC's statutory objects are to:

- Provide insurance against the loss of part or all of deposits in member institutions.
- Promote and otherwise contribute to the stability of the financial system in Canada.
- Pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.
- Act as the resolution authority for its member institutions.

The Corporation's financial position, financial performance and cash flows are influenced by the pursuit of these objects.

Basis of preparation

As a publicly accountable Corporation, CDIC prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) as per the requirements of the Canadian Accounting Standards Board.

The Corporation's consolidated financial statements include the results of Adelaide Capital Corporation (ACC), a structured entity created by CDIC in 1992, to effect the failure of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (See Note 2 of the Corporation's fiscal 2020/2021 consolidated financial statements for more information.) The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Financial highlights

CDIC earned total comprehensive income of $362 million for the year ended March 31, 2021.

Premium revenue was $739 million for the year, an increase of $71 million (11%) from the previous fiscal year. The net increase in premium revenue was due to growth in insured deposits, partially offset by changes in the premium categorization of certain member institutions.

Investment income was $90 million for the year, an increase of $4 million (5%) from the previous fiscal year. The increase was due to growth in the investment portfolio as a result of increased premium revenue offset by a decrease in the weighted average effective investment yield during the year (1.37% as at March 31, 2021, compared to 1.64% as at March 31, 2020).

Net operating expenses were $60 million for the year, $9 million (17%) higher than the previous fiscal year, mainly due to an increase in professional fees to support various new projects, an overall increase in staffing requirements to support the Corporation's objects and an increased focus on public awareness.

The Corporation's asset base continued to grow during the year. Total assets were $6,512 million as at March 31, 2021, an increase of $757 million (13%) over the previous fiscal year. The majority of the Corporation's assets are investment securities, which totalled $6,490 million as at March 31, 2021, an increase of $759 million (13%) from the previous fiscal year.

The Corporation's provision for insurance losses was $2,650 million as at March 31, 2021, $400 million (18%) higher than the previous fiscal year. This net increase is due to an increase in exposure to losses, changes to the risk profile of certain member institutions and increased probabilities of default.

The Corporation's premium revenue is not taxable for income tax purposes. However, the investment and other income is subject to income taxes. Increased net operating expenses has led to a decreased income tax expense amounting to $7 million (15%) lower compared to that of the previous fiscal year.

The Corporation's *ex ante* funding is designed to cover possible deposit insurance losses. The balance stood at $6,492 million, or 67 basis points of insured deposits as at March 31, 2021. The 67 basis points level of insured deposits remains unchanged from the prior year ended March 31, 2020.

Consolidated statement of financial position

Assets

The total assets of the Corporation increased to $6,512 million as at March 31, 2021, from $5,755 million as at March 31, 2020, representing an increase of 13%. The following table summarizes CDIC's assets.

As at March 31 (C$ thousands)	2021	2020
Cash	2,480	3,568
Investment securities	6,490,225	5,730,984
Current tax asset	1,130	—
Trade and other receivables	166	260
Amounts recoverable from estates	6	6
Prepayments	1,302	1,106
Right-of-use assets	9,700	11,920
Property, plant and equipment	4,163	3,621
Intangible assets	2,999	3,482
Total assets	**6,512,171**	**5,754,947**

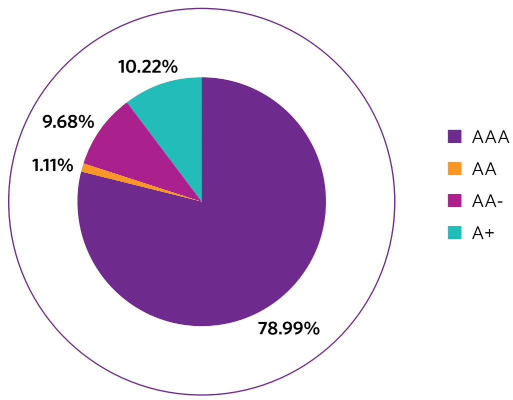
Investment securities

CDIC's $6,490 million investment portfolio forms the majority of its assets. The Corporation's investment strategy is based on two key principles:

- Limit credit and market risk to preserve capital.
- Use the investment portfolio as a funding source for intervention activities.

These principles require that CDIC maintain a conservatively structured portfolio. CDIC's treasury activity follows the *Financial Risk Management Guidelines for Crown Corporations* issued by the Minister of Finance. CDIC's Board financial risk policies further limit risk by setting a maximum amount and term that can be invested in each qualifying instrument.

Investment securities credit profile, as at March 31, 2021



CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Investment securities are restricted to securities having a minimum credit rating of A- with a term no greater than five years. The Corporation invests in a ladder-style structure, requiring investments to be distributed evenly, within tolerance bands, over five, one-year time rungs.

The duration of the Corporation's portfolio is 2.5 years as at March 31, 2021, unchanged from the prior year. CDIC's investments as at March 31, 2021, carry a weighted average effective yield at maturity of 1.37% (March 31, 2020: 1.64%).

Recoveries

From time to time, CDIC receives recoveries from the estates of failed members. These recoveries relate primarily to amounts that were previously written off and are not reflected in CDIC's consolidated financial statements due to uncertainty with respect to both potential amount and ultimate receipt. Factors contributing to uncertainty include creditor disputes, lawsuits against the estate, and competing claims for specific assets.

During 2020/2021, no recoveries were received by the Corporation with respect to failed institutions.

ACC (the structured entity controlled by the Corporation) is also in the process of winding down its litigation and administration activities. No recoveries were recognized during 2020/2021 against losses written off in its name. There may be additional immaterial final recoveries from the estate prior to dissolution.

Liabilities

The total liabilities of the Corporation increased to $2,671 million as at March 31, 2021, from $2,275 million as at March 31, 2020, representing an increase of 17%. The following table summarizes the liabilities of the Corporation.

As at March 31 (C$ thousands)	**2021**	**2020**
Trade and other payables	8,465	7,812
Current tax liability	—	2,941
Lease liabilities	10,390	12,611
Employee benefits	1,508	1,444
Provision for insurance losses	2,650,000	2,250,000
Deferred tax liability	303	448
Total liabilities	**2,670,666**	**2,275,256**

Provision for insurance losses

CDIC's provision for insurance losses is estimated based on a number of assumptions. The $2,650 million provision for insurance losses as at March 31, 2021, represents CDIC's best estimate of the future losses it is likely to incur as a result of resolving non-viable member institutions. The provision increased by $400 million in 2020/2021.

Numerous factors contributed to the overall net increase in the provision for insurance losses, including:

- Growth in the estimated level of exposure to losses.
- Changes in the categorization and risk profile of some member institutions.
- Fluctuations in the calculated probability of defaults of certain member institutions.

The derivation of default probabilities includes both historical and forward-looking perspectives of potential for failure. Moody's Investors Service and Standard & Poor's default statistics are used to derive an historically based view of default. Moody's Analytics, a provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective of the probability of default estimate.

The Corporation calculates its expected losses as a result of any member institution failures on a present value basis. The loss given default is expressed as a percentage of exposure to losses and reflects: (i) the cumulative unweighted average of losses sustained from member institution failures in Canada since 1987, plus an adjustment for measurement uncertainty; and (ii) recent losses sustained in other jurisdictions.

Ex ante *funding*

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC has developed an *ex ante* funding strategy to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. CDIC's funding strategy involves the accumulation of resources during strong economic times to address future potential losses, avoiding as much as possible significant increases in premium rates during periods of economic stress when CDIC's member institutions are dealing with financial headwinds.

As at March 31, 2021, the minimum target level of the Corporation's *ex ante* funding was 100 basis points of insured deposits. The Corporation reviews this target level regularly to ensure it remains appropriate.

CDIC primarily utilizes two methodologies to assess the optimal level of *ex ante* funding. The first of these is referred to as "discretionary analysis." Under this methodology, the Corporation considers the profile of its membership and determines the ability of a specific level of funding to address the hypothetical failure of member institutions.

The second methodology is referred to as "loss estimation." This methodology utilizes statistical techniques to estimate theoretical loss scenarios. Multiple loss scenarios are developed that permit a calibration of funding levels. The inputs to a loss estimation scenario include the level of insured deposits, probability of default statistics and loss given default assumptions.

As part of its regular assessment of sufficiency, the Corporation stress-tests model assumptions. The purpose of these stress tests is to evaluate how funding requirements could be impacted by changes in model inputs. The stress tests primarily assess how changes in probability of default and loss given default affect funding requirements.

The actual level of *ex ante* funding as at March 31, 2021, was $6,492 million, or 67 basis points of insured deposits. Based on the level of insured deposits as at March 31, 2021, the 100 basis point minimum target level would amount to $9,680 million. The Corporation has developed a funding plan that would see *ex ante* funding reach the minimum funding target in the Corporation's 2027/2028 fiscal year.

Ex ante funding comprises one component of CDIC's entire funding envelope. The Corporation maintains an investment portfolio roughly equivalent to the *ex ante* fund and, in addition, has the ability to borrow from the Government of Canada or from capital markets. The borrowing limit increases with the growth in insured deposits and, as at March 31, 2021, CDIC had the legislative authority to borrow up to $28 billion, subject to ministerial approval. Supplemental borrowing, if required, could be authorized either by Parliament through an appropriation act, or by the Governor in Council and the Minister of Finance if, in the Minister's opinion, it is necessary to promote the stability or maintain the efficiency of the financial system in Canada. If such additional borrowing is obtained by the Corporation to resolve a member institution failure, the borrowed amount will be recovered by levying higher premium revenue from CDIC's member institutions.

The following table sets out the liquid funds available to CDIC as at March 31, 2021.

As at March 31 (C$ thousands)	**2021**	**2020**
Available liquid funds:		
Cash	2	4
Fair value of high quality, liquid investment securities	6,586	5,864
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	28,000	25,000
Total available funds	**34,588**	**30,868**
Insured deposits	**967,981**	**851,903**
Total basis points of insured deposits	**357**	**362**

Consolidated statement of comprehensive income

CDIC's total comprehensive income for fiscal 2020/2021 totalled $362 million, a decrease of $133 million or 27% from 2019/2020. The Corporation's financial performance is summarized in the following table.

For the year ended March 31 (C$ thousands)	**2021**	**2020**
Revenue		
Premium	739,100	668,360
Investment income	89,936	85,490
Other	78	6
Expenses		
Net operating expenses	59,829	51,008
Increase in provision for insurance losses	400,000	200,000
Income tax expense	7,367	8,661
Net income	361,918	494,187
Other comprehensive income (loss)	(104)	178
Total comprehensive income	**361,814**	**494,365**

Premium revenue

In the 2020/2021 fiscal year, premium revenue increased by $71 million (11%) to $739 million. Growth in insured deposits partially offset by changes in the premium categorization of certain member institutions contributed to the net increase in premium revenue. Insured deposits increased to $968 billion as at April 30, 2020, from $852 billion as at April 30, 2019, an increase of 14%.

Premiums charged to member institutions are based on the total amount of insured deposits held by members as of April 30 each year, and are calculated in accordance with the CDIC Act and the *CDIC Differential Premiums By-law*, which classifies member institutions into one of four premium categories. Classification is based on a mix of quantitative and qualitative factors. The 2020/2021 premium rates are consistent with CDIC's strategy to achieve its minimum target *ex ante* funding level by 2027/2028. Premium rates, expressed as basis points of insured deposits, are presented below.

