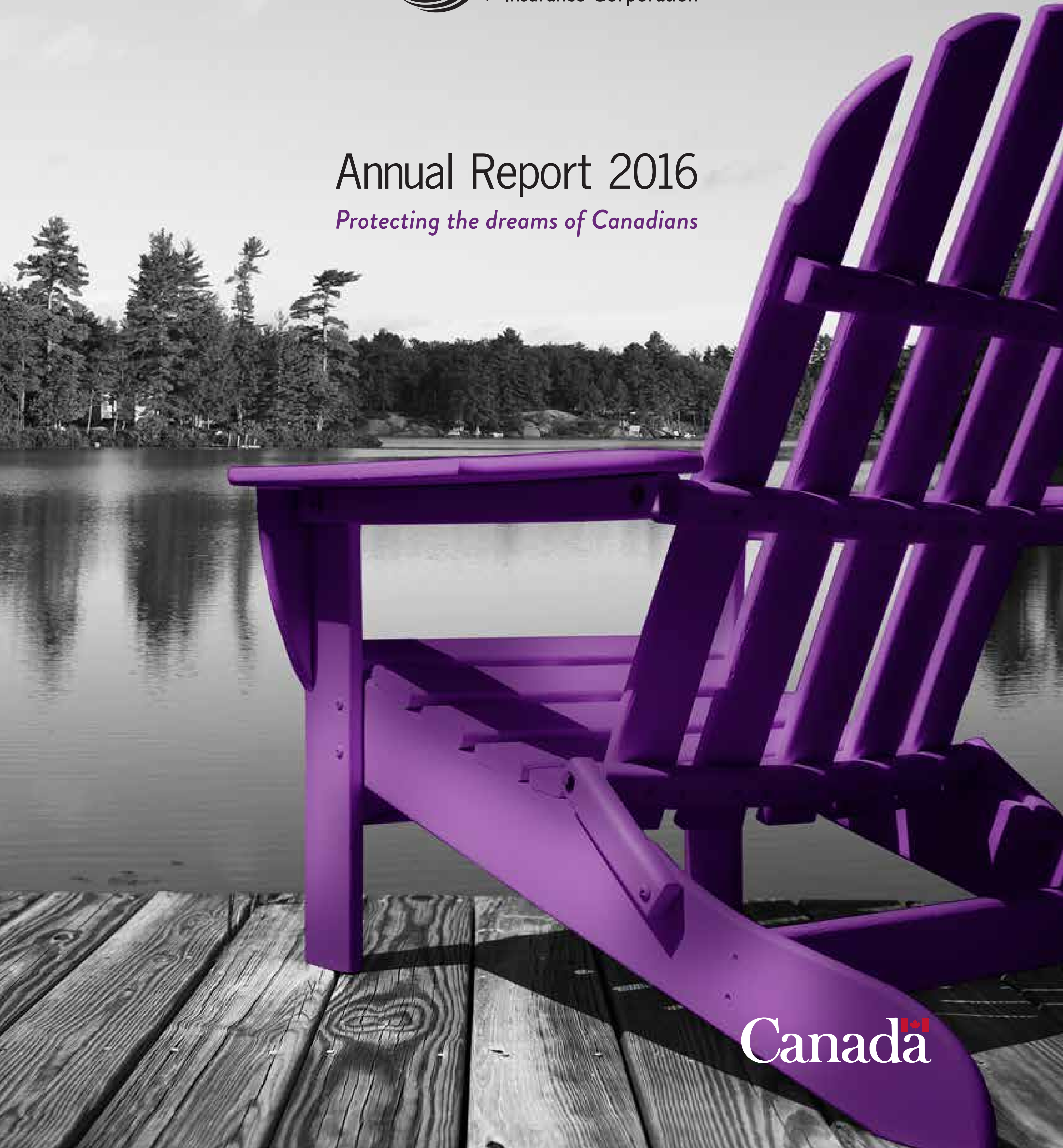
CDIC
Canada Deposit
Insurance Corporation

Annual Report 2016

Protecting the dreams of Canadians



Canada

CDIC mandate

CDIC's mandate is to provide insurance against the loss of all or part of 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 while minimizing the Corporation's exposure to loss.

Our vision

Earning the trust of Canadians as a global leader in deposit insurance and resolution.

CDIC deposit insurance coverage

What's covered?

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

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

What's an eligible deposit?

Eligible deposits include:

- savings accounts and chequing accounts
- term deposits, such as Guaranteed Investment Certificates (GICs), of five years or less
- money orders and bank drafts issued by CDIC members, and cheques certified by CDIC members

Deposits must be payable in Canada, in Canadian currency.

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.

See CDIC's website at **www.cdic.ca** for details.

Contact us

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

Head office
Canada Deposit
Insurance Corporation
50 O'Connor Street, 17th Floor
Ottawa, Ontario
K1P 6L2

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Insurance Corporation
1200-79 Wellington Street West
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Five-year financial and statistical summary

For the years ending March 31	2016	2015	2014	2013	2012
Selected statement of financial position items (C$ millions)					
Cash and investments	**3,411**	3,044	2,761	2,561	2,441
Provision for insurance losses	**1,300**	1,250	1,200	1,250	1,150
Retained earnings	**2,116**	1,801	1,569	1,316	1,294
Selected statement of comprehensive income items (C$ millions)					
Premiums	**361**	279	192	120	224
Investment income	**40**	40	36	39	40
Operating expenses	**40**	40	38	36	32
Increase (decrease) in provision for insurance losses	**50**	50	(50)	100	50
Total comprehensive income	**316**	232	252	23	180
Member institutions (Number)					
Domestic banks and subsidiaries	**47**	47	48	49	46
Domestic trust and loan companies and associations	**15**	15	15	16	17
Subsidiaries of foreign financial institutions	**16**	16	16	18	21
Total number of institutions	**78**	78	79	83	84
Total insured deposits[a] (C$ billions)	**696**	684	665	646	622
Growth rate of insured deposits (%)	**1.8%**	3.0%	3.0%	3.9%	3.0%
***Ex ante* funding** (C$ billions)	**3.4**	3.1	2.8	2.6	2.4
Basis points of insured deposits	**49**	45	42	40	39
Permanent employees (Number)[b]	**119**	114	110	102	99
Borrowing limit (C$ billions)	**20**	20	19	19	18

a 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.

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


When I retire, I want to spend more time at the cottage.

The year at a glance

In 2015/2016, CDIC . . .

- Insured approximately **$696 billion in deposits** at 78 member institutions (as at March 31, 2016).
- **Members realized net record profits**. Nonetheless, CDIC is closely monitoring a number of risks including high consumer indebtedness, elevated residential real estate prices, sectoral exposures (e.g., oil and gas), and members with concentrations in riskier asset classes.
- **Made significant headway on resolution planning**. In fact, the Financial Stability Board acknowledged Canada's progress on its resolution framework among countries that do not have a global systemically important bank.
- **Reached agreements on information sharing**, with the signing of memoranda of understanding with the Bank of England and with the Prudential Regulation Authority of England to **facilitate international collaboration**.
- Continued to **inform Canadians about CDIC** and its deposit insurance program to instill confidence in the Canadian financial system.
- **Collaborated with federal safety net partners** to support the introduction of legislation for a bank recapitalization regime.
- **Provided guidance to Canada's domestic systemically important banks** to support them in preparing their own resolution plans.


I want to live a long and healthy life.

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We want to save for a down payment on our dream house.

Message from the President and CEO

Everything CDIC does is for the protection of depositors. All facets of our work are driven by this sole objective, whether it is informing the public about our coverage, monitoring the health of our members or standing ready to act should a problem arise. Maintaining confidence in our financial system, a key part of CDIC's mandate, rests in part on Canadians being aware that we protect their savings and can act quickly and effectively should the need arise.

Reaching out to the public is essential. In talking with many Canadians, I know that they value CDIC's role in protecting the safety of their money; still, with just under one in two Canadians knowing about CDIC, we recognize that we have more work to do in communicating with the public—and doing so in innovative ways. Activities leading up to our 50th anniversary next year will be a wonderful opportunity to reach out to Canadians.

Monitoring the health of our members when the environment is uncertain, as it is in these times, is crucial to ensuring we are prepared for any eventuality and can swiftly reimburse depositors. With financial services and Canadians' banking habits under constant transformation, our approaches to making reimbursements are being refined and adjusted, with speed, convenience and security remaining our central objectives. We conduct regular simulation exercises of our payment capacity, as we did again this past year. These simulations are the best way to test our preparedness; they allow us to hone our skills and, in an environment of significant technological changes and banking innovations, they are indispensable.

As Canada's resolution authority for its domestic systemically important banks (D-SIBs), CDIC has made substantial progress in meeting the Financial Stability Board (FSB) requirements for the resolution of systemically important banks. In March of this year, the FSB published its second thematic review on resolution regimes, evaluating 24 jurisdictions on the progress they have made in implementing the *Key Attributes of Effective Resolution Regimes for Financial Institutions*. I am pleased to note that among jurisdictions that do not have a global systemically important bank, Canada is one of the few that has made substantive progress with its resolution framework and has well-established planning processes in place.

