



Part 1  
**Management's  
Discussion and Analysis**

## **CDIC's operating environment**

CDIC continually assesses the opportunities and challenges of an evolving economic and regulatory landscape to respond to emerging risks faced by our members and, ultimately, strengthen our position to protect depositors.

### **Economic environment**

In 2023, global economic growth slowed owing primarily to a tightening of monetary policy across major economies. While the pace of inflation has stabilized in response to increased interest rates, high debt-servicing costs continued to place a strain on household and business balance sheets and cash flows. At the same time, elevated borrowing costs weighed on business investment, notwithstanding modest improvements in labour market conditions.

Despite the challenging conditions of higher interest rates and persistent inflationary pressures, overall CDIC's membership remained resilient, while posting acceptable profitability and loan performance and adequate liquidity and capital ratios.

Global growth is expected to slow further in 2024 due to weaker consumption stemming from tight monetary policy environment and is projected to strengthen in 2025 as the effects of past monetary tightening fade and global financial conditions ease. While households and businesses may continue to face challenges in a higher interest rate environment, CDIC continues to monitor the resilience of its member institutions and remains focused on being ready to resolve member institutions, if necessary.

### **Regulatory environment**

During 2023/2024, CDIC concluded its review and consultation on the Differential Premium System (DPS) in response to changes in the financial regulatory, risk and operating environment. A number of strategic changes will be implemented to modernize the DPS and make it more effective in sending an early warning signal—with financial consequences—to the management and boards of directors of member institutions concerning the risk of failure and resolvability of their institution. These changes will ensure the DPS remains fit for purpose for years to come and improve CDIC's effectiveness in determining risk-based premiums, placing it in a stronger position to protect depositors in the event of member failure.

Working collaboratively with its regulatory partners, CDIC launched the first Federal-Provincial Deposit Insurance Forum with participation from the heads of each provincial deposit insurer, to share insights and best practices on deposit insurance and resolution in the evolving risk environment. Owing to the success and level of engagement brought forward by participants, the Forum will convene annually going forward with rotating Chairs among the jurisdictions.

## **CDIC's corporate environment**

The financial sector is constantly evolving as risk dynamics and financial innovation continue to challenge traditional business models of banking and influence how depositors save and invest. CDIC's work focuses on anticipating changes and responding to events in the financial sector to better protect depositors and promote financial stability.

### Lessons from international developments

The 2023 banking crisis in the United States and Europe exposed vulnerabilities to the global banking sector, leading Canadian regulators to take important steps to promote the stability of the Canadian financial system. Following an announcement in Budget 2023, amendments were made to the *Canada Deposit Insurance Corporation Act* to allow the Minister of Finance to temporarily increase the deposit insurance coverage limit in the event of a market disruption. The temporary measure was not used and was sunset in April 2024, with the Minister of Finance set to publish a report on its effectiveness in promoting financial stability.

While the events stemming from international markets were contained in those countries, these events offered important lessons on how risk factors, amplified by the role of social media, can quickly materialize, and spread throughout the financial sector. Over the past year, CDIC has focused on ensuring its tools remain fit for purpose as the financial landscape continues to evolve.

## **CDIC's Deposit Insurance Study**

In February 2023, CDIC's President & CEO announced the launch of a Deposit Insurance Study (DIS). This study is organized around three primary research themes:

- changes to the deposit environment
- structure and coverage of CDIC deposit insurance framework
- consumer awareness and understanding

The scope of the DIS was broadened to consider 2023 bank failures in the United States and Europe. CDIC is working collaboratively with its members, industry stakeholders, and domestic and international regulatory partners to support its research and analysis.

CDIC will continue to engage stakeholders as work advances to enhance the deposit insurance framework and promote financial stability.

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As part of CDIC's membership in and commitment to the International Association of Deposit Insurers (IADI), CDIC was actively involved in advancing IADI's key priorities, including participating in governance reform and developing a lessons learned paper related to the events that took place internationally, which was published by IADI in December 2023.

Looking forward to 2024, IADI's key priority is undertaking a review of the *Core Principles for Effective Deposit Insurance Systems* to ensure they remain relevant and effective. CDIC's President and CEO, Leah Anderson has been appointed by the Executive Council as Chair of the High-level Steering Group.

### Financial sector innovation

Digitalization and financial innovation, including the role of artificial intelligence, are transforming the way Canadians interact with and manage their money as new financial products and services offer speed and convenience to depositors. For this reason, CDIC evolved its public awareness campaign to increase its reach to key groups to promote a stronger confidence in understanding what type of deposits are (and are not) covered by CDIC. As a result, awareness among the general population remains near record levels at 63%. CDIC continues to work to increase awareness among targeted groups of the public including women, where awareness levels are lowest at 53%.

To better support depositors and keep pace with the use of payment technology, CDIC remained focused on the development of its payment modernization initiative, which aims to improve timely payout to depositors and equip members and nominee brokers with modern and enhanced tools for safe and secure data transfer and storage. CDIC also advanced its Enterprise Technology Strategy to support the Corporation's own digital transformation and enhanced cyber posture.

Working closely with its financial safety net partners, CDIC also participated in the Department of Finance's financial sector review on the digitalization of money.

### CDIC's workplace environment

CDIC takes pride in its people and the ability to nurture a strong, inclusive culture. With competition for talent at an all-time high, CDIC is developing new strategies to attract top talent, while also working to retain and engage existing staff. A key part of this work is supporting professional development and building capabilities across the organization to enhance employee engagement.

For two consecutive years, CDIC employees have certified CDIC as a Great Place to Work™ and, for the first time, CDIC was awarded National Capital Region's Top Employer in early 2024. Creating an employer brand of distinction enables CDIC to attract top talent from across the National Capital Region and beyond.

