

CDIC Mandate

As one of five federal agencies that make up Canada's financial safety net,* our role is unique in that our mandate is to provide insurance against the loss of part or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada—for the benefit of those with deposits in CDIC member institutions. Moreover, we carry out this mandate in such a way as to minimize the Corporation's exposure to loss. Further information about CDIC can be found on our website (www.cdic.ca).

\$100,000 Deposit Insurance Coverage Limit

What's covered?

CDIC insures eligible deposits held in each member institution up to a maximum of \$100,000 (principal and interest combined) per depositor, for each of the following:

- savings held in one name
- savings held in more than one name (joint deposits)
- savings held in trust for another person
- savings held in Registered Retirement Savings Plans (RRSPs)
- savings held in Registered Retirement Income Funds (RRIFs)
- savings held for paying realty taxes on mortgaged property
- savings held in Tax-Free Savings Accounts (TFSAs)

What's an eligible deposit?

Eligible deposits include:

- savings accounts and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits with an original term to maturity of five years or less
- money orders, travellers' cheques and bank drafts issued by CDIC members and cheques certified by CDIC members
- debentures issued by loan companies that are CDIC members

Deposits must be payable in Canada, in Canadian currency.

Depositors are responsible for ensuring that the member institution's records include all information required for the separate protection of these deposits (see CDIC's website at **www.cdic.ca** for details).

What's not covered?

CDIC deposit insurance does not protect all accounts and financial products. For example, mutual funds, stocks and foreign currency deposits, including those in U.S. dollars, are not covered by CDIC.

Contact Us

CDIC is committed to promoting awareness about deposit insurance. Visit our website at www.cdic.ca. You can reach us by phone, e-mail, fax or letter:

Head Office

Canada Deposit Insurance Corporation 50 O'Connor Street, 17th Floor P.O. Box 2340, Station D Ottawa. Ontario K1P 5W5

Toronto Office

Canada Deposit Insurance Corporation 1200-79 Wellington Street West P.O. Box 156 Toronto, Ontario M5K 1H1 Toll-free telephone service: 1-800-461-CDIC (2342) E-mail: info@cdic.ca Fax: 613-996-6095

^{*} Canada's financial safety net agencies are: the Bank of Canada, CDIC, the Department of Finance, the Financial Consumer Agency of Canada, and the Office of the Superintendent of Financial Institutions.

Five-Year Financial and Statistical Summary

For the Years Ending March 31 ^a	2012	2011	2010	2009	2008
Selected Balance Sheet Items (C\$ millions)					
Cash and investments	2,441	2,209	1,954	1,771	1,660
Provision for insurance losses	1,150	1,100	1,100	800	650
Retained earnings	1,294	1,113	858	960	998
Selected Income Statement Items (C\$ millions)					
Premiums	224	253	198	92	68
Interest on cash and investments	40	33	31	54	65
Operating expenses	32	31	31	26	24
Adjustment to allowance and provisions					
for loss	50	_	300	149	50
Net income (loss)	180	255	(102)	(37)	48
Member Institutions (Number)					
Domestic banks and subsidiaries	46	44	42	41	40
Domestic trust and loan companies					
and associations	17	21	20	20	21
Subsidiaries of foreign financial institutions	21	20	20	20	19
Total number of institutions	84	85	82	81	80
Total insured deposits ^b (C\$ billions)	622	604	590	512	477
Growth rate of insured deposits (%)	3.0%	2.4%	15.2%	7.3%	4.8%
Ex ante funding (C\$ billions)	2.44	2.21	1.96	1.76	1.65
Basis Points of Insured Deposits	39	37	33	34	35
Employees (Number)					
Permanent employees ^c	99	96	96	97	83
Borrowing Limit ^d (C\$ billions)	18	17	17	15	6

^a Financial figures are presented on a consolidated basis and include the results of CDIC and of Adelaide Capital Corporation (ACC), a special purpose entity. Actual results from 2008, 2009 and 2010 reflect Generally Accepted Accounting Principles (GAAP) in Canada, while 2011 and 2012 results were prepared in accordance with International Financial Reporting Standards (IFRS).

Insured deposits are calculated at April 30 each year. The amounts presented for the years ended March 31 are therefore reflective of the previous April 30 calculation.

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

The *Budget Implementation Act, 2009*, increased CDIC's borrowing limit to \$15 billion from \$6 billion, with such amount adjusted annually to reflect the growth of insured deposits. As at January 1, 2012, CDIC's adjusted borrowing limit was \$18 billion.

Highlights of 2011/2012

- CDIC formed a new Complex Resolution Division dedicated to resolution planning
 for CDIC's largest, most complex member institutions. The Division's priorities
 include the development and maintenance of resolution plans and strategies
 tailored to the unique circumstances of each of CDIC's most complex members.
- In December 2011, CDIC's Board of Directors approved an increase to the minimum target for the Corporation's ex ante funding to 100 basis points of insured deposits—up from the previous 40 to 50 basis point target range. This increase will improve CDIC's ability to respond to a member failure, should one occur.
- CDIC completed the final year of a three-year Long-Term Public Awareness
 Strategy and Plan. The Corporation surpassed its original awareness targets,
 with 61% of Canadians aware of CDIC (68% for our target audience of those
 aged 50 and over) and 28% unaided awareness of the \$100,000 coverage limit
 (35% of those aged 50 and over).
- In 2010/2011, CDIC's President and CEO conducted a comprehensive review to help the Corporation deliver its expanding mandate while minimizing incremental expenditures. The review positioned CDIC very well to respond to current Strategic and Operating Review activities taking place across the federal government. Efficiencies implemented in 2011/2012 included the reorganization of certain back office functions, streamlining of internal processes, outsourcing of the call centre and reducing the regional space footprint. Future planned changes include updates to the way CDIC's public awareness program is delivered for additional savings.



Public Awareness



CDIC recently celebrated its 45th anniversary. Over the years, we have grown to understand the fundamentally important role that public awareness plays in building confidence and trust in our deposit insurance program. Since 1967, 43 of our member institutions

have failed. These failures show that, although Canada's financial system is strong, banks can and do fail. It is for this reason that public awareness is a key strategic objective for us and it is why we work diligently to inform the Canadian public about CDIC protection.

Awareness of our deposit insurance program helps support the public's confidence in our member institutions. By understanding what products are covered and not covered, consumers can make informed choices about the safety of their money. In support of these efforts, our member institutions are required to follow CDIC requirements, such as having a CDIC membership sign at their points of service.

Over the past decade we have placed a greater emphasis on building public awareness of deposit insurance coverage and its limits. Some of our public awareness activities have been aimed at all Canadians through our website and call centre, and our brochures placed in member institution branches. Other efforts—including television, print and online advertisements as well as trade shows—have been strategically designed to reach as many Canadians as possible, in particular those least able to recover from the loss of their deposits.

CDIC continually measures and evaluates the success of our awareness activities in order to ensure that we continue to achieve our objectives and adapt to changing environments. Since we stepped up our efforts in the early 2000s, Canadians' awareness of CDIC has increased steadily. In 2000, awareness of CDIC was 47%; by March 2012 it had increased to a remarkable 61%.

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CDIC also measures its public awareness activities against the International Association of Deposit Insurers Core Principles. We are pleased that CDIC was recently found to be fully consistent with the Core Principles and is cited as following best practices in numerous areas, including public awareness.

With the understanding that public awareness will continue to play a vital role at CDIC, we have established a new focus going forward. We recognize the importance that financial advisors play in helping Canadians make sound investment decisions. With this shared aim, CDIC will leverage the relationship that financial advisors have with their clients to continue to build awareness of our deposit insurance program. We will also maintain activities directed towards the general public so that as many people as possible learn about the deposit protection CDIC provides.



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Message from the Chair



This past year has been yet another exceptional one for CDIC. In November 2011, the Financial Stability Board (FSB) issued new internationally agreed-upon standards to facilitate the resolution of systemically important financial institutions. In Canada and across the globe, governments have agreed that the enormous potential costs to taxpayers of having inadequate tools to forestall an institution being "too big to fail" needed to be addressed. CDIC is Canada's bank resolution authority, and to address the international standards, the Corporation has been working diligently on developing resolution plans for each of its largest member institutions. This occasioned a significant restructuring and reassignment of duties within the Corporation, and I am pleased to note that CDIC Management and staff have risen to the task with exceptional professionalism, adding these new responsibilities to an already full agenda.

Complementing our activities at home, CDIC remained very active internationally through participation in a variety of working groups established by the FSB and the International Association of Deposit Insurers. Our involvement in these groups is an important feature of our preparedness work. By working alongside other countries, we are able to contribute to the development of leading practices in deposit insurance, bank resolution and to the global discussions on safeguarding financial stability.

During the past fiscal year, the FSB reviewed the effectiveness of member countries' deposit insurance programs in its Thematic Review on Deposit Insurance Systems. The Thematic Review highlighted CDIC's leading practices in the areas of: adequacy of coverage, information sharing and coordination with other safety net participants; funding; and public awareness. The FSB's Peer Review of Canada's overall financial regulatory system, also conducted this past year, reaffirmed the very positive contribution made by CDIC. Our Board is proud to have the solid work of our staff reflected in those international evaluations.

In 2012, CDIC celebrates 45 years of contributing to the stability of Canada's financial system. Through the years, successive Board members have worked to ensure that CDIC delivers on its mandate. Our current complement of Directors follows in that tradition—a deep commitment to protecting depositors, especially in these challenging times.

I would like to close by acknowledging yet again the work ethic of our employees and also the extraordinary leadership of our President and CEO, Michèle Bourque. They, together with our Board, ensure that CDIC continues to make a valuable contribution to Canada's financial system.

Bryan P. Davies



Message from the President and CEO

Our fiscal year was marked by two important milestones that will further the protection that CDIC provides to Canadians. We saw the creation of a new corporate group dedicated to resolution planning for our largest, most complex member institutions, as well as the evolution of a key project designed to make quicker payments to depositors.

Strengthening Monitoring and Resolution Capabilities

The new international standards on systemically important financial institutions and the creation of our new Complex Resolution Division allow us to focus on our capability to respond to the failure of large, complex members. This includes developing and maintaining resolution plans for these members, as well as working closely with our safety net partners and international counterparts to facilitate cross-border cooperation.



In December 2011, our Board of Directors approved an increase to the minimum target of our *ex ante* funding to 100 basis points of insured deposits, from the previous 40 to 50 basis point range. As at March 31, 2012, this fund stood at 39 basis points. The increased limit will better prepare CDIC to respond to a member institution failure should one occur.

During the year CDIC focused its efforts on working closely with member institutions towards the implementation of new data and system requirements that will facilitate a fast insurance determination, in the event of a member institution failure. As well, we successfully conducted our largest payout simulation—the payout over a weekend of a fictional institution with one million depositors. With these activities completed, the public can be assured that they will have faster access to their savings.

Promoting Public Awareness of Deposit Insurance

In the past year, CDIC completed the third and final year of its Long-Term Public Awareness Strategy and Plan. Not only were we successful in achieving the targets originally set for ourselves, but we surpassed them with more than one in two Canadians aware of CDIC and more than one in five able to recall the \$100,000 coverage limit, unprompted. A new Long-Term Public Awareness Strategy and Plan will kick off in the coming fiscal year, which will leverage financial advisors and social media tools as a means of reaching Canadians.

Maintaining Efficient and Effective Operations

CDIC recognizes the importance of meeting our mandate and objectives in an efficient manner while maintaining a harmonious work environment for our employees. Results of an employee survey conducted in 2011/2012 highlighted that employees were engaged, found their work challenging and interesting, and were proud to say they work at CDIC.

We are committed to making optimal use of our resources. CDIC continued to implement cost containment strategies identified through an organizational review undertaken last year. These initiatives include a reorganization of our back office functions, streamlining of internal processes, outsourcing our call centre, and reducing our regional space footprint; together, these are expected to result in ongoing annual savings of approximately \$1 million. Further, in line with the spirit of the Government's Strategic and Operating Review activities, our public awareness activities have been realigned to reach Canadians in all demographic groups through innovative and creative outreach efforts. This change has a potential cost savings of \$1 million for 2012/2013, savings that will be redirected to partially offset the increased costs associated with our expanded resolution responsibilities.

Other changes this year included the appointment of a new Vice-President, Finance and Administration, and Chief Financial Officer, Dean Cosman. Dean replaces Tom Vice who was appointed as Vice-President, Complex Resolution Division. I am certain that Dean's proven financial leadership will make him an excellent addition to the executive team and that our new Division will benefit from Tom's extensive knowledge of CDIC.

The year was marked with both challenges and many opportunities. I would like to emphasize that we could not have accomplished our work without the support of our dedicated Board of Directors under the leadership of our Chair, Bryan P. Davies, and our talented work force. CDIC's new role and responsibilities in complex resolutions is a testament to the importance of stability in the current economic environment. CDIC looks forward to what lies ahead as we continue to devote ourselves to the protection of depositors, informing Canadians about our program, and contributing to financial stability in Canada.

Michèle Bourque *"*



Management's Discussion and Analysis

CDIC's Operating Environment

Within Canada

Canada's economy remained relatively strong compared to other major economies throughout fiscal 2011/2012. Nevertheless, overall risks in the environment remained elevated. Our economy faced major challenges to expansion from renewed market volatility, a weak recovery in the United States, and a pronounced slowdown in Europe. In addition: uncertainties

Canada's economy remained relatively strong compared to other major economies in fiscal 2011/2012.

surrounding the housing sector persist; the high value of the Canadian dollar continues to confront manufacturers; and the removal of the fiscal stimulus all acted as a drag on growth.

Internationally

On November 4, 2011, the G20 Leaders endorsed the Financial Stability Board's (FSB's) *Key Attributes of Effective Resolution Regimes for Financial Institutions*. These key attributes set out the core elements that the FSB considers to be necessary for an effective resolution regime. The attributes are also meant to guide authorities in managing the failure of large, complex and internationally active financial institutions in a way that minimizes systemic disruption and avoids recourse to public funds that expose taxpayers to the risk of loss.

In January 2012, the FSB initiated development of an assessment methodology for these key attributes. A draft of the methodology is expected to be completed by the summer of 2012 and will be used to undertake a peer review of FSB jurisdictions. CDIC staff act as representatives of both Canada and the International Association of Deposit Insurers (IADI) on the assessment methodology working group.

The Financial Stability Board at a Glance

The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. It includes all G20 major economies, the European Commission, and a wide variety of international financial institutions and standard-setting bodies. Its objectives are to coordinate, at the international level, the work of national financial authorities and international standard-setting bodies, and to develop and promote effective regulatory, supervisory and other financial sector policies.

International Financial Reporting Standards (IFRS) also came into effect for CDIC and many of our members, who also continued their preparations for new capital and liquidity requirements under Basel III. CDIC members will need to comply with the Basel III capital requirements by 2013 and its liquidity coverage ratio requirements by 2015.



CDIC Member Peer Groups

Member institutions consolidate to 57 distinct groups on the basis of affiliation with a parent. For the purpose of analysis, each member institution or affiliated group is assigned to a peer group based on similar size, geographic reach of its operations and/or its primary business activities.

International—business activities extend across all business lines: includes some international exposure (largest banks)

Regional—business activities extend across most business lines but are geographically focused with some exposure to other regions of Canada

Residential—main business line is residential mortgages

Commercial—main business lines are business loans or commercial mortgages

Consumer—main business lines are retail and investment loans to individuals

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

Membership experienced record profits but return on average shareholders' equity remained below peak 2007 levels.

CDIC Membership

As at March 31, 2012, CDIC had 84 member institutions, a decrease of one from the previous year. During the year, two institutions became CDIC members (MonCana Bank of Canada and B2B Trustco), while two institutions ceased to be members (Concentra Trust and Caledon Trust Company). In addition, two subsidiaries of the Bank of Nova Scotia amalgamated (Maple Trust Company and Scotia Mortgage Corporation).

CDIC membership recorded strong financial performance in its 2011 fiscal year (most recent data) despite significant challenges, namely, volatile capital markets. As a whole, members registered record net profits, improved their asset quality and maintained solid capital ratios.

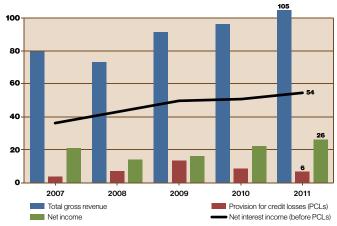
Financial Performance

Profit and Return on Average Shareholders' Equity

CDIC members earned a combined total net income of \$26.1 billion in fiscal 2011, up from \$22.3 billion in the prior year (a 17% increase). While this represented a record in terms of absolute profits, return on average shareholders' equity (ROAE) remained well below the pre-crisis peak of 2007, as institutions improved capital levels in preparation for the introduction of the Basel III capital regime. Improved profitability in 2011 (compared to 2010) was mainly driven by higher loan balances and lower provision for credit losses (PCLs), which decreased by 24%. At \$6.4 billion, PCLs are now less than half their peak level of 2009.

