Part 2 **Consolidated financial statements**

Management responsibility for consolidated financial statements

June 6, 2023

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

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

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

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

Leah Anderson
President and Chief Executive Officer

Jordan Rosenbaum
Chief Financial Officer & Head, Business Integration

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 2023, 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

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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
6 June 2023

Consolidated financial statements and notes

Canada Deposit Insurance Corporation

Consolidated statement of financial position

As at March 31, 2023 (audited) (C$ thousands)

	Notes	2023	2022
ASSETS			
Cash		15,712	22,726
Investment securities	*4*	8,123,679	7,261,749
Current tax asset		—	1,215
Trade and other receivables		472	742
Prepayments		1,636	1,074
Right-of-use assets	*5*	7,416	8,660
Property, plant and equipment	*6*	3,452	3,606
Intangible assets	*7*	6,934	4,460
TOTAL ASSETS		**8,159,301**	**7,304,232**
LIABILITIES			
Trade and other payables		13,579	9,764
Current tax liability		4,954	—
Lease liabilities	*5*	8,816	10,176
Employee benefits	*16*	1,291	1,461
Provision for insurance losses	*8*	2,100,000	1,900,000
Deferred tax liability	*11*	148	289
Total liabilities		**2,128,788**	**1,921,690**
EQUITY			
Retained earnings		6,030,513	5,382,542
TOTAL LIABILITIES AND EQUITY		**8,159,301**	**7,304,232**

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 6, 2023

Director

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

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

	Notes	2023	2022
REVENUE			
Premium	*12*	814,723	772,318
Investment income	*4*	125,274	92,628
Other		153	208
		940,150	865,154
EXPENSES			
Net operating expenses	*13*	81,211	67,977
Increase (decrease) in the provision for insurance losses	*8*	200,000	(750,000)
		281,211	(682,023)
Net income before income taxes		658,939	1,547,177
Income tax expense	*11*	11,075	6,225
NET INCOME		**647,864**	**1,540,952**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net income:			
Actuarial gain on defined benefit obligations		143	113
Income tax effect		(36)	(28)
Other comprehensive income, net of tax		107	85
TOTAL COMPREHENSIVE INCOME		**647,971**	**1,541,037**

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, 2021	**3,841,505**
Net income	1,540,952
Other comprehensive income	85
Total comprehensive income	1,541,037
Balance, March 31, 2022	**5,382,542**
Net income	647,864
Other comprehensive income	107
Total comprehensive income	647,971
Balance, March 31, 2023	**6,030,513**

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)

	2023	2022
OPERATING ACTIVITIES		
Net income	647,864	1,540,952
Adjustments for:		
Depreciation and amortization	3,143	3,104
Loss on disposal of property, plant and equipment	114	—
Gain on lease modification	(2)	—
Investment income	(125,274)	(92,628)
Interest expense on lease liabilities	163	113
Income tax expense	11,075	6,225
Employee benefit expense	134	134
Change in working capital:		
Decrease (increase) in trade and other receivables	270	(570)
(Increase) decrease in prepayments	(562)	228
Increase in trade and other payables	3,815	1,299
Increase (decrease) in the provision for insurance losses	200,000	(750,000)
Investment income received	149,235	133,213
Employee benefit payment	(161)	(68)
Interest paid on lease liabilities	(163)	(173)
Income tax paid	(5,083)	(6,354)
Net cash generated by operating activities	884,568	835,475
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(4,210)	(2,831)
Purchase of investment securities	(3,413,564)	(2,251,004)
Proceeds from sale or maturity of investment securities	2,527,674	1,438,895
Net cash used in investing activities	(890,100)	(814,940)
FINANCING ACTIVITIES		
Principal payment of lease liabilities	(1,482)	(1,594)
Leasehold improvement allowance	—	1,305
Net cash used in financing activities	(1,482)	(289)
Net (decrease) increase in cash	(7,014)	20,246
Cash, beginning of year	22,726	2,480
Cash, end of year	**15,712**	**22,726**

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

Notes to the consolidated financial statements

March 31, 2023

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 His 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*, are now in force. These 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.
- 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.

The federal government announced its intention to create the First Home Savings Account (FHSA) in Budget 2022. The *Fall Economic Statement Implementation Act, 2022*, received Royal Assent on December 15, 2022, and enacts the legislative amendments necessary to introduce the FHSA, including amendments to the CDIC Act. Effective April 1, 2023, CDIC's deposit insurance coverage will expand to include separate coverage for eligible deposits held under the new FHSA category, with a separate coverage limit of $100,000, as with other categories.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 6, 2023.

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.

Judgments

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

Consolidation

Management has determined, based on an analysis of the facts and circumstances, that the Corporation controls ACC and the financial statements of CDIC should incorporate the financial statements of ACC.

Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although CDIC does not own any of the share capital of ACC, it is the sole creditor of ACC, having provided an intercompany loan in 1992. The terms of the loan restrict the activities of ACC and stipulate that ACC cannot alter the composition of the Board of Directors without CDIC's consent, giving CDIC power over ACC's key activities.