## Diversity, Equity, and Inclusion Strategy

CDIC is dedicated to having a work force representative of the Canadians it serves. Diverse voices make CDIC a better organization. Through its Diversity, Equity, and Inclusion Strategy, the Corporation recognizes that building an inclusive environment requires committed leadership. CDIC meets or exceeds targets for representation of women, visible minorities, and people with disabilities in its work force. In addition, 67% of CDIC's Corporate Officers identify as women. CDIC also has initiatives in place to build representation in other designated groups.

## Sustainability

In 2023, CDIC's Environmental, Social, and Governance (ESG) Strategy was approved by CDIC's Board to promote transparency and accountability for its actions. The ESG Strategy will help CDIC track its environmental impact to inform ways in which the organization can increase the sustainability of its operations over time.

## **CDIC's Environmental, Social and Governance (ESG) Strategy**

CDIC will operate sustainably through responsible, intentional, and inclusive actions for the benefit of our employees, communities, and depositors.

In 2023, the CDIC Board approved the Corporation's ESG strategy, which proactively focuses on anticipating and responding to developments and trends in the economic, financial, environmental, and social landscape to promote transparency and accountability for its actions.

CDIC will advance initiatives under each pillar of the ESG strategy going forward to strengthen the Corporation's governance framework that supports the delivery of CDIC's mandate.

For more information, please see Appendix A on the Taskforce on Climate-related Financial Disclosures (TCFD) Report.

## CDIC membership

CDIC member institutions include banks, federally regulated credit unions, as well as trust and loan companies. As at March 31, 2024, CDIC had 84 member institutions<sup>1</sup>.

CDIC has the authority to resolve a troubled member institution using either payout or non-payout resolution tools. Non-payout resolution options include, but are not limited to, assisting or forcing the sale of a troubled member; providing direct financial assistance; creating a bridge bank to continue operations of the non-viable member until a buyer can be found; and, in the case of a domestic systemically important bank (D-SIB), temporarily taking control of the bank and converting certain debt instruments into common shares to recapitalize it through a conversion of eligible debt (i.e., a "bail-in").

Under a payout resolution, CDIC protects depositors by promptly reimbursing depositors their insured deposits, in the rare event of a member institution failure.

## CDIC Risk and Data Assessments

CDIC monitors the health and risks of its members as part of its work to support a stable and resilient financial system. Over the last year, CDIC focused on strengthening its capacity for the early identification of risks, including emerging non-financial risk factors, among member institutions. As part of this effort, CDIC evolved its liquidity and solvency stress testing of member institutions which supports assessments of members' resilience to adverse economic and financial conditions.

Alongside its risk assessments, CDIC also validates that data and record-keeping requirements are being robustly met among member institutions and nominee brokers to ensure fast and accurate insurance payout, if required. In 2023, CDIC conducted extensive data testing activities for more than 80 members to take a deeper dive into the quality and integrity of the data provided by our members. At the same time, CDIC also engaged with the 30 largest nominee brokers on a prioritized basis to perform baseline testing on nominee broker data requirements.

Combined, these multi-year data testing and compliance initiatives will continue to support CDIC's early and continuous identification of risks and financial conditions of member institutions.

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<sup>1</sup> Note: HSBC Canada, which merged with RBC on March 28th 2024, is not consolidated with RBC in this report and remains classified as a non-domestic systemically important bank (D-SIB)

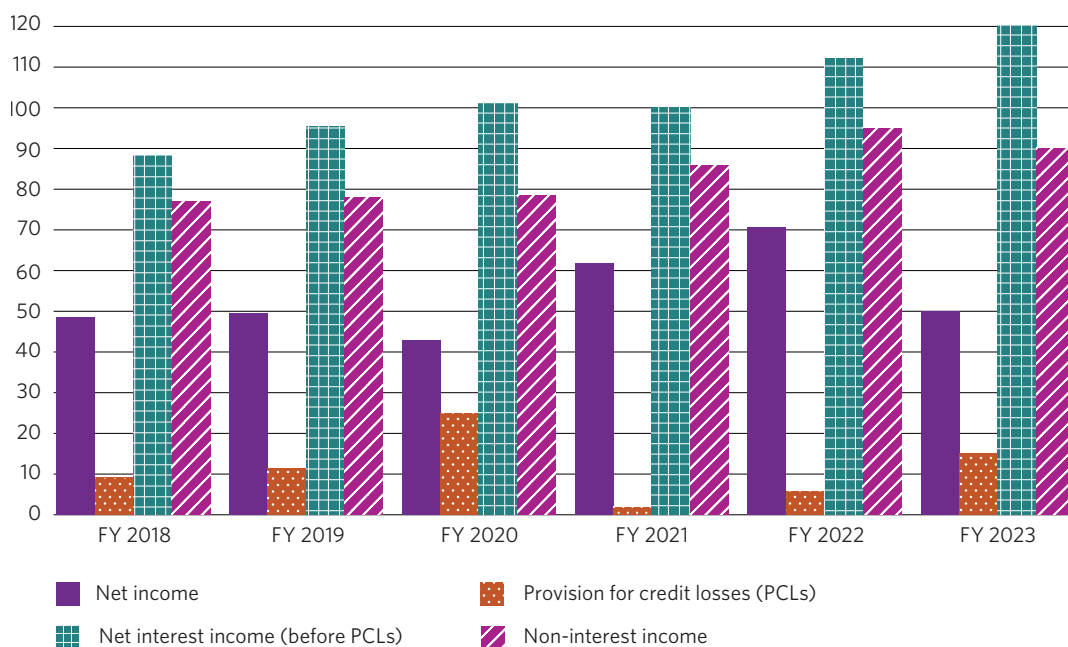
## Insured deposits

As at April 30, 2023, (the annual date on which insured deposits are calculated for insurance premiums), deposits insured by CDIC increased by 9.3% year over year to \$1,185 billion. Insured deposits continue to be a highly valued, cost-effective and stable source of funding for member institutions.