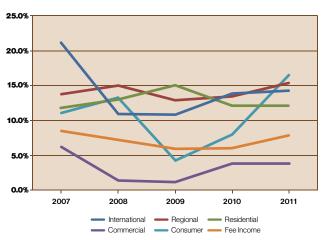
Net interest income (before PCLs) and non-interest income increased by 6% and 9%, respectively, while operating expenses rose by 7%.

Revenue, Provisions and Profits of CDIC Members, 2007-2011 (\$ billions)



Most profitability indicators remained relatively stable or slightly improved in 2011. The membership's efficiency ratio (operating expenses over net interest income and non-interest income) remained constant at 60% while the return on average assets (ROAA) and ROAE increased slightly to 0.8% and 14.1%, respectively. While the ROAE peaked in 2007 for the largest banks (International peer group), other peer groups and individual members experienced peak profitability in different years due to market conditions in their respective sectors of concentration. The ROAE varies considerably by peer group because of varying profitability levels and degree of leverage utilized.

Return on Average Shareholders' Equity (ROAE) by Peer Group, 2007–2011



Asset Growth and Quality

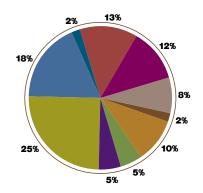
Total assets grew by 9% (8% net of IFRS impacts) to \$3.3 trillion. Residential mortgages were the largest contributor to growth.

The increase in residential mortgages was mainly attributable to two factors: a \$43 billion increase in uninsured mortgages due to organic loan growth at member institutions and acquisitions; and the change in accounting rules to IFRS for December fiscal year end institutions (mainly smaller member institutions).

CDIC membership recorded the second consecutive year of rapid asset growth.

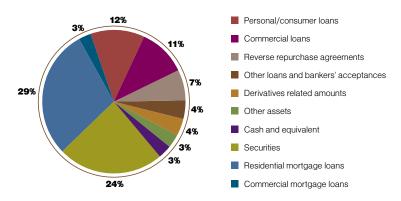
Residential mortgages represented a slightly higher share of the membership's on-balance sheet asset mix in 2011 at 19% of total assets (18% for the International peer group and 29% for all other members) and more than one third of securities were Canadian government securities (federal, provincial and municipal).

Asset Mix—International Peer Group* (%) 2011 (\$2.8 trillion)



^{*} As at members' fiscal year end

Asset Mix—All Other Peer Groups* (%) 2011 (\$456 billion)





Because of IFRS, many members, specifically those with December fiscal year ends that relied heavily on securitization, recorded very high on-balance sheet asset growth rates during the year. In addition, some institutions have recorded fast compounded asset growth in on- and off-balance sheet assets over the last three years. Fast asset growth can be used as a leading indicator of credit, liquidity and operational risk because risk management efforts often do not keep pace with growth initiatives. Impaired loan growth often follows a prolonged period of fast growth.

Asset quality of member institutions improved as net impaired assets fell.

The overall asset quality of the membership continued to improve in 2011. Impaired assets decreased both on a gross (0.8%, down 35 basis points year over year) and on a net of allowances basis (0.6%, down 30 basis points). However, some members have significantly higher than average net impaired

assets relative to equity which places them in a relatively weaker position should economic conditions deteriorate.

Some members have higher concentrations of risky assets (relative to equity) such as construction loans, residential mortgages to weaker borrowers or commercial mortgages. These assets can experience greater than average arrears or impairment under more difficult economic circumstances.

Liquidity Levels

CDIC members' liquidity levels are adequate under current market conditions.

Liquidity levels remained higher than they were at the onset of the financial crisis, although member institutions were holding lower balances of more liquid assets compared to a year ago. Cash and government securities covered 44% of demand and notice deposits, down from 47% at the same period last

vear. Demand and notice deposits represented 50% of the membership's total deposits, a slight increase from 2010. A substantial portion of deposits is on short terms, pointing to the importance of depositor confidence in maintaining adequate liquidity.

Insured Deposits

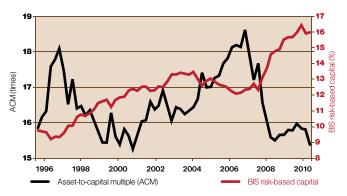
As at April 30, 2011, CDIC insured \$622 billion in deposits, a 3% increase from the prior year. This number represented 34% of the \$1.8 trillion in deposit liabilities held by member institutions. The International peer group (Canada's big five banks) held 78% of the membership's total insured deposits. Total deposits rose by 11%, more than half of which was related to higher levels of foreign currency deposits (not CDIC insured). This is partly attributable to CDIC member acquisitions of foreign institutions.

The Residential and Commercial peer groups continued to have the highest ratios of insured deposits at 74% and 66%, respectively.

Capital Ratios

CDIC members overall maintained good Basel II capital ratios in 2011, which were slightly higher than in 2010. The membership's Tier 1 capital ratio was 13.5% and its total capital ratio was 16.0%. The assets-to-capital multiple (ACM) used as a regulatory measure of leverage improved slightly to 15.4 times. On-balance sheet recognition of securitized assets under IFRS led to an increase in the ACM ratio for some member institutions. As mentioned earlier, CDIC members are making necessary preparations to adopt the Basel III capital regime.

CDIC Membership Capitalization



Membership Risk

CDIC membership as a whole achieved improved profitability and asset quality, while capital ratios remained solid. However, members carry significant sensitivity to economic factors. In terms of assets, the most significant sensitivity factor is likely real estate prices which are potentially overvalued in some markets. Combined with other stresses, this potential overvaluation could affect the ability of consumers and companies to continue to repay their mortgages and other loans. With their record high level of indebtedness, Canadian households may be less prepared than in the past to weather adverse economic or financial shocks, such as a sudden rise in interest rates or higher unemployment.

Comparative information on CDIC's membership is provided as an Annex to this report.

Risk Governance and Management

CDIC's Significant Risks

CDIC's Board of Directors has established a formal process for risk governance at CDIC. Management has implemented an Enterprise Risk Management (ERM) program to identify and manage the key risks of the Corporation. The ERM program includes a detailed annual assessment of identified risks, as well as quarterly updates to identify and assess any significant changes related to these risks.

CDIC has identified thirteen significant risks to the achievement of its objectives, across four risk categories. Based on a self-assessment exercise, Management has concluded that although CDIC's overall risk remains acceptable, certain risks are assessed as cautionary as at March 31, 2012, and warrant additional attention and monitoring by CDIC. These are: intervention, people, technology and process risks, as shown on the following page.

Summary of Management's Assessment of CDIC's Significant Risks

	2011/2012		2010	/2011
	Rating	Trend	Rating	Trend
Insurance Risks				
Insurance Powers Risk: The risk that CDIC does not have the necessary powers to support the management of its insurance risk in accordance with CDIC's statutory objects.		_		_
Assessment Risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		_		_
Intervention Risk: The risk that CDIC cannot or does not take timely and effective action with respect to an unacceptable level of insurance risk posed by a member institution, or with respect to failed member institutions.		•		_
Operational Risks				
People Risk: The risk resulting from inadequacies in competency, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		_		_
Information Risk: The risk that timely, accurate and relevant information is not available to facilitate informed decision making and/or the exercise of effective oversight.		_		•
Technology Risk: The risk that CDIC's technology does not appropriately support the achievement of its statutory objects and the conduct of its affairs.		_		_
Process Risk: The risk resulting from the incorrect execution of, a breakdown in or a gap in, a policy, practice or control respecting CDIC's processes.		_		_
Legal/Compliance Risk: The risk that CDIC fails to identify, consider, fulfill or comply with its legal and other obligations and requirements, in the conduct of its affairs.		_		_
Business Continuity Risk: The risk that a disruption impacting CDIC's personnel, information, premises, technology or operations will impede its ability to achieve its statutory objects and conduct its affairs.		_		_
Financial Risks				
Liquidity Risk: The risk that funds will not be available to CDIC to honour its cash obligations (both on- and off-balance sheet) as they arise.		_		_
Market Risk: 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 rates (such as interest rates and foreign exchange rates) or prices.		_		_
Credit Risk: The risk of loss attributable to counterparties failing to honour their obligations, whether on- or off-balance sheet, to CDIC.		_		_
Reputation Risk				
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.		•		A

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Residual Risk Ratings:

- Acceptable—meaning that the residual risk is acceptable and appropriate risk management practices are in place.
- Cautionary—meaning that the residual risk warrants close monitoring and/or that previously identified initiatives to enhance the management of the risk are not fully implemented, albeit appropriate and timely action is being taken to do so.
- Serious Concern—meaning that the residual risk is unacceptable, including that significant gaps may exist in risk management practices and controls.

Residual Risk Trends:

- Stable—CDIC's residual risk is not expected to change over the next fiscal year.
- ▼ **Decreasing**—CDIC's residual risk is expected to decline over the next fiscal year.
- ▲ Increasing—CDIC's residual risk is expected to increase over the next fiscal year.

Insurance Risks

Intervention risk remains cautionary given the operational and technical challenges that are associated with building capacity to handle a larger member failure. The expectations placed on the Corporation have increased in this regard as a result of a focus on the resolution of larger members and on international developments. Further, until members fully implement CDIC's Data and System Requirements By-law by June 30, 2013, CDIC may not be in an optimal position to implement a bridge bank or conduct a payment/transfer of insured deposits for the sudden failure of a member institution of any size with the speed and sophistication it hopes to eventually achieve. The trend of this risk is viewed as decreasing as CDIC's intervention capabilities continue to be strengthened, and further enhancements are being made to its intervention systems.

Operational Risks

People risk remains cautionary as CDIC's business model of operating with only a core level of employees with in-depth knowledge and expertise in deposit insurance inherently exposes the Corporation to risk. In addition, recruitment efforts are required to build the Corporation's resolution capacity with the recent establishment of the new Complex Resolution Division. There are also a number of potential retirements in key positions over the next few years which will have an impact on CDIC's human resources. Enhanced recruitment and succession management programs have been implemented to partially mitigate these risks.

Technology risk is viewed as cautionary due to the enhancements and upgrades that will be required to CDIC's systems to support the resolution of larger members. There is also a significant reliance on information technology in assessing member institution compliance with the *Data and System Requirements By-law* which will begin in July 2012. In addition, due to resource constraints and a focus on core business applications, CDIC has deferred a number of upgrades to its corporate systems.

Process risk is assessed as cautionary as a number of new internal processes are being developed to support a faster reimbursement of insured deposits in the event of a failure and to assess member institutions' compliance with the *Data and System Requirements By-law*.

Management has undertaken initiatives to mitigate these operational risks and is closely monitoring project plans to ensure their successful implementation.

Financial Risks

CDIC's financial risks (*liquidity, market* and *credit risk*) are conservatively managed in accordance with Board-approved policies and, collectively, continue to be assessed as acceptable.

Reputation Risk

Reputation risk is acceptable, but is showing an increasing trend as international resolution practices and standards raise expectations for the organization and result in additional requirements for our members. This continues to be mitigated, however, by a robust deposit insurance system, a focus on intervention readiness and ongoing communication with member institutions.



CDIC Management ERM Representation to the CDIC **Board of Directors**

June 13, 2012

This representation is provided to support the Board of Directors in fulfilling its responsibilities under Principle 16 of the Board Charter.

During CDIC's fiscal year 2011/2012, Management has, using an enterprise risk management process:

- Identified and assessed the significant risks to which CDIC is exposed and provided the Audit Committee of the Board of Directors and the Board of Directors with reports designed to enable them to understand these risks;
- Reviewed CDIC's policies governing each significant risk to ensure that they continue to be appropriate and prudent; and
- Identified initiatives to enhance the management of each significant risk and monitored the progress in completing each initiative.

Based on the work undertaken by Management during CDIC's 2011/2012 fiscal year and our knowledge of the Corporation's affairs as at March 31, 2012, we represent that:

- CDIC has appropriate and prudent risk management policies governing the management of its risks, and these policies are being adhered to; and
- CDIC has an effective enterprise risk management process.

Based on this work, Management has concluded that, overall, CDIC's risks remain acceptable, although intervention, people, technology and process risks are assessed as cautionary, meaning that the residual risk in those areas warrants close monitoring. Management has developed initiatives to closely monitor and further mitigate these risks.

In arriving at our conclusion, Management has exercised prudent judgment, caused a reasonable amount of review to take place and applied the concept of significance in the manner contemplated under Principle 16 of the Board Charter. In addition, key management controls in the enterprise risk management process are subject to validation by CDIC's Internal Audit on an annual basis.

Michèle Bouraue

Monque

President and Chief Executive Officer

Dean A. Cosman

Vice-President, Finance and Administration, and Chief Financial Officer Chairperson, Enterprise Risk Management Committee

Performance Against Plan

CDIC's Corporate Strategies

Based on its 2011/2012 to 2015/2016 Corporate Plan, over the course of the year CDIC focused its efforts on three corporate strategies:

- Strengthening Monitoring and Resolution Capabilities
- Promoting Public Awareness of Deposit Insurance
- Maintaining Efficient and Effective Operations

These strategies support the Corporation's mandate to provide insurance against the loss of part of or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada. The remainder of this section provides a summary of the key activities and achievements carried out this year in support of each strategy.

Strengthening Monitoring and Resolution Capabilities

CDIC aims to continuously improve its ability to monitor its membership as well as any emerging risks. Over the past year, CDIC has made use of regulatory filings to highlight some emerging overall membership and specific member risks related to residential and commercial mortgages. We have put greater emphasis on analyzing member liquidity and funding measures, which have also been the focus of increased discussion with the Office of the Superintendent of Financial Institutions (OSFI) and other safety net agencies.

CDIC must be prepared to handle the resolution of a member institution, regardless of its size. CDIC's largest member institutions are complex and international. The Complex Resolution Division was established in August 2011 to develop resolution plans and build the operational capacity to effectively implement resolution methods for large, complex members. In addition, CDIC Management has been working extensively with Canada's financial safety net agencies on the development of a large bank resolution framework consistent with Canada's commitment to the FSB's Key Attributes of Effective Resolution

Focus on Large, Complex Organizations

CDIC's new Complex Resolution Division is developing resolution plans for and building operational capacity to address the resolution of increasingly large and complex financial institution members.

Regimes for Financial Institutions. Key deliverables for CDIC include the development and maintenance of a first set of resolution plans and strategies tailored to the unique circumstances of each of CDIC's largest members. In support of this initiative, CDIC is participating and coordinating discussions with foreign resolution counterparts to advance cross-border resolution issues.

The Corporation's resolution capabilities were also strengthened by the CDIC Board of Directors' decision to increase the *ex ante* funding minimum target to 100 basis points of insured deposits (from the previous 40 to 50 basis points target range). CDIC also undertook its largest ever payout simulation of one million depositors.

In 2011/2012, CDIC contributed to the development of international best practices and standards in deposit insurance in support of Canada's G20 commitments. This was accomplished through its membership in IADI, participation in FSB working groups, as well as through ongoing relationships with deposit insurers outside of Canada.

Promoting Public Awareness of Deposit Insurance

In support of its mandate, CDIC promotes awareness of its deposit insurance program. This helps Canadians make sound decisions about the protection of their savings, which contributes to the stability of the financial system in Canada.

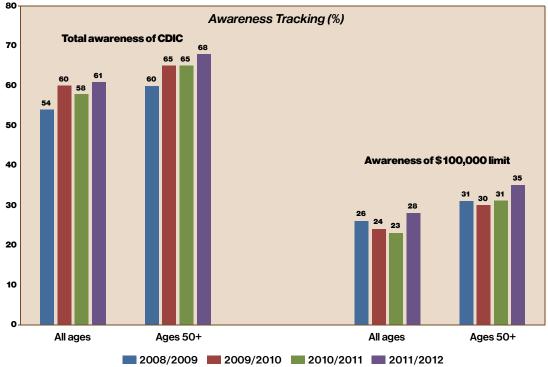
In 2011/2012, CDIC completed the third and final year of its Long-Term Public Awareness Strategy and Plan, which had two objectives:

- 1) Increase and sustain awareness of CDIC and deposit insurance while inspiring a sense of confidence and trust in our organization and in Canada's financial system.
- Encourage Canadians to consult with member institutions or our website to learn more about what is covered and what is not covered by CDIC deposit insurance.

CDIC's target audience continued to be the general public, with a focus on Canadians 50 years of age and older, who may be more vulnerable to a financial institution failure as they may be less able to recover from loss. The public awareness campaign included television, online advertising and search engine marketing with a strong call to action aimed at driving the public to learn more about CDIC, the coverage limit and what is and is not covered by CDIC.

Results of CDIC's public awareness efforts were monitored through quarterly omnibus surveys. The original awareness targets were surpassed, with 61% of Canadians aware of CDIC and 28% aware of the \$100,000 coverage limit. Among those aged 50 plus, 68% were aware of CDIC and 35% were aware of the \$100,000 coverage limit.

Public Awareness of CDIC and the \$100,000 Coverage Limit Awareness Tracking (%)



Notes:

- Figures are rounded to the nearest percent.
- Percentages reflect results of CDIC's quarterly omnibus surveys.

A new public awareness strategy will kick off in fiscal 2012/2013 and will leverage financial advisors and social media tools to reach Canadians with CDIC's message.

