Canada Deposit
Insurance Corporation

2022
ANNUAL REPORT

You protect what matters.
So do we.

Canada

CDIC'S MANDATE

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

1. To provide insurance against the loss of part or all of deposits.
2. To promote and otherwise contribute to the stability of the financial system in Canada.
3. 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.
4. 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.
- Instill confidence and trust in CDIC.
- Support operational resilience.
- Drive the development and execution of strategic objectives.

FOR MORE INFORMATION ABOUT CDIC

Visit our website at www.cdic.ca. You can also reach us by phone, e-mail 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: 1-800-465-7735
Website: **www.cdic.ca**
E-mail: info@cdic.ca

Catalogue number: CC391-1E-PDF

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

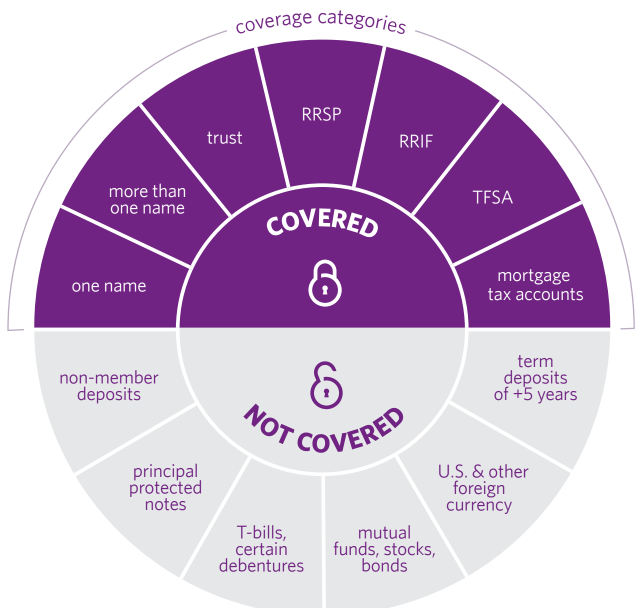
Follow us

Canada

This is general information about deposit insurance and is not intended as legal or financial advice. The Government of Canada has announced that certain changes to the CDIC Act will come into force on April 30, 2022. For more information, please visit our website at **www.cdic.ca**.

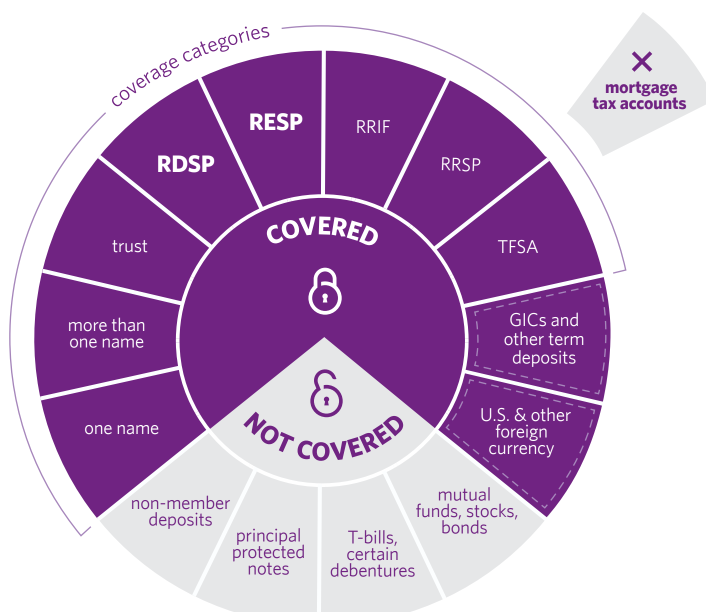
PROTECTING YOUR DEPOSITS: CHANGES TO CDIC'S COVERAGE

Before April 30, 2020



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	2022	2021	2020	2019	2018
Selected statement of financial position items (C$ millions)					
Cash and investments	7,284	6,493	5,735	5,036	4,374
Provision for insurance losses	1,900	2,650	2,250	2,050	2,050
Retained earnings	5,383	3,842	3,480	2,985	2,322
Selected statement of comprehensive income items (C$ millions)					
Premiums	772	739	668	645	535
Investment income	93	90	86	66	46
Total revenue	865	829	754	711	582
Operating expenses	68	60	51	43	46
Increase (decrease) in provision for insurance losses	(750)	400	200	—	450
Income tax expense	6	7	9	6	—
Total comprehensive income	1,541	362	494	663	86
Member institutions (number)					
Domestic banks and subsidiaries	53	53	54	53	50
Subsidiaries of foreign financial institutions	15	15	15	16	17
Domestic trust and loan companies and associations	15	15	15	14	14
Federally regulated credit unions	2	2	2	2	1
Total number of institutions	85	85	86	85	82
Total insured deposits[a] (C$ billions)	1,025	968	852	807	774
Growth rate of insured deposits (%)	5.9	13.6	5.5	4.3	4.4
***Ex ante* funding** (C$ billions)	7.3	6.5	5.7	5.0	4.4
Basis points of insured deposits	71	67	67	62	55
Borrowing limit (C$ billions)[b]	30	28	25	23	23
Basis points of insured deposits	293	289	293	285	297
Permanent employees (number)[c]	167	165	135	116	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 2021/2022 . . .

- CDIC's membership numbered **85 members**. Deposits insured by CDIC **increased 5.9% year over year to $1,025 billion** as at April 30, 2021.
- CDIC welcomed a **new President and Chief Executive Officer, Leah Anderson**, who brings a wealth of knowledge and deep understanding of Canada's financial system and the financial safety net from her former roles as Assistant Deputy Minister of the Financial Sector Policy Branch at the Department of Finance and as a CDIC Alternate Board member.
- To anticipate and respond to **digital change and technological innovation** in the financial sector: CDIC developed a strategic roadmap to assess key digital innovation developments, to ensure the deposit insurance framework continues to be fit for purpose; and finalized its strategic design considerations and development roadmap for the Payout Modernization program.
- The Corporation completed its comprehensive review of CDIC's ***ex ante* funding** and **Differential Premiums System** frameworks to ensure they are fit for purpose and reflective of the risk posed to CDIC. CDIC will consult with stakeholders on this review next fiscal year.
- CDIC's **Simulation Centre of Excellence** program is a cornerstone element created to ensure that CDIC remains focused on being ready to resolve a troubled institution of any size at any time. The Centre performed five testing exercises during the year (a total of 16 exercises to date since its formation). The 2021/2022 exercises included simulations and tabletops with CDIC's Board of Directors, financial safety net partners, internal participants and standby partners, to test CDIC's decision making and operational readiness in various resolution scenarios.
- As part of the industry transition to the new CDIC Act trust deposit coverage requirements, **55 nominee brokers** were onboarded to the Nominee Broker Portal. This tool enhances CDIC's ability to extend protection to these deposits and reimburse them quickly after a CDIC member failure.
- **Public awareness of CDIC's role in protecting deposits**, which plays a key role in building the confidence of Canadians in the safety of their deposits and contributing to financial stability, was 61% as of March 2022, hitting its target range of 60%–65% awareness this fiscal year.
- The Corporation delivered its new **Organization and Culture Strategy and Plan** one year earlier than planned, in March 2021. In response to the COVID-19 pandemic and virtual working environment, mental health and employee well-being were priorities for CDIC to ensure that staff were supported. CDIC secured three mental health and diversity and inclusion strategic partnerships that augmented its commitment to an inclusive culture and healthy workplace.
- To support a people-first organization dedicated to a work force and culture that is representative of the Canadians it serves, CDIC launched its first ever **Inclusion Advisory Panel**, held week-long programming celebrating **la Francophonie culture**, and hosted a four-day virtual "Inclusion Conversations" **employee summit** that brought together employees from across the organization to enhance understanding and awareness of diversity and inclusion in the workplace.
- The Corporation concluded its comprehensive review of CDIC's **governance structure and practices** to ensure they continue to be forward-looking and world class, position the Board and Management for current and future success in risk identification and mitigation, as well as overall strategic decision making.
- CDIC welcomed a **new *ex officio* Director** to its Board of Directors: Peter Routledge, Superintendent of Financial Institutions and former CDIC President and CEO, as well as **three new Alternates**: Sharon Kozicki, Bank of Canada; Isabelle Jacques, Department of Finance; and Frank Lofranco, Financial Consumer Agency of Canada.

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You protect what matters.
So do we.

MESSAGE FROM THE CHAIR

Over the past year, CDIC's risk environment has evolved a great deal. Canadians have generally avoided the worst economic outcomes that were forecast early in the COVID-19 pandemic; however, CDIC faces evolving risks in the environment and to our membership. These include tightening monetary policy, rising geopolitical tensions, climate and cyber risks, as well as the pace of innovation in the financial system.

While it is the responsibility of the Board of Directors to oversee corporate performance, it is also critical that we focus on emerging risks and anticipate challenges that CDIC could face in fulfilling its mandate to protect the savings of Canadians. As Directors, we also need to consider the needs of our fellow citizens who may be vulnerable, or less resilient, to events outside of their control that could put their financial security at risk. Risks to our members such as cyber attacks, for example, even if they are not traditionally financial in nature, can also affect depositors' access to their funds. As these risks evolve, we may need to think more broadly about deposit protection.

Amidst this uncertainty, our Board of Directors and Management have continued to enhance CDIC's readiness to act and to ensure that Canadians remain confident that their savings are protected.

Leadership plays a vital role in readiness and the overall success of the organization, and this year our Board was pleased to welcome Leah Anderson as our new President and CEO.

Prior to joining CDIC, Leah served as Assistant Deputy Minister, Financial Sector Policy Branch, at the Department of Finance. In this role, she worked on policy related to financial sector issues, including financial system stability, and federal financial sector framework policies that included a review of CDIC's deposit insurance regime.

Leah's wealth of knowledge and deep understanding of Canada's financial system and the financial safety net, including as a former CDIC Alternate Board member, as well as her experience tackling complex and tough issues for the benefit of Canadians, makes her an invaluable addition to CDIC and we are fortunate to have her leading the organization.

Last year, the Board advanced its governance model, embarking on a large-scale review to ensure that decision-making processes and practices remain focused, agile and world class. This included the development of a corporate framework, setting the groundwork for CDIC's governance vision; improved Board and Committee Charters; and a clearer delineation of accountabilities to build trust and transparency between the Board, Management, Parliament, and Canadian depositors.

In addition, the Government proposed an amendment to the *Canada Deposit Insurance Corporation Act* in Budget 2022 to strengthen governance by including the CEO as a full Board member. This measure ensures alignment with best practices and with the Boards of other Crown corporations and financial institutions. The amendment would also see an additional private sector Director added to the Board's composition, to maintain the balance between public and private sector Directors.

It bears repeating here that the Board should maintain both backward- and forward-looking perspectives in its work. While we must ensure CDIC makes effective use of resources, it's equally important that we keep our eyes on the horizon and listen closely to the views of our stakeholders, to ensure we have the tools necessary to fulfill our promises to Canadians.

Board members also contributed enthusiastically to preparedness by taking part in a range of simulations and testing exercises, providing us with the opportunity to enhance strategic decision making and mobilization in the heat of a crisis, when it is not always possible to get information that is perfect or complete.

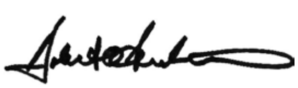
These exercises are extremely valuable since, in a crisis, the Board and Management must work seamlessly together, with complete clarity of roles and responsibilities.

Ensuring all necessary processes, systems and robust relationships with partners and stakeholders are in place to respond effectively in a crisis are hallmarks of a safety net organization like CDIC. And, of course, akin to readiness, we will continue to enhance organizational resiliency through to a continued commitment to transforming CDIC's culture, workplace and promises to Canadians.

Several membership changes to our Board occurred during the year.