## Member institution financial results

CDIC's membership delivered solid financial results, maintaining adequate capital and liquidity ratios. From a macroeconomic perspective, tightening financial conditions and household indebtedness among persistent inflationary pressures continued to subject the banking sector to risk. These risks underscored the need for CDIC to maintain its focus on monitoring the risk environment and assessing the data quality of its members and nominee brokers to be prepared to respond rapidly if members experience financial difficulty.

### Net income and provisions for CDIC members, 2018-2023 (C\$ billions)



CDIC members earned a total net income of \$50.3 billion in 2023. Lower profits for the membership were attributable to higher provisions for credit losses (PCLs) and lower non-interest income. Net interest margins decreased year-over-year while non-interest expenses remained elevated.

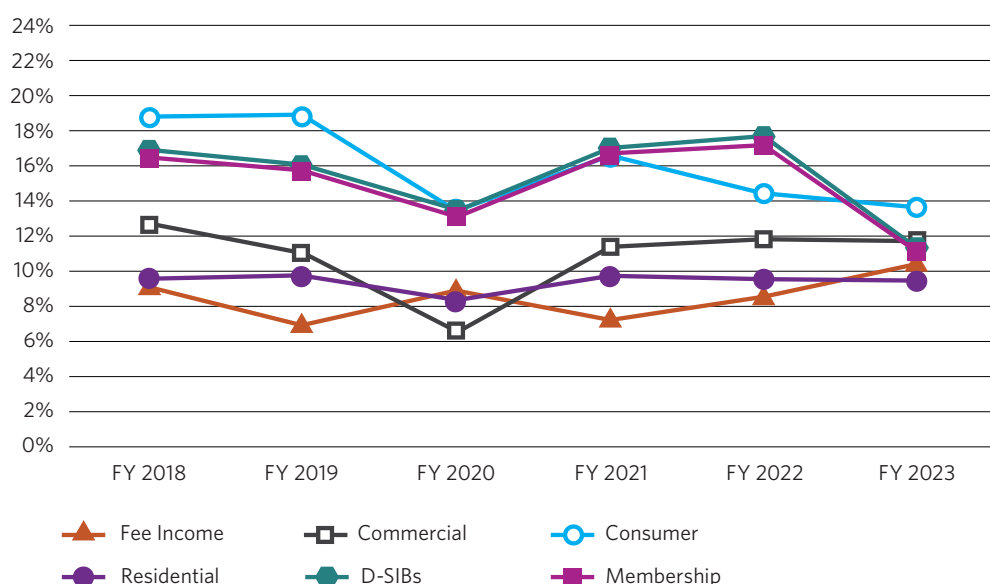
PCLs of \$14.7 billion increased 162.5% year over year, driven mainly by deteriorating macroeconomic conditions.

## Part 1: Management's Discussion and Analysis

Net interest income increased by 7.1% (\$7.9 billion) in 2023 as higher loan volumes were offset by a decline in net interest margins. Non-interest income decreased 3.0% (\$2.8 billion), driven largely by lower revenue from trading.

The membership's return on average shareholders' equity (ROAE), a broad-based measure looking at institutions' profitability, was 11.3%, down from 17.2% last year. ROAE decreased across the membership as net income was impacted by higher provisions for expected credit losses. Relative to other peer groups, the D-SIBs saw the highest ROAE fall due to the higher provisions for expected credit losses and higher cost of funds. As shown in the graph opposite, the ROAE varies by peer group, due to the type of lending and the degree of leverage utilized.

### Return on average shareholders' equity (ROAE) by peer group, 2018-2023



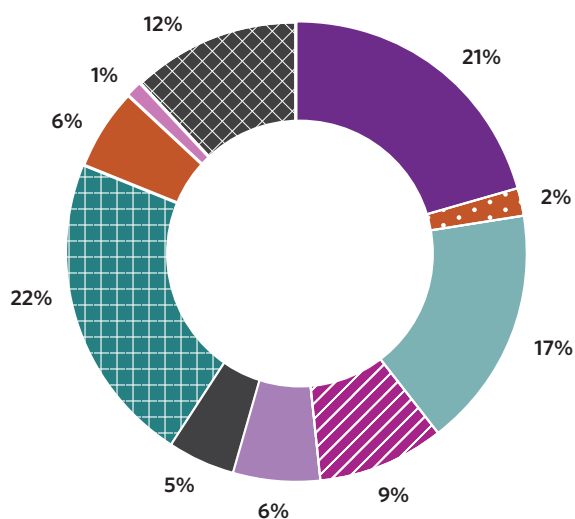
### Asset composition, growth and quality

The membership's total asset base grew 4.9% year-over-year to \$8.5 trillion, driven by the increase in residential mortgages, securities, commercial loans and personal and consumer loans. Residential mortgages, one of the largest asset classes on the balance sheets of CDIC members, totalled approximately \$1.9 trillion, or 22.0% of the membership's on-balance sheet assets. Other significant asset classes included securities (22.0% of total assets, 24.0% of which were Canadian government-issued securities), commercial loans (16.0%), personal and consumer loans (9.0%), and reverse repurchase agreements (11.0%).