■ Maintaining Efficient and Effective Operations

It is important for CDIC to meet its mandate in an efficient and effective manner. In fiscal 2010/2011, CDIC's President and CEO conducted a comprehensive review to help the Corporation deliver its expanding responsibilities while minimizing incremental expenditures. The review positioned CDIC very well to respond to current Strategic and Operating Review activities taking place across the federal government. The review identified both immediate and longer term savings that CDIC could achieve. Efficiencies implemented during the 2011/2012 fiscal year included a reorganization of certain back office functions, streamlining of internal processes, outsourcing of the call centre and reducing the Corporation's regional space footprint.

CDIC employees are critical to its operations. Biannual employee surveys are conducted to gauge employee satisfaction and engagement levels. While below the planned target of 75%, CDIC's December 2011 survey measured overall employee engagement at 71%, which is well above the industry average of 64%. Employees stated that they find their work challenging and interesting, and that they are proud to say they work at CDIC.

CDIC Employees Are Engaged

Results of a recent employee survey show that 83% of employees are proud to work at CDIC.

CDIC's Corporate Scorecard— 2011/2012 to 2015/2016

The Scorecard below is a summary of CDIC's progress as at March 31, 2012, against the key initiatives identified in its 2011/2012 to 2015/2016 Corporate Plan. As shown in the Scorecard, the majority of the key initiatives were completed or are proceeding as planned. Nevertheless, some experienced slippage in terms of time to completion, budget and/or target variances, as detailed below.

Strategy: Strengthening Monitoring and Resolution Capabilities

- Fast Insurance Determination (FID) Project (including enhancements to CDIC's insurance
 determination systems as well as developing a compliance assessment solution)—While
 good progress is being made on this project and CDIC Management expects to meet the timelines
 for deliverables, the FID project's costs are forecast to be higher than originally budgeted. When the
 budget was developed in August 2010, not all of the project complexities were known. As the project
 has progressed, requirements have been refined and additional resources have been required.
- Tri-Agency Data Sharing System (TDS) Redesign and Replacement—CDIC has strong methodologies and processes in place to monitor and assess the risks of its member institutions. These processes are reviewed on an ongoing basis, and enhancements are made to further improve them. The TDS provides CDIC with information to support its risk monitoring and assessment activities, and it is scheduled to be replaced. This collaborative initiative with OSFI, and led by the Bank of Canada, will overhaul the system that enables collection and sharing of information from financial institutions. An initial request for proposals for the required technical support for this initiative was issued in 2010; unforeseen circumstances delayed the selection of a successful bidder until December 2011. Implementation (started in the first quarter of fiscal 2012/2013) is expected to take two to three years to complete.

Strategy: Maintaining Efficient and Effective Operations

- Develop and Implement the Information Systems (IS) Tactical Plan—The IS Tactical Plan has been developed and approved; resource constraints and a focus on core systems to support the FID project (described earlier) led to CDIC deferring a number of upgrades identified in the IS Tactical Plan. Resources and plans are in place to perform these upgrades in the 2012/2013 and 2013/2014 fiscal years.
- Conduct an Employee Engagement/Satisfaction Survey and the Development and Implementation of Any Required Action Plans—As was previously mentioned, not all targets arising from CDIC's most recent employee survey were met. An action plan has been developed to address opportunities for improvement identified in the survey results.

CDIC's Corporate Scorecard—2011/2012 to 2015/2016

CORPORATE STRATEGIES	OUTCOMES	TARGETS	STATUS •	KEY INITIATIVES
Strengthening Monitoring and Resolution	MonitoringSeptember 2011 CDIC'sand ResolutionCDIC is ready tocapacity to make	September 2011 CDIC's capacity to make	A	Large Payout Capacity Enhancement Project
Capabilities CDIC will continue to focus on enhancing its readiness for a	successfully complete a payment of up to one million depositors within 20 days.	an insured deposit payment of up to one million depositors, in less than 20 days.	Completed	Payout simulation of one million depositors
member institution failure, including increased monitoring of the risk of its membership, expansion of its payout capacity, and broadening of its non-		CDIC is able to assess member institutions' compliance with the CDIC Data and System Requirements By-law by July 2012.	Deadline will be met; however, budget will be exceeded	Fast Insurance Determination (FID) Project—including enhancements to our insurance determination systems as well as developing a compliance assessment solution
payout approaches to resolution.	Readiness for Non- Payout Resolution: CDIC is ready to implement non-payout	Develop a human resources model that would support a bridge bank resolution by March 2012.	Completed	Development of plans to support a bridge bank resolution
	resolutions for mid-sized and larger member institution failures (including bridge bank).	Work with safety net partners to advance the preparation of resolution plans for large banks over the planning period (2011/2012 to 2015/2016).	On track	Preparation of institution-specific resolution plans

A Planned progress on schedule and within budget V Slippage in terms of time to completion, budget and/or target variances Cancelled or deferred

CDIC's Corporate Scorecard—2011/2012 to 2015/2016

CORPORATE STRATEGIES	OUTCOMES	TARGETS	STATUS A V •	KEY INITIATIVES
Strengthening Monitoring and Resolution Capabilities	Access to Intervention Resources: CDIC has sufficient powers and access to	Develop a proposed target ex ante funding size and a strategy for premium rate setting by March 2012.	▲ Completed	Review of funding methodology and targets
CDIC will continue to focus on enhancing its readiness for a member institution failure, including increased monitoring of the risk of its membership, expansion of its	appropriate resources to intervene in the failure of any member institution.	CDIC has established appropriate stand-by arrangements to support CDIC staff in the event of an intervention scenario throughout the planning period (2011/2012 to 2015/2016).	On track	Review contingent work force arrangements
payout capacity, and broadening of its non- payout approaches to resolution.	Crisis Communication: CDIC is able to	CDIC's communications tools are reviewed and updated over the	On track	Update depositor self- serve website and crisis communication tools
	communicate efficiently and effectively with key stakeholders in the event of a member institution failure.	planning period (2011/2012 to 2015/2016).		Development and implementation of a social media strategy
	International Collaboration: CDIC continues to collaborate with international partners, to develop best practices in deposit insurance and to assist other countries as they establish/reform their deposit insurance systems.	Demonstrate leadership through participation as a member of the International Association of Deposit Insurers (IADI) Executive Council throughout the planning period (2011/2012 to 2015/2016).	On track	Update of CDIC's 2004 work on the IADI differential premium system guidance
	Membership Risk Monitoring: CDIC is able to assess and understand risks posed by its member institutions, supporting prompt response to potential risks and preparedness to intervene.	Strengthen risk assessment data systems throughout the planning period (2011/2012 to 2015/2016).	Slippage in timing	Tri-Agency Data Sharing System (TDS) redesign and replacement

LEGEND

▲ Planned progress on schedule and within budget 🤍 Slippage in terms of time to completion, budget and/or target variances • Cancelled or deferred

CDIC's Corporate Scorecard—2011/2012 to 2015/2016 (continued)

CORPORATE STRATEGIES	OUTCOMES	TARGETS	STATUS •	KEY INITIATIVES
Promoting Public Awareness of Deposit Insurance CDIC works to increase and better sustain public awareness of deposit insurance and of its benefits and limits. CDIC long-term awareness strategies build on past initiatives and address the evolving environment and risks to depositors.	Awareness of CDIC and the Deposit Insurance Limit: Sustained total awareness of CDIC by the general public so that one in two Canadians is aware of CDIC. Sustained awareness of the \$100,000 deposit insurance limit by the general public so that one in five Canadians is aware without being prompted of the \$100,000 coverage limit.	Maintain total awareness of CDIC by the general public so that one in two Canadians is aware of CDIC, and one in five Canadians is aware without being prompted of the \$100,000 coverage limit throughout the planning period (2011/2012 to 2015/2016).	On track	Long-Term Public Awareness Strategy and Plan and ongoing outreach
Maintaining Efficient and Effective Operations CDIC maintains the public's confidence by fulfilling its mandate in an efficient and effective manner. CDIC manages its significant risks, maintains sound governance and interacts with its key stakeholders on a regular basis.	Engaged and Stable Work Force: CDIC achieves best-inclass engagement/ satisfaction scores on employee surveys. Employees are provided with sufficient appropriate training and development opportunities. Appropriate succession plans are in place to address upcoming retirements.	Maintain satisfaction scores of 75% on employee survey and develop an action plan based on results by March 2012.	▼ 75% target was not met	Conduct an Employee Engagement/ Satisfaction Survey and the development and implementation of any required action plans

LEGEND

🛦 Planned progress on schedule and within budget 🔻 Slippage in terms of time to completion, budget and/or target variances 💮 Cancelled or deferred

CDIC's Corporate Scorecard—2011/2012 to 2015/2016

CORPORATE STRATEGIES	OUTCOMES	TARGETS	STATUS •	KEY INITIATIVES
Maintaining Efficient and Effective Operations CDIC maintains the public's confidence by fulfilling its mandate in an efficient and effective manner. CDIC	Sustainability of Infrastructure and Operations: Information Systems (IS) resources are focused on CDIC's core/mandated business activities.	Develop and implement a tactical IS plan that identifies initiatives to support core mandate systems and that optimizes IS service delivery capabilities by November 2011.	Slippage in timing	Develop and implement IS Tactical Plan
manages its significant risks, maintains sound governance and interacts with its key stakeholders on a regular basis.	Sound Financial Resources Management: CDIC is able to manage its operations in a cost-effective manner, while meeting its statutory obligations and adhering to existing cost containment measures.	Maintain 2011/2012 actual net operating expenses within the approved budget of \$34.4 million.	Completed	Conduct organizational effectiveness review Maintain restrictions on travel, hospitality and conference expenses
	Assessing Corporate Risks: CDIC is able to identify and assess its significant risks within a more streamlined process.	2011/2012 annual Enterprise Risk Management (ERM) assessment process and summary reports are simplified and timelines shortened.	Completed	Simplify and streamline ERM process

LEGEND

A Planned progress on schedule and within budget V Slippage in terms of time to completion, budget and/or target variances Cancelled or deferred

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 2011/2012 annual consolidated financial statements and notes. CDIC's statutory objects are to provide insurance against the loss of part or all of deposits, to promote or otherwise contribute to the stability of the financial system in Canada, and to pursue these objects for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss. The Corporation's financial position, financial performance and cash flows are influenced by the pursuit of these objects.

Financial Highlights

CDIC earned net income of \$180 million in fiscal 2011/2012.

Premium revenue was \$224 million for the year, a decrease of \$29 million (11%) from fiscal 2010/2011. Although premium rates and the level of insured deposits increased, this was more than offset by improved Differential Premium categorization of some members, moving them to lower premium rate categories. Premium revenue is expected to decrease in fiscal 2012/2013 as members implement CDIC's Data and System Requirements By-law and qualify for early compliance financial incentives.

Interest income was \$40 million for the year, an increase of \$6.7 million (20%) from fiscal 2010/2011. Improved earnings were a result of growth in the investment base and higher yields achieved during the year. Interest income is expected to increase in fiscal 2012/2013 as the Corporation continues to build its investment portfolio.

Operating expenses were \$32 million for the year, a year-over-year increase of \$1.3 million (4%). CDIC minimized expenses through a number of efficiencies; however, the additional costs associated with CDIC's increased powers and responsibilities over the past three years have more than offset these savings, resulting in higher overall operating expenses. Operating expenses are expected to continue to increase in the 2012/2013 fiscal year as the Corporation continues to build the capabilities to meet its priorities.

Income tax expense increased to just over \$2 million in fiscal 2011/2012 from under \$1 million in fiscal 2010/2011. The increase reflects higher taxable income in fiscal 2011/2012.

The Corporation's consolidated statement of financial position continued to grow. Total assets were \$2,452 million as at March 31, 2012, an increase of 10% over the 2010/2011 fiscal year. The majority of the Corporation's assets are marketable securities, totalling \$2,441 million.

The Corporation's provision for insurance losses was \$1,150 million as at March 31, 2012, an increase of \$50 million compared to last year. The increase reflects the potential impact on member institutions of market volatility triggered in part by the European sovereign debt crisis.

The Corporation's ex ante funding, a measure CDIC's ability to fund intervention solutions, stood at \$2,444 million, or 39 basis points of insured deposits, as at March 31, 2012, a year-over-year increase of \$230 million.

Changes in Accounting Policies

In January 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to replace Canadian Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) for all Publicly Accountable Enterprises (PAEs). In early 2008, the AcSB announced that the changeover date for full adoption of IFRS would be for fiscal years starting on or after January 1, 2011. In September 2009, the Public Sector Accounting Standards Board confirmed that Government Business Enterprises such as CDIC would be required to follow the same standards as those applicable to PAEs, namely, IFRS.

CDIC's fiscal 2011/2012 financial statements are the Corporation's first annual financial statements prepared in accordance with IFRS. The Corporation adopted IFRS in accordance with IFRS 1 *First-Time Adoption of International Financial Reporting Standards*, which requires that the Corporation:

- present its financial statements as if IFRS had always been applied, except for certain optional exemptions and certain mandatory exceptions
- present comparative financial information
- apply the accounting policies in effect at the end of the fiscal 2011/2012 reporting period to all periods presented

The most significant impact on CDIC's financial statements results from the Corporation's early adoption of IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board (IASB) in November 2009 (IFRS 9 (2009)). The early adoption of this standard increases the carrying value of the Corporation's investment portfolio by \$725 thousand as at April 1, 2010, as the portfolio's measurement basis changed to amortized cost under IFRS from fair value under Canadian GAAP. (Please see Note 17 to the Corporation's fiscal 2011/2012 consolidated financial statements for further details of the conversion to IFRS.)

Basis of Preparation

CDIC's consolidated financial statements include the Corporation's results as well as those of Adelaide Capital Corporation (ACC), a special purpose entity created by CDIC in 1992 to affect the resolution of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (Please see Note 2 to the Corporation's fiscal 2011/2012 consolidated financial statements for more information.)

The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Consolidated Statement of Financial Position

□ Assets

The total assets of the Corporation increased to \$2,452.1 million as at March 31, 2012, from \$2,219.8 million as at March 31, 2011, an increase of 10%. The following table summarizes CDIC's assets:

(C\$ thousands)	March 31, 2012	March 31, 2011
Assets	AFC	739
Cash Marketable securities	456 2,440,790	2,207,987
Premiums receivable Trade and other receivables	 1.537	364 2.570
Prepayments	141	401
Property, plant and equipment Intangible assets	6,332 2,626	5,936 1,383
Deferred tax asset	206	445
Total assets	2,452,088	2,219,825

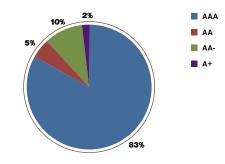
Marketable Securities

CDIC's \$2.4 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 activity.

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

Marketable Securities Credit Profile,* as at March 31, 2012



* As rated by Standard and Poor's

Minister of Finance. CDIC's Board Financial Risk Policies further limit risk by setting a maximum amount (and term) that can be invested in each qualifying instrument.

CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of Provincial Governments/Municipal Financing Authorities. Counterparties for investments of less than three years must have a minimum credit rating of A at the time of acquisition. The Corporation's marketable securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

As a result, the credit profile of CDIC's investment portfolio is relatively stable from period to period. CDIC's investments as at March 31, 2012, carry a weighted average yield to maturity of 1.7% (March 31, 2011: 1.7%) with a modified duration of 1.3 years (March 31, 2011: 1.3 years).

Intangible Assets

CDIC's intangible assets represent its investment in specialized systems. Intangible assets have increased by \$1.2 million over the previous year, as the Corporation continued to enhance its systems that support, among other things, CDIC's ability to respond to a member institution failure.

Future Recoveries

CDIC estimates possible future recoveries from failed member institutions of approximately \$14.0 million. These potential additional recoveries relate primarily to recoveries of amounts that were previously written off by CDIC and are not reflected in CDIC's financial statements due to uncertainty with respect to both potential amount and ultimate receipt. Factors contributing to this uncertainty include creditor disputes, lawsuits against the estates and competing claims for specific assets.

Name of Institution (Method of Failure	CDIC's Total Claims	CDIC's Recoveries to	CDIC's Possible Future	CDIC's Projected Loss as a % of:	
Resolution—Year of Failure)	(C\$ millions)	March 31, 2012 (C\$ millions)	Recoveries (C\$ millions)	Claims— Nominal Basis	Claims— NPV ^a Basis
Standard Trust Co. (Formal Liquidation— 1991)	1,164	967	14	16%	33%

^a All cash flows are discounted on an annual basis to the year of failure to arrive at the net present value (NPV).

☐ Liabilities

The total liabilities of the Corporation increased to \$1,158.6 million as at March 31, 2012, from \$1,106.3 million as at March 31, 2011, an increase of 5%. The following table summarizes the liabilities of the Corporation:

(C\$ thousands)	March 31, 2012	March 31, 2011
Liabilities		
Trade and other payables	3,828	2,557
Current tax liability	1,435	600
Deferred lease inducement	1,525	1,507
Defined benefit obligations	1,763	1,676
Provision for insurance losses	1,150,000	1,100,000
Total liabilities	1,158,551	1,106,340

Provision for Insurance Losses

The \$1,150 million provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. The provision increased by \$50 million in fiscal 2011/2012, reflecting the potential impact on member institutions of market volatility driven in part by the European sovereign debt crisis.

