PART TWO

Consolidated Financial Statements

Management Responsibility for Consolidated Financial Statements

June 12, 2013

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

Auditor General of Canada
Vérificateur général du Canada

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 statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 audit. I conducted my audit 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 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 2013, and its financial performance and its cash flows for the year then ended 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 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 audit 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

12 June 2013
Ottawa, Canada

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Consolidated Financial Statements and Notes

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Financial Position
as at March 31, 2013

(in thousands of Canadian dollars)

	Notes	March 31, 2013	March 31, 2012
ASSETS			
Cash		422	456
Investment securities	*4*	2,560,483	2,440,790
Current tax asset		1,286	–
Trade and other receivables	*5*	1,545	1,537
Prepayments		244	141
Property, plant and equipment	*6*	6,716	6,332
Intangible assets	*7*	4,310	2,626
Deferred tax asset	*12*	122	206
TOTAL ASSETS		**2,575,128**	**2,452,088**
LIABILITIES			
Trade and other payables		5,616	3,828
Current tax liability		–	1,435
Deferred lease inducement	*8*	1,412	1,525
Defined benefit obligations	*16*	1,820	1,763
Provision for insurance losses	*9*	1,250,000	1,150,000
Total liabilities		**1,258,848**	**1,158,551**
EQUITY			
Retained earnings		1,316,280	1,293,537
TOTAL LIABILITIES AND EQUITY		**2,575,128**	**2,452,088**

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

Approved by the Board on June 12, 2013

Director

Director

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Comprehensive Income
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Notes	Year ended March 31, 2013	Year ended March 31, 2012
REVENUE			
Premium	*17*	120,081	223,887
Investment income		38,985	40,194
Other		45	26
		159,111	264,107
EXPENSES			
Operating	*13*	35,835	31,991
Recovery of amounts previously written off		(166)	(375)
Increase in provision for insurance losses	*9*	100,000	50,000
		135,669	81,616
Net income before income taxes		23,442	182,491
Income tax expense	*12*	815	2,345
NET INCOME		**22,627**	**180,146**
OTHER COMPREHENSIVE INCOME			
Actuarial gain (loss) on defined benefit obligations	*16*	155	(126)
Income tax effect		(39)	32
Other comprehensive income (loss), net of tax		116	(94)
TOTAL COMPREHENSIVE INCOME		**22,743**	**180,052**

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

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Changes in Equity
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Retained Earnings and Total Equity
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**
Net income	22,627
Other comprehensive income	116
Total comprehensive income	22,743
Balance, March 31, 2013	**1,316,280**

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

CANADA DEPOSIT INSURANCE CORPORATION
Consolidated Statement of Cash Flows
for the year ended March 31, 2013

(in thousands of Canadian dollars)

	Year ended March 31, 2013	Year ended March 31, 2012
OPERATING ACTIVITIES		
Net income	22,627	180,146
Add (deduct) items not involving cash:		
Depreciation and amortization	2,022	1,468
Investment income	(38,985)	(40,194)
Tax expense	815	2,345
Defined benefit expense	228	229
Defined benefit payment	(16)	(268)
Change in working capital:		
Increase in provision for insurance losses	100,000	50,000
Decrease in premiums receivable	–	364
(Increase) decrease in prepayments	(103)	260
(Increase) decrease in trade and other receivables	(8)	1,033
Increase in trade and other payables	1,788	1,271
(Decrease) increase in deferred lease inducement	(113)	18
Interest received	42,643	37,188
Income tax paid	(3,491)	(1,239)
Net cash generated by operating activities	127,407	232,621
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(4,090)	(3,107)
Purchase of investment securities	(4,435,184)	(3,751,213)
Proceeds from sale or maturity of investment securities	4,311,833	3,521,416
Net cash used in investing activities	(127,441)	(232,904)
Net decrease in cash	(34)	(283)
Cash, beginning of year	456	739
Cash, end of year	422	456

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

CANADA DEPOSIT INSURANCE CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2013

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, 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 institution.