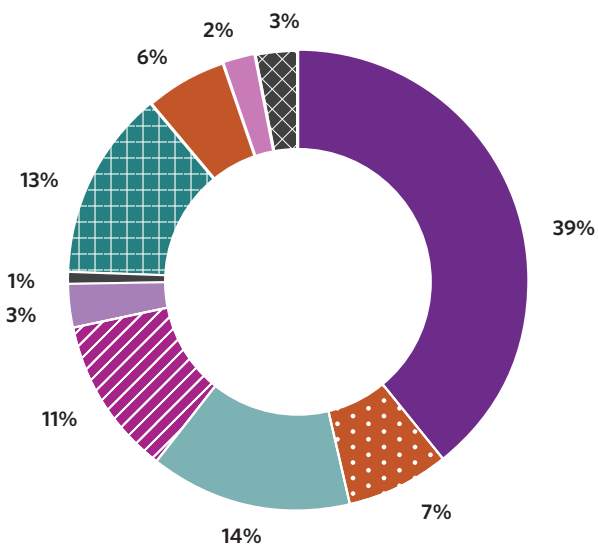
The D-SIB group is broken out from the rest of CDIC's membership due to its size and the disproportionately large impact these institutions have on the overall composition of the Canadian financial sector. The D-SIB peer group also has a diversified asset composition with a lower reliance on residential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



**Asset mix—D-SIBs peer group (%),\***  
**2023 (C\$8.1 trillion)**



**Asset mix—all other peer groups (%),\***  
**2023 (C\$465 billion)**



- Residential mortgage loans
- Derivatives related amounts
- Commercial mortgage loans
- Securities
- Commercial loans
- Cash and equivalents
- Personal and consumer loans
- Other loans and bankers' acceptances
- Other assets
- Reverse repurchase agreements

\* As at member's fiscal year end  
 Note: Total may not add to 100% due to rounding

The overall performance of the membership's assets in 2023 deteriorated compared to last year, with the gross impaired loan ratio increasing to 0.46% of total loans (2022: 0.33%). This measure is now closer to historical levels of -0.44%-0.49% (2017-2019).

### Liquidity levels

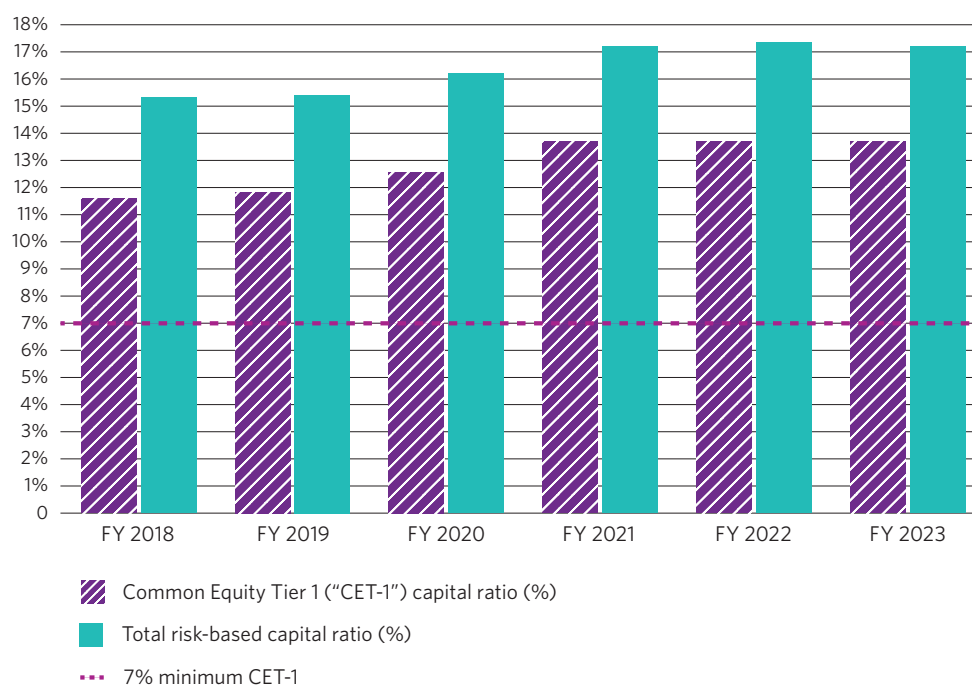
The membership maintained satisfactory levels of liquid assets as of December 31, 2023, and all CDIC member institutions complied with regulatory expectations as set out in the Liquidity Adequacy Requirements of the Office of the Superintendent of Financial Institutions (OSFI). Viewed on a combined basis, 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 maintain satisfactory level of liquidity.

## Capital ratios

Overall membership capital levels through 2023 remained well above the Basel III minimum requirements. The membership’s average Common Equity Tier 1 (CET-1) capital ratio was 13.6%, as at each member’s Q4 2023 (relative to the OSFI minimum requirement of 7.0%), down from 13.8% at each member’s Q4 2022. The average total capital ratio for the membership was 17.1%, down from 17.3% in 2022.

Further, under the terms of OSFI’s Leverage Requirements Guideline, all institutions are required to maintain a capital adequacy leverage ratio that meets or exceeds 3.0%. As of each member’s Q4 2023, the average leverage ratio of the membership was 4.4%, with D-SIBs having the lowest leverage ratio of the membership at 4.3% and the Consumer peer group having the highest leverage ratio of the membership at 12.6%.

### CDIC Membership capital ratios, 2018-2023



## Management of enterprise risk

CDIC employs an enterprise risk management (ERM) framework that emphasizes and balances strong central oversight and control of risk with clear accountability for and ownership of risk within business lines. The Board oversees CDIC’s ERM program, and the Board’s risk oversight mandate is accomplished through its Risk Committee. The Management Risk Committee (MRC) serves as CDIC’s oversight committee, with its primary function to assist management in fulfilling its accountabilities to identify, assess, manage, and monitor CDIC’s key risks.