With legislation for a bank recapitalization regime expected to be tabled in 2016/2017, CDIC will have another essential tool to resolve a failing D-SIB to keep it open and fully functional for Canadians, while ensuring that losses are covered by its shareholders and investors rather than taxpayers. Canadians can be assured that their deposits are protected by CDIC under any scenario, as they have in the past over the course of 43 failures when no one lost a single dollar of insured deposits.

A key focus last year was working with the D-SIBs on resolution plans. In 2015, the federal government announced that our D-SIBs would be responsible for preparing their own resolution plans. Until that time, CDIC had prepared the plans while working closely with the banks. As of this past winter, however, we provided the banks with detailed guidance to support their efforts as they begin this process. I am confident that the experience we have gained since 2012 in developing resolution plans for our largest members will be of benefit to the banks in preparing their own plans, and that much progress will be achieved in the next few years as we continue to work closely with the D-SIBs on enhancing their resolvability.

To further advance our resolution planning and preparedness, we collaborate with key international resolution authorities. In the fall we hosted a Crisis Management Group, bringing together key international representatives to discuss the cross-jurisdictional resolvability of our D-SIBs. In addition, we signed information-sharing memoranda of understanding with the Bank of England and with the Prudential Regulation Authority of England. Domestically, we held several inter-agency discussions focused on various key aspects of a resolution and tested our coordination mechanisms during a day-long tabletop exercise.

This *Annual Report* sets out a number of other key objectives that we pursued during the year. All of this work could not have been completed without the ongoing support of our dedicated Board of Directors, under the leadership of our Chair, Bryan Davies, who retired this spring. It has been my privilege to work with Bryan and I recognize his outstanding contribution to CDIC as our longest serving Chair. Bryan has provided valued counsel throughout his tenure and a sure hand through the financial crisis. His leadership will be missed by us all.

In 2015, I welcomed a new Executive Team as others retired. Dean Cosman, Mike Mercer, Anthony Carty and Chantal Richer have joined the new Team and, together with them, I express my gratitude to all our employees whose achievements are the backbone of everything that CDIC has accomplished during the year. We look forward to continuing our work in protecting depositors as we celebrate CDIC's upcoming 50th anniversary in 2017.

M Bourque

Michèle Bourque


We'll take that round the world cruise
we've always dreamed of.


One day, I will open my own business.

Part 1—Management's Discussion and Analysis

CDIC's operating environment

Economic environment

Economic growth in Canada has slowed and continues to be impacted by the global weakness in oil and other commodities, faltering economic growth in China and Europe, and very volatile financial markets. Low oil prices have affected Canadian oil-producing provinces resulting in declines in investment spending and jobs. At the same time, the low value of the Canadian dollar has begun to stimulate export growth. High consumer indebtedness and elevated residential real estate prices within certain key markets have left Canadian households more vulnerable than in the past to stresses, such as a rise in unemployment or interest rate increases, with potential impacts for CDIC's members.

International regulatory efforts

G20 countries continue to implement the Financial Stability Board's (FSB's) *Key Attributes of Effective Resolution Regimes for Financial Institutions* (the *Key Attributes*). The *Key Attributes* are designed to ensure that failures of systemically important financial institutions can be resolved in a manner that maintains continuity of their services to consumers, protects stability, and avoids taxpayer exposure to loss. As the resolution authority for Canada's domestic systemically important banks (D-SIBs), CDIC needs to stay at the forefront of international developments. CDIC participated in the development of an assessment methodology for the *Key Attributes* and, in FSB working groups, provided supplementary guidance in several areas, including funding in resolution, bank recapitalization regime execution, and ensuring operational continuity in the event of a failure.

Federal government initiatives

In 2015, the federal government announced that Canada's D-SIBs would be responsible for preparing their own resolution plans and for addressing how they could be resolved in the unlikely event that recovery actions fail. CDIC is responsible for directing the D-SIBs as they develop their plans, and has provided guidance to support their efforts in this area.

As outlined in the 2016 Federal Budget, work continues to support the introduction of legislation for a bank recapitalization regime in Canada. This would allow for a non-viable D-SIB to be recapitalized through the conversion of certain liabilities into regulatory capital. A bank recapitalization regime aims to limit public exposure if a D-SIB were to fail, by requiring the bank's shareholders and creditors—rather than taxpayers—to absorb losses.

Internally, CDIC remains focused on balancing the need for prudent financial management with maintaining adequate resourcing to achieve its objectives and to contribute to Government priorities. On July 16, 2015, Crown corporations, including CDIC, were directed by the Governor in Council to align their policies, guidelines and practices with Treasury Board of Canada Secretariat (TBS) policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations. CDIC reviewed its related policies and practices and concluded that they were already aligned with those of TBS in all material aspects. However, to further comply with the TBS *Directive on Travel, Hospitality, Conference and Event Expenditures*, CDIC updated its existing policy to be better aligned, in both content and structure, with the TBS Directive.

Risk governance and management at CDIC

CDIC has in place an Enterprise Risk Management (ERM) program to identify and manage key risks that could prevent the Corporation from achieving its objectives. The program includes a detailed annual assessment of CDIC's most significant risks, as well as quarterly updates to identify and assess any substantial changes related to those risks.

The ERM program has identified nine significant internal risks across four categories: Insurance, Operational, Financial, and Reputation. Management has concluded that, overall, at March 31, 2016, CDIC's risks remain acceptable, although insurance powers risk and intervention risk are assessed as cautionary, meaning that the residual risk in those areas warrants close monitoring.

These cautionary ratings are largely attributable to D-SIB failure resolution. While CDIC has made progress in recent years to improve its ability to respond to a large bank failure, additional effort is necessary to ensure that a failing D-SIB could be resolved in an orderly fashion. These risks are expected to remain cautionary while the Corporation continues its work to improve the framework and preparedness related to the resolution of a failing D-SIB. This includes having robust resolution plans in place for all D-SIBs, testing the plans and establishing additional arrangements for coordination with strategic stakeholders in a resolution.

Summary of Management's assessment of CDIC's significant risks

as at March 31, 2016

	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.		Decreasing
Assessment risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		Stable
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.		Stable
Operational risks		
People risk: The risk resulting from inadequacies in competency, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		Stable
Information risk: The risk that timely, accurate and relevant data and information are not available to facilitate informed decision making and/or the exercise of effective oversight.		Stable
Technology risk: The risk that CDIC's technical systems and capabilities do not appropriately support the achievement of its statutory objects and the conduct of its affairs.		Stable
Process risk: The risk resulting from the incorrect execution of, a breakdown in, or a gap in, a policy, procedure or control respecting CDIC's processes.		Increasing
Financial risk		
Financial risk: The risk associated with managing CDIC's assets and liabilities, both on- and off-balance sheet.		Stable
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/or other loss to CDIC.		Stable

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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 yet fully implemented.
Serious concern—meaning that significant gaps may exist in risk management practices and controls and immediate action is required from Management.

Trends:

Stable—residual risk is not expected to change over the next year.
Decreasing—residual risk is expected to decline over the next year.
Increasing—residual risk is expected to increase over the next year.

CDIC membership

As at March 31, 2016, CDIC had 78 member institutions, unchanged from the previous year. Specific corporate actions and name changes in the membership over the past year included: effective October 1, 2015, Home Trust Company acquired CFF Bank; effective November 2, 2015, Korea Exchange Bank of Canada changed its name to KEB Hana Bank Canada; and effective March 7, 2016, State Bank of India changed its name to SBI Canada Bank.

Insured deposits

As at April 30, 2015, deposits insured by CDIC increased by 2% year over year to $696 billion. Insured deposits represented approximately 27% of total deposit liabilities held by member institutions. The vast majority of deposits insured by CDIC are from individuals while most wholesale deposits remain uninsured because of their large size (amounts over the $100,000 insurance limit). The D-SIBs peer group represented 87% of the membership's total insured deposits. The Consumer peer group had the highest percentage of their deposits insured (89%), followed by the Residential and Commercial peer groups, with 74% and 54%, respectively.

CDIC member peer groups

Member institutions consolidate to 49 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.

Domestic systemically important banks (D-SIBs)—includes the largest six banks designated by the Office of the Superintendent of Financial Institutions (OSFI) as domestic systemically important

Mid-sized—includes members with total assets between $10 billion and $100 billion

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 are largely derived from services and related fees, although these members do not necessarily operate in similar business lines

Financial performance

Overall, CDIC's membership recorded strong financial performance in 2015 with another year of record net profits, continued favourable asset quality metrics (i.e., low loan impairments), and solid capital ratios.

Profit and return on average shareholders' equity

CDIC members earned a combined total net income of $37 billion in 2015, up from $35.5 billion in 2014 (a 4% increase). Provisions for credit losses of $7.3 billion increased 5.8% year over year but remained well below the 2009 peak of $12.6 billion, despite a 93% increase[1] in loans over the last six years.