Premium category *(basis points of insured deposits)*	**2020/2021**	**2019/2020**
Category 1	7.5	7.5
Category 2	15.0	15.0
Category 3	30.0	30.0
Category 4	33.3	33.3

CDIC's premium revenue for fiscal 2020/2021 amounting to $739 million is approximately 7.6 basis points of insured deposits.

The distribution of member institutions among premium categories is set out in the following table.

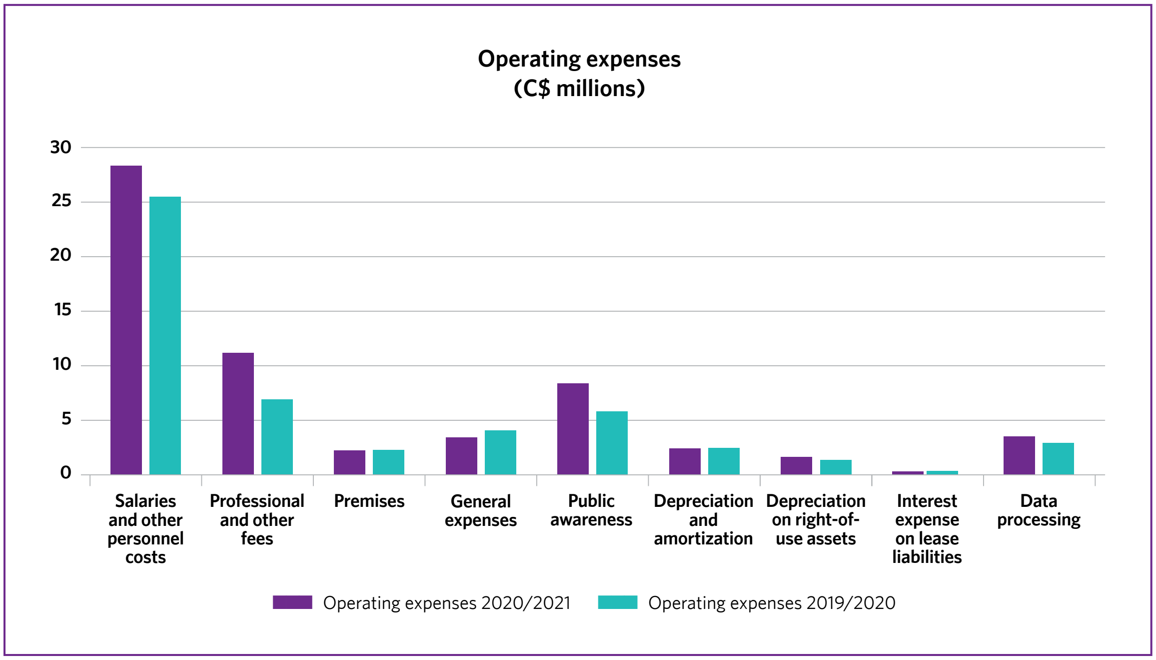
Distribution of member institutions by premium category (% of members)

Premium category	**2020/2021**	**2019/2020**	**2018/2019**	**2017/2018**	**2016/2017**
1	89	83	81	83	78
2	10	14	15	11	18
3	1	3	4	5	4
4	—	—	—	1	—

Investment income

Investment income was $90 million for the year, an increase of $4 million (5%) from the previous fiscal year. The increase was due to growth in the investment portfolio as a result of increased premium revenue partly offset by a decrease in the weighted average effective investment yield during the year (1.37% as at March 31, 2021, compared to 1.64% as at March 31, 2020).

Operating expenses



Operating expenses increased by $9 million (17%) to $60 million in fiscal 2020/2021 from fiscal 2019/2020. The increase is mainly due to an increase in professional fees to support various new projects, an overall increase in staffing requirements to support the Corporation's objects and an increased focus on public awareness.

Income tax expense

The Corporation is subject to federal income tax. The Corporation's source of taxable income is its interest income. From this amount, allowable expenditures are deducted to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable and the change in the provision for insurance losses is not deductible for tax purposes. In addition, recoveries of amounts previously written off are not taxable because the Corporation did not previously claim a deduction for tax purposes.

The Corporation's income tax expense decreased by $1 million (15%) to $7 million in fiscal 2020/2021 from fiscal 2019/2020, due to increased net operating expenses.

Consolidated statement of cash flows

CDIC's cash flows are summarized in the following table.

For the year ended March 31 (C$ thousands)	2021	2020
Increase in cash from operating activities	794,934	729,525
Decrease in cash from investing activities	(794,542)	(727,452)
Decrease in cash from financing activities	(1,480)	(695)
Net increase (decrease) in cash balance	(1,088)	1,378
Cash, end of year	**2,480**	**3,568**

Cash flows generated from operating activities are used primarily to contribute to the Corporation's investment portfolio, increasing the *ex ante* fund.

Comparison with 2020/2021 to 2024/2025 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2020/2021 with the Corporate Plan for the same year.

Consolidated statement of financial position

Total assets as at March 31, 2021, were $6,512 million, $5 million higher than the planned amount of $6,507 million. This slight increase is primarily due to the higher than planned premium revenue which contributed to the increase in investment securities.

Total liabilities as at March 31, 2021, were $2,671 million, $650 million (32%) higher than the planned amount of $2,021 million. The increase is mainly due to the variance in the provision for insurance losses.

Consolidated statement of comprehensive income

Total revenue during the year was $829 million, relatively consistent with the planned amount of $828 million.

Net operating expenses for the year were $60 million, relatively consistent with the planned amount of $62 million.

Total comprehensive income for the year ended March 31, 2021, was $362 million compared to planned total comprehensive income of $757 million, a variance of $395 million mainly due to an increase in the provision for insurance losses larger than planned.

(C$ millions)	2021/2022 Corporate Plan[a]	2020/2021 Actual results	2020/2021 Corporate Plan[a]
Consolidated statement of financial position *(as at March 31)*			
Cash and investments	7,256	6,493	6,487
Capital assets	18	7	9
Right-of-use assets	8	10	11
Other current assets	—	2	—
Total assets	**7,282**	**6,512**	**6,507**
Trade and other payables	5	8	5
Provision for insurance losses	2,700	2,650	2,000
Lease liabilities	9	10	11
Other non-current liabilities	5	2	5
Retained earnings	4,563	3,842	4,486
Total liabilities and equity	**7,282**	**6,512**	**6,507**
Consolidated statement of comprehensive income *(for the year ended March 31)*			
Revenue			
Premiums	765	739	728
Investment and other income	76	90	100
	841	829	828
Expenses			
Net operating expenses	68	60	62
Increase in provision for insurance losses	100	400	—
	168	460	62
Net income before income tax	673	369	766
Income tax expense	(2)	(7)	(9)
Total comprehensive income	**671**	**362**	**757**

[a] The Corporate Plans 2020/2021 to 2024/2025 and 2021/2022 to 2025/2026 were developed based on information as at December 31, 2019, and December 31, 2020, respectively.

We protect your deposits

PART 2 **Consolidated financial statements**

Management responsibility for consolidated financial statements

June 9, 2021

The accompanying consolidated financial statements of the Canada Deposit Insurance Corporation and the information related to the consolidated financial statements in this Annual Report are the responsibility of Management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include some amounts, the most significant one being the provision for insurance losses, which are necessarily based on Management's best estimates and judgment.

The consolidated financial statements have been approved by the Board of Directors. Financial information presented elsewhere in this Annual Report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, Management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, that assets are safeguarded, and that proper records are maintained in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. Internal audits examine and evaluate the application of the Corporation's policies and procedures and the adequacy of the system of internal controls. In addition, the internal and external auditors have free access to the Audit Committee of the Board of Directors, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the consolidated financial statements to the Board of Directors.

These consolidated financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and her report is included herein.

Peter Routledge
President and Chief Executive Officer

Camille Ringrose
Head, Finance and Operations & Chief Financial Officer

Independent auditor's report

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Deposit Insurance Corporation and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

- 2 -

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Canada Deposit Insurance Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and regulations, the by-laws of Canada Deposit Insurance Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act.*

In our opinion, the transactions of Canada Deposit Insurance Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Deposit Insurance Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Deposit Insurance Corporation to comply with the specified authorities.

Independent auditor's report

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Normand Lanthier, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
9 June 2021

Consolidated financial statements and notes

Canada Deposit Insurance Corporation

Consolidated statement of financial position

As at March 31 (audited) (C$ thousands)

	Notes	2021	2020
ASSETS			
Cash		2,480	3,568
Investment securities	*4*	6,490,225	5,730,984
Current tax asset		1,130	—
Trade and other receivables		166	260
Amounts recoverable from estates		6	6
Prepayments		1,302	1,106
Right-of-use assets	*5*	9,700	11,920
Property, plant and equipment	*6*	4,163	3,621
Intangible assets	*7*	2,999	3,482
TOTAL ASSETS		**6,512,171**	**5,754,947**
LIABILITIES			
Trade and other payables		8,465	7,812
Current tax liability		—	2,941
Lease liabilities	*5*	10,390	12,611
Employee benefits	*16*	1,508	1,444
Provision for insurance losses	*8*	2,650,000	2,250,000
Deferred tax liability	*11*	303	448
Total liabilities		**2,670,666**	**2,275,256**
EQUITY			
Retained earnings		3,841,505	3,479,691
TOTAL LIABILITIES AND EQUITY		**6,512,171**	**5,754,947**

Contingencies and commitments (Note 15)

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

Approved by the Board of Directors on June 9, 2021

Director

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

For the year ended March 31 (audited) (C$ thousands)

	Notes	2021	2020
REVENUE			
Premium	*12*	739,100	668,360
Investment income	*4*	89,936	85,490
Other		78	6
		829,114	753,856
EXPENSES			
Net operating expenses	*13*	59,829	51,008
Increase in provision for insurance losses	*8*	400,000	200,000
		459,829	251,008
Net income before income taxes		369,285	502,848
Income tax expense	*11*	7,367	8,661
NET INCOME		**361,918**	**494,187**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to net income:			
Actuarial gain (loss) on defined benefit obligations	*16*	(138)	237
Income tax effect	*11*	34	(59)
Other comprehensive income (loss), net of tax		(104)	178
TOTAL COMPREHENSIVE INCOME		**361,814**	**494,365**

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

Canada Deposit Insurance Corporation

Consolidated statement of changes in equity

For the year ended March 31 (audited) (C$ thousands)

	Retained earnings and total equity
Balance, March 31, 2019	**2,985,326**
Net income	494,187
Other comprehensive income (loss)	178
Total comprehensive income	494,365
Balance, March 31, 2020	**3,479,691**
Net income	361,918
Other comprehensive income (loss)	(104)
Total comprehensive income	361,814
Balance, March 31, 2021	**3,841,505**

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

Canada Deposit Insurance Corporation

Consolidated statement of cash flows

For the year ended March 31 (audited) (C$ thousands)

	2021	2020
OPERATING ACTIVITIES		
Net income	361,918	494,187
Adjustments for:		
Depreciation and amortization	3,751	3,683
Investment income	(89,936)	(85,490)
Interest expense on lease liabilities	206	235
Income tax expense	7,367	8,661
Employee benefit expense	143	164
Change in working capital:		
Decrease in trade and other receivables	94	242
Increase in prepayments	(196)	(501)
Increase in trade and other payables	653	2,012
Decrease in deferred lease inducement	—	(734)
Increase in provision for insurance losses	400,000	200,000
Investment income received	122,905	113,446
Employee benefit payment	(217)	(7)
Interest paid on lease liabilities	(206)	(235)
Income tax paid	(11,548)	(6,138)
Net cash generated by operating activities	794,934	729,525
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(2,331)	(2,327)
Purchase of investment securities	(2,844,435)	(2,362,392)
Proceeds from sale or maturity of investment securities	2,052,224	1,637,267
Net cash used in investing activities	(794,542)	(727,452)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(1,480)	(1,429)
Incentive in connection with the recognition of finance lease under IFRS 16	—	734
Net cash used in financing activities	(1,480)	(695)
Net increase (decrease) in cash	(1,088)	1,378
Cash, beginning of year	3,568	2,190
Cash, end of year	**2,480**	**3,568**

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

Notes to the consolidated financial statements

March 31, 2021

1—General information

The Canada Deposit Insurance Corporation (CDIC, or the Corporation) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the CDIC Act). It is a Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions and investment income. The Corporation is subject to federal income tax pursuant to the provisions of the *Income Tax Act*. The address of the registered office is 50 O'Connor Street, 17th Floor, in Ottawa, Ontario.