## Key risks to CDIC

CDIC actively identifies and monitors risks that are present within the current operating environment. Key risks are those that may materially affect CDIC's ability to deliver on its mandate and are subject to greater oversight from the MRC and Risk Committee of the Board. CDIC's key risks include:

- **Preparedness risk:** The ongoing changes to the financial sector, business models and risk profiles of CDIC's members that could impact CDIC's state of preparedness to payout insured deposits or act as the resolution authority for its member institutions. This risk is mitigated through CDIC's strategies to be *Resolution Ready* and to reinforce *Depositor Trust and Confidence*. Initiatives include CDIC's continuous monitoring of its membership and environment, maintaining strong collaboration with partners, and strengthening its readiness to respond to a variety of stress scenarios.
- **Strategic risk:** The changing environment due to financial innovation (e.g., digitalization and transformation of financial services) could affect CDIC's ability to achieve its strategies and related initiatives. As part of its *Depositor Trust and Confidence* strategy, CDIC will continue its ongoing collaboration with its financial safety net partners in respect of various financial sector issues, including assessing opportunities to continue to modernize the federal deposit insurance framework, and deepen public awareness of deposit insurance protection, to ensure that the current deposit insurance framework continues to adequately respond to the evolving financial sector landscape.
- **Operational risk:** Top operational risks include cyber threats, which are increasing in frequency and sophistication against government agencies using advanced tools and technology, risks associated with upgrading infrastructure for performance and resilience, and people risk related to maintaining talent and resource capacity to deliver on strategic initiatives. Operational risk is mitigated through CDIC's strategies related to Trust and Confidence and Organizational Strength. For example, CDIC continues to strengthen its cyber security posture through its Cyber Security Plan, prioritizing the payment modernization initiative, and enhancing its employment brand awareness, skills training, and employee value proposition.

## CDIC's strategic response—a look ahead to 2024/2025

CDIC's decision-making is driven by its mandate, its operating environment, and the top risks it faces. In response to these factors, CDIC continues its focus on strategic and operational priorities. It also proactively prepares and adapts to shifts in the economic, financial, environmental, and social landscape to deliver a robust deposit insurance and resolution regime.

## Part 1: Management's Discussion and Analysis

CDIC will pursue the following three strategic objectives, as set out in the Corporation's 2024/2025 to 2028/2029 Corporate Plan:

### 1. Resolution readiness

Resolution readiness involves having the necessary data, processes, tools, systems, and financial capacity, as well as the right people, to allow CDIC to resolve a member institution, if necessary. CDIC's role as resolution authority and to protect depositors and support financial stability, intensifies during times of economic hardship or uncertainty.

In the face of continued economic uncertainty, CDIC will maintain its focus on being resolution ready. This strategic objective is underpinned by two key outcomes:

- CDIC identifies risks within its membership and the financial system and is ready to resolve member institutions for the benefit of depositors.
- CDIC provides depositors with fast and efficient access to their deposits in the event of a member failure.

### 2. Depositor trust and confidence

Depositor confidence in the safety of their insured deposits is essential to depositor protection and the stability of the financial sector. CDIC will continue to reinforce depositor trust and confidence in insurance protection by anticipating and responding to environmental changes and innovation in the financial sector.

CDIC's work to reinforce trust and confidence in deposit protection among depositors and within the financial system is underpinned by two key outcomes:

- CDIC anticipates and responds to the evolving financial sector risk and saving needs of depositors.
- People are aware of deposit insurance protection and can make informed decisions about their deposits.

### 3. Organizational strength

Organizational strength involves addressing internal and external factors that can impact CDIC's operating environment, including its technologies, people, and culture. CDIC will enhance the efficiency and effectiveness of its systems, technology, operations, and skills training to ensure that it can continue to fulfill its mandate in an increasingly complex context.

This objective is underpinned by two key outcomes:

- CDIC reflects the diversity of the people it serves and is an employer of choice.
- CDIC's enterprise technology and cyber capabilities are resilient.

## 2024/2025 to 2028/2029 financial plan

The financial projections included in CDIC's 2024/2025 to 2028/2029 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 5.6% in insured deposits during fiscal 2024/2025.
- The premium rates as well as the distribution of members across the differential premium categories will remain unchanged from fiscal 2023/2024.
- Investment income is based on an assumed average yield on cash and investments of 3% for fiscal 2024/2025.
- 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.

### 2024/2025 fiscal year

**Total comprehensive income** is planned at \$928 million for the 2024/2025 fiscal year.

**Total revenues** are planned to be \$1,214 million in the 2024/2025 fiscal year, including \$941 million of premium revenue and \$273 million of investment income.

Planned **premium revenue** of \$941 million is \$50 million higher than fiscal 2023/2024 premium revenue of \$891 million. The increase is primarily as a result of the expected growth in insured deposits.

Expected **investment income** of \$273 million is \$84 million higher than investment income of \$189 million in fiscal 2023/2024, resulting from the impact of a higher assumed average yield on investments as well as growth in the investment portfolio due to higher premium revenue.

**Operating expenses** are planned to be \$90 million in fiscal 2024/2025, compared to \$86 million actual operating expenses in fiscal 2023/2024. The fiscal 2024/2025 budget increased mainly due to an increase in personnel costs to support the Corporation's key initiatives and costs relating to the data collection modernization project.

**Cash and investments** are planned to be \$10.2 billion at the end of the 2024/2025 fiscal year due to the investment of premiums received.

The **provision for insurance losses** is planned to be \$2.55 billion at the end of the 2024/2025 fiscal year based on the calculations using assumptions as at September 30, 2023.

The near term **ex ante fund** target remains on track to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year-end.

## Performance against Plan

As at the end of Q4 (March 31, 2024), performance against the majority of CDIC's planned corporate activities from the 2023/2024 Corporate Plan completed as scheduled. Overall, all ten of CDIC key initiatives progressed on track throughout the year. Of the 17 activities underlying the ten key initiatives, 5 activities were completed, 11 are multi-year initiatives proceeding to the next steps and one activity remains in progress.