In June 2021, our former President and CEO, Peter Routledge, was appointed Superintendent of Financial Institutions after 2 ½ years at the helm of CDIC. Peter is a transformative leader, and the Board and senior Executive Team are grateful for his vision and many contributions to advancing CDIC's important work. Furthermore, CDIC will continue to benefit from Peter's wisdom and experience, since as Superintendent he is an *ex officio* member of our Board. Welcome also to three new Alternate Board Members: Sharon Kozicki of the Bank of Canada, Isabelle Jacques of the Department of Finance, and Frank Lofranco of the Financial Consumer Agency of Canada. The Board will benefit greatly from their expertise and insights. The Board also thanks departing members Bank of Canada Deputy Governor Paul Beaudry and private sector Director Wendy Millar for their valuable contributions to our discussions.

In closing, I would like to thank my fellow Directors, and all employees at CDIC, for their professionalism, dedication and resilience as we navigate these changing times together. Canadians can rest assured their hard-earned savings are safe.



Robert O. Sanderson

MESSAGE FROM THE PRESIDENT AND CEO

Introduction

I joined CDIC as President and CEO in August 2021—at a time of transition through the COVID-19 pandemic, and in the context of a rapidly evolving and complex financial system landscape. CDIC's role in continuing to provide Canadians with financial confidence in this period of change and uncertainty is vital.

Domestically, the economy showed signs of improvement and Canada's financial system demonstrated resilience. However, consumer indebtedness remained a concern as residential real estate prices continued to be elevated relative to household incomes and discretionary spending returning to pre-pandemic levels. While households built up savings buffers through the pandemic, heightened inflation and higher debt service costs put pressure on borrowers.

The global risk environment shifted dramatically over the year with the onset of the war in Ukraine. In addition to the tragic social impacts, the war contributed to pandemic-related economic challenges with rising inflation and energy supply costs, as well as further uncertainty and supply chain disruption.

Non-financial risks also rose in prominence, including climate change and cyber events. Climate change and the transition to low-carbon growth will have profound impacts on almost every sector of the economy in the decades ahead.

CDIC was well prepared to navigate this complex environment through the 2021/2022 planning period and achieved its Corporate Plan priorities. CDIC strategies were forward-looking and responsive to the evolving and complex environment.

Performance against Plan

Advance CDIC's readiness to respond effectively to a crisis

The 2021 resolution plans of Canada's systemically important banks well reflected CDIC's guidance and were of high quality. These member institutions have delivered credible and actionable plans for their resolution in the unlikely event they should fail.

The Deposit Insurance Review, which began in 2014, introduced key changes to CDIC coverage in two phases: Phase 1, in April 2020, included the expansion of coverage for deposits in foreign currencies and an extension of coverage of eligible deposits with terms greater than five years. The second phase, which came into force on April 30, 2022, includes coverage for new insurance categories for deposits in Registered Education Savings Plans and Registered Disability Savings Plans, as well as changes to strengthen deposit protection for trust deposits and nominee brokered deposits. In the lead up to the Phase 2 launch, CDIC worked with more than 60 stakeholder organizations through its Brokered Deposit Advisory Group to develop a new trust deposit framework for the benefit of Canadians.

CDIC is responding to changes in the financial industry, depositor expectations, and boosting its own operational resiliency, by transforming its technological capabilities. This year, we continued to move forward on our Enterprise Technology Strategy to support CDIC's own digital transformation and enhanced cyber posture. Significant progress was also made to advance our multi-year Payout Modernization program, to make faster digital reimbursements to depositors in the event of a member failure.

In the heightened risk environment, CDIC prioritized risk assessment and stress testing in collaboration with our financial safety net partners.

Through CDIC's Centre of Excellence, CDIC also conducted a wide range of simulations that provided an opportunity to test resolution strategies and tools, employee skillsets and operational resiliency in a crisis, including cyber events. Internally, we enhanced our Enterprise Risk Management Framework to ensure continued alignment with our risk appetites in light of the ever-evolving operational environment.

We worked closely with our stakeholders, with a focus on regular engagement to support the effective delivery of our corporate objectives. This year we conducted a perception audit of stakeholders that affirmed strong foundational relationships which we intend to build upon in the year ahead.

Innovate to meet evolving depositor expectations

The financial landscape is rapidly evolving with increasing product and service innovation by a range of service providers, including our member institutions and through their partnerships with financial technology companies. CDIC is anticipating and responding to this rapid pace of digitalization. This year, CDIC developed a policy roadmap that sets out areas of priority focus to ensure CDIC will continue to protect the savings of Canadians and support financial stability, and as the financial sector evolves. In pursuing this work, CDIC will continue to work closely with our federal safety net partners, domestic and international financial sector regulators, and industry to ensure Canadians continue to have confidence in the safety of their savings.

CDIC will continue to actively inform Canadian depositors about how CDIC protects their money in the rapidly changing financial system landscape. Depositors need to know what is protected so they can have financial confidence. By informing Canadians about what is covered by CDIC and what is not, we support the making of informed choices and strengthen trust in the banking system.

We do this by raising public awareness through advertising and other media and having an established web and social media presence. We also work with member institutions to reinforce to their customers the value of deposit insurance. I am pleased to say this year that we achieved awareness of CDIC deposit protection in our target range of 60%–65% of Canadians and we will continue our efforts to build greater awareness among women.

Enhance organizational resiliency by transforming CDIC's culture and workplace

CDIC's multi-year culture strategy was re-imagined to embrace the ongoing disruption to the world of work that was accelerated by the pandemic. Key to the strategy and plan are initiatives to help maintain employee well-being and resilience and the adoption of an inclusive hybrid work environment.

Being a resilient organization also means being a responsible organization and embracing Environmental, Social and Governance principles in all that we do. This year we created a Diversity, Equity and Inclusion Strategy and established an employee-led Inclusion Advisory Panel to help lean into creating an even more inclusive workplace where everyone can bring their true selves to work. We are taking steps to green our operations by embracing changes to our premises to reduce our carbon footprint while modernizing our collaboration spaces and technology tools to continue to drive cultural cohesion. We revised our corporate governance framework with the CDIC Board to maximize the relationship between the Board and Management. And we continued to invest in employee mental health and wellness supports and psychological safety training—by supporting our greatest asset, CDIC employees, we better support Canadians.

Looking ahead

Looking forward to the year ahead, CDIC will focus on three core strategies: reinforcing trust in depositor protection, being resolution ready, and strengthening our organizational resilience.

We will take action to modernize the funding and premium framework for deposit insurance, which will include a comprehensive consultation and stakeholder engagement process. We will continue to advance the Payout Modernization program and boost awareness of deposit protection. And we will bolster resolution readiness through our capabilities for early and continuous identification of the evolving risks faced by our members. Simulations will be expanded to include participation by relevant industry stakeholders such as securities regulators and member institutions themselves, and scenarios will continue to be selected to reflect emerging risks.

CDIC will remain well prepared to protect depositors and support the stability of the financial system. We are proactively aligning our plans and strategies to the evolving environment and continuing to nurture and build exceptional talent and expertise to meet the challenges ahead.

In closing, I would like to thank our dedicated and talented staff for CDIC's achievements over the past year and thank our Board of Directors for its warm welcome and its support and guidance as we work to protect Canadians and the financial system.

Leah Anderson

Leah Anderson

You protect what matters.
So do we.

PART 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

CDIC's operating environment

Economic environment

During 2021/2022, the global macroeconomic environment showed signs of improvement, despite continued waves of elevated COVID-19 cases, diminished fiscal support, and lingering supply chain disruptions. While the long-term impact of the COVID-19 pandemic on the economy and on CDIC member institutions remains uncertain, the more pessimistic economic projections envisioned at the outset of the pandemic in early 2020 were avoided. CDIC's membership financial results remained resilient, including solid profitability and healthy capital and liquidity ratios.

Going forward, there are a number of uncertainties which warrant monitoring. Consumer indebtedness remains high and real estate prices continue to experience sharp increases, relative to household incomes. Inflation has picked up across Canada and central banks have started to respond by tightening their respective monetary policies. Non-financial risks and their links to the financial system are increasing in number and prominence, including climate and cyber-related risks as well as geopolitical tensions and resulting sanctions.

CDIC continues to monitor the resilience of its member institutions and remains focused on being ready to resolve member institutions, if necessary.

Regulatory environment

Changes to the *Canada Deposit Insurance Corporation Act* (the CDIC Act) resulting from the *Budget Implementation Act, 2021, No. 1*, received Royal Assent in June 2021. These new measures promote financial stability by strengthening Canada's deposit protection and bank resolution regime, such as:

- Strengthening the cross-border enforceability of the stay provisions that apply to eligible financial contracts.
- Providing legislative clarity to ensure beneficiaries of trust deposits continue to be protected once the new requirements related to trust deposits come into force.
- Extending the time limit for retaining control of a failing member up to 18 months from 6 months to allow CDIC time to complete its sale or restructuring.

To complement the first of these changes, CDIC's Board of Directors passed the *Eligible Financial Contracts By-law*, which imposes requirements related to certain eligible financial contracts entered into by CDIC members, to facilitate a cross-border resolution.

Similarly, the Deposit Insurance Review that was announced in Budget 2014 resulted in several amendments to the CDIC Act to modernize and enhance Canada's deposit insurance framework. Some changes have already been implemented—for example, extending coverage to eligible deposits held in foreign currencies, and eligible deposits with terms greater than five years. The second phase of the Deposit Insurance Review came into force as of April 30, 2022. These amendments 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. The amended *Data and System Requirements By-law* specifications and the *Canada Deposit Insurance Corporation Co-owned and Trust Deposit Disclosure By-law* align with the new legislative coming into force date.

Given the impact of the changes, CDIC engaged extensively with its membership and the trust depositor community to support implementation of the revised coverage framework. To help member institutions comply with the *Data and System Requirements By-law* specifications, voluntary pretesting services were offered to confirm the validity of the structure and format of the data. CDIC also deployed new technology and accompanying processes to facilitate communication and secure data exchange with nominee brokers.

As a result of the coverage changes, member institutions were informed of the need to replace the current "Protecting Your Deposits" brochure in all bank branches and other places of business to maintain compliance with the *Deposit Insurance Information By-law*. Looking ahead, as of May 1, 2022, member institutions must provide updated abbreviated brochures with account opening materials. Members will be required to attest to compliance with the By-law on or before July 15, 2022.

Extensive research was also conducted throughout the year to review the *ex ante* funding and existing Differential Premium frameworks, including a thorough environmental scan, quantitative analysis, and discussions with federal financial sector agencies. CDIC will commence industry consultations on these frameworks in the next fiscal year.

Throughout the year, CDIC continued to engage with members and other industry participants with respect to evolving developments in the deposit-taking industry, including member partnerships with Fintechs intermediaries, and new products and services related to cryptocurrencies and stablecoins.

CDIC also worked closely with financial sector agencies to maintain the safety and soundness of the financial sector regulatory framework and maintain depositor trust in response to digitalization and innovation in the sector. CDIC developed a strategic roadmap to assess potential risks to the federal deposit insurance framework and the appropriate scope of the regulatory perimeter stemming from the developments in the market. The roadmap also includes work to ensure strong depositor protection as developments within the financial sector may impact depositors' awareness of which financial products are deposit-insured.

Depositor awareness and stakeholder engagement

Awareness of deposit protection and confidence in CDIC are key to protecting the stability of the financial system and serving Canadian depositors. CDIC's public awareness program has two objectives: to help Canadians make informed financial choices, and to reduce the risk of bank runs and contagion.

CDIC advanced its multi-year Public Awareness Strategy with the goal of maintaining awareness of deposit protection within the 60%–65% target range. A survey of more than 2,000 Canadians conducted for the Corporation in March 2022 showed that awareness of CDIC or of federal deposit protection was 61%, within the target range. Awareness has stayed within the target range for the past six quarters, suggesting that CDIC's current public awareness approach remains fit for purpose.

Understanding that awareness is the greatest mitigator of run risk, CDIC focuses efforts on demographics with the lowest awareness levels. The Strategy focused on increasing awareness among women, whose level of awareness was 52% as of March 2022. Public awareness efforts in 2022/2023 will continue to concentrate on raising awareness in this key target demographic.