The objects of the Corporation are: to provide insurance against the loss of part or all of deposits in member institutions; to promote and otherwise contribute to the stability of the financial system in Canada; to pursue these objects for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss; and to act as the resolution authority for its member institutions.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including, but not limited to: acquiring assets from and providing guarantees or loans to member institutions and others; making or causing to be made inspections of member institutions; acting as liquidator, receiver or inspector of a member institution or a subsidiary thereof; establishing a bridge institution and acquiring shares and/or assets and assuming liabilities of member institutions; and converting some of the debt of a failing domestic systemically important bank (D-SIB) into common shares in order to recapitalize the bank and allow it to remain open and operating.

The Corporation is an agent of Her Majesty in right of Canada for all purposes of the CDIC Act. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures, in a manner that is consistent with its legal obligations. The Corporation is in compliance with the directive.

The Deposit Insurance Review that was announced in the 2014 Budget to modernize and enhance Canada's deposit insurance framework received Royal Assent on June 21, 2018. Certain changes relating to deposit insurance coverage came into force on April 30, 2020, while the second phase of changes is set to come into force on April 30, 2022. The changes have required and will continue to require changes to the Corporation's processes.

As a part of the *COVID-19 Emergency Response Act*, which received Royal Assent on March 25, 2020, the CDIC Act was amended to allow the Minister of Finance to increase the deposit insurance coverage limit until September 30, 2020; however, this power was not exercised.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 9, 2021.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars (C$).

The consolidated financial statements have been prepared on the historical cost basis, except for the lease liability (Note 5), provision for insurance losses (Note 8) and certain employee benefits (Note 16) which are measured at their present value. 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 2 were consistently applied to all the periods presented.

2—Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a structured entity controlled by the Corporation.

The results of ACC are included in the consolidated statement of comprehensive income until the date control ceases or the company is dissolved. All transactions, balances, income and expenses between CDIC and ACC are eliminated in full on consolidation.

The overall impact of consolidation is not significant.

These consolidated financial statements do not reflect the assets, liabilities or operations of failed member institutions in which the Corporation has intervened but does not have control.

Judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgment in applying the Corporation's accounting policies. The following are the significant judgments made in the process of applying the Corporation's accounting policies.

Consolidation

Management has determined, based on an analysis of the facts and circumstances, that the Corporation controls ACC and the financial statements of CDIC should incorporate the financial statements of ACC. Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although CDIC does not own any of the share capital of ACC, it is the sole creditor of ACC, having provided an intercompany loan in 1992. The facts and circumstances that Management considered in arriving at the conclusion that CDIC controls ACC are as follows:

- The loan exposes CDIC to variable returns from its involvement with ACC.
- A CDIC employee is the sole member of the Board of Directors of ACC, giving CDIC the power to make decisions about ACC's operations to affect the returns that CDIC ultimately receives from its loan to ACC.
- The terms of the loan restrict the activities of ACC and stipulate that ACC cannot alter the composition of the Board of Directors, giving CDIC power over ACC's key activities.

Financial instruments

The Corporation holds a significant amount of investment securities. Based on an analysis of the facts and circumstances, Management has determined that: (i) the investment securities are held in order to collect contractual cash flows; and (ii) the contractual terms of the investment securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the Corporation measures the investment securities at amortized cost using the effective interest method. See "Financial instruments" below for further details.

The Corporation calculates a loss allowance for expected credit losses (ECLs) on investment securities that are measured at amortized cost. The measurement of ECLs on the Corporation's financial assets is an area that requires the use of complex models and significant assumptions and judgments that are driven by numerous factors, changes in which can result in different levels of allowances.

Elements of the ECL model that are considered accounting judgments and estimates include:

- Determining criteria for significant increase in credit risk.
- Developing appropriate models and assumptions for the measurement of ECLs.
- Determining the economic variables most highly correlated to CDIC's portfolios of financial assets.
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios and their effect on economic inputs in the ECL model.

See "Financial instruments" below for further details.

Estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates or assumptions are revised, and any future periods affected.

Provision for insurance losses

Estimating CDIC's provision for insurance losses involves significant estimation and requires Management to make assumptions.

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of resolving the failure of member institutions. The provision is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the exposure to losses;

(ii) the expectation of default derived from probability statistics; (iii) an expected loss given default; and (iv) the Corporation's specific knowledge of its members. See "Provision for insurance losses" below for further details on how the provision is measured. See Note 8 for the Corporation's calculation of the provision for insurance losses.

Actual results could differ significantly from these estimates, including the timing and extent of losses the Corporation incurs as a result of future failures of member institutions. This could require a material adjustment to the carrying amount of the provision for insurance losses. In the event that actual results vary from the current estimates, the Corporation can recommend that the annual premium rates charged to member institutions be increased or decreased, depending on the situation.

Capital assets

Capital assets, comprising property, plant and equipment, and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. Useful lives are measured using Management's best estimate of the period of service provided by the assets. Any changes to the useful life estimates would affect the future carrying value of the assets and the future depreciation or amortization. The carrying amounts of the Corporation's capital assets are included in Notes 6 and 7.

Employee benefits liabilities

The carrying value of employee benefits liabilities to be settled in the future depends on numerous factors that are determined on an actuarial basis using several assumptions. The Corporation consults with an external actuary annually regarding these assumptions. Any changes to these assumptions will impact the present value of these liabilities. The carrying values of employee benefits liabilities are disclosed in Note 16.

Financial instruments

Recognition and initial measurement

All financial assets and financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

Purchases of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date—that is, the date the asset is delivered to or by CDIC.

Classification

A) Financial assets

Subsequent to initial recognition, a financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of the above conditions, it is measured at fair value. All of the Corporation's investment securities meet these conditions; therefore, they are measured at amortized cost.

B) Financial liabilities

Subsequent to initial recognition, all of the Corporation's financial liabilities are measured at amortized cost.

Amortized cost measurement

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

Fair value measurement

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.

Fair value measurements are categorized within a fair value hierarchy:

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

For financial assets and financial liabilities that are recognized at fair value on a recurring basis, the Corporation determines whether transfers have occurred between the levels in the hierarchy by reassessing categorization at the end of each reporting period.

Identification and measurement of impairment

The Corporation calculates a loss allowance for expected credit losses (ECLs) on investment securities and premiums receivable that are measured at amortized cost. CDIC recognizes 12-month ECLs for financial instruments unless there has been a significant increase in credit risk since initial recognition, in which case lifetime ECLs are recognized. The amount of ECLs, if any, is updated at each reporting date to reflect changes in credit risk since initial recognition and is disclosed in Note 4 in accordance with IFRS 7 *Financial Instruments: Disclosures*.

The Corporation has incorporated forward-looking economic information into its ECLs by performing the calculation under multiple scenarios resulting in probability-weighted average ECLs based on the weightings of each scenario.

Expected credit loss approach and assessment

Investment securities

For investment securities, ECLs are the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as 12-month ECLs, which represent the portion of lifetime ECLs expected to occur based on default events that are possible within 12 months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts to being measured based on 12-month ECLs.

All the investment securities held by the Corporation are debt instruments, issued or guaranteed by the Government of Canada or provincial governments, with a minimum credit rating of A-. In assessing ECLs on these instruments, the Corporation has applied the simplified approach under IFRS 9 available due to their high credit quality, whereby the Corporation is not required to assess changes in credit risk but instead requires the recognition of a loss allowance based on lifetime ECLs at each reporting date, right from origination.

Premiums receivable

CDIC applies the simplified approach for premiums receivable whereby the Corporation is not required to assess changes in credit risk but instead requires the recognition of a loss allowance based on lifetime ECLs at each reporting date, right from origination. In the case of CDIC's premiums receivable, the contractual maturity would be less than one year and, hence, the lifetime credit loss would be measured over a 12-month period.

As the premiums are payable in two equal installments on July 15 and December 15, the Corporation recognizes premiums receivable only in the first quarter of its fiscal year and no premiums are receivable at year end.

Amounts recoverable from estates

Amounts recoverable from estates are deemed credit-impaired assets and therefore the credit-adjusted effective interest rate approach is applied. Under this approach, a loss allowance for cumulative changes in lifetime ECLs is recognized at initial recognition. Therefore, the fair value already takes into account lifetime ECLs and there is no additional 12-month ECL allowance required. Indicators of whether an asset is credit-impaired on acquisition or origination are the same as for Stage III. At each reporting date, CDIC will update its estimated cash flows and adjust the loss allowance accordingly.

The Corporation considers investment securities and premiums receivable in default and that they be placed under Stage III when there has been a deterioration in credit quality of the obligor, to the extent that the obligor is unlikely to pay its credit obligations to CDIC in full or the obligor is past due more than 90 days on any credit obligation to CDIC, as required under IFRS 9. Amounts recoverable from estates are considered to be in default and placed under Stage III when the estate responsible for winding up declares that no further recoveries are possible.

Cash

Cash includes cash on hand and demand deposits.

Investment securities

Investment securities are debt instruments, issued or guaranteed by the Government of Canada or provincial governments. Investment securities are measured in the consolidated statement of financial position at amortized cost, plus accrued interest.

Interest income on investment securities is recognized using the effective interest method.

Amounts recoverable from estates

Amounts recoverable from estates are recoveries of losses previously written off in respect of failed member institutions. Amounts recoverable from estates are measured at amortized cost less any impairment losses, which approximates fair value.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements—the shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment—five to ten years
- Computer hardware—three to five years

Depreciation expense is included in operating expenses in the consolidated statement of comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or retirement when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item is determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the item is derecognized.

Items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in operating expenses in the consolidated statement of comprehensive income.