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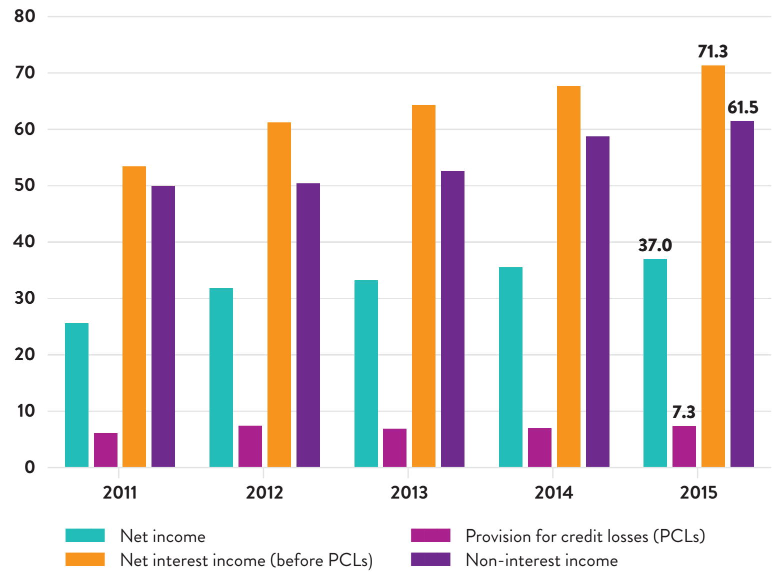
1 Some of this impact is due to the transition to International Financial Reporting Standards (IFRS) which increased institutions' on-balance sheet assets.

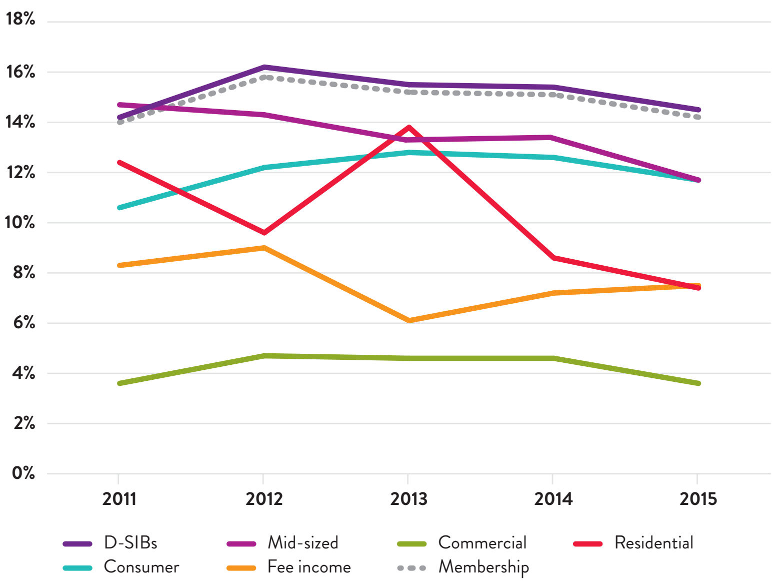
Higher profits for the membership were attributable to higher net interest income and steady growth in non-interest income which outpaced operating and interest expenses. Net interest income increased by 5.4% ($3.6 billion) as higher average loan volumes (particularly from non-mortgage activities) offset lower net interest margins. At the same time, interest expenses fell due to lower interest costs on debt instruments and deposits. Non-interest income increased 4.8% ($2.7 billion) as higher contributions from wealth management and credit/debit fee income offset lower revenues from trading and other commissions and fees. Among those members with significant U.S. operations, the depreciation of the Canadian dollar was also a contributing factor to higher net income in 2015 through foreign exchange translation effects.

Year over year, the membership's return on average shareholders' equity (ROAE) decreased by 93 basis points to 14.1% while the return on average assets (ROAA) declined slightly from 87 to 81 basis points. The membership's ROAE, while high, remained well below its 21.2% peak attained in 2006, in large part due to higher capital requirements and compressed net interest margins. The ROAE varies considerably by peer group and by individual member due to market conditions in their respective sectors of concentration, varying profitability levels, and degree of leverage utilized.

Revenue, provisions and profits for CDIC members, 2011–2015 (C$ billions)



Return on average shareholders' equity (ROAE) by peer group, 2011–2015



Asset growth and quality

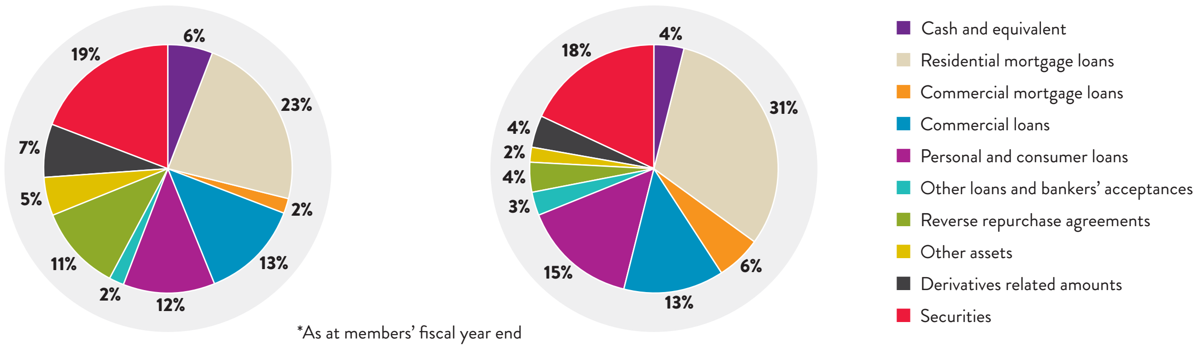
The membership's total asset base grew 12% ($480 billion) to $4.7 trillion since last year, while the asset mix was virtually unchanged compared to 2014.

The majority of asset growth was driven by uninsured residential mortgage lending, commercial lending and wholesale banking activities (e.g., reverse repurchase transactions and derivative-related amounts), while cash and equivalents, securities and other loans accounted for the remainder. Derivative-related amounts increased by 24% as D-SIBs increased these activities. Commercial loans increased by 20%, residential mortgages increased 6% due to increased uninsured mortgage lending, and cash and equivalents increased by 23% as banks continue to optimize their asset mix to meet new regulatory liquidity rules. The depreciation of the Canadian dollar was also a contributing factor to the overall asset growth of members with significant operations in the United States.

Residential mortgages held on the balance sheet of CDIC members totalled approximately $1.1 trillion, representing 24% of the membership's on-balance sheet assets. Other significant asset classes included securities (19% of total assets, 27% of which were Canadian government securities), personal loans (12%) and commercial loans (13%).

Asset mix—D-SIB peer group* 2015 (C$4.4 trillion)

Asset mix—all other peer groups* 2015 (C$290 billion)



*As at members' fiscal year end

The overall asset quality of the membership was relatively stable during 2015 with a gross impaired loan ratio of 0.52% of total loans (2014: 0.53%). While the challenges facing Canada's commodities sector have yet to materially impact the membership's overall asset quality, CDIC is closely monitoring certain segments which saw increased impairment rates in 2015—in particular, loans to oil and gas companies, and loans to individuals and businesses in commodity-focused regions. Further, some members have high concentrations of riskier assets (relative to their capital) such as construction loans, commercial mortgages, or residential mortgages to weaker borrowers. These asset classes are likely to experience greater than average impairment under persistently challenged economic conditions.

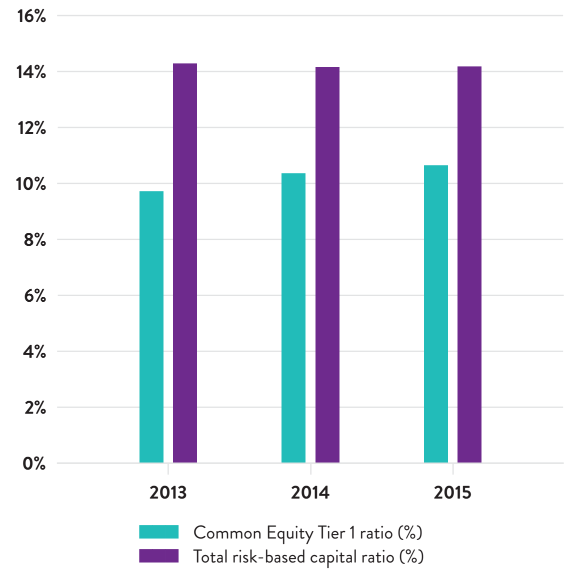
Liquidity levels

Overall, the membership held higher balances of liquid assets in 2015 in response to the *Liquidity Adequacy Requirements* set by the Office of the Superintendent of Financial Institutions (OSFI), which came into effect in January 2015. Demand deposits continue to comprise just over half of total deposits for 2015, underscoring the importance of deposit insurance awareness and strong depositor confidence in order to maintain adequate liquidity.

Capital ratios

Overall, member institutions maintained good capital levels in 2015 and were above Basel III minimum requirements. The membership's average Common Equity Tier 1 Capital Ratio, as at each member's Q4 2015, was 10.5% (compared to the OSFI minimum requirement of 7.0%). The average total capital ratio for the membership was stable at 14.2%. Effective Q1 2015 for each member, OSFI implemented the Basel III Leverage Ratio, replacing the long-standing asset-to-capital multiple as an additional non-risk weighted measure to constrain leverage at deposit-taking institutions. Institutions are required to maintain a leverage ratio that meets or exceeds 3% at all times. As at each member's Q4 2015, the average leverage ratio of the membership was 4.2%.