As the sole creditor, CDIC initiated proceedings for the dissolution of ACC after March 31, 2023. The outcome of the dissolution is not significant and after dissolution, CDIC's financial statements will no longer be consolidated.

Financial instruments

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

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

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

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

See "Financial instruments" below for further details.

Estimates and assumptions

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

Provision for insurance losses

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

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of resolving the failure of member institutions as 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

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 has assessed the standard and amendments and concluded IFRS 17 is not applicable to the Corporation's financial statements.

New and revised IFRS issued but not yet effective

IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: In February 2021, the IASB issued Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to guide preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. We do not anticipate that the adoption of these amendments will have a significant impact on our consolidated financial statements.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: In February 2021, the IASB issued Definition of Accounting Estimates, amendments to IAS 8. The amendments guide entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. We do not anticipate that the adoption of these amendments will have a significant impact on our consolidated financial statements.

4—Investment securities

As at March 31, 2023 (C$ thousands)	Remaining term to maturity: 90 days or less	91 days to 1 year	1 to 5 years	Total
Bonds	688,139	1,069,646	6,325,952	8,083,737
Weighted average effective yield (%)	2.46	2.22	1.77	1.88
Treasury bills	39,942	—	—	39,942
Weighted average effective yield (%)	4.42	—	—	4.42
Total investment securities	**728,081**	**1,069,646**	**6,325,952**	**8,123,679**
Weighted average effective yield (%)	**2.57**	**2.22**	**1.77**	**1.90**

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**

The carrying amounts in the above tables include accrued interest.

Fair value of financial instruments

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

As at March 31, 2023 (C$ thousands)	Amortized cost	Unrealized gain (loss)	Fair values: Level 1	Level 2	Level 3	Total
Bonds	8,083,737	(261,324)	5,629,815	2,192,598	—	7,822,413
Treasury bills	39,942	—	39,942	—	—	39,942
Total investment securities	**8,123,679**	**(261,324)**	**5,669,757**	**2,192,598**	**—**	**7,862,355**

As at March 31, 2022 (C$ thousands)	Amortized cost	Unrealized gain (loss)	Fair values: 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**

The Corporation's total investment income was $125,274 thousand for the year ended March 31, 2023 (2022: $92,628 thousand). The Corporation did not recognize any fee income or expense for the year ended March 31, 2023 (2022: 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, 2023 (2022: nil).

The Corporation did not record any loss allowances on its investment securities at March 31, 2023 (2022: nil).

5—Right-of-use assets and lease liabilities

The Corporation leases office space in Ottawa and Toronto, the term of which ends in September 2030 and October 2026, respectively, each with an option to renew for an additional five years. The extension options for the Ottawa and Toronto offices are 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, 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**
Additions	87	—	87
Adjustments	36	—	36
Balance, March 31, 2023	**12,747**	**78**	**12,825**
Accumulated depreciation			
Balance, April 1, 2021	**2,832**	**33**	**2,865**
Depreciation	1,167	10	1,177
Balance, March 31, 2022	**3,999**	**43**	**4,042**
Depreciation	1,356	11	1,367
Balance, March 31, 2023	**5,355**	**54**	**5,409**
Carrying amounts			
Balance, March 31, 2022	8,625	35	8,660
Balance, March 31, 2023	**7,392**	**24**	**7,416**

Carrying value of lease liabilities

(C$ thousands)	Leased office space	Equipment	Total
Balance, April 1, 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**
Additions	87	—	87
Adjustments	35	—	35
Finance charges	163	—	163
Lease payments	(1,635)	(10)	(1,645)
Balance, March 31, 2023	**8,792**	**24**	**8,816**

Interest expense on lease liabilities of $163 thousand (2022: $113 thousand) was recorded in the statement of comprehensive income during the year ended March 31, 2023. The Corporation recognized no expenses related to short-term leases and the amount recognized for low-value assets during the year ended March 31, 2023, was insignificant. Cash payments for the interest portion of $163 thousand (2022: $173 thousand) and the principal portion of $1,482 thousand (2022: $1,594 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	1,390	11	1,401
Later than one year and not later than five years	5,132	12	5,144
Later than five years	2,825	—	2,825
Total	**9,347**	**23**	**9,370**

6—Property, plant and equipment

(C$ thousands)	Computer hardware	Furniture and equipment	Leasehold improvements	Total
Cost				
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**
Additions	46	583	32	661
Retirements and disposals	—	(148)	(420)	(568)
Balance, March 31, 2023	**4,233**	**2,971**	**5,407**	**12,611**
Accumulated depreciation				
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**
Depreciation	146	167	385	698
Retirements and disposals	—	(117)	(334)	(451)
Balance, March 31, 2023	**3,965**	**1,564**	**3,630**	**9,159**
Carrying amounts				
Balance, March 31, 2022	368	1,022	2,216	3,606
Balance, March 31, 2023	**268**	**1,407**	**1,777**	**3,452**