Intangible assets

The Corporation records an internally generated intangible asset arising from the development of software once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of an application are capitalized if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use.
- The intention to complete the intangible asset and use it.
- The ability to use the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortization and any impairment losses and are amortized on a straight-line basis over their estimated useful lives, which range from three to eight years. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization of intangible assets is included in operating expenses in the consolidated statement of comprehensive income.

An internally generated intangible asset is derecognized upon disposal or retirement when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item is determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the item is derecognized.

The Corporation considers potential indicators of impairment at the end of each reporting period. If any indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of the loss. Intangible assets that are not yet available for use are tested for impairment annually, irrespective of the presence of indicators, by comparing carrying amounts to recoverable amounts. Impairment losses are included in operating expenses in the consolidated statement of comprehensive income.

Trade and other payables

Trade and other payables are measured at amortized cost in the consolidated statement of financial position. The carrying amounts of trade and other payables approximate fair value due to their short term to maturity.

Provision for insurance losses

Provisions are to be recognized when the Corporation has a present obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Corporation has a stand-ready obligation to provide insurance against the loss of part or all of deposits in a member institution and to act as the resolution authority in the event of failure. The provision for insurance losses represents the Corporation's best estimate of the consideration required to settle this obligation and is determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The estimate takes into account the risks and uncertainties surrounding the obligation.

Increases to the provision for insurance losses are recognized as an expense in the consolidated statement of comprehensive income, while decreases to the provision are recognized as income in the consolidated statement of comprehensive income.

Premium revenue

Premium revenue is recognized at the fair value of the consideration received against deposit insurance services and reported as income proportionately over the fiscal year. Premiums are legislated by the CDIC Act and are determined annually based on the amount of insured deposits held by member institutions as at April 30 of the current fiscal year, and they are payable in two equal installments on July 15 and December 15.

Premium rates are fixed annually considering the Corporation's financial condition, the economic environment, the risk profile of the membership, and the actual and projected size of the Corporation's *ex ante* funding relative to the minimum target level. No refunds are permitted under the CDIC Act except for instances of overpayment.

Other revenue

Other revenue includes payments received for services provided to other unrelated organizations, sub-lease income and certain interest income.

Leases

At the inception of a contract, the Corporation determines if a contract, or part of a contract, contains a lease. A contract contains a lease if it conveys the right to use an identified asset for a period of time in exchange for consideration. The Corporation uses the following criteria to assess whether a contract conveys the right to control the use of an identified asset:

- The Corporation has the right to obtain substantially all of the economic benefits from the use of the identified asset.
- The supplier does not have the substantive right to substitute the asset through the period of use.
- The Corporation has the right to direct the use of the identified asset.

For a contract that contains multiple lease components or one or more lease components and non-lease components, the Corporation allocates, at inception, the consideration in the contract to each lease or non-lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component.

At the commencement of a lease, the Corporation recognizes a right-of-use asset and a lease liability.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date, and the cost of dismantling and removing the asset, including the cost of restoring the site less any lease incentives received. These recognized assets are depreciated on a straight-line basis over the shorter of their estimated useful lives consistent with those of property, plant and equipment and the lease term, unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

Lease liabilities

Lease liabilities are measured at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease, unless it cannot be readily determined, in which case the Corporation's incremental borrowing rate is used. The lease payments include fixed payments less any lease incentives, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option or penalties for terminating a lease reasonably certain to be exercised or terminated by the Corporation. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured to reflect any reassessment or lease modifications specified, or to reflect revised in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to contracts with no purchase option with a lease term of 12 months or less from the commencement date of the contract. The Corporation also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Pension Plan. Consequently, contributions are recognized as an operating expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Employee benefits

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits. Effective September 1, 2018, the Corporation replaced its accumulating non-vesting sick leave program with a non-accumulating sick leave program, a short-term disability plan administered by a third party for up to 13 weeks of illness. The accumulated carry forward balances from the former sick leave plan can only be used after the end of the short-term disability period.

The cost of all such benefits earned by employees is actuarially determined using the projected unit credit method. The determination of the benefit expense requires the use of assumptions such as the discount rate to measure obligations, expected resignation rates and the expected rate of future compensation. The discount rate used is determined by reference to high quality corporate bonds that have terms to maturity approximating the terms of the related benefits liability. The expected rate of future compensation represents a long-term assumption and includes components for inflation, merit and promotion adjustments. Actual results may differ from estimates based on assumptions.

For all such benefits, the liability recognized in the consolidated statement of financial position is the present value of the obligation at the end of the reporting period.

With respect to the defined benefit plans, all actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized in other comprehensive income and then transferred to retained earnings. Past service costs are recognized as an expense at the earlier of: (i) the date the plan amendment or curtailment occurs; or (ii) the date the Corporation recognizes related restructuring costs or termination benefits.

With respect to the other long-term employee benefits, all costs and reversals, including all actuarial gains and losses, are recognized immediately in operating expenses in the consolidated statement of comprehensive income.

Income taxes

Income tax expense represents the sum of the current and deferred tax expenses.

Current tax is recognized in net income except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The tax currently payable/receivable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax relating to actuarial gains and losses on defined benefit obligations is recognized directly in retained earnings as other comprehensive income.

3—Application of new and revised International Financial Reporting Standards (IFRS)

New standards, amendments and interpretations

The Conceptual Framework for Financial Reporting: In March 2018, the International Accounting Standards Board (IASB) issued the revised Conceptual Framework, which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, in order to provide useful information to users of financial statements. The revised Conceptual Framework, issued by the IASB, includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The revised Conceptual Framework was adopted for the reporting period beginning April 1, 2020, and did not result in any change to CDIC's consolidated financial statements.

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: In October 2018, the IASB issued amendments to IAS 1 and IAS 8 regarding the definition of materiality. IAS 1 was revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments clarify the definition of material, explain how the definition should be applied and improve the explanations accompanying the definition. The amendments also ensure that the definition is consistent across all IFRS standards. The amendments were adopted for the reporting period beginning April 1, 2020, with no changes to the consolidated financial statements.

New and revised IFRS issued but not yet effective

IFRS 17 Insurance Contracts (IFRS 17)

IFRS 17 was issued in May 2017 and establishes recognition, measurement, presentation and disclosure requirements of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard was stated to be effective for annual periods beginning on or after January 1, 2021. However, in June 2019, the IASB issued an Exposure Draft containing proposed amendments responding to concerns and implementation challenges raised by stakeholders.

On June 25, 2020, IASB's Board issued amendments to IFRS 17 and deferred the effective date to annual reporting periods beginning on or after January 1, 2023. The Corporation has decided not to early adopt IFRS 17 and is currently assessing the impact of the amendments on the Corporation's future financial statements.

4—Investment securities

As at March 31, 2021 (C$ thousands)	Remaining term to maturity: 90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	36,395	—	—	36,395
Weighted average effective yield (%)	0.11	—	—	0.11
Bonds	384,014	890,986	5,178,830	6,453,830
Weighted average effective yield (%)	1.15	1.16	1.43	1.38
Total investment securities	**420,409**	**890,986**	**5,178,830**	**6,490,225**
Weighted average effective yield (%)	**1.06**	**1.16**	**1.43**	**1.37**

As at March 31, 2020 (C$ thousands)	Remaining term to maturity: 90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	25,639	—	—	25,639
Weighted average effective yield (%)	1.03	—	—	1.03
Bonds	311,138	837,602	4,556,605	5,705,345
Weighted average effective yield (%)	1.29	1.17	1.75	1.64
Total investment securities	**336,777**	**837,602**	**4,556,605**	**5,730,984**
Weighted average effective yield (%)	**1.27**	**1.17**	**1.75**	**1.64**

The carrying amounts in the above tables include accrued interest.

Fair value of financial instruments

The following tables provide the estimated fair value of the Corporation's financial instruments. Fair values are measured and disclosed in relation to the fair value hierarchy (as discussed in Note 2) that reflects the significance of inputs used in determining the estimates.

			Fair values			
As at March 31, 2021 (C$ thousands)	**Amortized cost**	**Unrealized gains**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	36,395	—	36,395	—	—	36,395
Bonds	6,453,830	95,691	4,778,286	1,771,235	—	6,549,521
Total investment securities	**6,490,225**	**95,691**	**4,814,681**	**1,771,235**	**—**	**6,585,916**

			Fair values			
As at March 31, 2020 (C$ thousands)	**Amortized cost**	**Unrealized gains**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	25,639	—	25,639	—	—	25,639
Bonds	5,705,345	132,994	4,249,362	1,588,977	—	5,838,339
Total investment securities	**5,730,984**	**132,994**	**4,275,001**	**1,588,977**	**—**	**5,863,978**

The Corporation's total investment income was $89,936 thousand for the year ended March 31, 2021 (2020: $85,490 thousand). The Corporation did not recognize any fee income or expense for the year ended March 31, 2021 (2020: nil).

Changes in valuation methods may result in transfers into or out of Levels 1, 2 and 3. No transfers occurred during the year ended March 31, 2021 (2020: nil).

The Corporation did not record any loss allowances on its investment securities at March 31, 2021 (2020: nil).

5—Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa, the term of which ends in September 2030, with an option to renew for an additional five years. It also leases two separate office spaces in Toronto, one of which expires in October 2021, while the second expires in November 2022 with an option to renew for an additional year. The extension option for the Ottawa and Toronto offices is exercisable solely at the discretion of the Corporation. The Corporation also leases equipment under a five-year term ending in May 2025.

Carrying value of right-of-use assets

(C$ thousands)	Leased office space	Equipment	Total
Cost			
Balance, April 1, 2019	**13,244**	**19**	**13,263**
Additions	—	5	5
Adjustments	38	—	38
Balance, March 31, 2020	**13,282**	**24**	**13,306**
Additions	553	54	607
Adjustments	(1,348)	—	(1,348)
Balance, March 31, 2021	**12,487**	**78**	**12,565**
Accumulated depreciation			
Balance, April 1, 2019	**—**	**—**	**—**
Depreciation	1,367	19	1,386
Balance, March 31, 2020	**1,367**	**19**	**1,386**
Depreciation	1,465	14	1,479
Balance, March 31, 2021	**2,832**	**33**	**2,865**
Carrying amounts			
Balance, March 31, 2020	11,915	5	11,920
Balance, March 31, 2021	**9,655**	**45**	**9,700**

Carrying value of lease liabilities

(C$ thousands)	Leased office space	Equipment	Total
Balance, April 1, 2019	**13,978**	**19**	**13,997**
Additions	—	5	5
Adjustments	38	—	38
Finance charges	235	—	235
Lease payments	(1,645)	(19)	(1,664)
Balance, March 31, 2020	**12,606**	**5**	**12,611**
Additions	553	54	607
Adjustments	(1,348)	—	(1,348)
Finance charges	206	—	206
Lease payments	(1,672)	(14)	(1,686)
Balance, March 31, 2021	**10,345**	**45**	**10,390**

Interest expense on lease liabilities of $206 thousand (2020: $235 thousand) was recorded in the statement of comprehensive income during the year ended March 31, 2021. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the year ended March 31, 2021, was insignificant. Cash payments for the interest portion of $206 thousand (2020: $235 thousand) and the principal portion of $1,480 thousand (2020: $1,645 thousand) of the lease liability were recognized in the statement of cash flows under operating activities and financing activities, respectively.