Building on its strong relationships with external stakeholders, CDIC used insights drawn from a fall 2021 survey of members, safety net partners and other financial agencies to refine its stakeholder engagement program. It also strengthened its use of social media platforms to augment awareness of deposit protection.

Corporate environment

Technological transformation

CDIC has taken a proactive approach in assessing and embracing innovation and technological advances that have accelerated in recent years. The financial industry has undergone an increased pace of digital change and financial innovation by members and non-members that is transforming their business strategies, products and services.

In response to this changing environment, CDIC is increasing its operational resiliency through its multi-year technology strategy with a Cloud-first approach. This initiative will enable scalability and availability of services with a focus on the security of CDIC's environments.

In 2021, the organization continued the transformation of its technological capabilities through the Payout Modernization program, which aims to improve data quality, upgrade payout technology, and increase the speed of access to insured deposits, as well as enhancing digital communications with member institutions, depositors and partners. The Corporation also took action to strengthen cybersecurity and information technologies to further augment its cyber defence capabilities. Guided by a renewed Cybersecurity Strategy, CDIC implemented enhancements to cyber risk defences, threat monitoring, and incident response capabilities.

Organization and Culture Strategy and Plan

The delivery of a new three-year Organization and Culture Strategy and Plan, "The Workplace of Tomorrow," was accelerated given the fundamental changes in CDIC's external and internal operating environments. This Strategy touches every aspect of the employee experience at CDIC and is the framework within which the Corporation delivers its human resources programs.

The Strategy places emphasis on leadership skills development, talent and succession management, as well as on creating an inclusive work experience. In this regard, CDIC secured strategic partnerships with mental health and diversity and inclusion experts, established an Inclusion Advisory Panel of CDIC employees and strengthened its performance management processes. Despite the lingering pandemic, data from employee surveys in 2021/2022 show an engaged work force, with best in class results for diversity/inclusion and mental health/wellness supports achieved. Return to office plans, a key focus area in year 1 of the Strategy, were also advanced. These included the development of plans for a hybrid-work model with hotelling and the design of a bespoke re-onboarding and orientation program for this new approach to a work model.

Diversity, Equity and Inclusion Strategy

CDIC's Diversity, Equity and Inclusion Strategy is designed to embed diversity, equity and inclusion practices in CDIC's culture and workplace. The Strategy sets out a commitment to:

- Ensuring fair treatment, opportunity for advancement and accessibility for all employees by identifying and eliminating barriers that prevent employees from growing and thriving in the workplace.
- Fostering a psychologically safe workplace to support a culture that values differences and sparks innovation and organizational resilience.

CDIC is dedicated to creating a culture and a work force that is representative of the Canadians it serves and it recognizes that building an inclusive environment requires vision, leadership and commitment. CDIC already meets or exceeds representation of women and visible minorities in its work force, and 85% of its Corporate Officers are women. The Corporation also has initiatives in place to build representation in other designated groups. CDIC regularly looks for opportunities to support diversity through hiring strategies that promote gender balance, minority groups and the use of Canada's official languages. In 2021/2022, CDIC augmented its recruitment strategy by:

- Targeting sources where diverse groups gather and posting employment opportunities on websites for Indigenous job seekers and Canadians with disabilities.
- Exploring paid internship partnerships for targeted groups with accredited institutions.
- Enhancing the Careers page on its website to showcase diversity.
- Training its talent acquisition team on Indigenous recruitment through the Indigenous Relations Academy.

Putting people first as well as valuing diversity and linguistic duality are fundamental tenets of CDIC's cultural framework. In addition to its three-year partnership with the Canadian Centre for Diversity and Inclusion, CDIC launched its first ever Inclusion Advisory Panel (IAP) in 2021/2022. The IAP captures the collective voice of CDIC to influence policies, promote the recruitment of candidates that increase CDIC's diversity and enhance cultural awareness. It acts as an advisory committee to the CEO and proposes solutions to create a more inclusive workplace for all employees.

CDIC hosted an inaugural conversation series on Diversity, Equity and Inclusion as part of its virtual employee summit with a focus on bolstering inclusive culture. The Corporation continues to build awareness through diversity and inclusion activities and education, including:

- Annual mandatory ethics training, comprising diversity and inclusion and attestation to the Code of Business Conduct and Ethical Behaviour
- Diversity as part of succession planning
- Reaffirming the commitment to reconciliation and collaboration with the Indigenous peoples of Canada
- eLearning modules focused on raising awareness of Indigenous cultures in Canada
- Development of eLearning modules on Indigenous History, Black History, LGBTQ+, Women, and Ableism
- Reinforcing the Official Languages Reward and Recognition Program

In recognition of the importance of fostering and promoting diversity, equity and inclusion within its organization and among Canadians, in 2021/2022 CDIC partnered with Indspire's Building Brighter Futures initiative to establish a bursary program providing financial assistance for Indigenous women in Canada who are pursuing higher education. Indspire is a national Indigenous registered charity that invests in the education of First Nations, Inuit and Métis people for the long-term benefit of these individuals, their families and communities, and for Canada. CDIC works with Indspire to manage the application process for Indigenous students. Indspire oversaw and approved all messaging about the bursary and provided all the images for the website and application page. CDIC also partnered with NVision Insight Group, an Indigenous consulting company to launch mandatory training focused on raising the level of understanding and awareness of Indigenous cultures in Canada.

Sustainability

Climate change is an important issue confronting Canada and the world. It represents a risk to all aspects of the economy including the financial sector and CDIC's member institutions. Transition to a low-carbon economy will require disclosures of standardized information around climate-related risks and opportunities facing organizations. To meet Canadians' expectations and in line with direction from the Government, CDIC has begun to take steps to green its operations. The Corporation will continue to incorporate Environmental, Social and Governance (ESG) principles within the organization through an inclusive employment experience and the incorporation of enhanced governance practices and policies. In 2021, CDIC became a member of the CIO Strategy Council and adopted the Sustainable IT Pledge, a commitment to implement robust sustainable information technology (IT) practices to reduce the environmental impacts of its operations. In the spirit of improving its environmental performance, the impact of its overall operations and to support a more sustainable financial sector, CDIC began to evaluate measures to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The Corporation also continues to realize efficiencies in the form of a reduced carbon footprint gained through working from home practices over the last year. Through the implementation of a hybrid work model and strategy and ESG-related initiatives, CDIC will continue to deploy collaborative technologies that support continued remote and hybrid work of its employees, thereby reducing its environmental impact. CDIC's offices are sustainably run and, as an environmentally conscious tenant, CDIC supports its landlords' efforts and programs to continuously improve its environmental performance.

Office environment

CDIC has offices in Ottawa and Toronto, Ontario. CDIC staff have been working from home as their primary place of work since March 2020, with office access resuming on a limited basis in line with updated public health guidelines. Work began on the Future of Work initiative, a flexible approach to returning to the office following the pandemic. At its core, the model encompasses accessibility and inclusivity for every employee, whether working remotely, on-site or in a hybrid situation. The project features a redesign of physical spaces, a shift to hotelling of various types of work spaces, and the development of new working norms. Moving to a hybrid approach to work also allowed CDIC to release some of its Ottawa office space, reducing both leasing costs and its environmental footprint.

CDIC membership

As at March 31, 2022, CDIC had 85 member institutions.

Overall, CDIC's membership delivered solid financial results, with adequate capital and liquidity ratios. From a macroeconomic perspective, the banking sector continues to be exposed to the risks associated with elevated house prices and household indebtedness amidst a backdrop of increasing inflation. These risks underscored the need for CDIC to maintain its focus on monitoring the risk environment in order to be prepared to respond rapidly if members experience financial difficulty.

Insured deposits

As at April 30, 2021 (the annual date on which insured deposits are calculated for insurance premiums), deposits insured by CDIC increased by 5.9% year over year to $1,025 billion and accounted for 26% of total deposits held at member institutions. Insured deposits continue to be a highly valued, cost-effective and stable source of funding for member institutions.

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

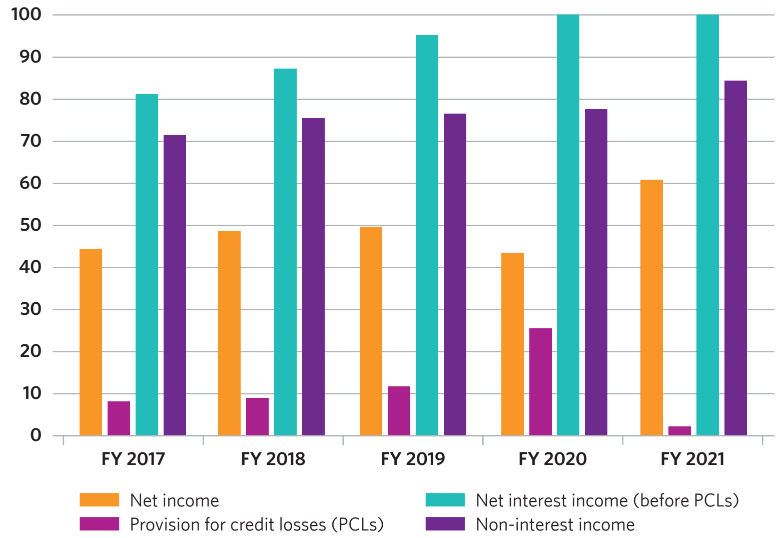
Member institution financial results

CDIC members earned a total net income of $61.0 billion in 2021. Higher profits for the membership were attributable to lower provisions for credit losses and higher non-interest income. Non-interest expenses were stable year over year, while interest income decreased. Provisions for credit losses of $1.6 billion decreased 93.7% year over year, driven mainly by significant releases of provisions for credit losses that were taken early on in the COVID-19 pandemic.

Net interest income decreased by 0.3% ($339 million) in 2021 as higher loan volumes were offset by historically low net interest margins. Non-interest income increased 9.7% ($7.5 billion), driven by higher revenue from various investment management, loan underwriting and credit/debit card fees.

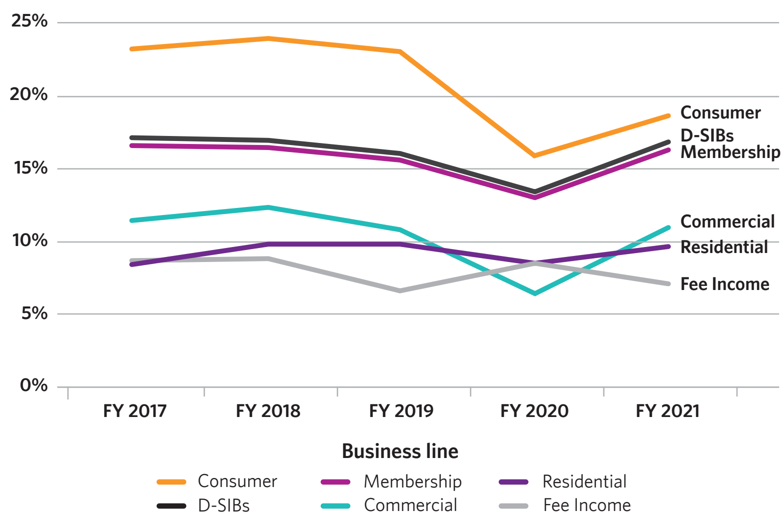
The membership's return on average shareholders' equity (ROAE), a broad-based measure looking at institutions' profitability, was 16.6%, up from 13.1% last year. Apart from the Fee Income peer group, ROAE increased across the membership as net income was impacted by lower provisions for expected credit losses flowing from the pandemic recovery. 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, 2017–2021 (C$ billions)



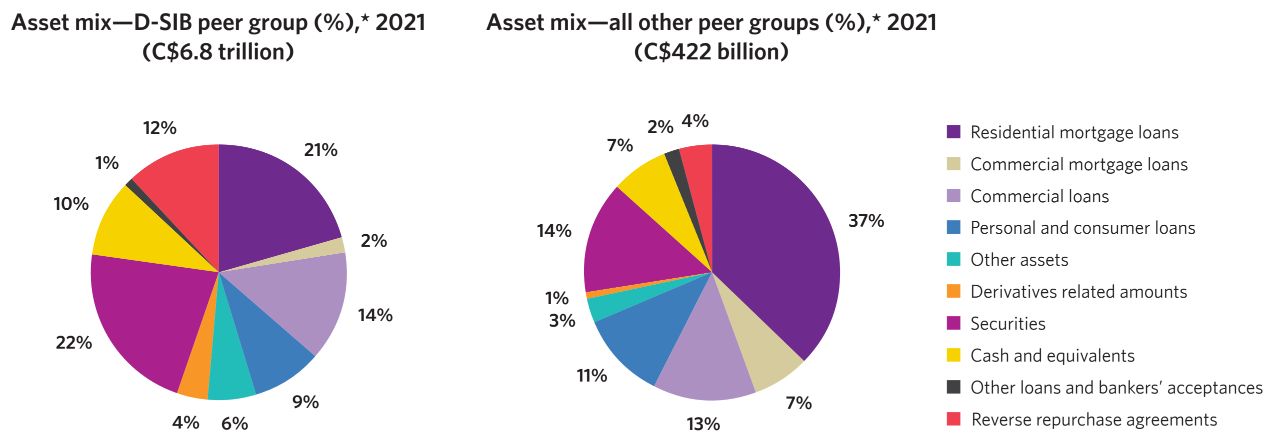
FY = Fiscal year performance of member institutions that employ either October 31 or December 31 as their fiscal year end, as applicable.