CDIC membership capital ratios



Membership risk

Despite a slower growth environment, the membership as a whole performed strongly in fiscal 2015 with record net income, acceptable asset quality in terms of impairments, and strong capital ratios. The membership has adapted well to Basel III capital and liquidity requirements. Despite the strong performance of the membership, CDIC is closely monitoring a number of risks. These include the combination of high consumer indebtedness and elevated residential real estate prices, sectoral exposures (e.g., oil and gas), and members with concentrations in riskier asset classes.

Performance against Plan

CDIC's corporate strategies

Based on its 2015/2016 to 2019/2020 Corporate Plan, in 2015/2016 CDIC focused its efforts on three corporate strategies:

- Modernize CDIC's deposit insurance program
- Build preparedness to resolve domestic systemically important banks
- Foster an environment of innovation and excellence

These strategies support the Corporation's mandate 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. The key activities and achievements CDIC carried out this year in support of each of these strategies are summarized below.

Modernize CDIC's deposit insurance program

The Corporation continued to roll out its multi-year payout transformation plan. The plan was changed during the year and is now focused on establishing a transfer process that leverages CDIC member institution systems and eliminating the use of cheques to reimburse depositors.

CDIC reviewed and updated its risk assessment processes and methodology. The updates will ensure that member risks continue to be assessed in line with industry best practices and that resolution activities are prioritized appropriately.

In support of the federal government's deposit insurance review, CDIC undertook research, formulated policy positions, and completed impact assessments in various areas of its deposit insurance program.

Building on the ongoing resolution planning work for CDIC's largest member institutions, the Corporation initiated the development of resolution plans for mid-sized member institutions. CDIC will continue to advance its resolution planning processes for mid-sized members in the coming year.

The Corporation carried out the first year of its new three-year public awareness strategy, informing Canadians about CDIC and deposit insurance. Among other initiatives, CDIC launched its renewed website, including a microsite for retired and retiring Canadians, and developed and began implementing a comprehensive plan to communicate the Corporation's role as resolution authority for D-SIBs.

Build preparedness to resolve domestic systemically important banks

Given the role of CDIC's largest member institutions in providing financial services critical to Canadians and to the broader economy, the Corporation continued to focus on enhancing its capability and capacity to resolve the potential failure of these large, complex members in an orderly fashion to preserve confidence in the financial system. CDIC participated in policy development related to the bank recapitalization regime led by the Department of Finance—work that will continue in 2016/2017.

During the year, CDIC completed resolvability assessments for all six Canadian D-SIBs and resulting observations were reported to the CDIC Board of Directors and the other federal safety net agencies. In early 2016, CDIC also provided the D-SIBs with guidance on its expectations with respect to the approach and timing of their resolution plans. CDIC is responsible for assessing the bank-authored plans going forward.

The Corporation continued to collaborate with resolution authorities both internationally and at home. As such, information-sharing memoranda of understanding were signed with the Bank of England and Prudential Regulatory Authority, and discussions continued with U.S. regulators. The Corporation also identified, initiated contact and undertook an information-gathering exercise with other foreign regulators. These included regulators in jurisdictions that could be important to resolution or where Canadian financial institutions have a significant presence, including countries in the Caribbean and Latin America. CDIC also hosted Crisis Management Groups which brought together international and domestic authorities to discuss the crisis preparedness of Canadian D-SIBs.

On the domestic front, the Corporation worked alongside the Bank of Canada and designated payment, settlement and clearing system operators to identify necessary changes to their default management processes, in order to support continued access thereto in a bank resolution.

Foster an environment of innovation and excellence

Like many corporations, CDIC experienced some shifts in its work force, including planned retirements in senior roles and the entry of new employees. The Corporation built on existing human resources tools and programs to support the development of future business leaders, maintain staff engagement and advance knowledge transfer in core areas. A leadership program was created during the year and will be rolled out in 2016/2017 to enhance leadership skills and prepare successors for key positions.

The Corporation has a distinct function that identifies emerging risks and their possible outcomes and impacts on CDIC and its members. CDIC refined the strategic direction for this function to ensure that it continues to meet the needs of the Corporation in a manner that complements its ERM program.

As a part of its ongoing five-year information management strategic plan, CDIC reviewed its paper record holdings and updated its security classification and handling standards. In addition, an updated file classification system was developed—including retention triggers and periods, and disposition rules. Going forward, training will be an important part of this initiative, as will assessing tools to improve electronic document management and collaboration at CDIC.

CDIC's cyber security initiative was implemented as planned. The solution provides continuous monitoring of CDIC's infrastructure for security and unexpected disruptions that affect its information technology network, and enhances the Corporation's ability to identify and respond to potential cyber threats to keep pace with an evolving environment.

CDIC's Corporate Scorecard—2015/2016 to 2019/2020

The following Scorecard is a summary of CDIC's progress as at March 31, 2016, against the key initiatives and performance outcomes identified in its 2015/2016 to 2019/2020 Corporate Plan. As detailed in the following Scorecard, most of CDIC's expected outcomes are on track and key initiatives are proceeding as planned, with the following exceptions:

Strategy: Modernize CDIC's deposit insurance program

- Roll out a payout transformation plan focusing on payment channels and methods, and communications with depositors.

Strategy: Build preparedness to resolve domestic systemically important banks

- Augment resources to strengthen internal D-SIB resolution preparedness and accelerate resolution planning.

Strategy: Foster an environment of innovation and excellence

- Reinforce and centralize financial management processes and controls.
- Strengthen all aspects of CDIC's information management program.

CDIC's Corporate Scorecard—2015/2016 to 2019/2020

(as at March 31, 2016)

Key corporate initiatives	Status ▲ ▼ ●	Update
Corporate strategy: *Modernize CDIC's deposit insurance program*	On track	***Corporate targets:*** • *By the end of the planning period, CDIC has the capability to reimburse depositors in a manner (including speed, convenience, security and communication) that reflects depositor expectations and advancements in technology.* • *By 2017/2018, build a more robust risk assessment process that leverages data analytics and intervention plans for selected members.* • *Continue to participate in the Government's review of Canada's deposit insurance framework, putting forward to the Department of Finance sound recommendations to ensure adequate protection is provided to Canadians. This includes implementing any required changes to its program.* • *Over the planning period, CDIC will leverage technology to promote awareness of CDIC, including communicating any changes arising from the deposit insurance review.*
Roll out a payout transformation plan focusing on payment channels and methods, and communications with depositors.	▼	This initiative is behind its original schedule given the change in focus. CDIC continues to collaborate with member institutions to develop a transfer method that leverages members' processes and systems for payments and communications.

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▲ 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—2015/2016 to 2019/2020

(as at March 31, 2016)

Key corporate initiatives	Status ▲ ▼ ●	Update
Review and update risk assessment processes, including enhancements to data collection and analysis.	▲	CDIC's review of its risk assessment methodology is complete. The review was conducted to ensure that member risks continue to be assessed in line with industry best practices and that intervention activities are prioritized appropriately. Implementation and further calibration of the processes and methodology will commence in CDIC's 2016/2017 fiscal year.
Actively participate in the deposit insurance review by providing input on CDIC's position and expert research, and implementing any required changes to its program.	▲	CDIC has undertaken research, formulated policy positions, and has analyzed and taken steps to assess the impact of possible changes to Canada's deposit insurance framework. Work is underway to finalize various research papers resulting from an extensive analytics project based on membership data.
Develop resolution plans for selected members, leveraging domestic systemically important bank (D-SIB) resolution planning processes and preparedness.	▲	During the year, the anticipated timing of receipt of a key input to a plan was moved to early in CDIC's 2016/2017 fiscal year. As a result, while an initial resolution plan for this member was completed by the end of the fiscal year, it will require further development once this information is received.
Implement a new three-year public awareness strategy, which focuses on cost-effective activities, and which targets the general population (especially those aged 50 and over) and financial advisors.	▲	CDIC carried out the first year of its new three-year public awareness strategy, which included the implementation of a plan to communicate CDIC's role as resolution authority. Total awareness of CDIC was 48% in March 2016, a decline from 52% in March 2015, but still consistent with our target of reaching one in two Canadians.
Corporate strategy: ***Build preparedness to resolve domestic systemically important banks***	**On track**	***Corporate targets:*** *During the planning period, CDIC will:* • *Develop and implement a multi-year plan to establish and validate robust resolution strategies for each D-SIB.* • *Implement a multi-year plan outlining the initiatives and operational framework required to achieve appropriate preparedness for a D-SIB resolution.* • *Deepen relationships with strategically important stakeholders, by engaging with domestic and international organizations necessary to the resolution of a Canadian D-SIB.*
Advance the resolvability of D-SIBs by working closely with banks on the development of credible resolution plans and the assessment of various structural and operational simplification options.	▲	The 2016 resolution plan guidance was delivered to the D-SIBs on February 1, 2016. CDIC is actively engaged with the D-SIBs to provide further support in the development of their first resolution plan to be submitted in late 2016.