CDIC's provision for insurance losses is estimated based on a number of inputs including: the level of insured deposits; the expectation of default derived from probability statistics; CDIC's specific knowledge of its members; and an expected loss given default.

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 a historically based view of default. Moody's KMV, a well-known provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective to the probability of default estimate.

The loss given default estimate is the cumulative un-weighted average loss sustained by CDIC in member failures since 1987, adjusted for measurement uncertainty as required by IFRS. In 1987, CDIC's legislation was changed to require that it pursue its objects in a manner so as to minimize its exposure to loss. Accordingly, the losses associated with failures since that time are significantly lower than those incurred by CDIC prior to 1987 and are more indicative of the losses the Corporation can expect to incur in the future.

Ex Ante Funding

CDIC recognizes the importance of having appropriate financial resources for the proper functioning of a sound deposit insurance system. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed. In its 2003/2004 fiscal year, CDIC's Board of Directors decided that it would be appropriate to maintain an amount of advance or ex ante funding available for possible deposit insurance losses. It was further determined that this amount of ex ante funding would be represented by the aggregate of both the retained earnings and the provision for insurance losses as reported in CDIC's financial statements.

The initial target range for the amount of *ex ante* funding was between 40 and 50 basis points of insured deposits. After a thorough review of CDIC's historical financial condition, loss estimation scenarios and international funding trends, as well as consultation with the industry, the Board of Directors determined at its December 7, 2011, meeting that it was appropriate to increase the minimum target level of *ex ante* funding to 100 basis points of insured deposits.

As at March 31, 2012, ex ante funding totalled \$2,443.5 million, or 39 basis points of insured deposits compared to the minimum target of \$6,218.8 million (100 basis points of insured deposits).

Consolidated Statement of Comprehensive Income

CDIC's net income for fiscal 2011/2012 totalled \$180.1 million, a decrease from \$255.4 million in fiscal 2010/2011. The Corporation's financial performance is summarized in the following table:

(C\$ thousands)	2011/2012	2010/2011
Revenue		
Premium	223,887	253,264
Interest income	40,194	33,492
Other	26	39
Expenses		
Operating expenses	31,991	30,690
Recovery of amounts previously written off	(375)	(64)
Increase (decrease) in provision for guarantees		
and insurance losses	50,000	(15)
Income tax expense	2,345	741
Net income	180,146	255,443
Other comprehensive loss	(94)	(34)
Total comprehensive income	180,052	255,409

Premium Revenue

In the 2011/2012 fiscal year, premium revenue decreased by \$29.4 million (12%) to \$223.9 million. Although premium rates and the level of insured deposits increased, this was more than offset by improved Differential Premium categorization of some members, moving them to lower premium rate categories.

Premiums are based on the total amount of insured deposits held by members as of April 30th each year, calculated in accordance with the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*) and its *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. Premium rates, expressed as basis points of insured deposits, are presented below.

Premium Category (basis points of insured deposits)	2011/2012	2010/2011
Category 1	2.8	2.3
Category 2	5.6	4.6
Category 3	11.1	9.3
Category 4	22.2	18.5

The distribution of members among premium categories is set out in the following table:

Premium Category	Distribution of Member Institutions					
(% of members)	by Premium Category					
	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	
1 2	73	62	68	75	93	
	20	26	21	20	6	
3 4	5 2	10 2	10 1	5 —	1 –	

Interest Income

Interest income was \$40.2 million during the 2011/2012 fiscal year compared to \$33.5 million in the previous year. Improved earnings were a result of growth in the investment base and higher yields achieved during the year. The interest rate environment was volatile during both the 2011/2012 and 2010/2011 fiscal years. Interest income in fiscal 2011/2012 benefited from rising rates during the last quarter of fiscal 2010/2011 and the first guarter of fiscal 2011/2012.

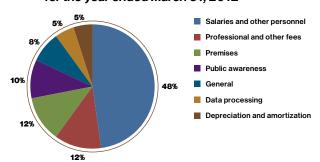
Recoveries

In fiscal 2011/2012, the Corporation recovered \$375 thousand in relation to amounts previously written off. CDIC occasionally recovers amounts from the estate of failed member institutions; however, there is no certainty with regard to timing or amount. As a result, the Corporation recognizes such recoveries in the period in which they are received.

Operating Expenses

Operating expenses increased to \$32.0 million in fiscal 2011/2012 from \$30.7 million in fiscal 2010/2011. While CDIC reduced costs during the year through a number of efficiencies, its new powers and responsibilities over the past three years have resulted in higher overall operating expenses, particularly with respect to staffing CDIC's Complex Resolution Division.

Profile of Operating Expenses (% of total) for the year ended March 31, 2012



Consolidated Statement of Cash Flows

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

(C\$ thousands)	2011/2012	2010/2011
Increase in cash from operating activities	232,520	259,274
Decrease in cash from investing activities	(232,803)	(259,065)
Increase (decrease) in cash balance	(283)	209

In fiscal 2011/2012, CDIC generated \$232.5 million in cash from its operations, \$3.1 million of which was used to purchase/develop capital assets, and \$229.4 million of which was contributed to the investment portfolio.

Comparison with 2011/2012 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2011/2012 with the Corporate Plan for the same year.

☐ Statement of Financial Position

Total assets as at March 31, 2012, were \$2,452.1 million, compared to the planned amount of \$2,428.0 million. The variance resulted from higher than planned premium revenue and interest income, which increased the balance of marketable securities held by the Corporation.

☐ Statement of Comprehensive Income

Total revenue during the year was \$264.1 million, or \$16.0 million above Plan. Increases in premium rates combined with differences between planned and actual classification of member institutions under the Differential Premiums System were the primary contributors to revenue growth. Interest income was also higher than planned due to a larger than planned investment portfolio and higher than anticipated yields.

Net income for the year ended March 31, 2012, was \$180.1 million compared to planned net income of \$212.5 million, a negative variance of \$32.4 million. This variance is attributable to an unplanned increase in the provision for insurance losses of \$50 million, partially offset by higher than planned revenue, and lower than planned operating expenses. Operating expenses of \$32.0 million were below planned expenses of \$34.4 million, due primarily to personnel costs that, although elevated from the previous year, did not increase as much as was budgeted in the 2011/2012 to 2015/2016 Corporate Plan. Lower than expected professional fees were also a factor.

The overall impact of the above was an increase in CDIC's **ex ante funding** of \$21 million more than planned, further enhancing CDIC's capacity to respond to member institution failures.

A Look Ahead to 2012/2013

As set out in the Corporation's 2012/2013 to 2016/2017 Corporate Plan, CDIC's work will be guided by four corporate strategies in fiscal 2012/2013:

- Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure
- Build Preparedness for Complex Resolutions
- Promote Public Awareness of CDIC Deposit Insurance
- · Optimize the Use of CDIC's Strategic Resources

■ Enable Quick Access to Insured Deposits in the Event of a Member Institution Failure

CDIC will enhance its capacity for a quick reimbursement or transfer of insured deposits to another institution in the event of a member institution failure. This will include:

- continuing to closely monitor and assess the risk of its members
- actively managing the risk posed by high-risk members
- documenting the plans for intervention and resolution specifically for high-risk members
- enhancing the methodology and tools that support a faster payout or transfer of deposits

In fiscal 2012/2013, CDIC will continue to participate in the redesign and replacement of the Tri-Agency Data Sharing System (TDS). This work, scheduled to be completed over the next two to three years, will improve the ability of CDIC, OSFI and the Bank of Canada to collect and share membership information—key to CDIC's monitoring activities.

Although June 30, 2013, is the deadline for compliance with CDIC's *Data and System Requirements By-law*, CDIC will work throughout fiscal 2012/2013 to test member institutions' early compliance with the by-law to assess whether they may be eligible for a discount offered on their annual insurance premiums for early compliance. To date, over 50% of CDIC's members have indicated their intention to comply by the end of June 2012 and therefore be eligible for the premium incentive. Other ongoing activities will include making enhancements to alternative methods, activities and processes for non-payout resolutions (e.g., the implementation of a bridge bank) and improvements to risk assessment and monitoring processes.

■ Build Preparedness for Complex Resolutions

CDIC will focus on its level of preparedness to deal with the failure of one of its most complex members. This will include:

- developing and maintaining resolution plans for the largest member institutions
- building preparedness to execute large bank resolution processes
- contributing to a number of domestic and international initiatives in this area

Much of CDIC's efforts in the first half of the 2012/2013 fiscal year will support the Corporation's intention to develop a first set of large member resolution plans by the end of December 2012. Beyond that, complex resolution plans will continue to be maintained and updated to reflect new circumstances, changes within its membership and current best practices.

In support of these efforts, CDIC will continue to staff its Complex Resolution Division with the skills and expertise required to address specific challenges related to the resolution of CDIC's largest members. These include implementing resolution strategies that could involve a restructuring, sale or merger, and/or establishing a bridge bank. The Corporation will continue its work with Canada's Senior Advisory Committee (SAC) and other inter-agency initiatives to enhance Canada's large bank resolution framework. CDIC will participate in IADI and FSB working groups to promote robust deposit insurance systems and to improve cross-border resolution mechanisms.

Promote Public Awareness of CDIC Deposit Insurance

CDIC will promote awareness of the CDIC deposit insurance program to assist Canadians in making sound decisions about the protection of their savings and to contribute to their confidence in Canada's financial system.

With the launch of a new Long-Term Public Awareness Strategy and Plan in 2012/2013, CDIC aims to maintain total awareness of CDIC at or above 45% and unaided awareness of the \$100,000 coverage limit at or above 15% over the next five years. The new strategy will leverage financial advisors and social media tools to inform Canadians about the deposit insurance program. CDIC will continue to monitor awareness levels through quarterly omnibus surveys.

■ Optimize the Use of CDIC's Strategic Resources

CDIC will aim to optimize its work force and its information systems—both are vital to the Corporation's ability to fulfill its mandate.

To adequately staff its new Division and plan for upcoming retirements while containing incremental costs, CDIC will implement strategies to ensure the right people are in the right roles to meet the Corporation's objectives. Information System (IS) resources will continue to address the increased data complexity of CDIC members, support the expanding resolution capabilities, and IS services will be optimized through the implementation of the IS Tactical Plan. CDIC will continue to look for opportunities to increase operational flexibility and efficiencies with a focus on reviewing costs to identify potential savings, while ensuring that the Corporation's risks are well managed.

2012/2013 to 2016/2017 Financial Plan

2012/2013 Fiscal Year

Net income is forecast at \$91.7 million for the 2012/2013 fiscal year.

Total revenues are planned to be \$131.3 million in the 2012/2013 fiscal year, including \$89.3 million of premium revenue and \$42.0 million of interest revenue.

Planned premium revenue of \$89.3 million is \$134.6 million lower than fiscal 2011/2012 premium revenue of \$223.9 million. Although insured deposits are forecast to increase by 3%, this will be offset by the improvement in the distribution of member institutions across Differential Premiums categories, as well as premium rate discounts for members who demonstrate early compliance with CDIC's Data and System Requirements By-law. The discounts are only in effect for the 2012/2013 fiscal year.

In addition, interest income is assumed to continue to increase modestly in the 2012/2013 fiscal year. This is primarily driven by a higher investment base.

Net operating expenses are planned to be \$38.6 million in fiscal 2012/2013, compared to \$32.0 million actual operating expenses in fiscal 2011/2012. The increased costs reflect the continued development of the Complex Resolution Division and the activities associated with the implementation of CDIC's new powers and responsibilities. The increased costs are net of the savings that will be realized from the efficiencies implemented in 2011/2012, as well as planned changes to the delivery of our public awareness program in 2012/2013. These savings are expected to total approximately \$2 million in 2012/2013.

Cash and investments are projected to be \$2.5 billion at the end of the 2012/2013 fiscal year.

The **provision for insurance losses** is forecast to remain unchanged at \$1,150 million at the end of the 2012/2013 fiscal year.

The level of *ex ante* funding is forecast to be \$2.5 billion, representing 39 basis points of forecast insured deposits at the end of the 2012/2013 fiscal year, unchanged from the current year.

□ 2012/2013 to 2016/2017

Cash and investments are planned to increase to \$3.8 billion by March 31, 2017, from \$2.4 billion at March 31, 2012.

Premium revenue is forecast to total \$1.3 billion over the five-year period. As previously noted, member institutions will be offered a financial incentive in fiscal 2012/2013 in order to encourage earlier adoption of the *Data and System Requirements By-law*. **Interest income** is forecast to total \$224 million, and net operating expenses are budgeted at \$201 million over the same period.

The projections included in CDIC's 2012/2013 to 2016/2017 Corporate Plan are based on a number of assumptions and, accordingly, actual results may vary materially from the figures included in the Plan. Key financial assumptions include the following:

- Premium rates are expected to remain at fiscal 2011/2012 levels for the first two years of the planning period, after which they are forecast to rise to a long-term sustainable average.
- Interest revenue on investments is based on an assumed average yield of 1.7% during the first year and 1.5% for the remainder of the planning period.
- No member institution failure will occur during the planning period.¹
- The provision for insurance losses is forecast to remain at \$1,150 million.

¹ Key to the effective implementation of CDIC's priorities within its operating budget is the absence of interventions in member institutions. The Corporation has not forecast any member interventions during the planning period. As a result, the impact on operations of any interventions is not incorporated into future operating budgets. The cost of interventions, if required, would likely have a material impact on operating expenses.

(C\$ millions)	2012/2013 Corporate Plan ^a	2011/2012 Actual Results	2011/2012 Corporate Plan ^a
Consolidated Statement of Financial Position (as at March 31)			
Cash and investments Other current assets Capital assets	2,525 1 13	2,441 2 9	2,416 1 11
Total assets	2,539	2,452	2,428
Current liabilities Provision for insurance losses Other non-current liabilities Retained earnings	3 1,150 4 1,382	5 1,150 3 1,294	2 1,100 3 1,323
Total liabilities and equity	2,539	2,452	2,428
Consolidated Statement of Comprehensive Income (for the year ended March 31)			
Revenue Premiums Interest income	89 42	224 40	213 35
	131	264	248
Expenses Operating Increase (decrease) in provision for guarantees	38	32	34
and insurance losses	_	50	_
	38	82	34
Net income before income tax Income tax expense	93 (1)	182 (2)	214 (1)
Net income and total comprehensive income	92	180	213

^a The Corporate Plans 2011/2012 to 2015/2016 and 2012/2013 to 2016/2017 were developed based on information as at December 31, 2010 and 2011, respectively.



Consolidated Financial Statements

Management Responsibility for Consolidated Financial Statements

June 13, 2012

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, that 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, assets are safeguarded and 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, 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 his report is included herein.

Michèle Bourque

President and Chief Executive Officer

Dean A. Cosman

Vice-President, Finance and Administration, and Chief Financial Officer

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Deposit Insurance Corporation, which comprise the consolidated statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Deposit Insurance Corporation as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Financial Administration Act, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 17 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Deposit Insurance Corporation that have come to my notice during my audits of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Canada Deposit Insurance Corporation Act and the by-laws of the Canada Deposit Insurance Corporation.