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 12, 2013.

Basis of Preparation

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

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 CDIC. 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 financial statements until the date control ceases or ACC 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 judgment made by Management, in terms of the amounts recognized in the consolidated financial statements, is with respect to the Corporation's investment securities.

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

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

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 "Provision for Insurance Losses" 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

In fiscal 2011/2012, the Corporation early adopted IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board (IASB) in November 2009 (IFRS 9 (2009)).

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.

Interest income and gains or losses on the sale of investment securities are recognized in investment income.

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

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

Amortized cost measurement

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

Investment Securities

Investment securities are debt instruments, such as Treasury bills and Government of Canada bonds, held by the Corporation. Investment securities are measured on the statement of financial position at amortized cost, plus accrued interest.

Interest income on investment 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 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.

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 seven years. The estimated useful lives, residual values and depreciation methods are reviewed 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.

Provision for Insurance Losses

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

The Corporation has a stand-ready obligation to provide insurance against the loss of part, or all, of deposits in a member institution 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 unweighted 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.

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.

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.

Other Revenue

Other revenue includes sub-lease income, certain interest income, and foreign exchange gains and losses.

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 pension 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.

IFRS 9 *Financial Instruments*: 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 (2010), incorporating new requirements for accounting for financial liabilities, and carrying over from IAS 39 the requirements for de-recognition 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 its consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Ventures*, IFRS 12 *Disclosures of Involvement with Other Entities*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*: In May 2011, the IASB issued this set of revised standards, effective for annual periods beginning on or after January 1, 2013. IFRS 10 eliminates the risks and rewards approach included in SIC-12 *Consolidation—Special Purpose Entities*, 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 this set of revised standards on CDIC's consolidated financial statements.

IFRS 13 *Fair Value Measurement*: In May 2011, the IASB issued IFRS 13, a new standard that defines "fair value," and sets out a single framework for measuring fair value and requires disclosures about fair value measurements. The standard is effective for annual periods beginning on or after January 1, 2013, with prospective application required. The Corporation does not expect the new standard to have any material impact on its consolidated financial statements.

IAS 19 *Employee Benefits*: In June 2011, the IASB amended IAS 19 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 does not expect the amendments to have any material impact on its consolidated financial statements.

IAS 1 *Financial Statement Presentation*: In June 2011, the IASB amended IAS 1, 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 Corporation does not expect the amendment to have any material impact on its consolidated financial statements. IAS 1 was further amended as part of the *Annual Improvements to IFRS 2009–2011 Cycle* clarifying the requirements for comparative information. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the amendment to have any material impact on its consolidated financial statements.

4 – Investment Securities

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

(C$ thousands)	Remaining Term to Maturity March 31, 2013			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	331,012	643,728	–	974,740
Weighted average effective yield (%)	1.02	1.07	–	1.05
Bonds	212,670	583,223	789,850	1,585,743
Weighted average effective yield (%)	1.73	1.42	1.92	1.71
Other	–	–	–	–
Weighted average effective yield (%)	–	–	–	–
Total investment securities	**543,682**	**1,226,951**	**789,850**	**2,560,483**
Weighted average effective yield (%)	**1.30**	**1.23**	**1.92**	**1.46**

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

(C$ thousands)	March 31, 2013			March 31, 2012
	Amortized Cost	Gross Unrealized Gains (Losses)	Fair Value	Fair Value
Treasury bills	974,740	193	974,933	182,325
Bonds	1,585,743	12,724	1,598,467	2,267,907
Other	–	–	–	9,001
Total investment securities	**2,560,483**	**12,917**	**2,573,400**	**2,459,233**

The carrying amounts in the above tables include accrued interest.

5 – Trade and Other Receivables

(C$ thousands)	March 31, 2013	March 31, 2012
Accounts receivable	77	69
Other receivables	1,468	1,468
Total trade and other receivables	**1,545**	**1,537**

As at March 31, 2013, and March 31, 2012, none of the receivable balances were past due and there was no objective evidence of impairment.