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—2015/2016 to 2019/2020

(as at March 31, 2016)

Key corporate initiatives	Status ▲▼●	Update
Continue to work with other federal safety net agencies to enhance Canada's resolution framework.	▲	CDIC is participating in policy development related to the bank recapitalization regime and this work will continue in CDIC's 2016/2017 fiscal year.
Augment resources to strengthen internal D-SIB resolution preparedness and accelerate resolution planning.	▼	Individuals have been identified to fill remaining positions and these resources will be substantively in place by June 30, 2016.
Further develop CDIC's operational playbook, detailing roles, responsibilities and key decisions in a D-SIB resolution, and validate through internal and external simulation/testing exercises.	▲	An expected operating model has been designed and a list of supporting third parties identified. Work in the next fiscal year will focus on refining the list and on developing and implementing the engagement strategies. A large bank crisis management exercise was also held on March 31, 2016, attended by over 50 participants and observers from CDIC and other safety net agencies.
Establish and implement an outreach program to engage with key domestic and international resolution authorities, regulators, protection schemes, and financial market infrastructure organizations, and put in place bilateral agreements to encourage information sharing and coordination.	▲	CDIC has engaged substantively all high and medium priority targets and will be following up with jurisdictions who have indicated that D-SIB operations in their country are systemic.
Corporate strategy: ***Foster an environment of innovation and excellence***	**On track**	***Corporate targets:*** *Throughout the planning period, CDIC will:* • *Foster an environment of continuous improvement and innovation among its employees.* • *Focus on recruitment, retention and succession planning for key roles within the Corporation.* • *Stay abreast of environmental changes that affect the Corporation.* • *Invest strategically in the Corporation's supporting functions while prudently managing its budget and key corporate risks.*
Implement a new three-year talent management strategy focused on succession planning, empowering business leaders, and on attracting, developing and retaining a well-trained and engaged work force.	▲	A leadership program was created during the year and will be rolled out in 2016/2017 to prepare successors for key positions and to enhance leadership skills. Recruitment strategies were also broadened to attract talent through interchanges and term positions, and steps were taken to share information with other jurisdictions on recruitment best practices.

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—2015/2016 to 2019/2020

(as at March 31, 2016)

Key corporate initiatives	Status ▲ ▼ ●	Update
Continue to develop CDIC's Emerging Risk function, creating a stronger link with its Enterprise Risk Management (ERM) function.	▲	A strategic direction was developed for the Emerging Risk function to ensure it continues to meet the needs of the Corporation and in a manner that complements CDIC's ERM program.
Implement a new investment management model and enhance investment management practices.	▲	Management implemented new investment management systems and processes, resulting in more efficient and effective practices in this area.
Reinforce and centralize financial management processes and controls.	▼	Net operating expenses for 2015/2016 were within the approved budget. Internal audit recommendations to enhance controls were addressed on time and no significant control weaknesses were identified. The completion date of certain projects and deliverables was deferred to 2016/2017 to account for expanded scopes (e.g., a comprehensive review of CDIC's contracting processes) and shifts in priorities.
Strengthen all aspects of CDIC's information management (IM) program.	▼	IM training requirements and plans are being finalized. A revised retention and disposition schedule is expected to be approved by June 30, 2016 (originally planned for March 31, 2016).
Implement CDIC's information systems (IS) strategic plan which focuses on ensuring efficiency of service delivery, updating intervention systems, and strengthening security.	▲	CDIC's cyber security initiative was implemented, which enhances the Corporation's ability to identify and respond to potential cyber threats to keep pace with an evolving environment.

LEGEND

▲ Planned progress on schedule and within budget

▼ 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 2015/2016 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.

Basis of preparation

As a publicly accountable Corporation, CDIC prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) per the requirements of the Canadian Accounting Standards Board.

CDIC's significant accounting policies are described in Note 2 to the consolidated financial statements. There were no new accounting policies adopted, nor were there any changes to existing accounting policies during the year ended March 31, 2016.

The Corporation's consolidated financial statements include the results of Adelaide Capital Corporation (ACC), a structured entity created by CDIC in 1992 to effect the failure of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (Please see Notes 2 and 17 to the Corporation's fiscal 2015/2016 consolidated financial statements for more information.) The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Financial highlights

CDIC earned total comprehensive income of $316 million for the year ended March 31, 2016.

Premium revenue was $361 million for the year, an increase of $82 million (29%) from the previous fiscal year. The increase in premium revenue is primarily the result of an increase in premium rates, with growth in insured deposits held at member institutions and changes in the premium categorization of certain members also contributing to the variance.

Investment income was $40 million for the year, consistent with the previous fiscal year. This was the result of the decline in investment yields during the period (1.17% as at March 31, 2016, compared to 1.33% as at March 31, 2015), which offset the growth in the investment portfolio.

Net operating expenses were $40 million for the year, consistent with the previous fiscal year.

The Corporation's asset base continued to grow during the year. Total assets were $3,425 million as at March 31, 2016, an increase of 12% over the 2015/2016 fiscal year. The majority of the Corporation's assets are investment securities, which totalled $3,410 million.

The Corporation's provision for insurance losses was $1,300 million as at March 31, 2016, an increase of $50 million compared to last year. The increase is primarily due to the growth in the level of insured deposits as at April 30, 2015, as compared to April 30, 2014 ($696 billion compared to $684 billion), as well as the combination of a decrease in the discount rate (0.68% at March 31, 2016, compared to 0.77% at March 31, 2015) and the change in categorization and risk profile of some member institutions.

The Corporation's *ex ante* funding is a measure of CDIC's ability to fund interventions. The balance stood at $3,416 million, or 49 basis points of insured deposits as at March 31, 2016, a year over year increase of $365 million, or 4 basis points.

Consolidated statement of financial position

Assets

The total assets of the Corporation increased to $3,425 million as at March 31, 2016, from $3,060 million as at March 31, 2015, representing an increase of 12%. The following table summarizes CDIC's assets:

As at March 31 (C$ thousands)	**2016**	**2015**
Cash	919	1,584
Investment securities	3,410,247	3,042,059
Current tax asset	—	180
Trade and other receivables	204	1,521
Amounts recoverable from estates	3,469	2,876
Prepayments	193	198
Property, plant and equipment	5,263	5,886
Intangible assets	4,918	5,772
Total assets	**3,425,213**	**3,060,076**

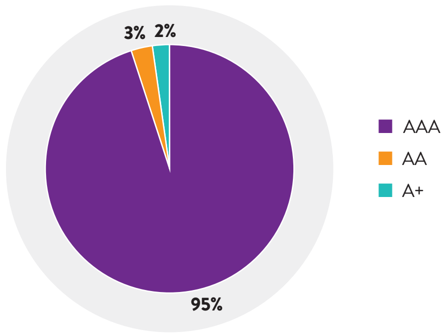
Investment securities

CDIC's $3.4 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 Minister of Finance. CDIC's Board financial risk policies further limit risk by setting a maximum amount (and term) that can be invested in each qualifying instrument.

Investment securities credit profile, as at March 31, 2016



CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. 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. The Corporation invests in a ladder style structure, requiring investments to be evenly distributed, within tolerance bands, over five, one-year time rungs.

The duration of the Corporation's portfolio is 2.4 years as at March 31, 2016, compared to 2.2 years last year. CDIC's investments as at March 31, 2016, carry a weighted average yield to maturity of 1.17% (March 31, 2015: 1.33%).

Recoveries

From time to time, CDIC receives recoveries from the estates of failed members. These potential recoveries relate primarily to recoveries of amounts that were previously written off and are not reflected in CDIC's financial statements due to uncertainty with respect to both potential amount and ultimate receipt. Factors contributing to uncertainty include creditor disputes, lawsuits against the estate, and competing claims for specific assets.

During fiscal 2015/2016, ACC (the structured entity controlled by the Corporation) recognized $4.4 million of proceeds from litigation as a recovery of amounts previously written off, $0.6 million of which remains receivable. ACC is in the process of settling litigation relating to the failure of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation.

A receivable in the amount of $2.9 million remains outstanding from Standard Trust Company, a member institution that failed in 1991, and for which all recoverable amounts had been previously written off. The Standard Trust Company estate is in the process of winding down as all outstanding litigation has been resolved. There may be additional immaterial final recoveries to be received in addition to the amount recognized as a receivable.

Liabilities

The total liabilities of the Corporation increased to $1,309 million as at March 31, 2016, from $1,259 million as at March 31, 2015, representing an increase of 4%. The following table summarizes the liabilities of the Corporation:

As at March 31 (C$ thousands)	**2016**	**2015**
Trade and other payables	4,734	4,651
Deferred lease inducement	1,073	1,186
Employee benefits	2,474	2,889
Provision for insurance losses	1,300,000	1,250,000
Tax liabilities	666	723
Total assets	**1,308,947**	**1,259,449**

Provision for insurance losses

The $1,300 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 2015/2016, primarily due to the growth in insured deposits as at April 30, 2015. Additional contributing factors to the net variance were external credit rating agencies refining their approach to determining expected default estimates, a decrease in the discount rate (0.68% at March 31, 2016, compared to 0.77% at March 31, 2015) and the categorization and risk profile of certain member institutions.

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 Analytics, a provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective of the probability of default estimate.