Clyde M. MacLellan, CA Assistant Auditor General for the Auditor General of Canada

13 June 2012 Ottawa, Canada

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240 rue Sparks Street, Ottawa, Ontario KIA OG

Consolidated Financial Statements and Notes

Canada Deposit Insurance Corporation

Consolidated Statement of Financial Position as at March 31, 2012

(in thousands of Canadian dollars)

	Notes	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS				
Cash		456	739	530
Marketable securities	4	2,440,790	2,207,987	1,954,548
Current tax asset	7	2,440,730		3,361
Premiums receivable		_	364	-
Trade and other receivables	5	1,537	2,570	2,489
Prepayments	ŭ	141	401	352
Property, plant and equipment	6	6,332	5,936	2,947
Intangible assets	7	2,626	1,383	762
Deferred tax asset	12	206	445	570
TOTAL ASSETS		2,452,088	2,219,825	1,965,559
LIABILITIES				
Trade and other payables		3,828	2,557	4,843
Current tax liability		1,435	600	_
Deferred lease inducement	8	1,525	1,507	1,028
Defined benefit obligations	16	1,763	1,676	1,612
Provision for insurance losses	9	1,150,000	1,100,000	1,100,000
Total liabilities		1,158,551	1,106,340	1,107,483
EQUITY				
Retained earnings		1,293,537	1,113,485	858,076
TOTAL LIABILITIES AND EQUITY		2,452,088	2,219,825	1,965,559

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

Approved by the Board on June 13, 2012

Director

Director

Consolidated Statement of Comprehensive Income for the year ended March 31, 2012

(in thousands of Canadian dollars)

	Notes	Year ended March 31, 2012	Year ended March 31, 2011
REVENUE			
Premium Interest income Other		223,887 40,194 26	253,264 33,492 39
		264,107	286,795
EXPENSES			
Operating Recovery of amounts previously written off Increase (decrease) in provision for guarantees and insurance losses	13 9	31,991 (375) 50,000	30,690 (64) (15)
		81,616	30,611
Net income before income taxes		182,491	256,184
Income tax expense	12	2,345	741
NET INCOME		180,146	255,443
OTHER COMPREHENSIVE INCOME			
Actuarial loss on defined benefit obligations Income tax effect	16	(126) 32	(47) 13
Other comprehensive loss, net of tax		(94)	(34)
TOTAL COMPREHENSIVE INCOME		180,052	255,409

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

Consolidated Statement of Changes in Equity for the year ended March 31, 2012

(in thousands of Canadian dollars)

	Retained Earnings and Total Equity
Balance, April 1, 2010	858,076
Net income	255,443
Other comprehensive loss	(34)
Total comprehensive income	255,409
Balance, March 31, 2011	1,113,485
Net income	180,146
Other comprehensive loss	(94)
Total comprehensive income	180,052
Balance, March 31, 2012	1,293,537

 ${\it The accompanying notes form an integral part of these consolidated {\it financial statements}.}$



Consolidated Statement of Cash Flows for the year ended March 31, 2012

(in thousands of Canadian dollars)

	Year ended March 31, 2012	Year ended March 31, 2011
OPERATING ACTIVITIES		
Net income	180,146	255,443
Add (deduct) items not involving cash:	F0.000	
Increase (decrease) in provision for insurance losses	50,000	1 004
Depreciation and amortization	1,468	1,204
Change in accrued interest	(3,107)	812
Deferred taxes	239 87	125 64
Charge for defined benefit obligations Deferred lease inducement	18	479
Actuarial loss on defined benefit obligations	(94)	(34)
Change in working capital:	004	(004)
Decrease (increase) in premiums receivable	364 260	(364)
Decrease (increase) in prepayments	=	(49)
Decrease (increase) in trade and other receivables	1,033	(81)
Increase (decrease) in trade and other payables	1,271 835	(2,286)
Increase in current tax liability	833	3,961
Net cash generated by operating activities	232,520	259,274
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, and intangible assets	(3,107)	(4,814)
Purchase of marketable securities	(3,751,112)	(4,163,470)
Proceeds from sale or maturity of marketable securities	3,521,416	3,909,219
Net cash used in investing activities	(232,803)	(259,065)
Not (degrades) increase in each	(000)	200
Net (decrease) increase in cash	(283)	209
Cash, beginning of year	739	530
Cash, end of year	456	739
Interest received	37,180	34,388
Income tax (paid) received	(1,242)	3,361

Amounts paid and received for interest and taxes were reflected as operating cash flows in the consolidated statement of cash flows.

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

Notes to Consolidated Financial Statements March 31, 2012

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. 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 and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including acquiring assets from and providing guarantees or loans to member institutions and others. Among other things, it may make or cause to be made inspections of member institutions, act as liquidator, receiver or inspector of a member institution or a subsidiary thereof and establish a bridge bank.

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

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 13, 2012.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars and represent the first annual consolidated financial statements of the Corporation prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Corporation adopted IFRS in accordance with IFRS 1 First-Time Adoption of International Financial Reporting Standards.

The first date at which IFRS was applied was April 1, 2010. The Corporation's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP). Canadian GAAP differ in some areas from IFRS and therefore certain accounting policies and measurement methods previously applied under Canadian GAAP were amended in the preparation of these statements. In accordance with IFRS 1, the same accounting policies have been applied throughout all periods presented. Note 17 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, net income and comprehensive income along with line-by-line reconciliations of the statement of financial position as at March 31, 2011, and April 1, 2010, and the statement of comprehensive income for the year ended March 31, 2011.



The consolidated financial statements have been prepared on the historical cost basis, except for the provision for insurance losses and the defined benefit obligations, 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 unless otherwise noted below.

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 special purpose entity controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

The overall impact of consolidation is not significant.

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

Judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgment in applying the Corporation's accounting policies. The most significant judgments made by Management, in terms of the amounts recognized in the consolidated financial statements, are described below.

Marketable securities

The Corporation holds a significant amount of marketable securities. Management has determined, based on an analysis of the facts and circumstances, that: (i) the marketable securities are held in order to collect contractual cash flows; and (ii) the contractual terms of the marketable securities give rise on specified dates to cash flows. Therefore, the Corporation measures the marketable securities at amortized cost. 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.

Major sources of estimation uncertainty and assumptions made by Management about the future are described below, where they have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for insurance losses

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits of member institutions. The provision is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default. See "Provisions for Insurance Losses and Guarantees" below for further details on how the provision is measured.

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

Financial Instruments

The Corporation has early adopted IFRS 9 *Financial Instruments*, issued by the IASB in November 2009 (IFRS 9 (2009)), with a date of initial application of April 1, 2010.

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; and
- 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 these conditions, it is subsequently measured at fair value. All the Corporation's financial assets are subsequently measured at amortized cost.

B) Financial liabilities

All the Corporation's financial liabilities are subsequently 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 uncollectibility.



Fair value measurement

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Identification and measurement of impairment

The Corporation assesses at the end of each reporting period whether there is any objective evidence that financial assets carried at amortized cost are impaired. Impairment losses on assets carried at amortized cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in net income and reflected in an allowance account.

Cash

Cash includes cash on hand and demand deposits. Cash is measured at amortized cost on the statement of financial position.

Marketable Securities

Marketable securities are debt instruments, such as Treasury bills and government of Canada bonds, held by the Corporation. Marketable securities are measured on the statement of financial position at amortized cost, plus accrued interest, less any impairment losses.

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

Trade and Other Receivables

Trade and other receivables are measured at amortized cost less any impairment losses.

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 once annually at the end of each 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—shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment—five years
- Computer hardware—three years

Depreciation expense is included in operating expenses. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in operating expenses.

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.

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, and only 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; and
- 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. Where no internally-generated intangible asset can be recognized, such costs are recognized in net income in the period in which they were incurred.

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 ten years. The estimated useful lives, residual values and depreciation methods are reviewed once annually at the end of each 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.

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.

Trade and Other Payables

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

Provisions for Insurance Losses and Guarantees

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. In its consolidated financial statements the Corporation records the following provisions for insurance losses and guarantees.



Provision for insurance losses

The Corporation has a stand-ready obligation to provide insurance against the loss of part of, or all, deposits in a member institution 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. The provision is estimated by assessing the aggregate risk of the Corporation's member institutions based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default.

The Corporation calculates its expected losses as a result of member institution failures on a present value basis. The loss given default is expressed as a percentage of insured deposits and reflects the cumulative un-weighted average of losses sustained since the *CDIC Act* was amended in 1987 to require that CDIC pursue its objects in a manner so as to minimize its exposure to loss, plus an adjustment for measurement uncertainty. The present value of the provision is determined using a pre-tax risk-free discount rate.

Changes in the provision for insurance losses that result from quarterly estimations for financial reporting purposes are recognized as an adjustment to the provision for insurance loss in the period in which the changes occur.

Provision for guarantees

In order to protect depositors of a failing member institution, the Corporation may provide guarantees to facilitate the acquisition of the failing member institution by another member institution. Financial guarantees are initially measured at their fair values and subsequently measured at the higher of: (i) the amount of the obligation as determined in accordance with IAS 37 as described above; and (ii) the amount initially recognized less, where appropriate, cumulative amortization.

Premium Revenue

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

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 2011/2012 fiscal year are as follows:

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 target.

(basis points of insured deposits) Premium Category	2011/2012	2010/2011
Category 1	2.8	2.3
Category 2	5.6	4.6
Category 3	11.1	9.3
Category 4	22.2	18.5

Other Revenue

Other revenue includes post-liquidation interest, certain interest income and foreign exchange gains and losses. Post-liquidation interest refers to amounts recovered from the estates of member institutions which exceed the amounts claimed.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

All of the Corporation's leases are treated as operating leases.

Rentals payable under operating leases are charged to operating expenses on a straight-line basis over the term of the lease. In the event that lease incentives are received, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. Rental income from operating sub-leases is recognized on a straight-line basis over the term of the lease.

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 Public Service 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.

Defined Benefit Obligations

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits. The cost of the benefits earned by employees is actuarially determined using the projected unit credit method. The determination of the benefit expense requires the use of assumptions such as the discount rate to measure obligations, expected resignation rates and the expected rate of future compensation. Actual results may differ from estimates based on assumptions.

Past service costs are recognized immediately in the statement of comprehensive income to the extent that the benefits have vested. The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits become vested. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities are charged to operating expenses.

The liability recognized in the statement of financial position is the present value of the defined benefit obligations at the end of the reporting period adjusted for unrecognized past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates for high-quality corporate bonds that have terms to maturity approximating the terms of the related liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in retained earnings as other comprehensive income.



Income Taxes

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

Current tax is recognized in net income except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

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 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 - Future Accounting Changes

At the date these consolidated financial statements were authorized, certain standards, interpretations and amendments to existing standards were issued by the IASB but are not yet effective. Unless otherwise noted, the Corporation does not plan to early adopt any of the changes.

In November 2009, the IASB issued IFRS 9 (2009), introducing new requirements for classifying and measuring financial assets. This was the IASB's first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* In October 2010, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2010)), incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IFRS 9 (2010) must be applied retrospectively for annual periods beginning on or after January 1, 2015, with early adoption of either IFRS 9 (2009) or IFRS 9 (2010) permitted. The Corporation elected to adopt IFRS 9 (2009) in advance of its effective date and does not expect the additional requirements of IFRS 9 (2010) to have a material impact on the consolidated financial statements.

In October 2010, the IASB amended IFRS 7 Financial Instruments: Disclosures to require quantitative and qualitative disclosures for transfers of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments to IFRS 7 must be applied for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Corporation does not have any transferred receivables and does not expect the IFRS 7 amendments to have a significant impact, if at all, on its disclosures.

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, which is a replacement of IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities. Concurrent with the issuance of IFRS 10, the IASB also issued IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (revised 2011), and IAS 28 Investments in Associates and Joint Ventures (revised 2011). Each of the standards in the "package of five" is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards in the "package of five" is also early applied. IFRS 10 eliminates the risks and rewards approach included in SIC-12, and instead uses the concept of control (defined by the presence of three elements) as the single basis for consolidation, irrespective of the nature of the investee. The application of IFRS 10 could, in some cases, result in the consolidation of an entity that had not previously been consolidated. The Corporation is currently evaluating the potential impact, if any, of the package of five on CDIC's consolidated financial statements.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement. IFRS 13 defines "fair value" and sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. The new standard reduces complexity and improves consistency by clarifying the definition of fair value and provides measurement and disclosure requirements for all fair value measurements. The standard is effective for annual periods beginning on or after January 1, 2013, and prospective application is required. The Corporation is currently evaluating the potential impact of IFRS 13, if any, on its consolidated financial statements.

In June 2011, the IASB amended IAS 19 *Employee Benefits* to eliminate the option to defer the recognition of gains and losses, known as the "corridor method" and require that remeasurements be presented in other comprehensive income. The amendments also require enhanced disclosure requirements surrounding defined benefit plans and related risks. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with early adoption permitted. The Corporation is currently evaluating the impact of the amended IAS 19, if any, on its consolidated financial statements.

In June 2011, the IASB amended IAS 1 *Presentation of Financial Statements*, providing classification guidance on items contained in other comprehensive income. The amendments to IAS 1 must be applied retrospectively for annual periods beginning on or after July 1, 2012. The adoption of IAS 1 is not expected to have a significant impact on the consolidated financial statements.



4 - Marketable Securities

Information on the maturity and composition of the Corporation's marketable securities is included in the tables below.

(Of the upper de)	Remaining Term to Maturity March 31, 2012			
(C\$ thousands)	Under 90 days	91 days to 1 year	1–5 years	Total
Treasury bills Weighted average effective yield (%)	74,244 0.91	107,831 1.03	_ _	182,075 0.98
Bonds Weighted average effective yield (%)	177,986 1.59	828,425 1.53	1,243,303 1.86	2,249,714 1.74
Other Weighted average effective yield (%)	9,001 0.95	_ _	_ _	9,001 0.95
Total marketable securities	261,231	936,256	1,243,303	2,440,790
Weighted average effective yield (%)	1.38	1.47	1.86	1.66

(Of the upped de)	Remaining Term to Maturity March 31, 2011			
(C\$ thousands)	Under 90 days	91 days to 1 year	1–5 years	Total
Treasury bills Weighted average effective yield (%)			_	
Bonds Weighted average effective yield (%)	275,872 1.27	609,565 1.43	1,312,251 1.98	2,197,688 1.74
Other	10,299	_	-	10,299
Weighted average effective yield (%) Total marketable securities	286,171	609,565	1,312,251	2,207,987
Weighted average effective yield (%)	1.26	1.43	1.98	1.73

(Cf. they goods)	Remaining Term to Maturity April 1, 2010			
(C\$ thousands)	Under 90 days	91 days to 1 year	1-5 years	Total
Treasury bills Weighted average effective yield (%)	86,564 0.48			86,564 0.48
Bonds Weighted average effective yield (%)	333,016 2.29	396,467 1.48	1,118,000 1.44	1,847,483 1.61
Other Weighted average effective yield (%)	20,501 0.20		_ _	20,501 0.20
Total marketable securities	440,081	396,467	1,118,000	1,954,548
Weighted average effective yield (%)	1.85	1.48	1.44	1.54

(C\$ thousands)	Amortized cost	March 31, 201: Gross unrealized gains	2 Fair value	March 31, 2011 Fair value	April 1, 2010 Fair value
Treasury bills	182,076	249	182,325	_	86,582
Bonds	2,249,713	18,194	2,267,907	2,196,786	1,846,740
Other	9,001	_	9,001	10,299	20,501
Total marketable securities	2,440,790	18,443	2,459,233	2,207,085	1,953,823

The carrying amounts in the above tables include accrued interest.

5 - Trade and Other Receivables

(C\$ thousands)	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable	69	311	121
Lease incentive receivable	_	791	900
Other receivables	1,468	1,468	1,468
Total trade and other receivables	1,537	2,570	2,489

As at March 31, 2012, March 31, 2011, and April 1, 2010, none of the receivable balances were past due and there was no objective evidence of impairment.

Except for other receivables, the carrying amounts of trade and other receivables approximate fair value due to their short term to maturity. Other receivables consist of a note receivable due on June 30, 2015, the fair value of which was \$1,438 thousand as at March 31, 2012 (March 31, 2011: \$1,362 thousand; April 1, 2010: \$1,312 thousand).



6 - Property, Plant and Equipment

(C\$ thousands)	Computer Hardware	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance, April 1, 2010	3,890	1,027	2,466	7,383
Additions	600	764	2,503	3,867
Retirements	(55)	(27)	_	(82)
Balance, March 31, 2011	4,435	1,764	4,969	11,168
Additions	622	109	720	1,451
Retirements	(55)	_	_	(55)
Balance, March 31, 2012	5,002	1,873	5,689	12,564
Accumulated depreciation	0.007	054	070	4.400
Balance, April 1, 2010	2,807	651	978	4,436
Depreciation	593	118	167	878
Retirements	(55)	(27)		(82)
Balance, March 31, 2011	3,345	742	1,145	5,232
Depreciation	642	152	261	1,055
Retirements	(55)	_	-	(55)
Balance, March 31, 2012	3,932	894	1,406	6,232
Carrying amounts				
Balance, April 1, 2010	1,083	376	1.488	2,947
Balance, March 31, 2011	1,090	1,022	3,824	5,936
Daiarioo, Marorro I, 2011	1,000	1,022	0,027	5,500

Included in property, plant and equipment at March 31, 2012, is an amount of \$720 thousand relating to leasehold improvements in the course of construction. Included in property, plant and equipment at March 31, 2011, was an amount of \$153 thousand relating to computer hardware not yet available for use. As at April 1, 2010, all property, plant and equipment shown in the table above was available for use.

7 - Intangible Assets

(C\$ thousands)	Computer Software	Computer Software Under Development	Total
Cost			
Balance, April 1, 2010	979	_	979
Additions—internal development	460	487	947
Retirements	_	_	_
Balance, March 31, 2011	1,439	487	1,926
Additions—internal development	207	1,449	1,656
Retirements	_	-	_
Balance, March 31, 2012	1,646	1,936	3,582
Accumulated amortization			
Balance, April 1, 2010	217	_	217
Amortization	326	_	326
Retirements	-	_	-
Balance, March 31, 2011	543		543
Amortization	413	_	413
Retirements	_	_	_
Balance, March 31, 2012	956	-	956
Carrying amounts			
Balance, April 1, 2010	762	_	762
Balance, March 31, 2011	896	487	1,383
Balance, March 31, 2012	690	1.936	2.626

The above balances relate to the Corporation's enhancement of internal systems designed to manage intervention activities. Enhancements to the systems are ongoing.

8 - Deferred Lease Inducement

The Corporation has received lease inducements from one of its landlords, in the form of free rent periods and reimbursements for leasehold improvements. The aggregate benefit of these incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. A total of \$1,412 thousand is expected to be recognized as reduction of operating expenses more than 12 months after March 31, 2012 (more than 12 months after March 31, 2011: \$1,389 thousand; more than 12 months after April 1, 2010: \$907 thousand).