Return on average shareholders' equity (ROAE) by peer group, 2017–2021



Asset composition, growth and quality

The membership's total asset base grew 4.3% year over year to $7.2 trillion, partly driven by the increase in deposits. Residential mortgages, one of the largest asset classes on the balance sheets of CDIC members, totalled approximately $1.6 trillion, or 22.4% of the membership's on-balance sheet assets. Other significant asset classes included securities (21.2% of total assets, 23.9% of which were Canadian government-issued securities), commercial loans (13.9%), personal and consumer loans (9.0%), and reverse repurchase agreements (11.3%).



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

The domestic systemically important bank (D-SIB) group is broken out from the rest of CDIC's membership due to its size and the disproportionately large impact these institutions have on the overall composition of the Canadian financial sector. The D-SIB peer group also has a unique asset composition with a lower reliance on residential mortgage lending relative to other CDIC members.

The overall quality of the membership's assets in 2021 improved compared to last year, with the gross impaired loan ratio decreasing to 0.37% of total loans (2020: 0.52%). This measure remained low both relative to historical levels and to Canadian lenders' international peers.

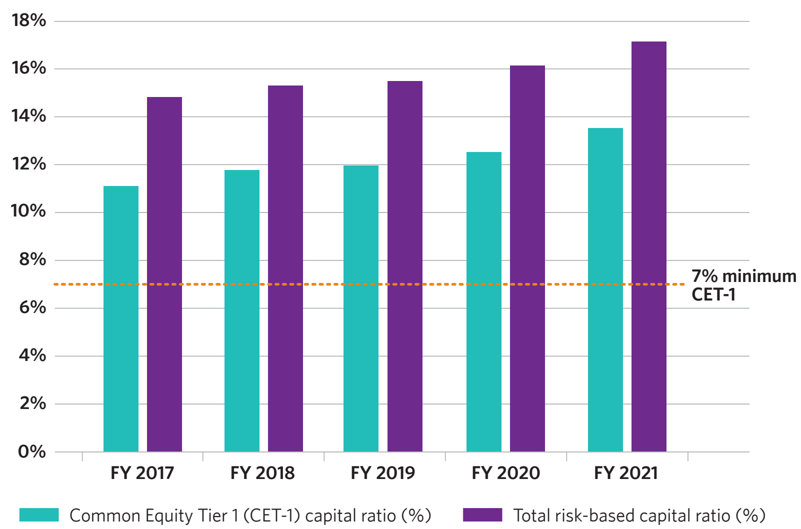
Liquidity levels

The membership maintained satisfactory levels of liquid assets as of December 31, 2021, 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. Overall, members continue to hold historically elevated levels of liquidity relating to higher deposit levels built up during the pandemic, particularly in early 2020.

Capital ratios

Overall membership capital levels increased through 2021 and remain well above the Basel III minimum requirements. The membership's average Common Equity Tier 1 (CET-1) capital ratio increased to 13.6% as at each member's Q4 2021 (compared to the OSFI minimum requirement of 7.0%). The average total capital ratio for the membership increased to 17.1%.

CDIC membership capital ratios, 2017–2021



Further, under the terms of OSFI's *Leverage Requirements Guideline*, all institutions are required to maintain a leverage ratio that meets or exceeds 3.0%. As of each member's Q4 2021, the average leverage ratio of the membership was 5.0%, with D-SIBs having the lowest leverage ratio of the membership at 4.8% and the Consumer peer group having the highest leverage ratio of the membership at 18.2%.

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 proactively 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.
- Instill confidence and trust in CDIC.
- Support operational resilience.
- Drive the development and execution of strategic objectives.

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. 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.

As CDIC's risk culture is evolving, the Corporation's overall vision is to work collaboratively with risk owners to promote a strong risk management culture at CDIC. This will enable risk-informed decision making to support our objectives and that is consistent with our risk appetite, which will bolster our ability to meet our mandate and vision.

Transforming CDIC's Enterprise Risk Management

CDIC's operating environment is evolving at a rapid pace. In 2021/2022 CDIC made good progress on the build of its ERM function which enabled risk-informed decisions that were consistent with CDIC's risk appetite. The enhancements strengthened CDIC's existing ERM processes, policies, tools, training and reporting in order to support the Corporation, its Board and Risk Committee. An audit of the ERM function was also conducted which found that CDIC's risk culture is strong and supported by established risk appetite statements. Opportunities exist to further strengthen and align accountabilities, develop more efficient risk management processes, and further refine tools and reporting. CDIC will advance work on these opportunities to mature the ERM function in 2022/2023 and beyond.

Corporate risks

The Corporation monitors its risks around operational resilience and key corporate initiatives. The top risks in 2021/2022 were related to cyber, the pandemic, and the delivery of the Payout Modernization initiative. The Corporation also ensures that any new risks are identified. For CDIC these external risk business drivers include financial innovation, ESG principles, and the labour market.

The initiatives that address the key corporate risks are described on the following pages under CDIC's three strategic objectives for the 2022/2023 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.

CDIC's strategic response—a look ahead to 2022/2023

CDIC's decision making is driven by its mandate, its operating environment, and the key strategic opportunities and risks it faces. In response to these factors, in 2022/2023 CDIC will focus on its strategic priorities: be resolution ready and reinforce trust in depositor protection. At the same time, CDIC will proactively prepare and adapt strategic initiatives in furtherance of these priorities in response to shifts in the economic, financial, environmental, geopolitical and social landscape that may have longer-term impacts on CDIC's deposit insurance and resolution frameworks. CDIC will also continue to strengthen organizational resilience.

Accordingly, CDIC has identified three main strategies, as set out in the Corporation's 2022/2023 to 2026/2027 Corporate Plan:

1. Be resolution ready.

In the face of continued economic uncertainty, CDIC will maintain its focus on increasing resolution readiness to respond to a variety of resolution scenarios to support the resilience and stability of the financial system in Canada. As a counter-cyclical organization, CDIC's role within Canada's financial safety net intensifies during times of economic hardship or uncertainty. Being resolution ready 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 its stakeholders.

Initiatives supporting this strategy include:

- Continuing to strengthen the Corporation's capabilities for early and continuous identification of risks facing member institutions.
- Modernizing the funding and premium framework for deposit insurance and resolution.
- Strengthening resolution frameworks, policies and plans.

2. Reinforce trust in depositor protection.

In light of the acceleration of digitalization and innovation within the financial sector, CDIC will anticipate and respond to innovation in the financial sector to ensure that the deposit insurance and resolution frameworks remain fit for purpose and maintain depositor confidence. CDIC will continue to build upon its strategic roadmap of key digital innovation priorities and transform its technological capabilities through the Payout Modernization program to strengthen confidence of depositors and member institutions.

Initiatives supporting this strategy include:

- Continuing to anticipate and respond to the digitalization and transformation of financial services.
- Advancing the ongoing multi-year Payout Modernization program.
- Maintaining public awareness and confidence through the ongoing Public Awareness Strategy.

3. Strengthen organizational resilience.

COVID-19 has accelerated technological and cultural changes for all organizations. CDIC will continue adapting its systems, technology, operations and skills training to ensure that it can continue to fulfill its mandate while being prepared for the workplace of the future. The Corporation will augment its cybersecurity program to respond to the growing number and complexity of cyber risks, and will continue to embed Environmental, Social and Governance (ESG) principles into its operations and preparedness activities.

Initiatives supporting this strategy include:

- Enhancing cybersecurity.
- Continuing to develop and implement a multi-year Enterprise Technology Strategy, to ensure CDIC has modern infrastructure and services in place.
- Preparing for the Workplace of Tomorrow, including returning to the corporate offices via a hybrid model.
- Reinforcing ESG principles within the organization.

2022/2023 to 2026/2027 financial plan

The financial projections included in CDIC's 2022/2023 to 2026/2027 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 6.5% in insured deposits during fiscal 2022/2023, 4.86% during fiscal 2023/2024, followed by a gradual decrease to 4.15% in fiscal 2026/2027.
- The premium rates as well as the distribution of members across the differential premium categories will remain unchanged from fiscal 2021/2022.
- Investment income is based on an assumed average yield on cash and investments of 1.1% for fiscal 2022/2023, followed by a gradual increase to a yield of 1.3% in fiscal 2026/2027.
- 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, were kept constant.

2022/2023 fiscal year

Total comprehensive income is planned at $723 million for the 2022/2023 fiscal year.

Total revenues are planned to be $911 million in the 2022/2023 fiscal year, including $822 million of premium revenue and $89 million of investment income.

Planned **premium revenue** of $822 million is $50 million higher than fiscal 2021/2022 premium revenue of $772 million. The increase is primarily as a result of the expected growth in insured deposits.

Expected **investment income** of $89 million is $4 million lower than investment income of $93 million in fiscal 2021/2022, resulting from the impact of a lower assumed average yield on investments.

Net operating expenses are planned to be $88 million in fiscal 2022/2023, compared to $68 million actual operating expenses in fiscal 2021/2022. The fiscal 2022/2023 budget reflects higher operating costs due to the advancement of the Payout Modernization initiative and other Corporate Plan priorities.

Cash and investments are planned to be $8.1 billion at the end of the 2022/2023 fiscal year due to the investment of premiums received.

The **provision for insurance losses** is planned to be $2.6 billion at the end of the 2022/2023 fiscal year based on the calculations using assumptions as at December 31, 2021. At the time of Plan development CDIC's provision for insurance losses was $2.55 billion.

The level of ***ex ante* funding** is planned to be $8.1 billion at the end of the 2022/2023 fiscal year, representing 75 basis points of forecasted insured deposits, an increase of 4 basis points from March 31, 2022.