7—Intangible assets

(C$ thousands)	Software	Software under development	Total
Cost			
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**
Additions—internal development	40	3,508	3,548
Transfers	210	(210)	—
Balance, March 31, 2023	**16,084**	**5,191**	**21,275**
Accumulated amortization			
Balance, March 31, 2021	**12,208**	**—**	**12,208**
Amortization	1,059	—	1,059
Balance, March 31, 2022	**13,267**	**—**	**13,267**
Amortization	1,074	—	1,074
Balance, March 31, 2023	**14,341**	**—**	**14,341**
Carrying amounts			
Balance, March 31, 2022	2,567	1,893	4,460
Balance, March 31, 2023	**1,743**	**5,191**	**6,934**

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 the 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, 2022	**1,900,000**
Changes in provision	200,000
Balance, March 31, 2023	**2,100,000**

The increase in the provision is primarily due to an increase in exposure to losses. 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, 2023, was 3.02% (2022: 2.39%). The impact of the change in discount rate during the year resulted in a decrease to the provision of $96 million (2022: $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 $25 million (2022: $23 million decrease), while a decrease of 25 basis points in the discount rate will increase the provision by $26 million (2022: $23 million increase).

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)	2023	2022
Cash	15,712	22,726
Investment securities	8,123,679	7,261,749
Trade and other receivables	472	742
Financial assets	**8,139,863**	**7,285,217**
Trade and other payables	13,579	9,764
Financial liabilities	**13,579**	**9,764**

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)	**2023**	**2022**
AAA	5,863,319	5,242,549
AA+	339,098	365,419
AA	285,483	178,844
AA-	669,871	635,729
A+	965,908	839,208
Total investment securities	**8,123,679**	**7,261,749**

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, 2023, 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 $32 billion (2022: $30 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, 2023, and March 31, 2022, 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 25 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	2023	2022
25 basis point increase	$43 million decrease	$42 million decrease
25 basis point decrease	$44 million increase	$42 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. During the 2022/23 fiscal year the Corporation conducted a review of the *ex ante* funding framework and established a near-term *ex ante* fund target to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

At March 31, 2023, the near term *ex ante* fund target remains on track to exceed 85 basis points of insured deposits by the 2026/27 fiscal year.

Ex ante funding

As at March 31 (C$ thousands)	2023	2022
Retained earnings	6,030,513	5,382,542
Provision for insurance losses	2,100,000	1,900,000
Total *ex ante* funding	**8,130,513**	**7,282,542**
Total basis points of insured deposits	**75**	**71**

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)	**2023**	**2022**
Current income tax:		
Current income tax expense	11,240	6,267
Adjustments in respect of current income tax of previous years	12	—
Deferred tax:		
Relating to the origination of temporary differences	(177)	(42)
Income tax expense recognized in net income	**11,075**	**6,225**

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)	**2023**	**2022**
Net income before income taxes	658,939	1,547,177
Expected income tax at the 25% federal tax rate (2022: 25%)	164,735	386,794
Non-deductible adjustments:		
Premium revenue	(203,681)	(193,080)
Increase (Decrease) in non-deductible provision for insurance losses	50,000	(187,500)
Other	21	11
Income tax expense recognized in net income	**11,075**	**6,225**

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2023, and March 31, 2022, are as follows:

As at March 31, 2023 (C$ thousands)	Opening balance	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets				
Remuneration payable	47	(26)	—	21
Defined benefit obligations	365	(6)	(36)	323
Lease liability	2,544	(340)	—	2,204
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(1,080)	238	—	(842)
Right-of-use assets	(2,165)	311	—	(1,854)
Net deferred tax liability	**(289)**	**177**	**(36)**	**(148)**

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)**

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 2022/23 fiscal year are as follows:

Premium category

(basis points of insured deposits) *For the year ended March 31*	2023	2022
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 $814,723 thousand was recorded during the year ended March 31, 2023 (2022: $772,318 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, 2023, and March 31, 2022.

For the year ended March 31 (C$ thousands)	2023	2022
Salaries and other personnel costs	34,880	31,431
Professional and other fees	22,647	16,958
General expenses	3,795	2,965
Premises	2,489	2,436
Data processing	6,993	4,520
Depreciation and amortization	1,776	1,927
Depreciation on right-of-use assets	1,367	1,177
Interest expense on lease liabilities	163	113
Public awareness	7,101	6,450
Total operating expenses	**81,211**	**67,977**

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, 2023, CDIC recognized an amount of $3,357 thousand (2022: $2,874 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)	2023	2022
Wages, bonuses and other short-term benefits	2,694	2,646
Post-employment benefits	784	566
Total key Management personnel remuneration	**3,478**	**3,212**

15—Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2023.

The Corporation has commitments for contractual arrangements for services. As at March 31, 2023, these future commitments are $39,138 thousand (2022: $22,698 thousand).

16—Employee benefits

For the year ended March 31 (C$ thousands)	2023	2022
Defined benefit obligations	1,291	1,461
Employee benefits	**1,291**	**1,461**

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 5.29 times (2022: 5.91 times) the employees' contribution on amounts of salaries in excess of $196 thousand (2022: $191 thousand). For amounts on salaries below $196 thousand (2022: $191 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 (2022: 1.02 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 2023/24 is $4,059 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.