The carrying amount of accounts receivable 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 $1,455 thousand as at March 31, 2013 (March 31, 2012: $1,438 thousand).

6 – Property, Plant and Equipment

(C$ thousands)	Computer Hardware	Furniture and Equipment	Leasehold Improvements	Total
Cost				
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**
Additions	727	70	673	1,470
Retirements	–	–	–	–
Balance, March 31, 2013	**5,729**	**1,943**	**6,362**	**14,034**
Accumulated depreciation				
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**
Depreciation	615	145	326	1,086
Retirements	–	–	–	–
Balance, March 31, 2013	**4,547**	**1,039**	**1,732**	**7,318**
Carrying amounts				
Balance, March 31, 2011	1,090	1,022	3,824	5,936
Balance, March 31, 2012	1,070	979	4,283	6,332
Balance, March 31, 2013	**1,182**	**904**	**4,630**	**6,716**

Included in property, plant and equipment at March 31, 2013, is an amount of $719 thousand relating to leasehold improvements in the course of construction (March 31, 2012: $720 thousand).

7 – Intangible Assets

(C$ thousands)	Computer Software	Computer Software Under Development	Total
Cost			
Balance, March 31, 2011	**1,439**	**487**	**1,926**
Additions—internal development	–	1,656	1,656
Transfers	207	(207)	–
Retirements	–	–	–
Balance, March 31, 2012	**1,646**	**1,936**	**3,582**
Additions—internal development	–	2,620	2,620
Transfers	2,394	(2,394)	–
Retirements	–	–	–
Balance, March 31, 2013	**4,040**	**2,162**	**6,202**
Accumulated amortization			
Balance, March 31, 2011	**543**	**–**	**543**
Amortization	413	–	413
Retirements	–	–	–
Balance, March 31, 2012	**956**	**–**	**956**
Amortization	936	–	936
Retirements	–	–	–
Balance, March 31, 2013	**1,892**	**–**	**1,892**
Carrying amounts			
Balance, March 31, 2011	896	487	1,383
Balance, March 31, 2012	690	1,936	2,626
Balance, March 31, 2013	**2,148**	**2,162**	**4,310**

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 $1,299 thousand is expected to be recognized as reduction of operating expenses more than 12 months after March 31, 2013 (more than 12 months after March 31, 2012: $1,412 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, March 31, 2011	**1,100,000**
Additional provisions	50,000
Balance, March 31, 2012	**1,150,000**
Additional provisions	100,000
Balance, March 31, 2013	**1,250,000**

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, 2013	March 31, 2012
Cash	422	456
Investment securities	2,560,483	2,440,790
Trade and other receivables	1,545	1,537
Financial assets	**2,562,450**	**2,442,783**
Trade and other payables	5,616	3,828
Financial liabilities	**5,616**	**3,828**

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

Fair Value of Financial Instruments

With the exception of investment securities 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 investment securities are disclosed in Note 4 and are determined based on quoted prices in active markets. The fair value 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 investment securities. CDIC's investment strategy is based on two key principles: limiting credit and market risk to preserve principal; and the use of the investment portfolio as the initial 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 cash, investment 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. The Corporation's investment 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 investment securities by credit rating:

(C$ thousands) Credit rating	March 31, 2013	March 31, 2012
AAA	2,087,132	1,977,154
AA+	93,791	48,481
AA	143,211	122,315
AA-	141,752	249,327
A+	94,597	43,513
Total investment securities	**2,560,483**	**2,440,790**

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 investment 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 $19 billion (March 31, 2012: $18 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 investment 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 investment securities at amortized cost but obtains fair market values for the investment 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 investment securities. The difference between the amortized cost of its investment securities and their fair market value is disclosed in Note 4 of these consolidated financial statements. Movement in interest rates can have a significant impact on the Corporation's consolidated financial statements, specifically on its investment income due to the size of its portfolio of investment securities and the relative importance of the revenue it generates. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while diligently respecting approved policies. Interest rate shock analyses are performed on a regular basis on the Corporation's investment securities to evaluate the impact of possible interest rate fluctuations on 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.