Performance against Plan

The following Scorecard summarizes progress as at March 31, 2022, in support of the three corporate strategic objectives identified in CDIC's 2021/2022 to 2025/2026 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.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

1. Advance CDIC's readiness to respond effectively to a crisis		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Strengthen and test CDIC's overall resolution preparedness, ensuring that CDIC can effectively utilize its full suite of resolution tools.	Develop implementable crisis response plans.	Resolution planning and payout preparedness activities were completed in collaboration with member institutions.
	Operational readiness to respond to large scale and/or simultaneous failures of multiple member institutions.	The Simulation Centre of Excellence performed five testing exercises in 2021/2022. These included: a multi-day simulation held with financial safety net partners, and a three-day simulation with internal participants and standby partners which tested the operationalization of a bridge bank.
	A transparent brokered deposit compliance framework and continuous engagement with industry support stakeholders to achieve compliance with the new CDIC Act trust deposit coverage requirements when they come into force.	CDIC engaged with nominee brokers and self-regulatory organizations to support the industry transition to the new CDIC Act trust deposit coverage requirements. Activities included: issuing guidance to the membership on *Data and System Requirements By-law* compliance; continued dialogue with market participants to monitor readiness for the new framework as at April 2022; and onboarding of 55 nominee brokers to a dedicated portal.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

1. Advance CDIC's readiness to respond effectively to a crisis *(continued)*		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Foresee emerging risks to depositor protection and financial stability before they materialize.	Risk assessment and forward-looking stress testing activities enable CDIC to detect vulnerabilities at an earlier stage.	CDIC continued to collaborate with Financial Institution Supervisory Committee partners on various initiatives. Key priorities to support risk assessment and stress testing were completed.
	Continued enhancement of CDIC's Enterprise Risk Management (ERM) Framework and risk culture.	CDIC's ERM Framework was enhanced to enable risk-informed decisions consistent with CDIC's risk appetite. Improvements in 2021/2022 included: an audit of the ERM program; a comprehensive risk identification and prioritization exercise with business teams; and enhancements to quarterly risk reporting.
Develop a comprehensive external stakeholder engagement strategy.	CDIC has a strategy in place to engage with external stakeholders.	CDIC's new CEO undertook outreach activities with member institutions, domestic systemically important banks, provincial authorities and several industry associations. A perception audit of key stakeholders was conducted in the fall of 2021 in order to understand stakeholder perceptions and expectations of CDIC and to identify opportunities to strengthen stakeholder engagement across the financial ecosystem.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

2. Enhance organizational resiliency by transforming CDIC's culture and workplace		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Expand CDIC's Organization and Culture Strategy and Plan to promote employee resilience and inclusion and adapt proactively to the future of work.	Develop the next long-term Organization and Culture Strategy and Plan.	CDIC delivered its new Organization and Culture Strategy and Plan one year in advance, in March 2021. In addition to planned deliverables, new initiatives were launched with a focus on return to office plans and revamping and enhancing leadership development, including a 360° feedback process.
	Establish strategic partnerships with mental health and diversity and inclusion experts to augment support for all employees and to continue to foster an inclusive environment in a hybrid work environment.	CDIC secured three mental health and diversity and inclusion strategic partnerships to augment its existing wellness programs. The partnerships led to the creation of a Diversity, Equity and Inclusion Strategy and corresponding programming, including the launch of the Inclusion Advisory Panel, reinforcement of mental health tools and improvements to workplace policies. CDIC conducts regular pulse surveys to gauge employee engagement, to address any concerns and to identify areas for growth.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

2. Enhance organizational resiliency by transforming CDIC's culture and workplace *(continued)*		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Implement a multi-year Enterprise Technology Strategy to support the future of work, and CDIC's digital transformation.	Develop an Enterprise Data Strategy.	CDIC's Enterprise Data Strategy was developed during the fiscal year to enhance security, governance and data-driven insights.
	Continue to move forward on a multi-year Enterprise Technology Strategy with a focus on Cloud migration, data environment, governance and security.	A renewed Cybersecurity Strategy was developed and implementation of the Strategy is underway. The new Cloud-based secure data environment to support processing of depositor data consistent with the legislative changes as at April 30, 2022, was completed. The timeline for completing remaining Cloud migration was extended due to COVID-19 response prioritization and alignment with the new information security standards.
	Continue deployment of solutions that promote collaboration and connectivity to enhance CDIC's future of work initiative.	This initiative was successfully completed. Technologies to support CDIC's hybrid work environment were procured and installation has commenced in advance of CDIC's experimental phase of the hybrid work.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

3. Innovate to meet evolving depositor expectations		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Modernize payout capabilities and related processes to protect depositors and facilitate a faster reimbursement.	Establish a Payout Modernization Roadmap and commence a multi-year phased build.	CDIC finalized strategic design considerations and a development roadmap for the Payout Modernization program, with the first phase of project development having commenced in October 2021.
Conduct comprehensive reviews of CDIC's differential premiums and *ex ante* funding frameworks.	Provide CDIC's Board of Directors with a draft recommendation for a modernized differential premiums framework.	CDIC undertook substantial work to complete a recommendation for the modernized differential premiums framework. CDIC conducted discussions with financial safety net partners and proposed reforms which will lead to industry consultation in the next fiscal year.
	Scoping for the *ex ante* funding review has been finalized and initial work towards the recommendations has begun.	Extensive analysis was conducted on the review of the *ex ante* funding framework. Recommendations were presented to and supported by CDIC's Board of Directors. These recommendations will form the basis for consultations in the next fiscal year.

CDIC's Corporate Scorecard—2021/2022

(as at March 31, 2022)

3. Innovate to meet evolving depositor expectations *(continued)*		
Initiative	**2021/2022 activity/outcome**	**Year-end results**
Implement a new three-year strategy to promote public awareness of CDIC and federal deposit protection.	Achieve 60%–65% awareness of CDIC or federal deposit insurance.	Awareness of CDIC's role in protecting deposits was 61% as of March 2022, within the key deliverable target range of 60%–65%. Engagement by Canadians with CDIC content (web sessions, video views, social media audience growth, likes, shares, comments) was up 50% over the last fiscal year. Awareness among women is below target at 52%; however, since the launch of the new advertising creative in September 2021, that group's awareness has risen by 3.6 percentage points. This shortfall may have been influenced by the lack of presence because of the blackout period during the fall 2021 federal election.
Enhance CDIC's understanding of emerging financial sector trends, products and technologies.	Scoping for emerging research has been finalized and initial work towards recommendations begun by fiscal 2022/2023.	CDIC developed a roadmap to address the impact of fintech developments on depositor protection and provided expertise and perspective on the ongoing work of financial safety net partners, industry participants, and the International Association of Deposit Insurers.

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 2021/2022 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 2021/2022 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 $1.5 billion for the year ended March 31, 2022.

Premium revenue was $772 million for the year, an increase of $33 million (4%) from the previous fiscal year. The increase in premium revenue was mainly due to growth in insured deposits.

Investment income was $93 million for the year, an increase of $3 million (3%) from the previous fiscal year. The increase was mainly due to growth in the investment portfolio.

Net operating expenses were $68 million for the year, $8 million (14%) higher than the previous fiscal year, mainly due to an increase in personnel costs and professional fees to support the delivery of the Payout Modernization program and the Corporation's other key initiatives.

The Corporation's asset base continued to grow during the year. Total assets were $7.3 billion as at March 31, 2022, an increase of $792 million (12%) over the previous fiscal year. The majority of the Corporation's assets are investment securities which was the primary driver of the total asset increase from the previous fiscal year.

The Corporation's provision for insurance losses was $1.9 billion as at March 31, 2022, $750 million (28%) lower than the previous fiscal year. This decrease is mainly due to changes in the risk profile of certain member institutions and decreased probabilities of default, partly offset by an increase in exposure to losses.

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 $6 million (16%) 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 $7.3 billion or 71 basis points of insured deposits as at March 31, 2022, an increase of 4 basis points from March 31, 2021.

Consolidated statement of financial position

Assets

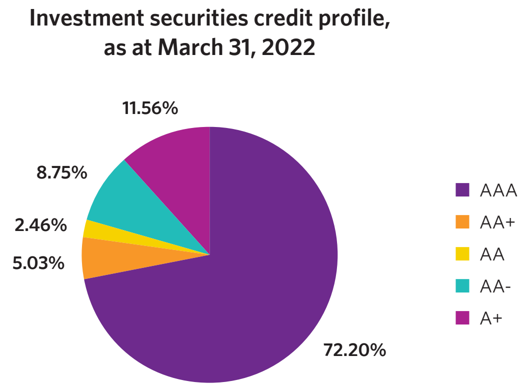
The total assets of the Corporation increased to $7.3 billion as at March 31, 2022, from $6.5 billion as at March 31, 2021, representing an increase of 12%. The following table summarizes CDIC's assets.

As at March 31 (C$ thousands)	2022	2021
Cash	22,726	2,480
Investment securities	7,261,749	6,490,225
Current tax asset	1,215	1,130
Trade and other receivables	742	172
Prepayments	1,074	1,302
Right-of-use assets	8,660	9,700
Property, plant and equipment	3,606	4,163
Intangible assets	4,460	2,999
Total assets	**7,304,232**	**6,512,171**

Investment securities

CDIC's $7.3 billion 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.

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 average duration of the Corporation's portfolio is 2.5 years as at March 31, 2022, unchanged from the prior year. CDIC's investments as at March 31, 2022, carry a weighted average effective yield at maturity of 1.36% (March 31, 2021: 1.37%).

Liabilities

The total liabilities of the Corporation decreased to $1.9 billion as at March 31, 2022, from $2.7 billion as at March 31, 2021, representing a decrease of 28%. The following table summarizes the liabilities of the Corporation.

As at March 31 (C$ thousands)	**2022**	**2021**
Trade and other payables	9,764	8,465
Lease liabilities	10,176	10,390
Employee benefits	1,461	1,508
Provision for insurance losses	1,900,000	2,650,000
Deferred tax liability	289	303
Total liabilities	**1,921,690**	**2,670,666**

Provision for insurance losses

CDIC's provision for insurance losses is estimated based on a number of assumptions. The $1.9 billion provision for insurance losses as at March 31, 2022, 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 decreased by $750 million in 2021/2022.

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

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

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, 2022, the minimum target level of the Corporation's *ex ante* funding was 100 basis points of insured deposits. The actual level of *ex ante* funding as at March 31, 2022, was $7.3 billion, or 71 basis points of insured deposits. Based on the level of insured deposits as at March 31, 2022, the 100 basis point minimum target level would amount to $10.3 billion.

The Corporation has developed a funding plan that would see *ex ante* funding reach the minimum funding target in the Corporation's 2029/2030 fiscal year. A review of the *ex ante* funding framework is currently underway and is expected to be completed in fiscal 2022/2023.

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.

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, 2022, CDIC had the legislative authority to borrow up to $30 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, 2022.

As at March 31 (C$ millions)	**2022**	**2021**
Available liquid funds:		
Cash	23	2
Fair value of high quality, liquid investment securities	7,058	6,586
Availability of borrowings:		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	30,000	28,000
Total available funds	**37,081**	**34,588**
Insured deposits	**1,025,235**	**967,981**
Total basis points of insured deposits	**362**	**357**

Consolidated statement of comprehensive income

CDIC's total comprehensive income for fiscal 2021/2022 totalled $1.5 billion, an increase of $1.2 billion from 2020/2021. The Corporation's financial performance is summarized in the following table.

For the year ended March 31 (C$ thousands)	2022	2021
Revenue		
Premium	772,318	739,100
Investment income	92,628	89,936
Other	208	78
Expenses		
Net operating expenses	67,977	59,829
(Decrease) increase in the provision for insurance losses	(750,000)	400,000
Income tax expense	6,225	7,367
Net income	1,540,952	361,918
Other comprehensive income (loss)	85	(104)
Total comprehensive income	**1,541,037**	**361,814**

Premium revenue

In the 2021/2022 fiscal year, premium revenue increased by $33 million (4%) to $772 million. Growth in insured deposits contributed to the increase in premium revenue. Insured deposits increased to $1.025 trillion as at April 30, 2021, from $968 billion as at April 30, 2020, an increase of 6%.

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 2021/2022 premium rates are consistent with CDIC's existing strategy that would see the Corporation reaching its minimum target *ex ante* funding level by 2029/2030. Premium rates, expressed as basis points of insured deposits, are presented below.