Maturity analysis for lease liabilities (undiscounted)

(C$ thousands)	Leased office space	Equipment	Total
Not later than one year	1,562	11	1,573
Later than one year and not later than five years	4,612	34	4,646
Later than five years	5,013	—	5,013
Total	**11,187**	**45**	**11,232**

6—Property, plant and equipment

(C$ thousands)	Computer hardware	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, March 31, 2019	**3,731**	**1,538**	**4,409**	**9,678**
Additions	154	222	775	1,151
Balance, March 31, 2020	**3,885**	**1,760**	**5,184**	**10,829**
Additions	231	776	371	1,378
Balance, March 31, 2021	**4,116**	**2,536**	**5,555**	**12,207**
Accumulated depreciation				
Balance, March 31, 2019	**3,150**	**1,014**	**2,325**	**6,489**
Depreciation	205	153	361	719
Balance, March 31, 2020	**3,355**	**1,167**	**2,686**	**7,208**
Depreciation	210	170	456	836
Balance, March 31, 2021	**3,565**	**1,337**	**3,142**	**8,044**
Carrying amounts				
Balance, March 31, 2020	530	593	2,498	3,621
Balance, March 31, 2021	**551**	**1,199**	**2,413**	**4,163**

7—Intangible assets

(C$ thousands)	Computer software	Computer software under development	Total
Cost			
Balance, March 31, 2019	**12,840**	**238**	**13,078**
Additions—internal development	1,140	36	1,176
Balance, March 31, 2020	**13,980**	**274**	**14,254**
Additions—internal development	970	(17)	953
Balance, March 31, 2021	**14,950**	**257**	**15,207**
Accumulated amortization			
Balance, March 31, 2019	**9,194**	**—**	**9,194**
Amortization	1,578	—	1,578
Balance, March 31, 2020	**10,772**	**—**	**10,772**
Amortization	1,436	—	1,436
Balance, March 31, 2021	**12,208**	**—**	**12,208**
Carrying amounts			
Balance, March 31, 2020	3,208	274	3,482
Balance, March 31, 2021	**2,742**	**257**	**2,999**

The carrying amount of computer software as at March 31, 2021, consists primarily of the Regulatory Reporting System (RRS) and mandate applications. The carrying amount for RRS as at March 31, 2021, was $183 thousand, with a remaining amortization period of three years (2020: $663 thousand, with a remaining amortization period of four years). The carrying amount for mandate applications as at March 31, 2021, was $2,367 thousand, with a remaining amortization period of four years (2020: $2,181 thousand, with a remaining amortization period of four years).

8—Provision for insurance losses

The provision for insurance losses represents CDIC's best estimate of the future outflow of economic benefits resulting from the Corporation's object to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

As at March 31 (C$ thousands)	**Provision for insurance losses**
Balance, March 31, 2020	**2,250,000**
Changes in provision	400,000
Balance, March 31, 2021	**2,650,000**

The provision for insurance losses is calculated at its present value using a pre-tax, risk-free discount rate. The discount rate used in the calculation of the provision at March 31, 2021, was 0.99% (2020: 0.60%). Discount rate sensitivity analysis is performed by the Corporation as its impact on the provision for insurance losses is considered significant. An increase of 25 basis points in the discount rate will decrease the provision by $33 million (2020: $28 million decrease) while a decrease of 25 basis points in the discount rate will increase the provision by $33 million (2020: $28 million increase).

As a result of the Deposit Insurance Review that was announced in Budget 2014 to modernize and enhance Canada's deposit insurance framework, certain changes relating to deposit insurance coverage came into force on April 30, 2020. The second phase of changes is set to come into force on April 30, 2022. The changes have required, and will continue to require, changes to the Corporation's processes.

The impact of changes in deposit insurance coverage that came into force on April 30, 2020, have been accounted for in the calculation of the provision for insurance losses. Future coverage changes, due to legislative changes coming into effect on April 30, 2022, have not been reflected in the provision calculation as their impacts are currently not known to CDIC.

9—Financial instruments and financial risk management

Classification and measurement of financial instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9.

As at March 31 (C$ thousands)	2021	2020
Cash	2,480	3,568
Investment securities	6,490,225	5,730,984
Trade and other receivables	166	260
Amounts recoverable from estates	6	6
Financial assets	**6,492,877**	**5,734,818**
Trade and other payables	8,465	7,812
Financial liabilities	**8,465**	**7,812**

See Note 4 for additional information on the maturity and composition of the Corporation's investment securities.

Fair value of financial instruments

With the exception of investment securities, the carrying amounts of the Corporation's financial instruments measured at amortized cost approximate their fair values. The fair values of the Corporation's investment securities are disclosed in Note 4.

Financial risk management objectives

The Corporation's assets consist primarily of its investment securities. CDIC's investment strategy is based on two key principles: providing liquidity for resolution activities; and limiting credit and market risk to preserve principal. CDIC has a comprehensive risk management framework to evaluate, monitor and manage its risks. All risks, financial and other, are managed in accordance with an Enterprise Risk Management (ERM) Framework.

Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed at least annually in order to ensure that they continue to be appropriate and prudent. Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks.

Credit risk

Credit risk is defined as the risk of loss attributable to counterparties failing to honour their obligation to CDIC, whether on- or off-balance sheet. CDIC's maximum exposure to credit risk is the carrying amount of cash, investment securities, and trade and other receivables held in the consolidated statement of financial position. None of the trade and other receivables are past due.

CDIC's *Board Credit Risk Policy* sets out, among other things, that the Board of Directors shall approve investment dealers, securities vendors, agents acting on behalf of CDIC, and others with whom the Corporation is authorized to transact with respect to financial transactions. Investments are to be held with approved creditworthy counterparties that must have a minimum credit rating from an external credit rating agency (Standard & Poor's or Moody's). CDIC cannot exceed Board-approved limits for transactions, by transactor, either individually or on a combined basis.

The Corporation's financial risk policies limit investments to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Risk is further limited by setting a maximum amount for each investment. In addition, CDIC adheres to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* in order to minimize its credit risk.

The following table summarizes the credit quality of CDIC's investment securities by credit rating.

As at March 31 (C$ thousands)	**2021**	**2020**
AAA	5,126,190	4,520,283
AA	72,325	46,741
AA-	628,456	565,412
A+	663,254	598,548
Total investment securities	**6,490,225**	**5,730,984**

CDIC may at times intervene in one capacity or another, in providing financial assistance to a troubled financial institution, either in the form of a loan, by guarantee or otherwise. The Corporation could also have to make payment to insured depositors in the event of a member institution failure. The latter action results in claims receivable by the Corporation. Realization on its claims is largely dependent on the credit quality and value of assets held within the estates of failed member institutions, thus exposing CDIC to additional credit risk. The Corporation remains closely involved in the asset realization process of these failed institutions in order to mitigate credit risk and minimize any potential loss to CDIC. As at March 31, 2021, CDIC has not provided any new financial assistance to a troubled financial institution either in the form of a loan, by guarantee or otherwise.

Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to CDIC to honour its cash obligations, whether on- or off-balance sheet, as they arise.

Exposure to liquidity risk relates firstly to funding ongoing day-to-day operations. Potential cash requirements could also arise to fund payouts of insured deposits in the case of a member institution failure or to provide financial assistance for other member intervention activities. The Corporation's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. The Board receives reports on risk exposures (annually) and performance against approved limits (quarterly).

The *Board Liquidity Risk Policy* sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting, first, the parameters established under all of the financial risk policies, and, second, CDIC's mandate and statutory objects. The maturity profile of the portfolio is to be matched against maturing debt, if any, or any other cash outflow requirements and is also to comply with Board-approved term to maturity portfolio allocations.

The Corporation also has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund. CDIC currently may borrow up to $28 billion (2020: $25 billion), subject to ministerial approval. In addition, if existing borrowing authorities are insufficient, CDIC could apply to Parliament, through an appropriation act. Further borrowing could be provided through the *Financial Administration Act*, if necessary, to promote the stability or maintain the efficiency of the financial system in Canada. No amounts had been borrowed as at March 31, 2021 and 2020. Under the CDIC Act, the borrowing limit is adjusted annually to reflect the growth of insured deposits.

Market risk

Market risk is defined as the risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market prices (due to changes in interest rates, foreign exchange rates and other price risks).

Principal exposures to market risk relate to the Corporation holding financial assets or liabilities where values are influenced by market conditions, such as its portfolio of investment securities. CDIC's main exposure to market risk is through interest rate risk.

Interest rate risk

The Corporation accounts for its investment securities at amortized cost but obtains fair market values for the investment securities on a daily basis for disclosure and financial risk management purposes. As a result, the Corporation obtains a clear picture of the impact of changes in interest rates on the market value of its investment securities. The difference between the amortized cost of its investment securities and their fair market value is disclosed in Note 4 of these consolidated financial statements. Movement in interest rates can have a significant impact on the Corporation's consolidated financial statements, specifically on its investment income due to the size of its portfolio of investment securities and the relative importance of the revenue it generates. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while adhering to approved policies. Interest rate shock analyses are performed on a regular basis on the Corporation's investment securities to evaluate the impact of possible interest rate fluctuations on the market value of its investments.

Other financial assets exposed to interest rate risk include cash which is held at short-term interest rates. Such exposure is not significant.

The following table shows how after-tax net income would have been affected by a 100 basis point increase or 25 basis point decrease in interest rates based on the investment portfolios at the end of each corresponding fiscal year. There have been no changes to the methods or assumptions used in this sensitivity analysis from the previous year.

	Increase (decrease) in net income	
For the year ended March 31 (C$ thousands)	**2021**	**2020**
100 basis point increase	4,855	4,312
25 basis point decrease	(1,214)	(1,078)

Currency risk and other price risks

The *Board Market Risk Policy* sets out, among other things, Management's responsibility not to expose the Corporation to any material equity, foreign exchange or commodity related positions. CDIC cannot engage in trading financial instruments other than to meet its liquidity requirements, which are funding day-to-day operations and funding intervention solutions respecting member institutions. Expanded coverage of insured deposits to include foreign currency deposits creates an indirect exposure to foreign exchange risk. Foreign currency deposits would be converted to Canadian dollars at prescribed rates on the date of a member failure and aggregated with other deposits to determine the quantum of insured deposits. Such exposure is unhedged. The Corporation's exposure to other price risk and currency risk is insignificant.

10—Capital management

The Corporation's capital is comprised of *ex ante* funding. CDIC is not subject to externally imposed capital requirements. There has been no change in what the Corporation considers as capital and management of capital was performed on a basis consistent with that of the preceding year.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. As at March 31, 2021, the minimum target for the *ex ante* funding is 100 basis points of insured deposits.

The Corporation has not yet achieved the target for capital as determined by the *ex ante* funding process. The primary mechanism used to manage the level of capital is premium rates.

Ex ante funding

	Actual		**Target**
As at March 31 (C$ thousands)	**2021**	**2020**	**2021**
Retained earnings	3,841,505	3,479,691	
Provision for insurance losses	2,650,000	2,250,000	
Total *ex ante* funding	**6,491,505**	**5,729,691**	**9,679,806**
Total basis points of insured deposits	**67**	**67**	**100**

11—Income taxes

The Corporation is subject to federal income tax. CDIC's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable and the change in the provision for insurance losses is not deductible for tax purposes. In addition, recoveries of amounts previously written off are not taxable since the Corporation did not previously claim a deduction for tax purposes.