	Increase (Decrease) in Net Income	
(C$ thousands)	**2012/2013**	**2011/2012**
100 basis point increase	7,151	3,752
25 basis point decrease	(1,788)	(938)

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* fund 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.

Ex Ante Funding

	Actual		Target
(C$ thousands)	March 31, 2013	March 31, 2012	March 31, 2013
Retained earnings	1,316,280	1,293,537	
Provision for insurance losses	1,250,000	1,150,000	
Total *ex ante* funding	**2,566,280**	**2,443,537**	**6,456,094***
Total basis points of insured deposits	**40***	**39****	**100**

*Based on level of insured deposits as at April 30, 2012.
**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)	2012/2013	2011/2012
Current income tax:		
Current income tax expense	764	2,057
Adjustments in respect of current income tax of previous years	6	20
Deferred tax:		
Relating to the origination and reversal of temporary differences	45	250
Resulting from reduction in tax rate	–	18
Income tax expense recognized in net income	**815**	**2,345**

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

(C$ thousands)	2012/2013	2011/2012
Defined benefit plan actuarial gains (losses)	39	(32)
Income tax expense (recovery) recognized in other comprehensive income	**39**	**(32)**

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)	2012/2013	2011/2012
Net income before income taxes	23,442	182,491
Tax expense at the Canadian federal tax rate of 25.0% (2012: 26.1%)	5,861	47,679
Non-taxable premium revenue	(30,020)	(58,495)
Increase in non-deductible provision for insurance losses	25,000	13,064
Other	(26)	97
Income tax expense recognized in net income	**815**	**2,345**

Deferred tax assets and liabilities are attributable to the following:

	Consolidated Statement of Financial Position		Recognized in Net Income	
(C$ thousands)	March 31, 2013	March 31, 2012	2012/2013	2011/2012
Property, plant and equipment, and intangible assets	(538)	(454)	(83)	(190)
Holdbacks	13	–	13	–
Lease incentives	353	381	(28)	(48)
Short-term employee benefits	10	10	–	(1)
Defined benefit obligations	284	269	53	(29)
Deferred tax expense			**(45)**	**(268)**
Net deferred tax assets	**122**	**206**		

13 – Operating Expenses

(C$ thousands)	2012/2013	2011/2012
Salaries and other personnel costs	18,185	15,481
Professional and other fees	5,236	4,084
Premises	3,190	3,296
General expenses	3,037	2,435
Public awareness	2,458	3,852
Depreciation and amortization	2,022	1,468
Data processing	1,964	1,621
	36,092	32,237
Expense recoveries from related parties	257	246
Total operating expenses	**35,835**	**31,991**

The Corporation provides call centre services on a cost-recovery basis to the Office of the Superintendent of Financial Institutions (OSFI) through an outsourcing arrangement with a third party. In fiscal 2011/2012, the Corporation also provided such services to the Financial Consumer Agency of Canada (FCAC).

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:

		Expense for the Fiscal Year		Capitalized Costs for the Fiscal Year		Balance Payable	
(C$ thousands)	Note	2012/ 2013	2011/ 2012	2012/ 2013	2011/ 2012	March 31, 2013	March 31, 2012
Bank of Canada	a	(472)	(549)	2,162	–	(722)	(244)
Public Service Pension Plan	b	(2,394)	(1,869)	–	–	–	–

a CDIC, OSFI and the Bank of Canada jointly control the Tri-Agency Data System (TDS), a database used for collecting financial data from federally regulated deposit-taking institutions. The three parties share equally the operating and capital costs of the system, which the Bank of Canada coordinates.

b 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)	2012/2013	2011/2012
Short-term benefits	2,268	1,891
Post-employment benefits	16	48
Termination benefits	243	–
Total Key Management Personnel remuneration	**2,527**	**1,939**

15 – Commitments

The Corporation leases office space in Ottawa and Toronto. The lease of office space in Ottawa ends in September 2020, with two consecutive renewal options, both for five-year terms. The lease of office space in Toronto ends in October 2016, with an option to renew for an additional five years.