Premium category *(basis points of insured deposits)*	2021/2022	2020/2021
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 2021/2022 amounting to $772 million is approximately 7.5 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)

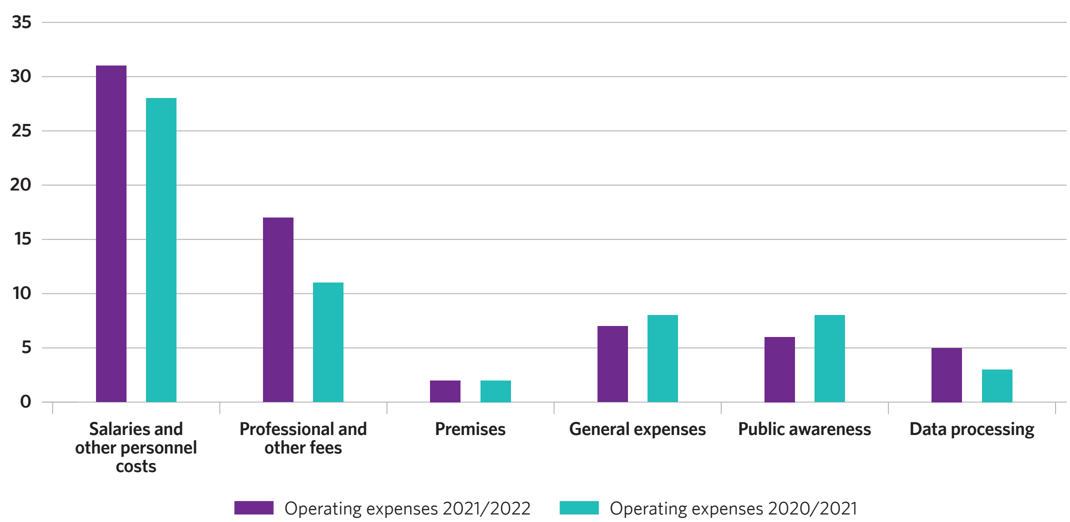
Premium category	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
1	91	89	83	81	83
2	6	10	14	15	11
3	3	1	3	4	5
4	—	—	—	—	1

Investment income

Investment income was $93 million for the year, an increase of $3 million (3%) from the previous fiscal year. The increase was mainly due to growth in the investment portfolio as a result of increased premium revenue.

Operating expenses

Operating expenses (C$ millions)



General expenses include depreciation and interest.

Operating expenses increased by $8 million (13%) to $68 million in fiscal 2021/2022 from fiscal 2020/2021. The increase was primarily driven by an increase in personnel costs and professional fees to support delivery of the Payout Modernization program and the Corporation's other key initiatives.

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 (16%) to $6 million in fiscal 2021/2022 from fiscal 2020/2021, 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)	2022	2021
Increase in cash from operating activities	835,475	794,934
Decrease in cash from investing activities	(814,940)	(794,542)
Decrease in cash from financing activities	(289)	(1,480)
Net increase (decrease) in cash balance	20,246	(1,088)
Cash, end of year	**22,726**	**2,480**

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

Comparison with 2021/2022 to 2025/2026 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2021/2022 with the Corporate Plan for the same year.

Consolidated statement of financial position

Total assets as at March 31, 2022, were $7.3 billion, $22 million (0.3%) higher than the planned amount.

Total liabilities as at March 31, 2022, were $1.9 billion, $797 million (29%) lower than the planned amount primarily due to a reduction in the provision for insurance losses of $750 million.

Consolidated statement of comprehensive income

Total revenue during the year was $865 million, $24 million (3%) higher than the planned amount of $841 million. This increase is primarily due to higher than planned premium revenue and investment income.

Net operating expenses for the year were $68 million, consistent with the planned amount of $68 million.

Total comprehensive income for the year ended March 31, 2022, was $1.5 billion compared to planned total comprehensive income of $671 million. The variance is mainly due to a decrease in the provision for insurance losses of $750 million.

(C$ millions)	2022/2023 Corporate Plan[a]	2021/2022 Actual results	2021/2022 Corporate Plan[a]
Consolidated statement of financial position *(as at March 31)*			
Cash and investments	8,101	7,285	7,256
Capital assets	14	8	18
Right-of-use assets	6	9	8
Other current assets	—	2	—
Total assets	**8,121**	**7,304**	**7,282**
Trade and other payables	5	10	5
Provision for insurance losses	2,600	1,900	2,700
Lease liabilities	8	10	9
Other non-current liabilities	5	2	5
Retained earnings	5,503	5,382	4,563
Total liabilities and equity	**8,121**	**7,304**	**7,282**
Consolidated statement of comprehensive income *(for the year ended March 31)*			
Revenue			
Premiums	822	772	765
Investment and other income	89	93	76
	911	865	841
Expenses			
Net operating expenses	88	68	68
Increase in provision for insurance losses	100	(750)	100
	188	(682)	168
Net income before income tax	723	1,547	673
Income tax expense	—	(6)	(2)
Total comprehensive income	**723**	**1,541**	**671**

[a] The Corporate Plans 2021/2022 to 2025/2026 and 2022/2023 to 2026/2027 were developed based on information as at December 31, 2020, and December 31, 2021, respectively.

You protect what matters.
So do we.

PART 2 CONSOLIDATED FINANCIAL STATEMENTS

Management responsibility for consolidated financial statements

June 1, 2022

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 judgement.

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.

Leah Anderson
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 2022, 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 2022, 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 heave 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

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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 judgement 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

- 3 -

- 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 of 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
1 June 2022

Consolidated financial statements and notes

Canada Deposit Insurance Corporation

Consolidated statement of financial position

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

	Notes	2022	2021
ASSETS			
Cash		22,726	2,480
Investment securities	*4*	7,261,749	6,490,225
Current tax asset		1,215	1,130
Trade and other receivables		742	172
Prepayments		1,074	1,302
Right-of-use assets	*5*	8,660	9,700
Property, plant and equipment	*6*	3,606	4,163
Intangible assets	*7*	4,460	2,999
TOTAL ASSETS		**7,304,232**	**6,512,171**
LIABILITIES			
Trade and other payables		9,764	8,465
Lease liabilities	*5*	10,176	10,390
Employee benefits	*16*	1,461	1,508
Provision for insurance losses	*8*	1,900,000	2,650,000
Deferred tax liability	*11*	289	303
Total liabilities		**1,921,690**	**2,670,666**
EQUITY			
Retained earnings		5,382,542	3,841,505
TOTAL LIABILITIES AND EQUITY		**7,304,232**	**6,512,171**

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 1, 2022

Director

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

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

	Notes	2022	2021
REVENUE			
Premium	*12*	772,318	739,100
Investment income	*4*	92,628	89,936
Other		208	78
		865,154	829,114
EXPENSES			
Net operating expenses	*13*	67,977	59,829
(Decrease) increase in the provision for insurance losses	*8*	(750,000)	400,000
		(682,023)	459,829
Net income before income taxes		1,547,177	369,285
Income tax expense	*11*	6,225	7,367
NET INCOME		**1,540,952**	**361,918**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to net income:			
Actuarial gain (loss) on defined benefit obligations		113	(138)
Income tax effect		(28)	34
Other comprehensive income (loss), net of tax		85	(104)
TOTAL COMPREHENSIVE INCOME		**1,541,037**	**361,814**

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, 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**
Net income	1,540,952
Other comprehensive income (loss)	85
Total comprehensive income	1,541,037
Balance, March 31, 2022	**5,382,542**

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)

	2022	2021
OPERATING ACTIVITIES		
Net income	1,540,952	361,918
Adjustments for:		
Depreciation and amortization	3,104	3,751
Investment income	(92,628)	(89,936)
Interest expense on lease liabilities	113	206
Income tax expense	6,225	7,367
Employee benefit expense	134	143
Change in working capital:		
(Increase) decrease in trade and other receivables	(570)	94
Decrease (increase) in prepayments	228	(196)
Increase in trade and other payables	1,299	653
(Decrease) increase in the provision for insurance losses	(750,000)	400,000
Investment income received	133,213	122,905
Employee benefit payment	(68)	(217)
Interest paid on lease liabilities	(173)	(206)
Income tax paid	(6,354)	(11,548)
Net cash generated by operating activities	835,475	794,934
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(2,831)	(2,331)
Purchase of investment securities	(2,251,004)	(2,844,435)
Proceeds from sale or maturity of investment securities	1,438,895	2,052,224
Net cash used in investing activities	(814,940)	(794,542)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(1,594)	(1,480)
Leasehold improvement allowance	1,305	—
Net cash used in financing activities	(289)	(1,480)
Net increase (decrease) in cash	20,246	(1,088)
Cash, beginning of year	2,480	3,568
Cash, end of year	**22,726**	**2,480**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

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, with the second phase of changes effective April 30, 2022. The changes have required and will continue to require changes to the Corporation's processes.

Changes to the CDIC Act resulting from the *Budget Implementation Act, 2021, No. 1*, received Royal Assent in June 2021. These new measures promote financial stability by strengthening Canada's deposit protection and bank resolution regime, such as:

- Strengthening the cross-border enforceability of the stay provisions that apply to eligible financial contracts.
- Providing legislative clarity to ensure beneficiaries of trust deposits continue to be protected once the new requirements related to trust deposits come into force.
- Extending the time limit for retaining control of a failing member up to 18 months from 6 months to allow CDIC time to complete its sale or restructuring.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 1, 2022.

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 this 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.

Judgements

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgement in applying the Corporation's accounting policies. The following are the significant judgements 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 judgements 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 judgements 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 at CDIC's financial position date. 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.

Capital assets

Capital assets, comprising property, plant and equipment, and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. The carrying amounts of the Corporation's capital assets are included in Notes 6 and 7.

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 the conditions outlined above; 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 same 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.

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.

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 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 assets.
- 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 its estimated useful life 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.

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 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 International Accounting Standards Board (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 is currently assessing the impact of the amendments on the Corporation's future financial statements.

4—Investment securities

As at March 31, 2022 (C$ thousands)	Remaining term to maturity: 90 days or less	91 days to 1 year	1 to 5 years	Total
Bonds	422,714	915,117	5,923,918	7,261,749
Weighted average effective yield (%)	1.28	1.68	1.32	1.36
Total investment securities	**422,714**	**915,117**	**5,923,918**	**7,261,749**
Weighted average effective yield (%)	**1.28**	**1.68**	**1.32**	**1.36**

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**

The carrying amounts in the above tables include accrued interest.

Fair value of financial instruments

The following table provides 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, 2022 (C$ thousands)	Amortized cost	Unrealized gain (loss)	Level 1	Level 2	Level 3	Total
Bonds	7,261,749	(203,291)	5,089,383	1,969,075	—	7,058,458
Total investment securities	**7,261,749**	**(203,291)**	**5,089,383**	**1,969,075**	**—**	**7,058,458**

			Fair values			
As at March 31, 2021 (C$ thousands)	Amortized cost	Unrealized gains (loss)	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**

The Corporation's total investment income was $92,628 thousand for the year ended March 31, 2022 (2021: $89,936 thousand). The Corporation did not recognize any fee income or expense for the year ended March 31, 2022 (2021: 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, 2022 (2021: nil).