The following table sets out details of income tax expense recognized in net income.

For the year ended March 31 (C$ thousands)	**2021**	**2020**
Current income tax:		
Current income tax expense	7,487	8,628
Adjustments in respect of current income tax of previous years	(9)	(53)
Deferred tax:		
Relating to the origination of temporary differences	(111)	86
Income tax expense recognized in net income	**7,367**	**8,661**

The following table presents a reconciliation of the Corporation's recognized income tax expense to income tax expense based on the Canadian federal tax rate.

For the year ended March 31 (C$ thousands)	**2021**	**2020**
Net income before income taxes	369,285	502,848
Expected income tax at the 25% federal tax rate (2020: 25%)	92,321	125,712
Non-deductible adjustments:		
Premium revenue	(184,775)	(167,090)
Increase in non-deductible provision for insurance losses	100,000	50,000
Other	(179)	39
Income tax expense recognized in net income	**7,367**	**8,661**

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2021 and 2020, are as follows:

As at March 31, 2021 (C$ thousands)	Opening balance	IFRS 16 adoption	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets					
Remuneration payable	127	—	(83)	—	44
Defined benefit obligations	190	—	153	34	377
Lease liability	3,153	—	(556)	—	2,597
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	(938)	—	42	—	(896)
Right-of-use assets	(2,980)	—	555	—	(2,425)
Net deferred tax liability	**(448)**	**—**	**111**	**34**	**(303)**

As at March 31, 2020 (C$ thousands)	Opening balance	IFRS 16 adoption	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets					
Lease incentives	184	(184)	—	—	—
Remuneration payable	41	—	86	—	127
Defined benefit obligations	210	—	39	(59)	190
Lease liability	—	3,509	(356)	—	3,153
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	(738)	—	(200)	—	(938)
Right-of-use assets	—	(3,325)	345	—	(2,980)
Net deferred tax liability	**(303)**	**—**	**(86)**	**(59)**	**(448)**

12—Premium revenue

Under CDIC's *Differential Premiums By-law*, members are classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for the 2020/2021 fiscal year are as follows:

Premium category *(basis points of insured deposits)* *For the year ended March 31*	**2021**	**2020**
Category 1	7.5	7.5
Category 2	15.0	15.0
Category 3	30.0	30.0
Category 4	33.3	33.3

Premium revenue of $739,100 thousand was recorded during the year ended March 31, 2021 (2020: $668,360 thousand). Premium revenue is higher year over year due to an increase in total insured deposits held at member institutions, partially offset by changes in the premium categorization of certain member institutions.

13—Operating expenses

The following table provides details of total net operating expenses of the Corporation for the years ended March 31, 2021 and 2020.

For the year ended March 31 (C$ thousands)	**2021**	**2020**
Salaries and other personnel costs	28,112	25,359
Professional and other fees	11,045	6,794
Premises	2,167	2,333
General expenses	3,187	4,201
Public awareness	8,090	5,743
Depreciation and amortization	2,272	2,297
Depreciation on right-of-use assets	1,479	1,386
Interest expense on lease liabilities	206	235
Data processing	3,444	2,831
	60,002	51,179
Expense recoveries from related parties*	(173)	(171)
Total operating expenses	**59,829**	**51,008**

* The Corporation provides call centre services on a cost recovery basis to the Office of the Superintendent of Financial Institutions (OSFI) through an outsourcing arrangement with a third party. There are no significant outstanding balances owed to the Corporation in relation to these transactions as at March 31, 2021.

14—Related party disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of ACC, a structured entity controlled by the Corporation. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this Note.

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2021, CDIC recognized an amount of $2,547 thousand (2020: $2,185 thousand) against pension expenses paid into the Public Service Pension Plan. All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. See Note 16 for further details.

CDIC, OSFI and the Bank of Canada jointly developed the Regulatory Reporting System (RRS), a system hosted by the Bank of Canada and used for collecting financial data from federally regulated financial institutions. Each of these three parties controls the system and contributes to its operating costs equally. During the year ended March 31, 2021, there were no upgrades to the software (2020: $244 thousand).

Key Management personnel

Key Management personnel include all members of the Board of Directors and Corporate Officers who have the authorities and responsibilities for planning, directing and controlling the activities of the Corporation.

Compensation of key Management personnel was as follows:

For the year ended March 31 (C$ thousands)	2021	2020
Wages, bonuses and other short-term benefits	2,660	2,190
Post-employment benefits	536	446
Termination benefits	—	661
Total key Management personnel remuneration	**3,196**	**3,297**

15—Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2021.

As at March 31, 2021, CDIC had commitments of $558 thousand in relation to the development of internally generated assets (2020: $515 thousand). The Corporation has various other contractual agreements for services. As at March 31, 2021, these future commitments are $13,411 thousand in total (2020: $9,211 thousand).

16—Employee benefits

For the year ended March 31 (C$ thousands)	**2021**	**2020**
Defined benefit obligations	1,508	1,444
Employee benefits	**1,508**	**1,444**

The Corporation's employees receive a number of employee benefits, including membership in the Public Service Pension Plan and defined benefit plans.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established and governed by the *Public Service Superannuation Act* and sponsored by the Government of Canada. Pension benefits are based on salary, pensionable service, age and reason for termination. Contributions to the Pension Plan are required from both the employees and the Corporation. As required under present legislation, the contributions made by the Corporation to the Pension Plan are 3.59 times (2020: 3.8 times) the employees' contribution on amounts of salaries in excess of $182 thousand (2020: $173 thousand). For amounts on salaries below $182 thousand (2020: $173 thousand), the Corporation's contribution rate is 1.01 times for employment start dates before January 1, 2013, and 1.00 times for employment start dates after January 1, 2013 (2020: 1.01 times for start dates before January 1, 2013, and 1.00 times for start dates after January 1, 2013).

For employees with employment start dates before January 1, 2013, an unreduced pension benefit can be received at age 60 with at least two years of pensionable service (or at age 55 with 30 years of service). For employees with employment start dates after December 31, 2012, an unreduced pension benefit can be received at age 65 with at least two years of pensionable service (or at age 60 with 30 years of service).

In the consolidated financial statements of the Corporation, the Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Pension Plan is provided in Note 14. The estimated expense for fiscal 2021/2022 is $3,122 thousand. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Pension Plan to CDIC; the only obligation of the Corporation with respect to the Pension Plan is to make the specified contributions.

Defined benefit plans

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits.

Retirement benefits are provided by the Corporation to certain employees, with employment start dates before April 1, 2011, upon retirement based on years of service and final salary. Resignation benefits are provided to certain employees, with employment start dates before April 1, 2011, with 10 or more years of continuous employment with the Corporation. The death benefit plan provides a lump sum payment based on hiring date and on salary at the time of death. These benefit plans are unfunded, require no contributions from employees and thus have no assets. The benefit plans have a plan deficit equal to the accrued benefit liability. Benefits will be paid from the Corporation's operations.

The most recent actuarial valuation of the unfunded obligations, and the related current service cost and past service cost, was carried out as at March 31, 2021, by an independent actuary, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

For the year ended March 31	2021	2020
Discount rate	2.94%	3.65%
Rate of compensation increase:		
Fiscal 2019/2020	—	2.0% + merit
Fiscal 2020/2021	1.5% + merit	1.5% + merit
Fiscal 2021/2022	1.5% + merit	1.5% + merit
Thereafter	1.5% + merit	1.5% + merit

The following table shows amounts recognized in operating expenses in respect of these defined benefit plans.

For the year ended March 31 (C$ thousands)	2021	2020
Current service cost	93	114
Interest on obligation	50	50
Defined benefit obligations expense	**143**	**164**

The expense for the year is included in operating expenses as salaries and other personnel costs. The following table shows cumulative actuarial gains and losses recognized in other comprehensive income and then transferred to retained earnings.

(C$ thousands)	**Actuarial gains (losses)**
Cumulative amount at March 31, 2019	**417**
Recognized during the period	237
Cumulative amount at March 31, 2020	**654**
Recognized during the period	(138)
Cumulative amount at March 31, 2021	**516**

The amount included in the statement of financial position for defined benefit obligations is equivalent to the present value of the unfunded defined benefit obligations. The following table presents movements in the present value of the defined benefit obligations.

(C$ thousands)	**Defined benefit obligations**
Balance, March 31, 2019	**1,524**
Current service cost	114
Interest cost	50
Benefit payments	(7)
Actuarial loss (gain) arising from changes in demographic and other assumptions	(102)
Actuarial loss (gain) arising from changes in financial assumptions	(135)
Balance, March 31, 2020	**1,444**
Current service cost	93
Interest cost	50
Benefit payments	(217)
Actuarial loss (gain) arising from changes in demographic and other assumptions	44
Actuarial loss (gain) arising from changes in financial assumptions	94
Balance, March 31, 2021	**1,508**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

As at March 31 (C$ thousands)	**2021**	**2020**
Increase (decrease) in defined benefit obligations		
Effect of an increase of 1%:		
Discount rate	(129)	(116)
Rate of compensation increase	157	142
Effect of a decrease of 1%:		
Discount rate	149	133
Rate of compensation increase	(139)	(126)

The sensitivity analysis presented above has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as that applied in calculating the defined benefit obligations recognized in the statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligations as some of the assumptions may be correlated.

There was no change from prior years in the methods and assumptions used in preparing the sensitivity analysis.

As at March 31, 2021, the weighted average duration of the defined benefit obligations was 9.4 years (2020: 8.9 years).

We protect
your deposits

PART 3 **Corporate governance**

CDIC is committed to a strong governance framework. This section of our Annual Report presents information about the CDIC Board of Directors, including its committees and Director attendance, and outlines how CDIC works to meet public service expectations in the area of good governance.

More about governance

For additional information on how CDIC is governed, including information about Board and Committee charters and Directors, please visit our website at **www.cdic.ca**.

Board of Directors

CDIC's affairs are administered by its Board, made up of a Chairperson, five other private sector Directors and five *ex officio* Directors (the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada (FCAC), the Superintendent of Financial Institutions, and a Deputy Superintendent of Financial Institutions or another officer of the Office of the Superintendent of Financial Institutions (OSFI) as appointed by the Minister of Finance).

CDIC's Board of Directors oversees the strategic direction of the Corporation and ensures that significant business risks are identified and well-managed. The Board's commitment to effective stewardship and its overall mandate are outlined in its charter. An overview of the composition of CDIC's Board of Directors and of its supporting committees follows.