### CDIC's Corporate Scorecard—2023/2024

(as at March 31, 2024)

## Be Resolution Ready

Initiative	2023/2024 Activities / Outcomes	Year-end results
<b>Early and continuous identification of risks within the membership</b>	Stress testing model development and evaluation of non-financial risks on member institutions including in risk assessments.	Completed.
	Begin development of a valuation program to support CDIC's resolution authority.	Completed.
	Collaborate with the Bank of Canada and the Office of the Superintendent of Financial Institutions to further planning and financial forecasting for the Data Collection Modernization Initiative (DCM).	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
	Multi-year data testing and compliance plans for member institutions and Nominee Brokers (NBs) results in faster CDIC payout capability.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
<b>Strengthen resolution frameworks, policies, and plans</b>	Assessment of resolution tools for small and medium sized members (SMSBs) completed.	Completed.
	Maintain resolution plans and manuals at an individual member and system level.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
	Conduct simulations with internal and external stakeholders to enhance crisis readiness.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
<b>Modernize funding and premium framework for deposit insurance and resolution</b>	Modernize <i>ex ante</i> funding and Differential Premium System (DPS) Frameworks.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).

## Reinforce trust in depositor protection

Initiative	2023/2024 Activity / Outcome	Year-end results
<b>Anticipate and respond to digitalization and transformation of financial services</b>	Assess characteristics of new and emerging savings products and their eligibility for deposit insurance.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
	Examine opportunities to modernize and simplify the deposit insurance coverage framework and to strengthen disclosure framework.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
<b>Advance the multi-year payout modernization program</b>	Launch Phase 1 and further develop Phase 2 portal and payments platform for release in 2024/25.	In progress with Phase 2 under development.
<b>Launch renewed 3-year public awareness strategy with continued emphasis on deepening awareness and leveraging partnerships</b>	Maintain public awareness of CDIC deposit protection in the 60%-65% range and improve awareness among targeted groups through the renewed Public Awareness strategy.	Completed—Public awareness was maintained in the 60%-65% range, with awareness slightly reduced for targeted groups.

## Strengthen organizational resilience

Initiative	2023/2024 Activity / Outcome	Year-end results
<b>Growing our people and culture / Prepare for the Workplace of Tomorrow</b>	Build CDIC employment brand awareness to expand talent reach and create a best-in-class employee experience.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
	Implementation of benefit review and salary re-architecture.	Completed.
<b>Enhance cyber security maturity</b>	Mature cyber-security practices and resiliency of technology services.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
<b>Continue to implement a multi-year Enterprise Technology Strategy</b>	Complete remaining cloud migration of data and applications and implement from the strategic review of CDIC's IT operating model.	Completed—2023/2024 activities completed with next steps ongoing (multi-year initiative).
<b>Develop an Environmental, Social, and Governance (ESG) Strategy</b>	Develop and publish CDIC's ESG Strategy.	Completed.

## 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 2023/2024 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 financial statements using International Financial Reporting Standards (IFRS Accounting Standards) as per the requirements of the Canadian Accounting Standards Board.

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

### Financial highlights

CDIC earned total comprehensive income of \$818 million for the year ended March 31, 2024.

Premium revenue was \$891 million for the year, an increase of \$76 million (9%) from the previous fiscal year. The increase in premium revenue was mainly due to growth in insured deposits.

Investment income was \$189 million for the year, an increase of \$64 million (51%) from the previous fiscal year. The increase was mainly due to higher yields and growth in the investment portfolio.

Operating expenses were \$86 million for the year, \$4 million (5%) higher than the previous fiscal year, primarily due to the payout and data collection modernization projects and an increase in personnel costs to support the Corporation's key initiatives.

The Corporation's asset base continued to grow during the year. Total assets were \$9.1 billion as at March 31, 2024, an increase of \$976 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.



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The Corporation's provision for insurance losses was \$2.25 billion as at March 31, 2024, \$150 million (7%) higher than the previous fiscal year. This increase is mainly due to increases in exposure to losses and probability of defaults.

The Corporation's premium revenue is not taxable for income tax purposes. However, the investment and other income is subject to income taxes. Income tax expense was \$26 million for the year, an increase of \$15 million (133%) higher than previous fiscal year, mainly due to an increase in investment income.

The Corporation's *ex ante* funding is designed to cover possible deposit insurance losses. The balance stood at \$9.1 billion or 77 basis points of insured deposits as at March 31, 2024, an increase of 2 basis points from March 31, 2023.

### Statement of financial position

#### Assets

The total assets of the Corporation increased to \$9.1 billion as at March 31, 2024, from \$8.2 billion as at March 31, 2023, representing an increase of 12%. The following table summarizes CDIC's assets.

As at March 31 (C\$ thousands)	2024	2023
Cash	11,820	15,712
Investment securities	9,102,982	8,123,679
Trade and other receivables	1,348	472
Prepayments	1,979	1,636
Right-of-use assets	6,281	7,416
Property, plant and equipment	3,509	3,452
Intangible assets	7,123	6,934
<b>Total assets</b>	<b>9,135,042</b>	<b>8,159,301</b>

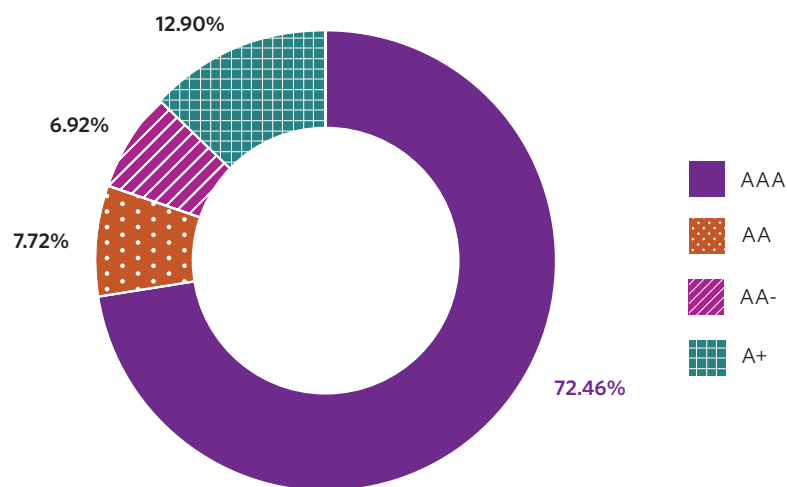
#### Investment securities

CDIC's \$9.1 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.