Minimum lease payments recognized as an expense for the year ended March 31, 2013, totalled $1.4 million (2012: $1.8 million).

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

(C$ thousands)	March 31, 2013	March 31, 2012
Not later than one year	1,526	1,368
Later than one year and not later than five years	6,317	5,637
Later than five years	4,189	5,277
Total	**12,032**	**12,282**

As at March 31, 2013, the Corporation had $180 thousand in commitments to purchase property, plant and equipment (March 31, 2012: nil).

As at March 31, 2013, CDIC had commitments of $2,975 thousand in relation to the development of intangible assets (March 31, 2012: $5,136 thousand).

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 8.00 times (2012: 8.95 times) the employee's contribution on amounts of salaries in excess of $150.9 thousand (2012: $148.0 thousand). For amounts of salaries below $150.9 thousand, the Corporation's contribution rate depends on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate is 1.64 times (2012: 1.74 times) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate is 1.57 times the employee's contribution.

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 certain employees upon retirement based on years of service and final salary. Resignation benefits are provided to certain employees with 10 or more years of continuous employment with the Corporation. 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 are 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, 2013, 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, 2013	March 31, 2012
Discount rate	3.73%	4.04%
Rate of compensation increase:		
Fiscal 2012/2013	N/A	1.5% + merit
Fiscal 2013/2014	2.0% + merit	2.0% + merit
Thereafter	2.0% + merit	2.0% + merit

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

(C$ thousands)	2012/2013	2011/2012
Current service cost	166	150
Interest on obligation	74	79
Past service gains	(12)	–
Defined benefit obligations expense	**228**	**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 March 31, 2011	**(22)**
Recognized during the period	(126)
Cumulative amount at March 31, 2012	**(148)**
Recognized during the period	155
Cumulative amount at March 31, 2013	**7**

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

(C$ thousands)	Defined Benefit Obligations
Balance, March 31, 2011	**1,676**
Current service cost	150
Interest cost	79
Benefit payments	(268)
Actuarial loss	126
Balance, March 31, 2012	**1,763**
Current service cost	166
Interest cost	74
Past service gains	(12)
Benefit payments	(16)
Actuarial gain	(155)
Cumulative amount at March 31, 2013	**1,820**

Selected historical information in relation to the defined benefit obligation is provided below.

(C$ thousands)	2012/2013	2011/2012	2010/2011	April 1, 2010
Present value of the defined benefit obligation	1,820	1,763	1,676	1,612
Experience gain (loss) arising on plan liabilities	211	27	(28)	
As a percentage of end of period defined benefit obligations	11.6%	1.5%	-1.7%	

17 – Premium Revenue

Under CDIC's *Differential Premiums By-law*, members are classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for the 2012/2013 fiscal year are as follows:

Premium Category ***(basis points of insured deposits)***	2012/2013	2011/2012
Category 1	2.8	2.8
Category 2	5.6	5.6
Category 3	11.1	11.1
Category 4	22.2	22.2

Premium revenue of $120 million was recorded during the year, compared to $224 million for the same period last year, a 46% decrease. The decrease in premium revenue reflects the impact of a one-time incentive offered to eligible member institutions for early compliance with CDIC's *Data and System Requirements By-law*, and the impact of changes in member classification under the *Differential Premiums By-law*, partially offset by higher insured deposits.

18 – Reclassification of Prior Year Comparative Figures

The Corporation has reclassified certain comparative figures in the consolidated statement of cash flows to conform to the current presentation which provides more relevant information about CDIC's cash flows. The reclassification was immaterial and did not have an impact on the consolidated statement of financial position or the consolidated statement of comprehensive income. As a result, a third consolidated statement of financial position, as at April 1, 2011, and the related note disclosures, have not been provided.