The loss given default estimate is based on the cumulative unweighted 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 the Corporation's 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***

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC has developed an *ex ante* funding strategy to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. CDIC's funding strategy involves the accumulation of resources during strong economic times to address potential losses during periods of economic stress, avoiding as much as possible significant increases in premium rates during periods of economic stress when CDIC's member institutions are dealing with financial headwinds.

As at March 31, 2016, the minimum target level of the Corporation's *ex ante* funding was 100 basis points of insured deposits. The Corporation reviews this target level regularly to ensure it remains appropriate.

CDIC primarily utilizes two methodologies to assess the optimal level of *ex ante* funding. The first of these is referred to as "discretionary analysis." Under this methodology, the Corporation considers the profile of its membership and determines the ability of a specific level of funding to address the hypothetical failure of member institutions.

The second methodology is referred to as "loss estimation." This methodology utilizes statistical techniques to estimate theoretical loss scenarios. Multiple loss scenarios are developed that permit a calibration of funding levels. The inputs to a loss estimation scenario include the level of insured deposits, probability of default statistics and loss given default assumptions.

As part of its regular assessment of sufficiency, the Corporation stress tests model assumptions. The purpose of these stress tests is to evaluate how funding requirements could be impacted by changes in model inputs. The stress tests primarily assess how changes in probability of default and loss given default affect funding requirements.

The actual level of *ex ante* funding at March 31, 2016, was $3,416 million, or 49 basis points of insured deposits. Based on the level of insured deposits as at April 30, 2015, the 100 basis point minimum target level would amount to $6,960 million. The Corporation has developed a funding plan that would see *ex ante* funding progress to the minimum funding target in approximately nine years.

Ex ante funding comprises one component of CDIC's entire funding envelope. The Corporation has the ability to borrow from the Government of Canada or from capital markets. The borrowing limit increases with the growth in insured deposits and, as at March 31, 2016, CDIC had the legislative authority to borrow $20 billion, subject to ministerial approval. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

The following table sets out the liquid funds available to CDIC as at period end:

As at March 31 (C$ millions)	**2016**	**2015**
Available liquid finds:		
Cash	1	2
Fair value of high quality, liquid investment securities	3,449	3,095
Availability of borrowings:		
Borrowings authorized under the *CDIC Act*, either from market sources or from the Consolidated Revenue Fund	20,000	20,000
Total available funds	**23,450**	**23,097**

Consolidated statement of comprehensive income

CDIC's total comprehensive income for fiscal 2015/2016 totalled $316 million, an increase from $232 million (36%) in fiscal 2014/2015. The Corporation's financial performance is summarized in the following table:

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Revenue		
Premium	361,176	279,374
Investment income	39,764	40,378
Other	27	50
Expenses		
Operating expenses	39,982	40,462
Recovery of amounts previously written off	(4,406)	(2,876)
Increase in provision for insurance losses	50,000	50,000
Income tax (recovery) expense	(61)	76
Net income	315,452	232,140
Other comprehensive income (loss)	187	(42)
Total comprehensive income	**315,639**	**232,098**

Premium revenue

In the 2015/2016 fiscal year, premium revenue increased by $82 million to $361 million. Increases in the premium rates, changes in the categorization of member institutions and the growth in insured deposits contributed to the increase in premium revenue. Insured deposits increased to $696 billion as at April 30, 2015, from $684 billion as at April 30, 2014, an increase of 2%.

Premium rates are a key determinant of how quickly CDIC's *ex ante* funding progresses to the minimum target of 100 basis points of insured deposits. CDIC has developed a funding plan that contemplates a series of measured increases in premium rates to reach the minimum target level by 2024/2025.

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. The increase in premium rates for 2015/2016, as compared to 2014/2015, is consistent with CDIC's strategy to achieve its minimum target *ex ante* funding level. Premium rates, expressed as basis points of insured deposits, are presented on the following page.

Premium category *(basis points of insured deposits)*	**2015/2016**	**2014/2015**
Category 1	4.5	3.5
Category 2	9.0	7.0
Category 3	18.0	14.0
Category 4	33.3	28.0

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

Distribution of member institutions by premium category (% of members)

Premium category	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
1	79	76	79	76	73
2	13	15	14	17	20
3	5	5	6	5	5
4	3	4	1	2	2

Investment income

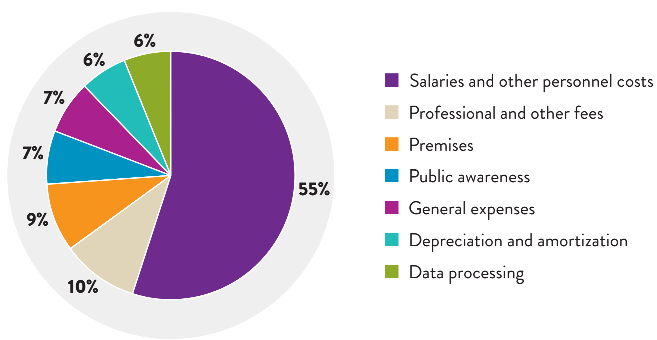
Investment income was $40 million during the 2015/2016 fiscal year, consistent with the previous year. This was the result of the decline in investment yields during the period (1.17% as at March 31, 2016, compared to 1.33% as at March 31, 2015), which offset the growth in the investment portfolio.

Operating expenses

Operating expenses remained at $40 million in fiscal 2015/2016.

The variances within operating expenses (see Note 15 of the Corporation's fiscal 2015/2016 consolidated financial statements) indicate a slight increase in personnel costs due to filling vacancies and a decrease in professional fees as certain projects were deferred or completed with internal resources.

Profile of operating expenses for fiscal 2015/2016



Consolidated statement of cash flows

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

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Increase in cash from operating activities	404,089	309,477
Decrease in cash from investing activities	(404,754)	(308,592)
Net (decrease) increase in cash balance	(665)	885
Cash, end of year	**919**	**1,584**

In fiscal 2015/2016, CDIC used $665 thousand in cash from its investing activities to fund its operating activities.

Comparison with 2015/2016 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2015/2016 with the Corporate Plan for the same year.

Consolidated statement of financial position

Total assets as at March 31, 2016, were $3,425 million, consistent with the planned amount of $3,431 million.

Total liabilities as at March 31, 2016, were $1,309 million, consistent with the planned amount of $1,310 million.

Consolidated statement of comprehensive income

Total revenue during the year was $401 million, or $12 million below Plan of $413 million. The primary sources of revenue were premiums and investment income.

- *Premiums:* Actual premium revenue was $361 million, compared to the planned amount of $371 million. The Corporate Plan was based on certain assumptions regarding the classification of members under the Differential Premiums system as well as the growth in insured deposits. Actual results have differed from the assumptions, resulting in the variance between the planned and actual amounts.
- *Investment income:* Actual investment income was $40 million, compared to the planned amount of $42 million. The variance was primarily attributable to a lower investment yield compared to the yield included in the Plan.

Net operating expenses for the year were $40 million, or $4 million below Plan of $44 million. The variance was primarily due to lower personnel costs as a result of a slower pace of hiring than planned for positions related to resolutions, as well as lower than planned expenses for professional fees.

Total comprehensive income for the year ended March 31, 2016, was $316 million compared to planned total comprehensive income of $320 million, a variance of $4 million.

A look ahead to 2016/2017

As set out in the Corporation's 2016/2017 to 2020/2021 Corporate Plan, CDIC's work will be guided by three strategic objectives for the planning period:

- Modernize CDIC's deposit insurance program
- Build preparedness to resolve the failure of domestic systemically important banks
- Foster innovative thinking and adaptability

Modernize CDIC's deposit insurance program

Key initiatives

- Continue to implement a payout transformation plan focusing on payment channels and methods, and communications with depositors.
- Review and update risk assessment processes, including creating stronger linkages with member intervention and resolution planning, and enhancements to data collection and analysis.
- Continue to develop and roll out resolution plans for mid-sized members (leveraging the D-SIB approach).
- Provide recommendations to the Government in the context of legislative reviews.
- Implement year two of CDIC's three-year public awareness strategy, taking current and future Canadian banking habits into consideration, and communicating more broadly the Corporation's role with respect to large bank resolution.

CDIC will continue to implement its updated payout transformation plan. The plan enhances CDIC tools and procedures for paying deposit insurance so that they continue to meet depositor expectations and respond to advances in technology. Next steps in the plan include developing trust account payment protocols, as well as a strategy to leverage member processes and systems for payments and communication.

With an updated risk assessment methodology in place, CDIC will update processes and undertake an assessment of data analytics and reporting tools to enable these new processes. The Corporation will also seek to create stronger linkages between risk assessment information and the intervention and resolution planning activities of its members.

Building on its extensive work developing resolution plans for the largest member institutions, CDIC will continue to develop resolution plans for its remaining mid-sized members. CDIC will work with the banks on this front and will closely coordinate its efforts with those of the Office of the Superintendent of Financial Institutions.

CDIC will suggest proposals to the Department of Finance in support of ongoing legislative reviews, including the deposit insurance review. The upcoming 2019 legislative review is an opportunity for CDIC to suggest amendments that could help make processes more efficient, and allow the Corporation to continue to meet the objectives of its mandate, such as resolving a failing D-SIB. In addition, the deposit insurance review is a comprehensive examination of the federal deposit insurance regime, and therefore represents an opportunity for CDIC to contribute to the analysis and potential adoption of legislative changes that could have an impact on operations, such as amendments to the deposit coverage framework.