The Corporation did not record any loss allowances on its investment securities at March 31, 2022 (2021: 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 2026 with an option to renew for an additional five years, 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, 2020	**13,282**	**24**	**13,306**
Additions	553	54	607
Adjustments	(1,348)	—	(1,348)
Balance, March 31, 2021	**12,487**	**78**	**12,565**
Additions	1,381	—	1,381
Adjustments	(1,244)	—	(1,244)
Balance, March 31, 2022	**12,624**	**78**	**12,702**
Accumulated depreciation			
Balance, April 1, 2020	**1,367**	**19**	**1,386**
Depreciation	1,465	14	1,479
Balance, March 31, 2021	**2,832**	**33**	**2,865**
Depreciation	1,167	10	1,177
Balance, March 31, 2022	**3,999**	**43**	**4,042**
Carrying amounts			
Balance, March 31, 2021	9,655	45	9,700
Balance, March 31, 2022	**8,625**	**35**	**8,660**

Carrying value of lease liabilities

(C$ thousands)	Leased office space	Equipment	Total
Balance, April 1, 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**
Additions	1,381	—	1,381
Finance charges	173	—	173
Lease payments	(1,757)	(11)	(1,768)
Balance, March 31, 2022	**10,142**	**34**	**10,176**

Interest expense on lease liabilities of $113 thousand (2021: $206 thousand) was recorded in the statement of comprehensive income during the year ended March 31, 2022. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the year ended March 31, 2022, was insignificant. Cash payments for the interest portion of $173 thousand (2021: $206 thousand) and the principal portion of $1,594 thousand (2021: $1,480 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	1,531	11	1,542
Later than one year and not later than five years	5,429	24	5,453
Later than five years	3,899	—	3,899
Total	**10,859**	**35**	**10,894**

6—Property, plant and equipment

(C$ thousands)	Computer hardware	Furniture and equipment	Leasehold improvements	Total
Cost				
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**
Additions	71	—	240	311
Balance, March 31, 2022	**4,187**	**2,536**	**5,795**	**12,518**
Accumulated depreciation				
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**
Depreciation	254	177	437	868
Balance, March 31, 2022	**3,819**	**1,514**	**3,579**	**8,912**
Carrying amounts				
Balance, March 31, 2021	551	1,199	2,413	4,163
Balance, March 31, 2022	**368**	**1,022**	**2,216**	**3,606**

7—Intangible assets

(C$ thousands)	Software	Software under development	Total
Cost			
Balance, March 31, 2020	**13,980**	**274**	**14,254**
Additions—internal development	970	(17)	953
Balance, March 31, 2021	**14,950**	**257**	**15,207**
Additions—internal development	627	1,893	2,520
Transfers	257	(257)	—
Balance, March 31, 2022	**15,834**	**1,893**	**17,727**
Accumulated amortization			
Balance, March 31, 2020	**10,772**	**—**	**10,772**
Amortization	1,436	—	1,436
Balance, March 31, 2021	**12,208**	**—**	**12,208**
Amortization	1,059	—	1,059
Balance, March 31, 2022	**13,267**	**—**	**13,267**
Carrying amounts			
Balance, March 31, 2021	2,742	257	2,999
Balance, March 31, 2022	**2,567**	**1,893**	**4,460**

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, 2021	**2,650,000**
Changes in provision	(750,000)
Balance, March 31, 2022	**1,900,000**

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, 2022, was 2.39% (2021: 0.99%). The impact of the change in discount rate during the year resulted in a decrease to the provision of $110 million. 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 $23 million (2021: $33 million decrease) while a decrease of 25 basis points in the discount rate will increase the provision by $23 million (2021: $33 million increase).

The Corporation is implementing 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 will be effective as of April 30, 2022. The changes have required and will continue to require changes to CDIC processes.

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)	2022	2021
Cash	22,726	2,480
Investment securities	7,261,749	6,490,225
Trade and other receivables	742	172
Financial assets	**7,285,217**	**6,492,877**
Trade and other payables	9,764	8,465
Financial liabilities	**9,764**	**8,465**

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 intervention 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)	2022	2021
AAA	5,242,549	5,126,190
AA+	365,419	—
AA	178,844	72,325
AA-	635,729	628,456
A+	839,208	663,254
Total investment securities	**7,261,749**	**6,490,225**

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, 2022, 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 and performance against approved limits annually.

The *Board Liquidity Risk Policy* sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting: 1) the parameters established under all of the financial risk policies; and 2) 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 $30 billion (2021: $28 billion), subject to ministerial approval. Under the CDIC Act, the borrowing limit is adjusted annually to reflect the growth of insured deposits. If existing borrowing authorities are insufficient, CDIC could apply to Parliament, through an appropriation act. Further borrowing could also 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, 2022 and 2021, respectively.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk relating to its investment securities. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while adhering to approved policies.

Since the Corporation's investment securities are measured at amortized cost, changes in market interest rates do not have a significant impact on the Corporation's net income. However, they would impact the fair value of CDIC's investment securities. The Corporation manages this interest rate risk by obtaining fair value information for the investment securities for internal reporting and financial risk management purposes. Interest rate stress scenarios are performed on a regular basis on the Corporation's investment securities to evaluate the potential impact of possible changes in market interest rates on the fair value of its investments. As a result, the Corporation obtains a clear picture of the extent of this interest rate risk exposure. The Corporation reports interest rate risk on a quarterly basis to the Chief Financial Officer and annually to the Audit Committee of the Board.

The following table shows the estimated impact that a 50 basis point increase and a 25 basis point decrease in market interest rates would have had on the disclosed fair value of the Corporation's investment securities at the end of the fiscal year.

For the year ended March 31	2022	2021
50 basis point increase	$84 million decrease	$79 million decrease
25 basis point decrease	$42 million increase	$40 million increase

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, 2022, the minimum target for the *ex ante* funding is 100 basis points of insured deposits. The Corporation has developed a funding plan that would see *ex ante* funding reach the minimum funding target in the Corporation's 2029/2030 fiscal year. A review of the *ex ante* funding framework is currently underway and is expected to be completed in fiscal 2022/2023.

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)	2022	2021	2022
Retained earnings	5,382,542	3,841,505	
Provision for insurance losses	1,900,000	2,650,000	
Total *ex ante* funding	**7,282,542**	**6,491,505**	**10,252,351**
Total basis points of insured deposits	**71**	**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)	**2022**	**2021**
Current income tax:		
Current income tax expense	6,267	7,487
Adjustments in respect of current income tax of previous years	—	(9)
Deferred tax:		
Relating to the origination of temporary differences	(42)	(111)
Income tax expense recognized in net income	**6,225**	**7,367**

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)	**2022**	**2021**
Net income before income taxes	1,547,177	369,285
Expected income tax at the 25% federal tax rate (2021: 25%)	386,794	92,321
Non-deductible adjustments:		
Premium revenue	(193,080)	(184,775)
(Decrease) Increase in non-deductible provision for insurance losses	(187,500)	100,000
Other	11	(179)
Income tax expense recognized in net income	**6,225**	**7,367**

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2022 and 2021, are as follows:

As at March 31, 2022 (C$ thousands)	Opening balance	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets				
Remuneration payable	44	3	—	47
Defined benefit obligations	377	16	(28)	365
Lease liability	2,597	(53)	—	2,544
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(896)	(184)	—	(1,080)
Right-of-use assets	(2,425)	260	—	(2,165)
Net deferred tax liability	**(303)**	**42**	**(28)**	**(289)**

As at March 31, 2021 (C$ thousands)	Opening balance	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)**

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 2021/2022 fiscal year are as follows:

Premium category

(basis points of insured deposits) *For the year ended March 31*	2022	2021
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 $772,318 thousand was recorded during the year ended March 31, 2022 (2021: $739,100 thousand). Premium revenue is higher year over year mainly due to an increase in total insured deposits held at member institutions.

13—Operating expenses

The following table provides details of total net operating expenses of the Corporation for the years ended March 31, 2022 and 2021.

For the year ended March 31 (C$ thousands)	2022	2021
Salaries and other personnel costs	31,431	28,112
Professional and other fees	16,958	11,045
Premises	2,436	2,167
General expenses	2,965	3,014
Public awareness	6,450	8,090
Depreciation and amortization	1,927	2,272
Depreciation on right-of-use assets	1,177	1,479
Interest expense on lease liabilities	113	206
Data processing	4,520	3,444
Total operating expenses	**67,977**	**59,829**

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. The following disclosure is in addition to the related party disclosure provided elsewhere in these consolidated financial statements. All material related party transactions are either disclosed below or in the relevant notes.

During the year ended March 31, 2022, CDIC recognized an amount of $2,874 thousand (2021: $2,547 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.

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)	2022	2021
Wages, bonuses and other short-term benefits	2,646	2,660
Post-employment benefits	566	536
Total key Management personnel remuneration	**3,212**	**3,196**

15—Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2022.

The Corporation has commitments for contractual arrangements for services. As at March 31, 2022, these future commitments are $22,698 thousand (2021: $13,969 thousand).

16—Employee benefits

For the year ended March 31 (C$ thousands)	2022	2021
Defined benefit obligations	1,461	1,508
Employee benefits	**1,461**	**1,508**

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 5.91 times (2021: 3.59 times) the employees' contribution on amounts of salaries in excess of $191 thousand (2021: $182 thousand). For amounts on salaries below $191 thousand (2021: $182 thousand), the Corporation's contribution rate is 1.02 times for employment start dates before January 1, 2013, and 1.00 times for employment start dates after January 1, 2013 (2021: 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 2022/2023 is $3,503 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.

You protect what matters.
So do we.

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.

CDIC completed a comprehensive review of the Corporation's governance structure and practices to ensure they continue to be forward-looking and world class. The review has resulted in innovative changes to CDIC's Board and Committee Charters, its Governance Framework, by-laws and risk policies, all of which position the Board and Management for current and future success in risk identification and mitigation, as well as overall strategic decision making.

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 Board of Directors is 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). In accordance with the *Canada Deposit Insurance Corporation Act* (the CDIC Act), the *ex officio* Directors may designate individuals as Alternates, who are deemed to be members of the Board of Directors when acting on their behalf.

The Government proposed to introduce an amendment to the CDIC Act in Budget 2022, to strengthen governance by including the Chief Executive Officer as a full Board member, to ensure alignment with best practices and with the Boards of other Crown corporations and financial institutions. The amendment would also see an additional private sector Director added to the Board's composition, to maintain the balance between public and private sector Directors.

CDIC's Board of Directors is responsible for the overall stewardship 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.

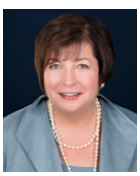
Board of Directors composition

as at March 31, 2022

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



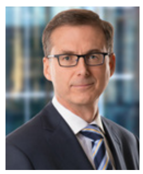
Linda Caty
Lawyer
Carignan, Québec
Joined: June 2018
Appointed for a two-year term expiring on June 20, 2020; re-appointed June 21, 2020, for a four-year term expiring on June 20, 2024

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

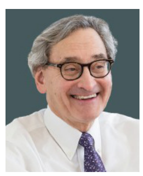
Andrew Kriegler
Financial Executive
Toronto, Ontario
Joined: September 2018
Appointed for a four-year term expiring on September 6, 2022

Vacant
**Wendy Millar resigned from her position on the Board, effective June 18, 2021*

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

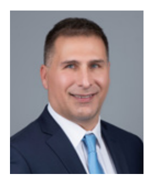
Peter Routledge
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
Joined: June 2021
Appointed for a seven-year term

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)

Sharon Kozicki
Deputy Governor
Bank of Canada
Designated Alternate: August 2021

Isabelle Jacques
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance
Designated Alternate: September 2021



Frank Lofranco
Deputy Commissioner
Supervision and Enforcement
Financial Consumer Agency of Canada
Designated Alternate: September 2021

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

- **J.M. Castonguay (Chair)**—Member since June 2019; Chair since August 2021
- **D. Dominy**—Member since August 2018
- **A. Kriegler**—Member since September 2018; Chair from April 2019 to August 2021
- **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 Management; 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*

- **L. Caty (Chair)**—Member since March 2019; Chair since August 2021
- **J.M. Castonguay**—Member since September 2019
- **D. Dominy**—Member since March 2019; Chair from March 2019 to August 2021
- **P. Routledge**—Member since August 2021
- **R.O. Sanderson**—Member since March 2019
- W. Millar—Member from March 2019 to June 2021
- J. Rudin—Member from March 2019 to June 2021

*****Names in bold** denote current committee members as at March 31, 2022.*

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**

- **D. Dominy (Chair)**—Member and Chair since August 2021
- **L. Caty**—Member since March 2019
- **J. Hubbs**—Member since March 2019
- **A. Kriegler**—Member since March 2019
- **T. Macklem**—Member since July 2020
- W. Millar—Member and Chair from March 2019 to June 2021

**Names in bold* *denote current committee members as at March 31, 2022.*

Board and committee meetings and attendance

(April 1, 2021 to March 31, 2022)