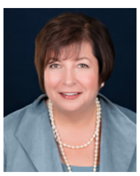
Board of Directors composition

as at March 31, 2021

Robert O. Sanderson
Chair
Joined: June 2016
Re-appointed as Chair commencing on December 14, 2020, and expiring on June 30, 2022

Private sector Directors

J. Martin Castonguay
Chartered Professional Accountant
Montréal, Québec
Joined: May 2019
Appointed for a four-year term expiring on May 20, 2023



Linda Caty
Lawyer
Carignan, Québec
Joined: June 2018
Appointed for a two-year term expiring on June 20, 2020; re-appointed June 21, 2020, for a four-year term expiring on June 20, 2024

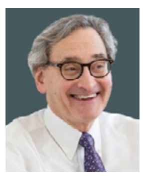
David Dominy
Business Executive
Edmonton, Alberta
Joined: June 2018
Appointed for a four-year term expiring on June 20, 2022

Andrew Kriegler
Financial Executive
Toronto, Ontario
Joined: September 2018
Appointed for a four-year term expiring on September 6, 2022

Wendy Millar
Financial Executive
Oakville, Ontario
Joined: June 2018
Appointed for a four-year term expiring on June 20, 2022

Ex officio Directors

Tiff Macklem
Governor
Bank of Canada
Joined: June 2020
Appointed for a seven-year term



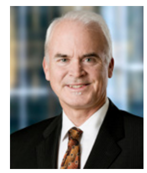
Michael Sabia
Deputy Minister
Department of Finance
Joined: December 2020
Appointed to hold office during pleasure

Judith Robertson
Commissioner
Financial Consumer Agency of Canada
Joined: August 2019
Appointed for a five-year term

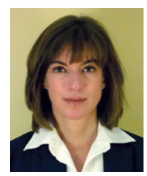
Jeremy Rudin
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
Joined: June 2014
Appointed for a seven-year term

Jamey Hubbs
Assistant Superintendent
Deposit-taking Supervision Sector
Office of the Superintendent of Financial Institutions
Joined: April 2015
Appointed pursuant to s. 5(1)(b.1) of the CDIC Act

Alternates (for *ex officio* Directors)



Paul Beaudry
Deputy Governor
Bank of Canada
Designated Alternate: February 2019



Leah Anderson
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance
Designated Alternate: December 2016

Board committees

Three standing committees support the Board in its activities: the Audit Committee, the Governance and Human Resources Committee, and the Risk Committee.

Audit Committee

The Audit Committee assists with the Board's oversight of the integrity of CDIC's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of CDIC's internal audit function; and the performance of any special examinations pursuant to the *Financial Administration Act*.

Composition

- **A. Kriegler (Chair)**—Member since September 2018; Chair since April 2019
- **J.M. Castonguay**—Member since June 2019
- **D. Dominy**—Member since August 2018
- **J. Robertson**—Member since September 2019

Governance and Human Resources Committee

The Governance and Human Resources Committee assists with the Board's oversight of corporate governance issues, ensuring that appropriate processes, structures and information necessary for effective direction are in place to contribute to the success of CDIC. The Committee also assists with succession planning for the Board Chairperson, non-*ex officio* Directors, the President and CEO and senior Officers; the review and recommendation of annual objectives for, and the performance and annual evaluation of, the President and CEO; and key human resources and compensation policies, processes and strategies, including those relating to employee business conduct and ethical behaviour.

Composition

- **D. Dominy (Chair)**—Member and Chair since March 2019
- **J.M. Castonguay**—Member since September 2019
- **L. Caty**—Member since March 2019
- **W. Millar**—Member since March 2019
- **J. Rudin**—Member since March 2019
- **R.O. Sanderson**—Member since March 2019

Risk Committee

The Risk Committee assists with the Board's oversight of CDIC's Enterprise Risk Management Framework as well as CDIC's identification, assessment, management and recording of key risks, including strategic, preparedness, operational, financial, organizational and reputational risks, which could impact CDIC's ability to carry out its mandate.

*Composition**

- **W. Millar (Chair)**—Member and Chair since March 2019
- **L. Caty**—Member since March 2019
- **J. Hubbs**—Member since March 2019
- **A. Kriegler**—Member since March 2019
- **T. Macklem**—Member since July 2020
- S. Poloz—Member since March 2019

*__Names in bold__ denote current committee members as at March 31, 2021. Mr. Poloz ceased to be a member of the Risk Committee effective June 2, 2020.

Board and committee meetings and attendance

(April 1, 2020 to March 31, 2021)

Board members' attendance at the Board meetings and the Board committee meetings in respect of which they are members is summarized below.

		Board committees		
	Board of Directors[b]	Audit Committee[c]	Governance and Human Resources Committee	Risk Committee
Number of meetings[a]	7	5	4	4
Attendance				
Private sector Directors				
R.O. Sanderson—Chair	7	5	4	4
J.M. Castonguay	7	5	4	N/A
L. Caty	7	N/A	4	4
D. Dominy	7	5	4	N/A
A. Kriegler	7	5	N/A	4
W. Millar	7	N/A	4	4
***Ex officio* Directors (Alternates)**				
Bank of Canada: T. Macklem (TM),[d] S. Poloz (SP)[e] (P. Beaudry (PB))	1 (SP); 7 (PB); 5 (TM)	N/A	N/A	1 (SP); 3 (TM)
Department of Finance: M. Sabia[f] (L. Anderson (LA))	7 (LA)	N/A	N/A	N/A
Financial Consumer Agency of Canada: J. Robertson	6	4	N/A	N/A
Superintendent of Financial Institutions: J. Rudin	5	N/A	4	N/A
Office of the Superintendent of Financial Institutions—Second Director: J. Hubbs	7	N/A	N/A	4
Directors who departed during the year				
S. Poloz (SP)[e]	1			
P. Rochon[g]	0			

[a] Includes virtual meetings conducted via online platform.

[b] Includes Board Tabletop Simulation Sessions in May 2020 and October 2020; and Board Strategic Planning Session in August 2020.

[c] The Chair is invited to Audit Committee and Risk Committee meetings as an observer but is not a Committee member.

[d] Term as Governor of the Bank of Canada and *ex officio* Board member began June 3, 2020.

[e] Term as Governor of the Bank of Canada and *ex officio* Board member ended effective June 2, 2020.

[f] Term as Deputy Minister of Finance and *ex officio* Board member began December 14, 2020.

[g] Term as Deputy Minister of Finance and *ex officio* Board member ended effective December 14, 2020.

Professional background of Board members—Expertise and experience

Board member	Education/ Designations	Accounting	Comms	Crisis	Financial services	Governance/ Leadership	IT/ Fintech	Law	M&A/ Insolvency	Regulatory	Risk management	Talent management	Other
Sanderson, Robert Chair, CDIC	BA, FCPA, FCA, FIIC, FCIRP (ret)	✓		✓	✓	✓			✓	✓	✓	✓	
Castonguay, J. Martin Director	BSc, BComm, CPA, ICD.D	✓		✓	✓	✓			✓	✓	✓	✓	
Caty, Linda Director	LLB		✓	✓	✓	✓		✓		✓	✓	✓	
Dominy, David CEO, Firma Foreign Exchange Corp.	BA, MoM, ICD.D	✓		✓	✓	✓	✓		✓	✓	✓	✓	
Hubbs, Jamey Assistant Superintendent, OSFI	BA, M.Cert, PM, ICD.D			✓	✓	✓				✓	✓	✓	
Kriegler, Andrew President and CEO, IIROC	BSc, MBA	✓		✓	✓	✓				✓	✓	✓	
Macklem, Tiff Governor, Bank of Canada	BA, MA, PhD		✓	✓	✓	✓				✓	✓	✓	
Millar, Wendy Director	BA, MA, ICD.D	✓		✓	✓	✓	✓		✓	✓	✓	✓	
Robertson, Judith Commissioner, FCAC	BA, MBA, CFA	✓			✓	✓	✓			✓	✓	✓	
Rudin, Jeremy Superintendent, OSFI	BA, MCRP, PhD		✓	✓	✓	✓				✓	✓	✓	**Policy**
Sabia, Michael Deputy Minister, Department of Finance	BA, M. Phil.	✓	✓	✓	✓	✓			✓	✓	✓	✓	

Directors' fees

In 2020/2021, private sector Directors' fees for the performance of their services totalled $208,120 (compared to $245,663 in 2019/2020).

2020/2021—Fees for private sector Directors	
R.O. Sanderson	$ 113,500
J.M. Castonguay	$ 20,520
L. Caty	$ 19,260
D. Dominy	$ 15,480
A. Kriegler	$ 16,320
W. Millar	$ 23,040
Total	**$208,120**

Corporate Officers

as at March 31, 2021

CDIC's Governance Council is comprised of its President and Chief Executive Officer (CEO), along with seven Corporate Officers. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. CEO performance objectives are set and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Corporate Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals.

CDIC's Corporate Officers are:

Peter D. Routledge
President and Chief Executive Officer

Chantal M. Richer
Chief Operating Officer

Angela Roberge
Chief Human Resources Officer & Chief of Staff

Gina Byrne
Chief Member Risk and Resolution Officer

Michael Mercer
Chief Data and Insurance Officer

Tara Newman
Head, Corporate Strategy and Risk Management & Chief Risk Officer

Camille Ringrose
Head, Finance and Operations & Chief Financial Officer

Christa Walker
General Counsel and Corporate Secretary & Chief Legal Officer

Corporate Officer compensation

2020/2021 compensation range disclosure for Corporate Officers, as at March 31, 2021			
Cash compensation[2,3]	**President and CEO**	**Category 1 Officers**	**Category 2 Officers**
Base salary range	$271,000–$318,800	$202,891–$297,558*	$167,869–$246,226*
Incentive program range	6.5%–26%	0%–25%	0%–18%
Total compensation range per fiscal year	$288,615–$401,688	$202,891–$371,947	$167,869–$290,547

* Inclusive of premium rate opportunity for critical skills to up to 110% of the range.

Perquisites program		
Item	**President and CEO**	**Category 1 Officers**
Car allowance expense reimbursement[4]	$12,000	—
Health care spending account and financial planning services expense reimbursement[3]	$12,000	$10,000
Comprehensive medical exams	$ 3,432	$ 3,432
Total	$ 27,432	$ 13,432

N.B. In its Special Examination 2020 report, the Office of the Auditor General found “that the compensation range for the President and Chief Executive Officer was lower than the compensation ranges for the Corporation’s other executives.” In its response, the Corporation said it would “continue to engage with its responsible Minister and the Privy Council Office to review the total compensation structure of the President and Chief Executive Officer position in light of the expansion of the Corporation’s mandate, legislative framework, and powers.” At time of publication, the Corporation continues to do so.

Treasury Board directive on travel, hospitality, conference and event expenditures

Disclosure of expenditures for travel, hospitality and conferences

Since 2010, CDIC has proactively disclosed on its website the travel and hospitality expenses for its senior executives, and the details are available within 30 days after the month of the reimbursement.

Since the first quarter of 2017/2018, CDIC has also published the travel and hospitality expenses for the Chair of the Board of Directors and the private sector Directors.

2 The cash compensation does not report the actual salary and incentives paid to Officers but rather the range for their respective positions.