In the second year of its current public awareness strategy (2016/2017), CDIC will refine and update its advertising campaign. The target for awareness—one in two Canadians to be aware of CDIC—remains unchanged. The strategy will continue to leverage member institutions to promote awareness of CDIC. This will primarily be facilitated through CDIC's ongoing comprehensive review of its *Deposit Insurance Information By-law*, which takes into consideration technological advances that impact Canadian consumers' banking habits (such as how CDIC members transact and interact with depositors). CDIC will also implement a plan to communicate the Corporation's role as resolution authority more broadly.

Build preparedness to resolve the failure of domestic systemically important banks

Key initiatives

- Continue to advance the resolvability of failing D-SIBs by guiding the development of bank-authored resolution plans and the process to assess the feasibility and credibility of those plans.
- Continue to work with other federal safety net agencies to enhance Canada's resolution framework, and evaluate and plan for the impact of proposed new powers (including the bank recapitalization regime) on CDIC's operations.
- Further develop CDIC's operational playbook, detailing roles, responsibilities and key decisions in a failing D-SIB resolution scenario, and validate it through internal and external tabletop and testing exercises.
- Implement CDIC's outreach program to engage with key domestic and international resolution authorities, regulators, protection schemes and financial market infrastructure organizations, to advance resolution planning and preparedness.

CDIC has been working closely with its largest member institutions since 2012 to develop resolution plans and identify impediments to resolvability. Canada's D-SIBs are now responsible for preparing their own resolution plans, and CDIC has provided guidance to these institutions that outlines expectations and direction for their 2016 resolution plans. The Corporation will continue to support the banks in the preparation of their plans, and will design a process to assess the feasibility of implementing these bank-authored plans.

Canada continues to take steps to address "too big to fail" issues. CDIC works closely with the Department of Finance and other federal safety net agencies in an effort to ensure that the Corporation has the appropriate tools to meet its mandate. With the introduction in the House of Commons of Bill C-15 to implement a bank recapitalization regime in Canada, CDIC will now focus on assisting the Department of Finance in the development of regulatory instruments (i.e., regulations and by-laws) to support this new legislation.

CDIC's readiness to resolve any one of its largest member institutions in the event of failure remains a key focus of its work. Building on past accomplishments, the Corporation will further develop a number of elements of its bank resolution playbook, including governance, communication, resourcing, valuation and funding, and other areas as required to reflect the development of the bank recapitalization regime. At the same time, CDIC will work closely with the banks to enhance their preparedness for resolution, and design testing programs to verify their resilience. Tabletop exercises with safety net partners, international counterparts and D-SIBs will test CDIC's preparedness to execute a large bank resolution.

CDIC will continue to implement its outreach program to strengthen cooperative relationships in regions where Canadian financial institutions have a significant presence. CDIC will host Crisis Management Groups bi-annually with domestic and international resolution authorities, to advance resolution planning and system-wide preparedness. The Corporation will work with the Department of Finance and the Bank of Canada to explore resolution approaches for designated financial market infrastructures, as well as engaging with other key stakeholders, including provincial securities regulators and applicable financial services protection schemes.

Foster innovative thinking and adaptability

Key initiatives

- Implement CDIC's talent management strategy with a focus on empowering business leaders to be innovative, and on attracting, developing and retaining a well-trained and engaged work force.
- Implement an organizational model that integrates intervention and resolution capabilities and supports a quick and effective response in any failure scenario.
- Develop and implement a strategy to enhance CDIC's data management, including improving accessibility to, and security and governance of, CDIC's data assets.
- Implement a centralized governance process to manage key corporate initiatives and projects, to empower staff and generate stronger accountability over the successful completion of projects.

CDIC will focus on developing adaptable and innovative business leaders, and will build its organizational succession depth through the launch of its leadership development program. The program will be integrated with CDIC's people processes. Training and feedback tools will be leveraged to help empower leaders to challenge the status quo, thrive in changing situations, and foster employee development and engagement. Employee engagement will be measured through a survey, with a goal of achieving above average levels.

For CDIC, readiness is vital. The Corporation needs to mobilize and execute quickly in any resolution scenario. To support readiness, CDIC has examined staffing, structures and processes to enhance internal coordination and capabilities, thereby enabling the Corporation to respond more effectively and efficiently to an intervention or resolution event for any member, regardless of size. A new organizational model will be implemented in early 2016 with transition and change management activities taking place throughout 2016/2017.

CDIC's data assets continue to grow. To meet the evolving needs of the Corporation, and to consider data requirements more broadly, Management will develop and launch a strategy to enhance CDIC's data management, with the expected results of better accessibility to, and security and governance of, these important assets.

CDIC will also assign responsibility to a group of senior leaders to initiate, prioritize and monitor key corporate initiatives and projects. The group's objectives will be to reduce duplication, promote adaptability, strengthen project reporting and coordination, and increase accountability over the successful completion of key projects. The work will also aim to empower leaders to make business decisions, to be innovative, to promote an enterprise-wide perspective and to foster collaboration across functions.

2016/2017 to 2020/2021 financial plan

The projections included in CDIC's 2016/2017 to 2020/2021 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:

- A growth in insured deposits year over year (2% in 2016/2017, 2.5% in 2017/2018, 3% in 2018/2019, and 3.25% thereafter).
- The premium rate for Category 1 member institutions (the base premium rate) will increase by one basis point in 2016/2017, and by one basis point per year for two years thereafter.
- Investment income is based on an assumed average yield on cash and investments of 1.1% for fiscal 2016/2017, rising gradually to a yield of 1.5% in 2020/2021.
- No member institution failure is assumed during the planning period.
- The provision for insurance losses is forecast to increase by $50 million annually based on the assumed growth in insured deposits.

2016/2017 fiscal year

Total comprehensive income is forecast at $398 million for the 2016/2017 fiscal year.

Total revenues are planned to be $441 million in the 2016/2017 fiscal year, including $400 million of premium revenue and $41 million of investment income.

Planned **premium revenue** of $400 million is $39 million higher than fiscal 2015/2016 premium revenue of $361 million. The increase is the result of higher premium rates and an expected increase in insured deposits.

Expected **investment income** of $41 million is $1 million higher than in fiscal 2015/2016, reflecting the projected growth in the investment portfolio coupled with a continued low interest rate environment.

Net operating expenses are planned to be $44 million in fiscal 2016/2017, compared to $40 million actual operating expenses in fiscal 2015/2016. The $44 million budget reflects a full staffing complement aimed at furthering preparedness and resolution capabilities for D-SIBs.

Cash and investments are projected to be $3.8 billion at the end of the 2016/2017 fiscal year.

The **provision for insurance losses** is forecast to increase to $1.35 billion at the end of the 2016/2017 fiscal year due to the assumed growth in insured deposits and an assumed stable economic environment.

The level of ***ex ante* funding** is forecast to be $3.8 billion at the end of the 2016/2017 fiscal year, representing 54 basis points of forecast insured deposits, an increase of 5 basis points from March 31, 2016.

(C$ millions)	2016/2017 Corporate Plan[a]	2015/2016 Actual results	2015/2016 Corporate Plan[a]
Consolidated statement of financial position *(as at March 31)*			
Cash and investments	3,813	3,411	3,416
Capital assets	10	10	10
Other current assets	—	4	5
Total assets	**3,823**	**3,425**	**3,431**
Current liabilities	5	5	7
Provision for insurance losses	1,350	1,300	1,300
Other non-current liabilities	4	4	3
Retained earnings	2,464	2,116	2,121
Total liabilities and equity	**3,823**	**3,425**	**3,431**
Consolidated statement of comprehensive income *(for the year ended March 31)*			
Revenue			
Premiums	400	361	371
Investment and other income	41	40	42
	441	401	413
Expenses			
Operating	44	40	44
Recovery of amounts previously written off	—	(5)	—
Increase in provision for insurance losses	—	50	50
	44	85	94
Net income before income tax	397	316	319
Income tax recovery	1	—	1
Total comprehensive income	**398**	**316**	**320**

a The Corporate Plans 2015/2016 to 2019/2020 and 2016/2017 to 2020/2021 were developed based on information as at December 31, 2014, and December 31, 2015, respectively.


When I retire, I want to
restore my dad's car.

When I stop working, I want to start living my dreams.

Part 2—Consolidated financial statements

Management responsibility for consolidated financial statements

June 8, 2016

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

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

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, Management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, 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 of Directors, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the consolidated financial statements to the Board of Directors.