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]	8	4	4	3
Attendance				
Private sector Directors				
R.O. Sanderson—Chair	8	4	4	3
J.M. Castonguay	8	4	4	N/A
L. Caty	8	N/A	4	3
D. Dominy	8	4	4	2
A. Kriegler	8	4	N/A	3
***Ex officio* Directors (Alternates)**				
Bank of Canada: T. Macklem (TM) (P. Beaudry [PB], S. Kozicki [SK])[d]	8 (TM) 5 (PB) 3 (SK)	N/A	N/A	3 (TM)
Department of Finance: M. Sabia (MS) (L. Anderson [LA], I. Jacques [IJ])[e]	1 (MS) 4 (LA) 3 (IJ)	N/A	N/A	N/A
Financial Consumer Agency of Canada: J. Robertson (JRo) (F. Lofranco [FL])[f]	8 (JRo) 3 (FL)	4 (JRo)	N/A	N/A
Superintendent of Financial Institutions: J. Rudin (JRu),[g] P. Routledge (PR)[h]	5 (JRu) 3 (PR)	N/A	1 (JRu) 2 (PR)	N/A
Office of the Superintendent of Financial Institutions—Second Director: J. Hubbs	7	N/A	N/A	3
Directors who departed during the year				
W. Millar[i]	2	N/A	2	1

a Also includes meetings attended virtually.
b Includes but is not limited to Board Tabletop Simulation Sessions and a Board Strategic Planning Session.
c The Chair is invited to Audit Committee and Risk Committee meetings as an observer but is not a Committee member.
d P. Beaudry's term as Alternate ended August 29, 2021. S. Kozicki's term as Alternate began August 30, 2021.
e L. Anderson's term as Alternate ended August 16, 2021. I. Jacques' term as Alternate began September 6, 2021.
f F. Lofranco's term as Alternate began September 6, 2021.
g J. Rudin's term as Superintendent of Financial Institutions ended June 28, 2021.
h P. Routledge's term as Superintendent of Financial Institutions began effective June 29, 2021.
i W. Millar resigned from the Board of Directors, effective June 18, 2021.

Professional background of Board members—expertise and experience

Board member[1]	Education/ Designations	Accounting	Comms	Crisis	Financial services	Governance/ Leadership	IT/ Fintech	Law	M&A/ Insolvency	Regulatory	Risk management	Talent management
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		✓	✓	✓	✓				✓	✓	✓
Robertson, Judith Commissioner, FCAC	BA, MBA, CFA	✓			✓	✓	✓			✓	✓	✓
Routledge, Peter Superintendent, OSFI	BA, MBA	✓	✓	✓	✓	✓			✓	✓	✓	✓
Sabia, Michael Deputy Minister, Department of Finance	BA, M. Phil.	✓	✓	✓	✓	✓				✓	✓	✓

1 Note: There is currently one vacancy for a private sector Director that has not been filled, following the resignation of Wendy Millar effective June 18, 2021.

Directors' fees

In 2021/2022, private sector Directors' fees for the performance of their services totalled $218,669 (compared to $208,120 in 2020/2021).

2021/2022—Fees for private sector Directors	
R.O. Sanderson	$ 114,000
J.M. Castonguay	$ 28,080
L. Caty	$ 28,080
D. Dominy	$ 26,820
A. Kriegler	$ 20,520
W. Millar	$ 1,169
Total	**$ 218,669**

Corporate Officers

as at March 31, 2022

CDIC's Governance Council is comprised of its President and Chief Executive Officer (CEO), along with six 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:

Leah Anderson
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

Michael Mercer
Chief Data and Insurance Officer

Camille Ringrose
Head, Finance and Operations & Chief Financial Officer

Christa Walker
General Counsel, Corporate Secretary & Chief Legal Officer

Corporate Officer compensation

2021/2022 compensation range disclosure for Corporate Officers, as at March 31, 2022*			
Cash compensation[2,3]	**President and CEO**	**Category 1 Officers†**	**Category 2 Officers†**
Base salary range	$271,000–$318,800	$202,891–$297,558*	$169,543–$248,688*
Incentive program range	6.5%–26%	0%–25%	0%–18%
Total compensation range per fiscal year	**$288,615–$401,688**	**$202,891–$371,955**	**$169,543–$293,542**

*Corporate Officer compensation contained in the 2021 Annual Report was inclusive of increases that were to be applied in 2021/2022, as opposed to the salary ranges from 2020/2021. As a result, figures in both the 2021 and 2022 publications are similar.

† 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	$3,648	$3,648
Total	**$27,648**	**$13,648**

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.

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.

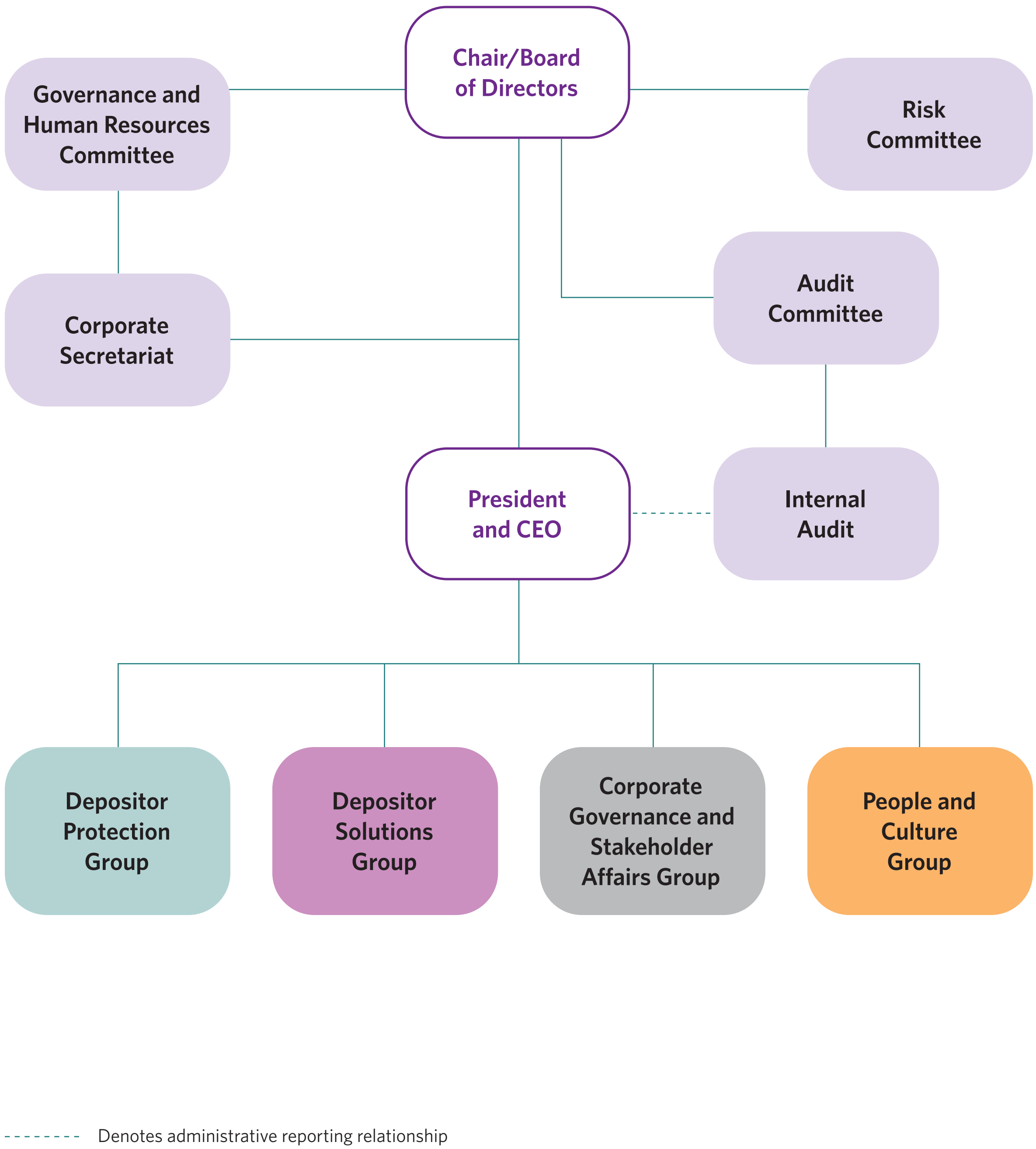
These disclosures can be viewed on our website at **www.cdic.ca**.

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, 2022, Category 1 Officer roles included: Chief Operating Officer; Chief Human Resources Officer & Chief of Staff; Chief Member Risk and Resolution; and Chief Data and Insurance Officer. Category 2 Officer roles included: Head, Finance and Operations & Chief Financial Officer; and General Counsel, Corporate Secretary & Chief Legal Officer.

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

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 2021/2022 was completed in March 2022.

Refreshed harassment and workplace violence training

CDIC revised its Harassment in the Workplace and Workplace Violence Prevention policies and merged them into one new Workplace Harassment and Violence Prevention Policy. Mandatory training was completed in December 2021.

Accessibility

CDIC is committed to creating a workplace that embraces and celebrates individual differences. The organization continues to identify and remove existing and future barriers, both visible and invisible, to ensure that practices, programs and the physical environment are compliant with the *Accessible Canada Act*. As part of the Future of Work, a review of current office space has taken place with the goal of providing a barrier-free work environment. Increased IT functionality was provided for mobility- and hearing-impaired individuals. CDIC offers a comprehensive disability management program comprising various at-work services, accommodation programs, flexible work arrangements and robust health benefits, including paramedical services.

Employment equity

CDIC's Diversity, Equity and Inclusion Strategy will also contribute to CDIC meeting its employment equity legislative requirements and comply with the *Accessible Canada Act* provision to consult with diverse employees on inclusion, employment equity and accessibility-related topics, including seen and unseen barriers.

Mandatory COVID-19 vaccination

CDIC's Vaccination Policy was created in accordance with the Minister of Finance's expectations and in alignment with the Government of Canada's *Policy on COVID-19 Vaccination for the Core Public Administration, Including the Royal Canadian Mounted Police*. It requires employees to disclose their vaccination status to CDIC via attestation; the requirement for employees to be vaccinated applies whether they are teleworking, working remotely, or on-site.

Annual Public Meeting

CDIC held its 2021 Annual Public Meeting (APM) as a bilingual live webcast on October 21, 2021. Under the theme *Addressing the gender gap: The importance of raising public awareness of deposit insurance among women in Canada*, CEO Leah Anderson was joined by members of the CDIC Board of Directors and a panel of subject matter experts for a conversation about the gender gap in financial literacy. The panel discussed Canadian-based behavioural research into potential causes for the gap in awareness among women as compared to men, as well as CDIC's public awareness research, highlighting the significant role women play in supporting financial stability across Canada.

The APM is an opportunity for CDIC to update Canadians on its activities and to answer any questions from members of the public attending online or via social media. CDIC plans to hold its next APM in the fall of 2022 in accordance with the *Financial Administration Act*.

You protect what matters.
So do we.

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*)

Central Bank Digital Currency (CBDC): Refers to a digital payment instrument that is issued by a central bank, that can store value, can be redeemed at par value at any time, and that offers holders a direct claim on the central bank. (*Monnaie numérique de banque centrale (MNBC)*)

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 eight insured categories. (Products that are not eligible deposits include, for example: mutual funds, stocks and bonds, Exchange Traded Funds (ETFs) and cryptocurrencies.) (*Dépôt assurable*)

[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.

Environmental, Social and Governance (ESG): ESG criteria are a set of principles that are being adopted by organizations and investors to foster long-term sustainability. These factors measure the sustainability and ethical impact of a business or company. (*Environnementaux, sociaux et de gouvernance (ESG)*)

***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*)

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*)

Task Force on Climate-related Financial Disclosures (TCFD): The TCFD was created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. (*Groupe de travail sur la divulgation de l'information financière relative aux changements climatiques (GTIFCC)*)

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*)