**Investment securities credit profile, as at March 31, 2024**



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.

CDIC's investments as at March 31, 2024, carry a weighted average effective yield of 2.44% (March 31, 2023: 1.90%).

**Liabilities**

The total liabilities of the Corporation increased to \$2.3 billion as at March 31, 2024, from \$2.1 billion as at March 31, 2023, representing an increase of 7%. The following table summarizes the liabilities of the Corporation.

<i>As at March 31 (C\$ thousands)</i>	<b>2024</b>	<b>2023</b>
Trade and other payables	12,213	13,579
Current tax liability	14,120	4,954
Lease liabilities	7,558	8,816
Employee benefits	1,343	1,291
Provision for insurance losses	2,250,000	2,100,000
Deferred tax liability	585	148
<b>Total liabilities</b>	<b>2,285,819</b>	<b>2,128,788</b>

## Provision for insurance losses

CDIC's provision for insurance losses is estimated based on a number of assumptions. The \$2.25 billion provision for insurance losses as at March 31, 2024, represents CDIC's best estimate of the future losses it is likely to incur as a result of resolving non-viable member institutions. The provision increased by \$150 million in 2023/2024 primarily due to increases in exposure to losses and probability of defaults.

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.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. During 2022/2023, the Corporation conducted a review of the *ex ante* funding framework and established a near-term fund target to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year-end.

The actual level of *ex ante* funding as at March 31, 2024, was \$9.1 billion, or 77 basis points of insured deposits. The near term *ex ante* fund target remains on track to exceed 85 basis points of insured deposits by the 2026/2027 fiscal year-end.

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.

## Part 1: Management's Discussion and Analysis

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, 2024, CDIC had the legislative authority to borrow up to \$35 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, 2024.

<i>As at March 31 (C\$ millions)</i>	<b>2024</b>	<b>2023</b>
<i>Available liquid funds:</i>		
Cash	12	16
Fair value of high quality, liquid investment securities	8,894	7,862
<i>Availability of borrowings:</i>		
Borrowings authorized under the CDIC Act, either from market sources or from the Consolidated Revenue Fund	35,000	32,000
<b>Total available funds</b>	<b>43,906</b>	<b>39,878</b>
<b>Insured deposits</b>	<b>1,182,476</b>	<b>1,081,987</b>
<b>Total basis points of insured deposits</b>	<b>371</b>	<b>369</b>

## Statement of comprehensive income

CDIC's total comprehensive income for fiscal 2023/2024 totalled \$818 million, an increase of \$171 million from 2022/2023. The Corporation's financial performance is summarized in the following table.

<i>For the year ended March 31 (C\$ thousands)</i>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>		
Premium	891,089	814,723
Investment income	188,833	125,274
Other	232	153
<b>Expenses</b>		
Net operating expenses	85,638	81,211
Increase in the provision for insurance losses	150,000	200,000
Income tax expense	25,834	11,075
Net income	818,682	647,864
Other comprehensive income	28	107
<b>Total comprehensive income</b>	<b>818,710</b>	<b>647,971</b>

## Premium revenue

In the 2023/2024 fiscal year, premium revenue increased by \$76 million (9%) to \$891 million. Growth in insured deposits contributed to the increase in premium revenue. Insured deposits increased to \$1.182 trillion as at April 30, 2023, from \$1.082 trillion as at April 30, 2022, an increase of 9%.

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.

CDIC concluded its review of the Differential Premiums System (DPS) with the publication of final framework changes on July 31st, 2023. The changes will modernize and improve the effectiveness of the system and process which determines the risk-based premiums payable by members to CDIC on an annual basis. Revisions to the DPS will come into effect upon completion of requisite by-laws and processes.

The 2023/2024 premium rates are consistent with CDIC's existing strategy that would see the Corporation exceed its near term target *ex ante* funding level by the 2026/2027 fiscal year-end. Premium rates, expressed as basis points of insured deposits, are presented below.

## Part 1: Management's Discussion and Analysis

### Premium category

(basis points of insured deposits)

	2023/2024	2022/2023
<b>Category 1</b>	7.5	7.5
<b>Category 2</b>	15.0	15.0
<b>Category 3</b>	30.0	30.0
<b>Category 4</b>	33.3	33.3

CDIC's premium revenue for fiscal 2023/2024 amounting to \$891 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)