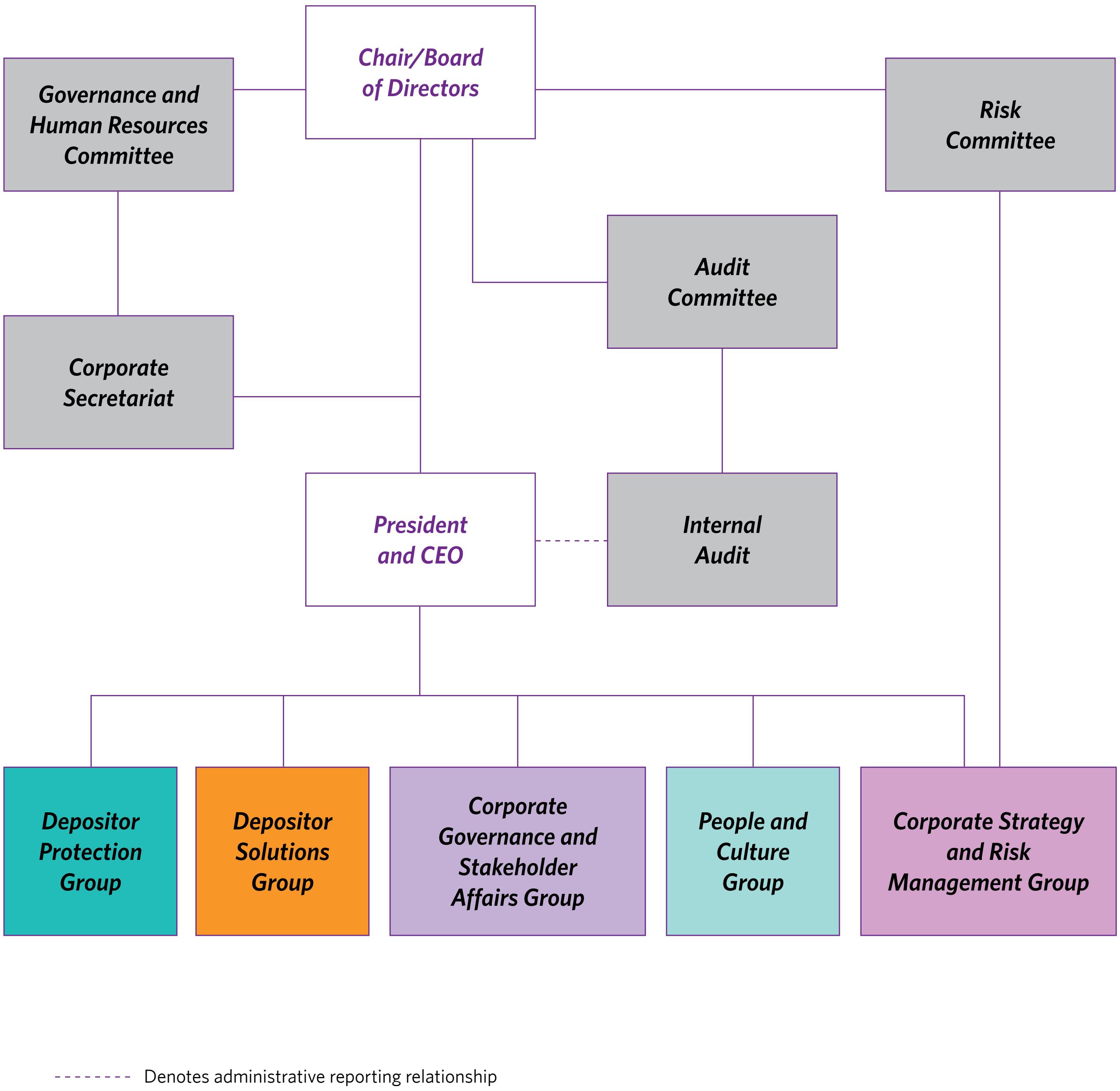
3 As at March 31, 2021, Category 1 Officer roles included: Chief Operating Officer; Chief Human Resources Officer & Chief of Staff; Chief Member Risk and Resolution Officer; and Chief Data and Insurance Officer. Category 2 Officer roles included: Head, Corporate Strategy and Risk Management & Chief Risk Officer; Head, Finance and Operations & Chief Financial Officer; and General Counsel and Corporate Secretary & Chief Legal Officer.

4 These amounts represent the maximum allowance if receipts are submitted.

Commencing with the 2016/2017 fiscal year, the Corporation has disclosed the total annual expenditures for each of travel, hospitality and conference fees for the Corporation. The Corporation reviews its disclosures on a regular basis and makes changes when warranted.

These disclosures can be viewed on our website at **www.cdic.ca**.

CDIC's organizational structure



Addressing public service expectations

Ethical behaviour and integrity

To earn the trust of Canadians, CDIC must ensure that the fundamental principles of ethics and integrity permeate all activities of the Corporation. Adherence to our codes and ethics-related policies is a condition of employment, as is adherence to the *Values and Ethics Code for the Public Sector*, which is fully integrated into CDIC policies. Directors and employees must confirm compliance with their respective codes annually. Compliance with the codes and other ethics-related corporate practices is reported to the Audit Committee and to the Governance and Human Resources Committee.

Ethics training

CDIC undertakes annual mandatory employee ethics training with required attestations. Corporate-wide ethics training and attestation for fiscal 2020/2021 was completed in April 2021.

Diversity, inclusivity and harassment in the workplace

A fundamental tenet of CDIC's culture framework is a commitment to diversity, equity and inclusion. In serving Canadians, we must reflect Canada's diversity and allow our employees to bring their true and best selves to work. Central to our commitment is awareness training, ensuring that our programs and policies are barrier-free and encouraging employee participation and dialogue on issues that matter. In 2020/2021, initiatives included:

- Annual mandatory ethics training that incorporates psychological safety and harassment training
- Enhanced relationships with organizations that support/target Indigenous communities, visible minorities and persons with disabilities, including various student associations for CDIC's student program
- A redesigned external career website that highlights diversity and showcases CDIC employees
- Expansion of awareness training related to Indigenous Peoples, Ableism, Black History and LGBTQ+, with special townhall events to reinforce the learning
- A virtual Employee Summit focused on mental health, inclusion and resiliency
- Official Languages Reward and Recognition Program and week-long programming on la Francophonie
- An employee-led, online diversity festival showcasing CDIC's United Way programming

In 2021/2022 CDIC intends to continue its emphasis on diversity and inclusivity with the establishment of an Inclusion Advisory Group of CDIC employees.

Annual Public Meeting

CDIC held its most recent Annual Public Meeting (APM) on August 11, 2020, via live webcast and in both official languages. Discussions centred around how deposit insurance protects Canadians' savings, the recent coverage changes as of April 30, 2020, and how CDIC is reaching out to Canadians to promote financial stability. The APM is an opportunity for CDIC to provide information to stakeholders and the public on its services and mandate, as well as to answer any questions from members of the public in attendance, online or via social media. CDIC will hold its next APM in the fall of 2021 in compliance with the *Financial Administration Act*.

We protect your deposits

Glossary

Bail-in: A tool that CDIC can use to resolve a domestic systemically important bank (D-SIB) in the event that it fails or is about to fail. In a bail-in resolution, CDIC would take temporary control or ownership of a failing D-SIB and convert all or some of its eligible liabilities into common shares in order to recapitalize the bank and help restore it to viability. During a bail-in resolution, a D-SIB would remain open and operating, maintaining the services it provides to its customers. (*Régime de recapitalisation interne*)

Basel III: Refers to the Basel III Accord, which was developed by the Basel Committee on Banking Supervision, in a response to deficiencies in financial regulation revealed by the global financial crisis. It is meant to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. (*Accord de Bâle III*)

Basis point: One basis point is equivalent to 0.01%. (*Point de base*)

Deposit: As defined in the *Canada Deposit Insurance Corporation Act* (the CDIC Act), a deposit is the unpaid balance of money received or held by a CDIC member institution from or on behalf of a person in the usual course of deposit-taking business for which the member:

(a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and

(b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. (*Dépôt*)

Domestic systemically important bank (D-SIB):[5] A bank designated by the Superintendent of Financial Institutions whose distress or failure could have significant adverse effects on the Canadian financial system. Banks designated as such are subject to more intensive supervision and additional requirements to minimize the likelihood of failure. (*Banque d'importance systémique nationale (BISN)*)

Eligible deposit: Eligible deposits are held at a CDIC member institution and can include: savings and chequing accounts; Guaranteed Investment Certificates (GICs) and other term deposits; and foreign currency (e.g., U.S.$). CDIC insures eligible deposits separately (up to $100,000, including principal and interest) for each of the seven insured categories. (Deposits that are not eligible deposits include, for example: mutual funds, stocks and bonds, Exchange Traded Funds (ETFs) and cryptocurrencies.) (*Dépôt assurable*)

***Ex ante* funding:** The accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution which, in the case of CDIC, is the aggregate of the retained earnings and the provision for insurance losses. (*Financement* ex ante)

***Ex officio*:** Holding a second position or office by virtue of being appointed to a first. For example, when individuals are appointed to certain senior government positions (Governor of the Bank of Canada, Superintendent of Financial Institutions, Deputy Minister of Finance, or Commissioner of the Financial Consumer Agency of Canada), they automatically become members of CDIC's Board of Directors, and continue as Directors as long as they hold those positions. (*Nommé (ou membre) d'office*)

[5] The six designated D-SIBs are the Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and Toronto-Dominion Bank.

Financial Stability Board (FSB): A body established to coordinate internationally the work of national financial authorities and international standard-setting bodies, and to develop and promote effective regulatory, supervisory and other financial sector policies in the interest of financial stability. (*Conseil de stabilité financière (CSF)*)

Global systemically important bank (G-SIB): A bank that is designated to be so interconnected to the world's financial markets that its failure could pose a threat to the international financial system. The Financial Stability Board, in consultation with the Basel Committee on Banking Supervision, designates banks with the highest systemic risk scores as G-SIBs, based on size, interconnectedness, substitutability, complexity and cross-jurisdictional activities. A G-SIB must meet a higher risk-based capital ratio to enhance its resilience, and is subject to additional regulatory oversight and requirements for group-wide resolution planning and resolvability assessments. The resolvability of each G-SIB is reviewed annually using a high-level FSB Resolvability Assessment Process conducted by senior policy makers within the firms' Crisis Management Groups. (*Banque d'importance systémique mondiale (BISM)*)

International Financial Reporting Standards (IFRS): Standards for accounting and reporting, developed and revised by the International Accounting Standards Board (IASB) to support reliable and relevant reporting that is understandable and comparable across international jurisdictions. IFRS have increasingly replaced national financial reporting standards. (*Normes internationales d'information financière (IFRS)*)

Joint deposit: Deposit jointly held by two or more owners, all of whom are identified on the records of the member institution holding the deposit as having an interest in the deposit. (*Dépôt en copropriété*)

Member institution: A bank, trust company, loan company, federal credit union, or an association governed by the *Cooperative Credit Associations Act* whose deposits are insured by CDIC. (*Institution membre*)

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. (*Remboursement des dépôts assurés*)

Premium year: The period beginning on May 1 in one year and ending on April 30 in the next year. (*Exercice comptable des primes*)

Premiums: The amount that is payable to CDIC by a member institution for deposit insurance coverage. It is calculated annually as a percentage of the total eligible insured deposits that are held by the institution as of April 30. CDIC has a differential premiums system in which institutions are classified in one of four premium categories. Institutions classified in the best premium category pay the lowest premiums. (*Primes*)

Provision for loss: The amount set aside on a balance sheet to provide for anticipated or possible loss or expenditure. CDIC maintains a provision for insurance losses that reflects the organization's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. (*Provision pour pertes*)

Tier 1 capital ratio: The ratio of a bank's core equity capital to its risk-weighted assets. (*Ratio de fonds propres de catégorie 1*)