9 - Provision for Insurance Losses

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

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

(C\$ thousands)	Provision for Insurance Losses
Balance, April 1, 2010	1,100,000
Additional provisions	_
Balance, March 31, 2011	1,100,000
Additional provisions	50,000
Balance, March 31, 2012	1,150,000

10 - 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 (2009).

(C\$ thousands)	March 31, 2012	March 31, 2011	April 1, 2010
Cash	456	739	530
Marketable securities	2,440,790	2,207,987	1,954,548
Trade and other receivables	1,537	2,570	2,489
Financial assets	2,442,783	2,211,296	1,957,567
Trade and other payables	3,828	2,557	4,843
Financial liabilities	3,828	2,557	4,843

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

Fair Value of Financial Instruments

With the exception of marketable securities and certain trade and other receivables, the carrying amounts of the Corporation's financial instruments measured at amortized cost approximate their fair values. The fair values of the Corporation's marketable securities are disclosed in Note 4 and are determined based on quoted prices in active markets. The fair values of certain trade and other receivables are disclosed in Note 5 and are based on a discounted cash flow model, discounting expected future cash flows using a discount rate appropriate to a AA-rated counterparty.

Financial Risk Management Objectives

The Corporation's assets consist primarily of its marketable securities. CDIC's investment strategy is based on two key principles, that is, limiting credit and market risk to preserve capital and the use of the investment portfolio as a funding source for intervention activity. 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 which sets out the responsibilities of the Board of Directors. The ERM process and results are subject to review by the Corporation's Internal Audit function.

Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed regularly, 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, whether on- or off-balance sheet, to CDIC. CDIC's maximum exposure to credit risk is the carrying amount of marketable securities and trade and other receivables held on the consolidated statement of financial position. None of the trade and other receivables are past due.

The 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 CDIC 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/Municipal Financing Authorities. Risk is further limited by setting a maximum amount and term for each investment. Counterparties for investments of less than three years must have a minimum credit rating of A at the time of acquisition. The Corporation's marketable securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

Further, 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 marketable securities by credit rating.

(C\$ thousands) Credit rating*	March 31, 2012	March 31, 2011	April 1, 2010
AAA	2,025,635	1,840,357	1,684,185
AA+	_	30,140	22,348
AA	122,315	83,214	10,773
AA-	249,327	215,005	200,064
A+	43,513	39,271	37,178
Total investments	2,440,790	2,207,987	1,954,548

^{*}As rated by Standard & Poor's



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 or value of assets held within the estates of failed member institutions, thus exposing CDIC to additional credit risk. The Corporation is closely involved in the asset realization process of these failed institutions in order to mitigate credit risk and minimize any potential loss to CDIC.

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 predictability of these events is difficult. 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 (semi-annually) and performance against approved limits (quarterly). The Asset/Liability Committee (ALCO) provides senior Management oversight of liquidity risks through their regularly scheduled meetings.

The liquidity risk policy sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of marketable securities while respecting, firstly, the parameters established under all the financial policies and, secondly, 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, subject to ministerial approval. CDIC currently has authority to borrow up to \$18 billion (March 31, 2011: \$17 billion; April 1, 2010: \$17 billion). Under the *Budget Implementation Act, 2009*, the borrowing limit is adjusted annually to reflect the growth of insured deposits.

Market risk

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

Principal exposures to market risk relate to the Corporation holding financial assets or liabilities where values are influenced by market conditions, such as its portfolio of marketable securities. CDIC's main exposure to market risk is through interest rate risk. The Corporation's exposure to foreign exchange risks and other price risks is insignificant.

Interest rate risk

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

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

The following table shows how after-tax net income would have been affected by a 100 basis point increase or by a 25 basis point decrease in interest rates based on the investment portfolios at the end of each corresponding fiscal year.

(C\$ thousands)	Increase (Decrea 2011/2012	se) in Net Income 2010/2011
100 basis point increase	3,752	3,245
25 basis point decrease	(938)	(811)

Currency risk and other price risk

The market risk policy sets out, among other things, Management's responsibility to not 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.

11 - 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. The Corporation's Board of Directors, on December 7, 2011, approved an increase in the target for the Corporation's *ex ante* funding to a minimum of 100 basis points of insured deposits from a target range of between 40 and 50 basis points.

The Corporation has not yet achieved the target for capital as determined by the *ex ante* funding process. The key mechanism used to manage the level of capital is premium rates. CDIC will determine the disposition of any capital above the target once such level has been attained.

Ex Ante Funding

(C\$ thousands)	March 31, 2012	Actual March 31, 2011	April 1, 2010	Target March 31, 2012
Retained earnings Provision for insurance losses	1,293,537 1,150,000	1,113,485 1,100,000	858,076 1,100,000	
Total ex ante funding	2,443,537	2,213,485	1,958,076	6,218,820 ^a
Total basis points of insured deposits	39 ª	37 ^b	33 °	100

^a Based on level of insured deposits as at April 30, 2011

12 - Income Taxes

The Corporation is subject to federal income tax. The Corporation'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.

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

(C\$ thousands)	2011/2012	2010/2011
Current income tax:		
Current income tax expense	2,057	600
Adjustments in respect of current income tax of previous years	20	_
Deferred tax:		
Relating to the origination and reversal of temporary differences	250	123
Resulting from reduction in tax rate	18	18
Income tax expense recognized in net income	2,345	741

The following table sets out details of income tax recovery recognized in other comprehensive income:

(C\$ thousands)	2011/2012	2010/2011
Defined benefit plan actuarial losses	(32)	(13)
Income tax recovery recognized in other comprehensive income	(32)	(13)

^b Based on level of insured deposits as at April 30, 2010

^c Based on level of insured deposits as at April 30, 2009

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:

(C\$ thousands)	2011/2012	2010/2011
Net income before income taxes	182,491	256,184
Tax expense at the Canadian federal tax rate of 26.1% (2011: 27.6%) Non-taxable premium revenue Increase (decrease) in non-deductible (non-taxable)	47,679 (58,495)	70,771 (69,964)
provision for insurance losses	13,064	(4)
Other	97	(62)
Income tax expense recognized in net income	2,345	741

Deferred tax assets and liabilities are attributable to the following:

(C\$ thousands)	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income		
	March 31, 2012	March 31, 2011	April 1, 2010	2011/2012	2010/2011
Property, plant and equipment, and					
intangible assets	(454)	(264)	265	(190)	(529)
Lease incentives	381	429	32	(48)	397
Short-term employee benefits	10	11	11	(1)	_
Defined benefit obligations	269	269	262	(29)	(9)
Deferred tax expense				(268)	(141)
Net deferred tax assets	206	445	570		

13 - Operating Expenses

(C\$ thousands)	2011/2012	2010/2011
Salaries and other personnel costs	15,481	14,659
Professional and other fees	4,084	4,572
Public awareness	3,852	3,847
Premises	3,296	3,330
General expenses	2,435	2,021
Data processing	1,621	1,720
Depreciation and amortization	1,468	1,204
	32,237	31,353
Expense recoveries		
Related parties	246	513
Other	_	150
Total operating expenses	31,991	30,690

The Corporation provided call centre services to two related parties, the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost-recovery basis. The amounts received are shown above as expense recoveries from related parties. Beginning in the second quarter of 2012, the Corporation no longer provides these services to FCAC; however, the Corporation will continue to provide such services to OSFI through an outsourcing arrangement with a third party. Other expense recoveries include payments made by the Autorité des marchés financiers in Québec in contribution to the Corporation's public awareness campaign.

14 - Related Party Disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a special purpose entity controlled by the Corporation. CDIC holds no equity interest in ACC; however, CDIC has majority representation on ACC's board of directors and is exposed to the majority of the risks and rewards of the special purpose entity by virtue of its outstanding loan to ACC. Based on these facts and circumstances, Management has determined that CDIC controls ACC and is required to consolidate ACC in its financial statements. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this note.

Although CDIC is a corporation without share capital, its parent is the Government of Canada as all the Directors of the Corporation, other than ex officio Directors, are appointed by the Governor in Council or by a minister of the Government of Canada with the approval of the Governor in Council.

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 table discloses significant related party transactions:

(C\$ thousands)	Income (Expense) for the Fiscal Year			Balance Receivable (Payable)			
	Note	2011/2012	2010/2011	March 31, 2012	March 31, 2011	April 1, 2010	
Bank of Canada	а	(619)	(505)	(244)	(84)	(70)	
FCAC	b	95	353	_	82	59	
OSFI	b	151	160	39	37	35	
Public Service Pension Plan	С	(1,869)	(2,015)	_	(34)	(31)	

a) The Corporation owns and administers jointly with OSFI and the Bank of Canada, the Tri-Agency Data Sharing System (TDS) used for collecting financial data from federally regulated deposit-taking institutions. The three parties share equally the operating expenses of the system, which the Bank of Canada coordinates. Additionally, the Corporation leases a business continuity site from the Bank of Canada.

b) The Corporation provided call centre services to two related parties, the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost-recovery basis.

c) 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.)

Remuneration of Key Management Personnel

The amounts in the table below were recognized as expenses related to Key Management Personnel remuneration.

(C\$ thousands)	2011/2012	2010/2011
Short-term benefits Post-employment benefits	1,891 48	1,509 51
Total Key Management Personnel remuneration	1,939	1,560

15 - Contingencies, Commitments and Guarantees

Contingencies

ACC, a special purpose entity controlled by CDIC, commenced a lawsuit in February 1994, claiming losses, plus interest and costs, in relation to the recovery of value from certain assets acquired by ACC from Central Guaranty Trust. The outcome of the proceeding and claim is subject to future resolution and is uncertain. Based on information currently known to ACC, it is not probable that this action will have a material effect on the financial condition of the Corporation.

Commitments

The Corporation leases office space in Ottawa and Toronto. The lease of office space in Ottawa ends in September 2021, with an option to renew for an additional five years at predetermined rates, and a consecutive option to renew for a further five years at market rates prevailing at the time. The lease of office space in Toronto ends in October 2016, with an option to renew for an additional five years at market rates prevailing at the time.

Minimum lease payments recognized as an expense for the year ended March 31, 2012, totalled \$1.8 million (2011: \$1.5 million).

The following table shows future aggregate minimum lease payments (exclusive of other occupancy costs) under non-cancellable operating leases:

(C\$ thousands)	March 31, 2012	March 31, 2011	April 1, 2010
Not later than one year Later than one year and not later than five years Later than five years	1,368 5,637 5,277	1,365 4,511 5,412	1,389 4,711 6,577
Total	12,282	11,288	12,677

The Corporation had no subleases as at March 31, 2012, but has in the past sublet a portion of its Toronto offices. Minimum sublease receipts expected under non-cancellable subleases totalled \$22 thousand as at March 31, 2011 (April 1, 2010: \$22 thousand).

As at March 31, 2012, the Corporation had no commitments to purchase property, plant and equipment (March 31, 2011: nil; April 1, 2010: \$3,341 thousand).

As at March 31, 2012, CDIC had commitments of \$5,136 thousand (March 31, 2011: \$157 thousand; April 1, 2010: \$94 thousand) in relation to the development of intangible assets.

Guarantees

In order to protect depositors from the failure of a member institution, the Corporation may provide guarantees. There were no guarantees outstanding at March 31, 2012, March 31, 2011, or April 1, 2010.

16 - Post-Employment Benefit Obligations

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 to the Public Service Pension Plan are required from both the employees and the Corporation. As required under present legislation the contributions made by the Corporation to the Public Service Pension Plan are 1.74 times (2011: 1.86 times) the employees' contribution on amounts of salaries below \$148.0 thousand (2011: \$142.8 thousand) and 8.95 times (2011: 9.50 times) the employees' contribution on amounts of salaries in excess of \$148.0 thousand (2011: \$142.8 thousand).

In the financial statements of the Corporation, the Public Service Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Public Service Pension Plan is provided in Note 14. The only obligation of the Corporation with respect to the pension plan is to make the specified contributions.

Defined Benefit Obligations

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

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

The most recent actuarial valuation of the unfunded obligations, and the related current service cost and past service cost, was carried out as at March 31, 2012, by an independent actuary, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Discount rate	4.04%	4.87%	5.08%
Rate of compensation increase:			
Fiscal 2010/2011	N/A	N/A	1.50%
Fiscal 2011/2012	N/A	1.50%	1.50%
Fiscal 2012/2013	1.50%	2.00%	2.00%
Thereafter	2.00%	2.00%	2.00%

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

(C\$ thousands)	2011/2012	2010/2011
Current service cost Interest on obligation	150 79	149 80
Defined benefit obligations expense	229	229

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

(C\$ thousands)	Actuarial Gains (Losses)			
Cumulative amount at April 1, 2010	25			
Recognized during the period	(47)			
Cumulative amount at March 31, 2011	(22)			
Recognized during the period	(126)			
Cumulative amount at March 31, 2012	(148)			

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

(C\$ thousands)	Defined Benefit Obligations			
Balance, April 1, 2010	1,612			
Current service cost	149			
Interest cost	80			
Benefit payments	(212)			
Actuarial loss	47			
Balance, March 31, 2011	1,676			
Current service cost	150			
Interest cost	79			
Benefit payments	(268)			
Actuarial loss	126			
Cumulative amount at March 31, 2012	1,763			

The history of experience adjustments arising on the defined benefit obligations is expressed in the table below in dollars and as a percentage of the obligations at the end of the reporting period.

(C\$ thousands)	2011/2012	2010/2011
Experience gain (loss) As a percentage of end of period defined benefit obligations	27 1.5%	(28) -1.7%

17 - Transition to IFRS

As stated in Note 1, these are the Corporation's first consolidated financial statements prepared in accordance with IFRS.

In accordance with IFRS 1, the Corporation has applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

Optional Exemptions

Arrangements that contain a lease

The Corporation has made the same determination of whether an arrangement contained a lease in accordance with Canadian GAAP as that required by IFRS. Accordingly, CDIC has elected to not reassess that determination upon adoption of IFRS.

Defined benefit obligations

Where an entity has defined benefit obligations, IFRS requires the disclosure, for the previous four annual periods, of the present value of those obligations and experience adjustments of the plans. CDIC has elected not to provide this historical disclosure, but to provide this disclosure for each accounting period prospectively from the date of transition to IFRS.

Mandatory Exceptions

Estimates

Estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Classification of financial assets

The Corporation has determined the classification of its financial assets on the basis of the facts and circumstances that existed at the date of transition.

Reconciliations

IFRS 1 requires the Corporation to reconcile equity, comprehensive income and cash flows for prior periods. Other than presentation differences, the Corporation's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income:

Reconciliation of Equity as at April 1, 2010

(C\$ thousands) Canadian GAAP Accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Reclassifications	IFRS Balances	IFRS Accounts
ASSETS						
Cash		530	_	_	530	Cash
Investments	а	1,953,823	725	_	1,954,548	Marketable securities
	е	_	_	3,361	3,361	Current tax asset
Accounts and other receivables	f	2,841	_	(352)	2,489	Trade and other receivables
	f	_	_	352	352	Prepayments
Income taxes receivable	е	3,361	_	(3,361)	_	
Capital assets		2,947	_	_	2,947	Property, plant and equipmer
Intangible assets		762	_	_	762	Intangible assets
Future income tax asset	a, b, c	776	(206)	_	570	Deferred tax asset
		1,965,040	519	_	1,965,559	
LIABILITIES						
Accounts payable and accrued						
liabilities	b, g, h	7,470	38	(2,665)	4,843	Trade and other payables
	g	_	_	1,028	1,028	Deferred lease inducement
	c, h	_	(25)	1,637	1,612	Defined benefit obligations
Provision for insurance losses		1,100,000	_	_	1,100,000	Provision for insurance losse
		1,107,470	13	_	1,107,483	
EQUITY						
Retained earnings Accumulated other	b, c	858,087	(11)	_	858,076	Retained earnings
comprehensive income (loss)	а	(517)	517	_	_	
		857,570	506	_	858,076	
		1,965,040	519		1,965,559	

Reconciliation of Equity as at March 31, 2011

(C\$ thousands) Canadian GAAP Accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Reclassifications	IFRS Balances	IFRS Accounts
ASSETS						
Cash		739	_	_	739	Cash
Investments	а	2,207,085	902	_	2,207,987	Marketable securities
	i	_	_	364	364	Premiums receivable
Accounts and other receivables	f, i	3,335	_	(765)	2,570	Trade and other receivables
	f	_	_	401	401	Prepayments
Capital assets		5,936	_	_	5,936	Property, plant and equipme
Intangible assets		1,383	_	_	1,383	Intangible assets
Future income tax asset	a, b, c	676	(231)	_	445	Deferred tax asset
		2,219,154	671	_	2,219,825	
LIABILITIES						
Accounts payable and accrued						
liabilities	b, g, h	5,689	41	(3,173)	2,557	Trade and other payables
Income taxes payable		600	_	_	600	Current tax liability
	g	_	_	1,507	1,507	Deferred lease inducement
	c, h	_	10	1,666	1,676	Defined benefit obligations
Provision for insurance losses		1,100,000	_	_	1,100,000	Provision for insurance losse
		1,106,289	51	_	1,106,340	
EQUITY						
Retained earnings Accumulated other	b, c	1,113,518	(33)	_	1,113,485	Retained earnings
comprehensive income (loss)	а	(653)	653	_	_	
		1,112,865	620	_	1,113,485	
		2,219,154	671	_	2,219,825	

Reconciliation of Total Comprehensive Income for the year ended March 31, 2011

(C\$ thousands) Canadian GAAP Accounts	Notes	Canadian GAAP Balances	IFRS Adjustments	IFRS Balances	IFRS Accounts
REVENUE					REVENUE
Premium		253,264	_	253,264	Premium
Interest on investments		33,492	_	33,492	Interest income
Other		39		39	Other
		286,795	_	286,795	
EXPENSES					EXPENSES
Operating	d	30,702	(12)	30,690	Operating
Recovery of loans previously					Recovery of amounts
written off		(64)	_	(64)	previously written off
Decrease to provision for guarantees					Decrease in provision for
and insurance losses		(15)	_	(15)	guarantees and insurance losses
		30,623	(12)	30,611	
Net income before taxes		256,172	12	256,184	Net income before income taxes
INCOME TAXES					
Income tax expense		741	_	741	Income tax expense
Net income		255,431	12	255,443	Net income
OTHER COMPREHENSIVE LOSS					OTHER COMPREHENSIVE LOSS
Change in unrealized loss on available-					
for-sale financial assets	а	(178)	178	_	
Income tax recovery on unrealized loss					
on available-for-sale financial assets	а	42	(42)	_	
					Actuarial losses on defined
	С	_	(47)	(47)	benefit obligations
	С		13	13	Income tax effect
Other comprehensive loss		(136)	102	(34)	Other comprehensive loss (net of ta
COMPREHENSIVE INCOME	<u> </u>	255,295	114	255,409	TOTAL COMPREHENSIVE INCOM

Notes to the Reconciliation of Equity as at April 1, 2010, and March 31, 2011, and Total Comprehensive Income for the Year Ended March 31, 2011

a) Marketable securities

Canadian GAAP—Marketable securities in debt instruments were classified as available-for-sale financial assets and recorded at fair value with changes in fair value charged to other comprehensive income. Interest revenue was recorded using the effective interest method.