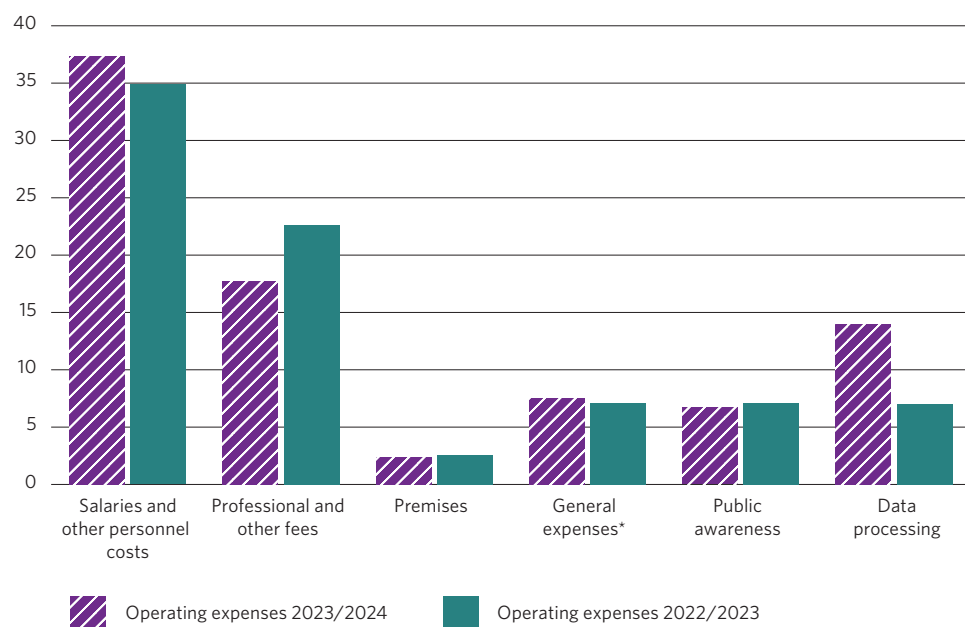
Premium	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020
<b>1</b>	<b>88</b>	92	91	89	83
<b>2</b>	<b>10</b>	6	6	10	14
<b>3</b>	<b>1</b>	2	3	1	3
<b>4</b>	<b>1</b>	—	—	—	—

### Investment income

Investment income was \$189 million for the year, an increase of \$64 million (51%) from the previous fiscal year. The increase was mainly due to a higher average yield (2.44% and 1.90%, as at March 31, 2024, and 2023, respectively) and growth in the investment portfolio as a result of increased premium revenue.

### Operating expenses

(C\$ millions)



\*General expenses include depreciation and interest expense on lease liabilities.

Operating expenses increased by \$4 million (5%) to \$86 million in fiscal 2023/2024 from fiscal 2022/2023. The increase was primarily driven by an increase in personnel costs (\$3 million) to support the Corporation's key initiatives and the payout modernization program (\$1 million) and data collection modernization project (\$1 million).

### 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 increased by \$15 million (133%) to \$26 million in fiscal 2023/2024 from fiscal 2022/2023, mainly due to increased investment income.

## Statement of cash flows

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

<i>For the year ended March 31 (C\$ thousands)</i>	<b>2024</b>	<b>2023</b>
Increase in cash from operating activities	974,141	884,568
Decrease in cash from investing activities	(976,686)	(890,100)
Decrease in cash from financing activities	(1,347)	(1,482)
Net decrease in cash balance	(3,892)	(7,014)
<b>Cash, end of year</b>	<b>11,820</b>	<b>15,712</b>

## Comparison with 2023/2024 to 2027/2028 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2023/2024 with the Corporate Plan for the same year.

### Statement of financial position

**Total assets** as at March 31, 2024, were \$9.1 billion, consistent with the planned amount.

**Total liabilities** as at March 31, 2024, were \$2.3 billion, consistent with the planned amount.

### Statement of comprehensive income

**Total revenue** during the year was \$1,080 million, \$45 million (4%) higher than the planned amount of \$1,035 million. This increase is due to higher than planned premium revenue (\$30 million) and investment income (\$15 million).

**Operating expenses** for the year were \$86 million, \$3 million (4%) lower the planned amount of \$89 million mainly due to lower than planned personnel costs and professional fees, partially offset by increased costs for the payout modernization and data collection modernization projects relative to the planned amount.

**Total comprehensive income** for the year ended March 31, 2024, was \$818 million compared to planned total comprehensive income of \$775 million. The variance of \$43 million (6%) is mainly due to higher than planned premium revenue and investment income.



**Part 1:** Management's Discussion and Analysis

<i>(C\$ millions)</i>	<b>2024/2025 Corporate Plan<sup>a</sup></b>	<b>2023/2024 Actual results</b>	<b>2023/2024 Corporate Plan<sup>a</sup></b>
<b>Statement of financial position</b>			
<i>(as at March 31)</i>			
Cash and investments	10,174	<b>9,115</b>	9,053
Capital assets	10	<b>11</b>	13
Right-of-use assets	5	<b>6</b>	6
Other current assets	—	<b>3</b>	—
<b>Total assets</b>	<b>10,189</b>	<b>9,135</b>	<b>9,072</b>
Trade and other payables	5	<b>12</b>	5
Provision for insurance losses	2,550	<b>2,250</b>	2,250
Lease liabilities	6	<b>8</b>	8
Other non-current liabilities	5	<b>16</b>	5
Retained earnings	7,623	<b>6,849</b>	6,804
<b>Total liabilities and equity</b>	<b>10,189</b>	<b>9,135</b>	<b>9,072</b>
<b>Statement of comprehensive income</b>			
<i>(for the year ended March 31)</i>			
<b>Revenue</b>			
Premiums	941	<b>891</b>	861
Investment and other income	273	<b>189</b>	174
	1,214	<b>1,080</b>	1,035
<b>Expenses</b>			
Net operating expenses	90	<b>86</b>	89
Increase in provision for insurance losses	150	<b>150</b>	150
	240	<b>236</b>	239
Net income before income tax	974	<b>844</b>	796
Income tax expense	(46)	<b>(26)</b>	(21)
<b>Total comprehensive income</b>	<b>928</b>	<b>818</b>	<b>775</b>

a The Corporate Plans 2023/2024 to 2026/2027 and 2024/2025 to 2028/2029 were developed based on information as at December 31, 2022, and September 30, 2023, respectively.