IFRS—The Corporation elected to adopt IFRS 9 (2009) in advance of its effective date for the classification and measurement of its financial assets. Accordingly, all marketable securities have been classified and measured at amortized cost rather than fair value. Unrealized gains and losses that were previously charged to other comprehensive income were reversed at the date of transition. The change in measurement did not impact the recognition of interest revenue which continues to be recognized using the effective interest method.

b) Short-term compensated absences

Canadian GAAP—Employees of the Corporation accumulate sick leave benefits over the period of their employment. Sick leave accumulates from year to year, but does not vest (i.e., it is not paid to employees if they leave the Corporation). Under Canadian GAAP, no liability is required to be recognized for accumulating sick leave that does not vest.

IFRS—Under IFRS, the Corporation recognizes the expected cost of accumulating sick leave when employees render service that increases their entitlement. The liability is measured as the additional amount that CDIC expects to pay as a result of the unused entitlement that has accumulated at year end.

c) Defined benefit obligations

Canadian GAAP—The Corporation recognized actuarial gains and losses that arise in calculating the present value of defined benefit obligations using the "corridor method." Under this method, accumulated net actuarial gains or losses above a threshold were amortized as a component of pension expense on a straight-line basis over the expected average service life of active participants. Accumulated net actuarial gains and losses below the threshold were not recognized.

IFRS—All actuarial gains and losses are recognized immediately in retained earnings and included in other comprehensive income. As IFRS 1 requires retrospective application of all IFRS accounting policies, the accumulated unamortized actuarial gain under Canadian GAAP is recognized in opening retained earnings on the date of transition.

d) Defined benefit obligations

Canadian GAAP—The Corporation recognized current service costs and interest costs in relation to its defined benefit obligations. These costs were recognized in operating expenses in the period they were incurred. These costs were measured, in part, with reference to the discount rate used to measure the defined benefit obligations at the beginning of the period.

IFRS—Under IFRS, the Corporation also recognizes current service costs and interest costs in relation to its defined benefit obligations, in operating expenses, in the period they were incurred. Under IFRS, these costs were also measured, in part, with reference to the discount rate used to measure the defined benefit obligations at the beginning of the period. The discount rate used at the beginning of the period under IFRS was different from that used under Canadian GAAP.

e) Current tax asset-reclassification

Canadian GAAP—Under Canadian GAAP, the Corporation presented a classified statement of financial position.

IFRS—Under IFRS, the Corporation presents an unclassified statement of financial position. The current tax asset is reclassified in order of liquidity.

f) Prepayments—reclassification

Canadian GAAP—Prepayments are included in the carrying amount of accounts and other receivables.

IFRS—Prepayments are presented separately on the face of the statement of financial position.

g) Deferred lease inducement—reclassification

Canadian GAAP—Deferred lease inducements are included in the carrying amount of accounts payable and accrued liabilities.

IFRS—Deferred lease inducements are presented separately on the face of the statement of financial position.

h) Defined benefit obligations—reclassification

Canadian GAAP—Defined benefit obligations are included in the carrying amount of accounts payable and accrued liabilities.

IFRS—Defined benefit obligations are presented separately on the face of the statement of financial position.

i) Premiums receivable—reclassification

Canadian GAAP—Premiums receivable are included in the carrying amount of accounts and other receivables.

IFRS—Premiums receivable are presented separately on the face of the statement of financial position.





Corporate Governance

CDIC remains committed to and maintains a strong governance framework.

This section of our *Annual Report* presents information about the CDIC Board of Directors, including its committees and attendance. It also outlines how CDIC works to meet public service expectations in the area of good governance.

Board of Directors

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

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

More About Governance

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

Board of Directors Composition



Bryan P. Davies Chair Joined: June 2006 Re-appointed as Chair for a five-year term, effective June 2011

Mark Carnev

Julie Dickson

Private Sector Directors



George Burger **Business Executive** Toronto, Ontario Joined: November 2010

Appointed for a three-year term

Les Cannam

Ex Officio Directors



Governor Bank of Canada Joined: February 2008 Appointed for a seven-year term

Alternates (for Ex Officio Directors)

Jeremy Rudin



Agathe Côté Deputy Governor Bank of Canada Designated Alternate: August 2010



Chartered Accountant Saskatoon, Saskatchewan Joined: January 2009 Appointed for a three-year term*



Superintendent of Financial Institutions Office of the Superintendent of Financial Institutions Joined: October 2006 Appointed for a seven-year term



Assistant Deputy Minister Financial Sector Policy Branch Department of Finance Designated Alternate: October 2008



Lawver Halifax, Nova Scotia Joined: September 2008 Re-appointed September 2011 for a three-year term

John S. McFarlane

Éric Pronovost Chartered Accountant

Trois-Rivières, Québec Joined: September 2008

for a three-year term

Shelley M. Tratch

Deputy Minister Department of Finance Joined: September 2009 Appointed to hold office during pleasure

Michael Horgan

Ursula Menke



Commissioner Financial Consumer Agency of Canada Joined: December 2007 Appointed for a five-year term

Ted Price



Vancouver, British Columbia Joined: December 2006 Re-appointed December 2009 for a three-year term

Re-appointed September 2011



Deputy Superintendent Office of the Superintendent of Financial Institutions Joined: January 2007 Appointed pursuant to s. 5(1)(b.1) of the CDIC Act

^{*}Remains in office until re-appointment or the appointment of a successor

Board Committees

Four committees supported the Board in its governance activities throughout 2011/2012: the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee, and the Executive Committee.

Audit Committee

Mandate:

The Audit Committee oversees internal and external audits and risk management, and advises the Board on financial issues, including the review and approval of quarterly financial reports, and the review of the Management's Discussion and Analysis (MD&A) section of CDIC's *Annual Report* (which includes the consolidated financial statements).

Composition:

- É. Pronovost (Chair)—Member since September 2008 and Chair since June 2009
- **G. Burger**—Member since January 2011
- L. Cannam—Member since January 2009
- J.S. McFarlane—Member since September 2008
- **T. Price**—Member since January 2007

Human Resources and Compensation Committee

Mandate:

The Human Resources and Compensation Committee reviews and advises the Board on human resource issues including: policies, succession planning, Chief Executive Officer (CEO) performance management, compliance with standards of business conduct and ethics, statutory requirements and compensation.

Composition:

- S.M. Tratch (Chair)—Member since January 2007 and Chair since February 2008
- L. Cannam—Member since January 2011
- B.P. Davies—Chair from September 2006 to February 2008 and Member since September 2006
- **J. Dickson**—Member since February 2008
- J.S. McFarlane—Member since September 2008

Governance and Nominating Committee

Mandate:

The Governance and Nominating Committee ensures that appropriate structures and processes are in place for effective oversight of and direction for CDIC's activities, including the Corporation's public awareness strategy and campaign.

Composition:

- J.S. McFarlane (Chair)—Chair since January 2011
- G. Burger—Member since January 2011
- B.P. Davies—Chair from June 2006 to June 2009 and Member since June 2006
- **U. Menke**—Member since February 2008
- S.M. Tratch—Member since January 2007

Executive Committee

Mandate:

The Executive Committee meets when required, at the request of the Board, the Chairperson, or the President and CEO, to review any matter referred to it by any of them that would not be considered within the mandate of any other Committee of the Board; and to carry out such other functions as are assigned or delegated to it by the Board.

Composition:

- B.P. Davies (Chair)—Member and Chair since June 2006
- M. Carney—Member since February 2008
- S.M. Tratch-Member since January 2009

Board and Committee Meetings and Attendance

(April 1, 2011, to March 31, 2012)

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

			Board	Committees	
	Board of Directors	Executive Committee	Audit Committee	Governance and Nominating Committee	Human Resources and Compensation Committee
Number of Meetings ^a	5 ^b	0	5	3	5
Attendance					
Current Private Sector Directors					
B.P. Davies—Chair	5	N/A	4°	2	5
G. Burger	5		4	3	
L. Cannam	5		5		5
J.S. McFarlane ^d	5		5	3	4
É. Pronovost ^e	5		5		
S.M. Tratch	5	N/A		3	5
Ex Officio Members (Alternates)					
Bank of Canada—M. Carney (A. Côté)	1 (4)	N/A			
Superintendent of Financial Institutions—J. Dickson	5				5
Office of the Superintendent of Financial Institutions—T. Price	3		4		
Department of Finance— M. Horgan (J. Rudin)	(5)				
Financial Consumer Agency of Canada—U. Menke	5			3	

^a Includes meetings conducted by teleconference.



^b Includes a Strategic Planning Session of the Board.

 $^{^{\}rm c}$ The Chair of the Board is invited to Audit Committee meetings but is not a Committee member.

 $^{^{\}rm d}$ J.S. McFarlane was re-appointed on September 29, 2011, as a Director for another three-year term.

^e É. Pronovost was re-appointed on September 29, 2011, as a Director for another three-year term.

Directors' Fees

In 2011/2012, private sector Directors' fees for the performance of their services in respect of their office totalled \$85,376 (compared to \$79,837 in 2010/2011). CDIC's Internal Audit function reviewed a sample of Directors' expense claims submitted during fiscal year 2011/2012, including Directors' fees, and concluded that they were duly authorized, supported with documentation, complied with applicable corporate policies and appeared reasonable.

Executive Team

CDIC's executive team is comprised of its President and CEO, along with four vice-presidents, each responsible for a Division within the Corporation. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. The salary range for the current CEO was set between \$248,100 and \$291,800. CEO performance objectives are determined and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals which, as at March 31, 2012, was from \$179,041 to \$238,708. CDIC's officers, as of March 31, 2012, are set out below.

Michèle Bourque

President and CEO

Jeffrey A. Johnson

Senior Vice-President, Insurance and Risk Assessment

Dean A. Cosman

Vice-President, Finance and Administration, and Chief Financial Officer

M. Claudia Morrow

Vice-President, Corporate Affairs, General Counsel and Corporate Secretary

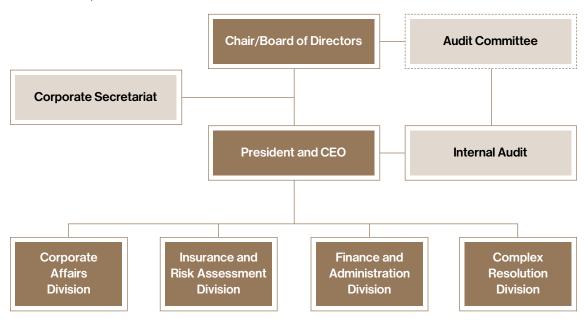
Thomas J. Vice

Vice-President, Complex Resolution Division

Travel and hospitality expenses for CDIC's officers are disclosed quarterly on the Corporation's website (www.cdic.ca).

CDIC's Organizational Structure

as at March 31, 2012



Addressing Public Service Expectations

Promoting ethical behaviour and integrity is an important focus for CDIC. To this end we have developed key policies to support this focus, including our: Code of Business Conduct and Ethical Behaviour for Directors; Code of Business Conduct and Ethical Behaviour for Employees; Conflicts of Interest Code; and Oath of Fidelity and Secrecy. Adherence to these codes is a condition of employment with CDIC. Directors and employees must confirm their compliance with their respective codes annually. CDIC employees are also subject to the new federal government Values and Ethics Code for the Public Sector, which came into force on April 2, 2012. Other policies addressing harassment, violence in the workplace and disclosure (whistle-blowing) have been implemented to support a sound ethical culture at CDIC. The Board of Directors monitors compliance with the codes and other corporate practices related to business and employee conduct through the receipt of annual reports to its Audit Committee and Human Resources and Compensation Committee.

CDIC's Internal Audit function facilitates the early identification of possible wrongdoing. With a dual reporting relationship to the President and CEO as well as to the Audit Committee, Internal Audit assists with internal disclosure and transparency of information.

Ethics Training

Mandatory employee ethics training is conducted every two years. In our most recent session (March 2012) employees were required to review CDIC policies and codes related to business conduct and ethical behaviour through online tools.

☐ Access to Information and Privacy

This year CDIC introduced access to information and privacy policies as part of its ongoing commitment to providing accurate and timely responses to requests for information under the *Access to Information Act*, and to protect personal information in accordance with the *Privacy Act*. CDIC also expanded information it provides to the public about access to information and privacy on its website.

☐ Annual Public Meeting

In November 2011, CDIC hosted its Annual Public Meeting (APM) in Trois-Rivières, Québec, in collaboration with the Trois-Rivières Chamber of Commerce. The APM is an opportunity for CDIC to provide information to stakeholders and the public on our services and mandate, as well as to answer any questions. The next APM will be held in the fall of 2012.

☐ Community Involvement

CDIC continues to support employee participation in a number of charitable events such as the Government of Canada's United Way campaign, the Multiple Sclerosis Society's Bike Tour and the Minto Run for Reach in Ottawa.



Annex: Comparative CDIC Membership Information

The following profile, which provides comparative information about CDIC's membership, is not intended to comment on risk to CDIC. It has been prepared from financial information supplied by the members through the Bank of Canada and the Office of the Superintendent of Financial Institutions (OSFI), and from financial information received directly by CDIC. The financial information is presented as aggregates and averages; for this reason, financial information for individual members can vary significantly from these amounts.

The membership information includes:

- list of CDIC members
- · membership changes
- summary financial information—total CDIC membership
- deposit liabilities in Canada
- profitability measures
- capitalization measures
- asset quality measures

It should be noted that, in its five-year tables, CDIC restates the peer group results of prior years to reflect the current year's membership. Accordingly, the following tables exclude the financial information of institutions that were no longer members as of March 31, 2012.



Membership Information CDIC Members as at March 31, 2012*

Domestic Banks and Subsi	diaries	Domestic Trust and Loan Coand Associations	ompanies	Subsidiaries of Foreign Instit	tutions
Member Institutions	Peer Group	Member Institutions	Peer Group	Member Institutions	Peer Gro
Bank of Montreal	International	AGF Trust Company	Consumer	Amex Bank of Canada	Consumer
Bank of Montreal Mortgage Corporation BMO Trust Company		CIBC Mellon Trust Company	Fee Income	Bank of China (Canada)	Commercia
Bank of Nova Scotia (The)	International	Community Trust Company	Commercial	BofA Canada Bank	Consumer
Dundee Bank of Canada Montreal Trust Company of Canada		Concentra Financial Services Association	Residential	Citibank Canada	Fee Income
National Trust Company Scotia Mortgage Corporation		Desjardins Trust Inc.	Fee Income	Computershare Trust Company of Canada	Fee Income
Bank West	Consumer	Effort Trust Company (The)	Residential	CTC Bank of Canada	Commercia
Bridgewater Bank	Residential	Equitable Trust Company (The)	Residential	First Data Loan Company, Canada	Fee Income
Canadian Imperial Bank of Commerce	International	Equity Financial Trust Company	Residential	Habib Canadian Bank	Commercia
CIBC Mortgages Inc. CIBC Trust Corporation		Home Trust Company	Residential	HSBC Bank Canada	Regional
Canadian Tire Bank	Consumer	Industrial Alliance Trust Inc.	Fee Income	Household Trust Company HSBC Mortgage Corporation (Canada)	
Canadian Western Bank	Regional	Investors Group Trust Co. Ltd.	Residential	HSBC Trust Company (Canada)	
Canadian Western Trust Company Valiant Trust Company		League Savings and Mortgage Company	Residential	ICICI Bank Canada	Commercia
Citizens Bank of Canada	Residential	MCAN Mortgage Corporation	Residential	Industrial and Commercial Bank of China (Canada)	Commercia
CS Alterna Bank	Residential	Peace Hills Trust Company	Commercial	ING Bank of Canada	Residential
DirectCash Bank	Fee Income	Peoples Trust Company	Residential	Korea Exchange Bank of Canada	Commercia
First Nations Bank of Canada	Commercial	RBC Dexia Investor Services Trust	Fee Income	Mega International Commercial Bank	Commercia
General Bank of Canada	Consumer	Sun Life Financial Trust Inc.	Residential	(Canada)	
HomEquity Bank	Residential			ResMor Trust Company	Residential
Jameson Bank	Fee Income			Shinhan Bank Canada	Consumer
Laurentian Bank of Canada B2B Trust B2B Trustco Laurentian Trust of Canada Inc. LBC Trust MRS. Trust Company	Regional			State Bank of India (Canada) UBS Bank (Canada)	Fee Income
Manulife Bank of Canada Manulife Trust Company	Residential				
MonCana Bank of Canada	Residential				
National Bank of Canada Natcan Trust Company National Bank Trust Inc.	Regional				
Pacific & Western Bank of Canada	Commercial				
President's Choice Bank	Consumer				
Royal Bank of Canada Royal Bank Mortgage Corporation Royal Trust Company (The) Royal Trust Corporation of Canada	International				
Toronto-Dominion Bank (The) Canada Trust Company (The) TD Mortgage Corporation TD Pacific Mortgage Corporation	International				

TOTAL: 84 members

^{*} Member institutions with common affiliation have been grouped together, starting with the member having the largest assets and following in alphabetical order.

Membership Changes April 1, 2011–March 31, 2012

New Members

September 22, 2011: MonCana Bank of Canada

March 1, 2012: B2B Trustco

Other Membership Changes

April 7, 2011: Concentra Trust ceased to be a member

December 1, 2011: MBNA Bank Canada changed its name to BofA Canada Bank

December 5, 2011: Caledon Trust Company ceased to be a member

January 1, 2012: Maple Trust Company amalgamated with Scotia Mortgage Corporation and ceased to be a member

Summary Financial Information—Total CDIC Membership (based on relevant member year-end financial information)

Balance Sheet (C\$ billions and percentage)

As at members'	20	11	20	10	200	ng	20	റമ	20	07
fiscal year end	20	''	20	10	20		20		20	
	\$	%	\$	%	\$	%	\$	%	\$	%
ASSETS										
Cash resources	162.4	4.9	150.5	5.0	131.5	4.7	146.0	5.0	129.6	5.3
Securities	816.1	24.8	781.5	25.7	732.5	26.2	663.5	22.6	642.4	26.1
Residential										
mortgage loans	641.2	19.4	557.1	18.4	508.6	18.1	518.3	17.7	487.1	19.8
Non-residential										
mortgage loans	57.2	1.7	57.3	1.9	51.4	1.8	52.0	1.8	37.3	1.5
Personal loans Other loans	430.3	13.0	413.9	13.7	384.3	13.7	339.4	11.6	284.7	11.6
and acceptances	724.6	21.9	656.3	21.7	612.4	21.8	681.9	23.2	579.6	23.5
Other assets	473.2	14.3	410.6	13.6	384.3	13.7	532.0	18.1	301.6	12.2
Total assets	3,305.0	100.0	3,027.2	100.0		100.0		100.0		100.0
Total assets	3,305.0	100.0	3,027.2	100.0	2,805.0	100.0	2,933.1	100.0	2,462.3	100.0
LIABILITIES										
Demand/notice										
deposits	1,089.3	33.0	969.0	31.9	872.6	31.1	748.3	25.5	591.8	24.0
Fixed term										
deposits	1,072.7	32.5	1,019.1	33.7	981.5	35.0	1,154.6	39.4	1,026.2	41.7
			'				,		,	
Other liabilities	946.5	28.6	864.7	28.6	790.6	28.2	892.2	30.4	732.3	29.7
Other liabilities Total liabilities	946.5 3,108.5	28.6 94.1	'	28.6		28.2	,	30.4	,	
Total liabilities			864.7	28.6	790.6	28.2	892.2	30.4	732.3	29.7
			864.7	28.6	790.6	28.2	892.2	30.4	732.3	29.7
Total liabilities Shareholders'	3,108.5	94.1	864.7 2,852.8	28.6 94.2	790.6 2,644.7	28.2 94.3	892.2 2,795.1	30.4 95.3	732.3 2,350.3	29.7 95.4
Total liabilities Shareholders' equity	3,108.5	94.1	864.7 2,852.8	28.6 94.2	790.6 2,644.7	28.2 94.3	892.2 2,795.1	30.4 95.3	732.3 2,350.3	29.7 95.4

Income Statement (C\$ millions)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
Interest income Interest expense	91,586 37,323	83,373 32,347	90,706 41,264	111,619 68,878	112,018 75,676
Net interest income Provision for impairment	54,263 6,406	51,026 8,387	49,442 13,584	42,741 7,054	36,342 3,680
Net interest income after provision for impairment Non-interest income	47,857 50,580	42,639 46,211	35,858 42,926	35,687 31,476	32,662 44,283
Net interest income and non-interest income Non-interest expenses	98,437 62,718	88,850 58,487	78,784 58,196	67,163 51,916	76,945 50,654
Net income before provision for income taxes Provision for income taxes	35,719 7,651	30,363 7,856	20,588 4,467	15,247 1,279	26,291 4,944
Net income before non- controlling interest in net income of subsidiaries and					
extraordinary items Non-controlling interest in	28,068	22,507	16,121	13,968	21,347
net income of subsidiaries and extraordinary items	1,948	231	184	-75	245
Net income	26,120	22,276	15,937	14,043	21,102

Deposit Liabilities in Canada—By Member Peer Group

Total Deposits (C\$ billions and percentage)

As at April 30	20	11	20	10	20	09	20	08	20	07
	\$	%	\$	%	\$	%	\$	%	\$	%
International	1,521.0	84.4	1,356.0	83.4	1,330.7	83.6	1,305.5	84.9	1,204.7	84.6
Regional	173.8	9.6	165.5	10.2	157.7	9.9	146.6	9.5	143.8	10.1
Residential	68.5	3.8	61.2	3.8	56.4	3.5	49.1	3.2	41.0	2.9
Commercial	8.7	0.5	9.5	0.6	10.5	0.7	8.0	0.5	5.9	0.4
Consumer	13.1	0.7	13.0	0.8	13.7	0.9	10.5	0.7	6.9	0.5
Fee Income	18.0	1.0	19.5	1.2	22.5	1.4	18.1	1.2	21.9	1.5
Membership	1,803.1	100.0	1,624.7	100.0	1,591.5	100.0	1,537.8	100.0	1,424.2	100.0

Insured Deposits (C\$ billions and percentage of Total Deposits)

As at April 30	201	11	201	0	200	9	200)8	200)7
	\$	%	\$	%	\$	%	\$	%	\$	%
International	486.3	32.0	472.8	34.9	460.1	34.6	402.5	30.8	382.1	31.7
Regional	71.2	41.0	70.2	42.4	68.5	43.4	60.0	40.9	54.4	37.8
Residential	50.6	73.9	45.2	73.9	43.2	76.6	36.5	74.3	31.0	75.6
Commercial	5.7	65.5	6.8	71.6	7.9	75.2	5.6	70.0	4.0	67.8
Consumer	6.6	50.4	7.1	54.6	7.7	56.2	6.0	57.1	4.1	59.4
Fee Income	1.6	8.9	1.8	9.2	2.5	11.1	1.6	8.8	1.3	5.9
Membership	622.0	34.5	603.9	37.2	589.9	37.1	512.2	33.3	476.9	33.5

Profitability Measures—By Member Peer Group

Efficiency (percentage)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
International	59.7	59.8	63.9	71.6	62.3
Regional	60.5	61.4	59.2	64.0	67.3
Residential	52.2	53.3	50.0	54.5	57.8
Commercial	58.3	58.5	64.1	68.9	61.6
Consumer	60.0	63.1	52.8	59.1	63.4
Fee Income	76.9	79.5	79.8	75.4	72.4
Membership	59.8	60.1	63.0	70.0	62.8

Efficiency: Non-interest expenses / (net interest income + non-interest income)

Non-Interest Income (percentage)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
International	48.1	47.2	45.9	40.8	54.8
Regional	47.6	44.8	45.7	41.3	52.5
Residential	10.6	20.8	29.6	26.3	15.3
Commercial	25.0	34.4	47.0	23.8	17.1
Consumer	57.5	58.4	54.5	61.0	62.9
Fee Income	86.3	89.1	85.2	82.6	88.8
Membership	48.2	47.5	46.5	42.4	54.9

Non-interest income: (trading income + gain (losses) on instruments held for other than trading purposes + other income) / (net interest income + non-interest income)

Return on Average Assets (ROAA) (percentage)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
International	0.8	0.8	0.5	0.5	0.9
Regional	0.8	0.7	0.7	0.7	0.6
Residential	0.5	0.7	0.8	0.7	0.6
Commercial	0.6	0.5	0.1	0.1	0.6
Consumer	2.6	1.3	0.7	2.0	1.8
Fee Income	0.8	0.6	0.5	0.5	0.6
Membership	0.8	0.8	0.5	0.5	0.9

ROAA: Net income / average assets

Return on Average Equity (ROAE) (percentage)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
International	14.2	13.8	10.8	10.9	21.1
Regional	15.3	13.4	12.9	15.0	13.7
Residential	12.1	12.1	15.0	13.0	11.8
Commercial	3.8	3.8	1.2	1.4	6.2
Consumer	16.4	8.0	4.3	13.2	11.0
Fee Income	7.8	6.1	5.9	7.3	8.5
Membership	14.1	13.3	10.7	11.2	19.6

ROAE: Net income / average shareholders' equity

Cost of Funds (percentage)

For the members' fiscal year ending in	2011	2010	2009	2008	2007
International	1.6	1.6	2.1	3.7	4.5
Regional	1.5	1.3	1.6	3.1	4.1
Residential	2.5	2.1	2.4	3.8	4.3
Commercial	2.5	2.8	3.4	4.0	4.0
Consumer	3.6	3.2	2.9	4.8	5.4
Fee Income	0.4	0.3	0.4	2.3	3.5
Membership	1.7	1.6	2.0	3.6	4.5

Cost of funds: Interest expense / average interest bearing liabilities



Capitalization Measures—By Member Peer Group

Leverage (times)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	17.6	18.0	20.5	22.2	23.1
Regional	18.9	18.6	19.8	21.3	23.1
Residential	22.4	16.4	18.6	19.7	19.7
Commercial	6.8	6.9	8.4	9.6	10.5
Consumer	6.3	6.1	6.6	6.7	6.0
Fee Income	10.0	9.7	12.1	13.4	14.6
Membership	17.3	17.5	19.7	21.3	22.3

Leverage: Average assets / average shareholders' equity

BIS Risk-Based Capital (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	15.4	15.1	14.4	11.9	11.9
Regional	16.1	16.2	14.5	12.9	12.0
Residential	22.7	22.1	21.9	16.7	16.2
Commercial	23.6	21.5	19.7	15.7	17.4
Consumer	24.1	16.8	16.0	15.0	16.2
Fee Income	43.7	42.5	34.9	21.5	22.6
Membership	16.0	15.7	14.8	12.3	12.2

BIS (Bank for International Settlements) risk-based capital: Total regulatory capital / risk-weighted assets

Asset Quality Measures—By Member Peer Group

Asset Growth (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	7.9	8.3	-5.1	19.7	10.9
Regional	8.8	6.8	2.5	13.9	2.6
Residential	57.1	11.1	11.7	15.0	11.8
Commercial	11.3	-9.3	-6.8	52.5	30.4
Consumer	-7.6	3.5	-1.0	18.0	33.4
Fee Income	21.1	-12.8	-19.8	13.9	14.5
Membership	9.2	7.9	-4.4	19.1	10.4

Asset growth: Year-over-year growth

Impaired Assets to Total Assets (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	0.5	0.7	0.7	0.4	0.2
Regional	0.5	0.6	0.7	0.6	0.3
Residential	0.4	0.5	0.3	0.4	0.3
Commercial	4.0	1.5	1.7	0.6	0.5
Consumer	0.2	0.2	0.2	0.3	0.2
Fee Income	0.0	0.0	0.0	0.8	0.3
Membership	0.5	0.7	0.7	0.4	0.2

Impaired assets (gross) / total assets (gross)

Impaired Loans to Total Loans (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	0.9	1.3	1.3	0.8	0.4
Regional	0.8	1.0	1.3	1.1	0.5
Residential	0.3	0.3	0.4	0.3	0.2
Commercial	5.3	2.0	2.2	0.8	0.7
Consumer	0.3	0.2	0.3	0.3	0.2
Fee Income	0.0	0.0	0.0	0.0	0.0
Membership	0.8	1.2	1.3	0.8	0.4

Impaired loans (gross) / total loans (gross)

General Allowance to Risk-Weighted Assets (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	0.6	0.8	0.8	0.6	0.5
Regional	0.7	0.9	0.9	0.7	0.6
Residential	0.4	0.5	0.5	0.5	0.5
Commercial	0.7	0.6	0.7	0.6	0.6
Consumer	1.9	3.5	4.4	2.4	2.2
Fee Income	0.1	0.3	0.2	0.2	0.1
Membership	0.7	0.8	0.9	0.6	0.5

General allowance / risk-weighted assets



Net Impaired Loans to Total Shareholders' Equity (percentage)

As at members' fiscal year end	2011	2010	2009	2008	2007
International	1.7	4.5	3.7	0.4	-2.9
Regional	-0.2	-0.1	1.8	1.5	-3.4
Residential	2.9	1.0	2.2	0.9	-1.3
Commercial	21.2	3.4	6.1	0.0	-1.3
Consumer	-7.3	-20.4	-26.4	-14.5	-12.2
Fee Income	-0.2	-0.6	-0.6	-0.7	-0.7
Membership	1.5	3.3	2.7	0.1	-3.1

Impaired loans (net) / average shareholders' equity



Glossary

Bank for International Settlements (BIS): The mission of the BIS is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in those areas and to act as a bank for central banks. The head office is in Basel, Switzerland. (BRI (Banque des règlements internationaux))

Basel III Accord: The third of the Basel Accords, Basel III was developed in a response to deficiencies in financial regulation revealed by the global financial crisis. It is meant to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. (Accord de Bâle III)

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

Bridge Bank: A CDIC member institution, established temporarily, designed to preserve critical functions of the institution and help maintain financial stability in the event that a CDIC member is no longer viable. *(Institution-relais)*

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

- (a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and
- (b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. (Dépôt)

Eligible Deposit: To be eligible for CDIC deposit insurance protection, deposits must be: in Canadian currency, payable in Canada; repayable no later than five years from the date of deposit; and held in a financial institution that is a CDIC member. Eligible deposits are: savings and chequing accounts; term deposits, such as Guaranteed Investment Certificates (GICs); money orders; drafts; certified drafts and cheques. Not all deposits are eligible; for example, foreign currency deposits and investments in mortgages, stocks and mutual funds are not covered by CDIC. (*Dépôt assurable*)

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

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

Failure Resolution: The process of arranging the orderly resolution of the business and affairs of a failed member, either as a going-concern solution or as a winding up. (Règlement de faillites)

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

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

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. CDIC may make a payment of deposit insurance in one of two ways: (1) by issuing cheques to insured depositors; and/or (2) by providing insured depositors with new demand deposits at another member institution. (Remboursement des dépôts assurés)

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

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

Preparatory Examination: An examination by CDIC, or by a person designated by CDIC, of the books, records and accounts of a member institution relating to its deposit liabilities, where CDIC believes that the making of a deposit insurance payment is imminent, and that it would be in the best interest of both the depositors and CDIC that preparations be made to make that payment as soon as possible. (Examen préparatoire)

Special Examination: An examination of the affairs of a member institution conducted by or on behalf of CDIC for a specified purpose at such times as CDIC may require. It is a detailed examination of the assets and deposit liabilities of a bank with a view to estimating CDIC's potential exposure to loss, and it enables CDIC to compare payout and non-payout intervention strategies to minimize its exposure to loss. (Examen spécial)

Tax-Free Savings Accounts: A Tax-Free Savings Account (TFSA) is a way for residents of Canada to set money aside, tax-free, throughout their lifetime. The TFSA rules allow a variety of financial products and other types of investments to be held in a TFSA. In the 2009 Federal Budget, the Government amended the *CDIC Act* to provide separate coverage for TFSAs; however, only eligible deposits held in a TFSA are covered by CDIC. (*Compte d'épargne libre d'impôt*)

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