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

Michèle Bourque
President and Chief Executive Officer

Anthony Carty
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 2016, 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 2016, 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,* the by-laws of the Canada Deposit Insurance Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

Margaret Haire, CPA, CA
Principal
for the Auditor General of Canada

8 June 2016
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 (audited) (C$ thousands)

	Notes	2016	2015
ASSETS			
Cash		919	1,584
Investment securities	*4*	3,410,247	3,042,059
Current tax asset		—	180
Trade and other receivables	*5*	204	1,521
Amounts recoverable from estates	*6*	3,469	2,876
Prepayments		193	198
Property, plant and equipment	*7*	5,263	5,886
Intangible assets	*8*	4,918	5,772
TOTAL ASSETS		**3,425,213**	**3,060,076**
LIABILITIES			
Trade and other payables		4,734	4,651
Current tax liability		85	—
Deferred lease inducement	*9*	1,073	1,186
Employee benefits	*19*	2,474	2,889
Provision for insurance losses	*10*	1,300,000	1,250,000
Deferred tax liability	*13*	581	723
Total liabilities		**1,308,947**	**1,259,449**
EQUITY			
Retained earnings		2,116,266	1,800,627
TOTAL LIABILITIES AND EQUITY		**3,425,213**	**3,060,076**

Contingencies and commitments (Note 18)

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

Approved by the Board on June 8, 2016

Director

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

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

	Notes	2016	2015
REVENUE			
Premium	*14*	361,176	279,374
Investment income	*4*	39,764	40,378
Other		27	50
		400,967	319,802
EXPENSES			
Operating	*15*	39,982	40,462
Recovery of amounts previously written off	*6*	(4,406)	(2,876)
Increase in provision for insurance losses	*10*	50,000	50,000
		85,576	87,586
Net income before income taxes		315,391	232,216
Income tax (recovery) expense	*13*	(61)	76
NET INCOME		**315,452**	**232,140**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net income:			
Actuarial gain (loss) on defined benefit obligations	*19*	250	(56)
Income tax effect	*13*	(63)	14
Other comprehensive income (loss), net of tax		187	(42)
TOTAL COMPREHENSIVE INCOME		**315,639**	**232,098**

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

Canada Deposit Insurance Corporation

Consolidated statement of changes in equity

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

	Retained earnings and total equity
Balance, March 31, 2014	**1,568,529**
Net income	232,140
Other comprehensive loss	(42)
Total comprehensive income	232,098
Balance, March 31, 2015	**1,800,627**
Net income	315,452
Other comprehensive gain	187
Total comprehensive income	315,639
Balance, March 31, 2016	**2,116,266**

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

Canada Deposit Insurance Corporation

Consolidated statements of cash flows

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

	2016	2015
OPERATING ACTIVITIES		
Net income	315,452	232,140
Adjustments for:		
Depreciation and amortization	2,427	2,375
Investment income	(39,764)	(40,378)
Income tax (recovery) expense	(61)	76
Employee benefit expense	48	422
Employee benefit payment	(213)	(75)
Change in working capital:		
Decrease in prepayments	5	105
Decrease in trade and other receivables	1,317	33
Increase in amounts recoverable from estates	(593)	(2,876)
Increase (decrease) in trade and other payables	83	(526)
Decrease in deferred lease inducement	(113)	(113)
Increase in provision for insurance losses	50,000	50,000
Investment income received	75,380	66,342
Income tax recovered	121	1,952
Net cash generated by operating activities	404,089	309,477
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(950)	(1,030)
Purchase of investment securities	(2,064,820)	(4,795,324)
Proceeds from sale or maturity of investment securities	1,661,016	4,487,762
Net cash used in investing activities	(404,754)	(308,592)
Net (decrease) increase in cash	(665)	885
Cash, beginning of year	1,584	699
Cash, end of year	**919**	**1,584**

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

Notes to the consolidated financial statements

March 31, 2016

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; it may act as liquidator, receiver or inspector of a member institution or a subsidiary thereof; and it may 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.

In July 2015, the Corporation was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with their legal obligations, and to report on the implementation of this directive in the Corporation's next Corporate Plan. As at March 31, 2016, the Corporation is in compliance with the directive.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 8, 2016.

Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis, except for the provision for insurance losses, and certain employee benefits (see Note 19), 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 structured entity controlled by the Corporation.

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

The overall impact of consolidation is not significant.

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

Judgments

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

Consolidation

Management has determined, based on an analysis of the facts and circumstances, that the Corporation controls ACC and the consolidated financial statements of CDIC should incorporate the financial statements of ACC. Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although CDIC does not own any of the share capital of ACC, it is the sole creditor of ACC, having provided an intercompany loan in 1992. The facts and circumstances that Management considered in arriving at the conclusion that CDIC controls ACC are as follows:

- The loan exposes CDIC to variable returns from its involvement with ACC.
- A CDIC employee is the sole member of the Board of Directors of ACC, giving CDIC the power to make decisions about ACC's operations to affect the returns that CDIC ultimately receives from its loan to ACC.
- The terms of the loan restrict the activities of ACC and stipulate that ACC cannot alter the composition of the Board of Directors, giving CDIC power over ACC's key activities.

Financial instruments

The Corporation holds a significant amount of investment securities. 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.

Provision for insurance losses

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.

Capital assets

Capital assets, comprising property, plant and equipment, and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. Useful lives are measured using Management's best estimate of the period of service provided by the assets. Any changes to the useful life estimates would affect the future carrying value of the assets and the future depreciation or amortization. The carrying amounts of the Corporation's capital assets are included in Notes 7 and 8.

Employee benefits liabilities

The carrying value of employee benefits liabilities to be settled in the future depends on numerous factors that are determined on an actuarial basis using several assumptions, including, but not limited to, discount rates, long-term rates of compensation increase, retirement age and mortality rates. The Corporation consults with an external actuary regarding these assumptions annually. Any changes to these assumptions will impact the present value of these liabilities. The carrying values of employee benefits liabilities are disclosed in Note 19.

Financial instruments

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.

Classification

A) Financial assets

Subsequent to initial recognition, a financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are categorized within a fair value hierarchy:

- *Level 1*—Fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*—Fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3*—Fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For financial assets and financial liabilities that are recognized at fair value on a recurring basis, the Corporation determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Identification and measurement of impairment

Financial assets, other than those measured at fair value, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one of more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the debtor; or
- Breach of contract, such as a default or delinquency in payment; or
- Probability that the debtor will enter bankruptcy or financial re-organization; or
- Significant decrease in creditworthiness of the debtor.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss, to the extent that the carrying amount of the asset at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash

Cash includes cash on hand and demand deposits. Cash is measured at amortized cost, which approximates fair value, on the consolidated 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 consolidated 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—the shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment—five to ten years
- Computer hardware—three to five years

Depreciation expense is included in operating expenses on the consolidated statement of comprehensive income. 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 all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use
- The intention to complete the intangible asset and use it
- The ability to use the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortization and any impairment losses, and are amortized on a straight-line basis over their estimated useful lives which range from three to 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 on the consolidated statement of financial position. The carrying amounts of trade and other payables approximate fair value due to their short term to maturity.

Provision for insurance losses

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

The Corporation has a stand-ready obligation to provide insurance against the loss of part, or all, of deposits in a member institution 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 to the provision for insurance losses are recognized as an adjustment to the provision for insurance losses in the consolidated statement of comprehensive income.

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 minimum target level.

Other revenue

Other revenue includes payments received for services provided to other unrelated organizations, sub-lease income, certain interest income, and foreign exchange gains and losses.

Leases

Leases are classified as finance leases and recognized on the consolidated statement of financial position 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 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.

Employee benefits

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits, as well as other long-term employee benefits in the form of accumulating, non-vesting sick leave benefits.

The cost of all such 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. The discount rate used is determined by reference to high quality corporate bonds that have terms to maturity approximating the terms of the related benefits liability. The expected rate of future compensation represents a long-term assumption and includes components for inflation, merit and promotion adjustments. Actual results may differ from estimates based on assumptions.

For all such benefits, the liability recognized in the statement of financial position is the present value of the obligation at the end of the reporting period.

With respect to the defined benefit plans, 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. Past service costs are recognized as an expense at the earlier of: (i) the date the plan amendment or curtailment occurs; and (ii) the date the Corporation recognizes related restructuring costs or termination benefits.

With respect to the other long-term employee benefits, all costs, including all actuarial gains and losses, are recognized immediately in operating expenses.

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 it relates to items recognized in other comprehensive income or directly in equity. The tax currently payable/receivable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax relating to actuarial gains and losses on defined benefit obligations is recognized directly in retained earnings as other comprehensive income.

3 – Application of new and revised IFRS

New and revised IFRS affecting the amounts reported and/or disclosed in the consolidated financial statements

In the current year, there has been no impact to the Corporation due to new and revised IFRS issued by the IASB that are mandatorily effective.

New and revised IFRS issued but not yet effective

At the date of these consolidated financial statements, 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.

The Corporation is evaluating the potential impact of the following new and revised IFRS amendments on its consolidated financial statements; therefore, the impact is not known at this time.

IFRS 9 Financial Instruments (IFRS 9): 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. In November 2013, the IASB issued IFRS 9 (2013), which incorporates a new hedge accounting model and permits entities to modify the accounting for debt designated at fair value through profit or loss. IFRS 9 (2013) removed the mandatory effective date of all versions of IFRS 9. In July 2014, the finalized version of IFRS 9 was issued, superseding all previous versions, but the previously issued standards remain available for application if the relevant date of initial application is before February 1, 2015. The revised standard is effective for annual periods beginning on or after January 1, 2018. The retrospective application of the revised standard is required, but the comparative information is not compulsory. As at April 1, 2010, the Corporation early adopted IFRS 9 (2009).

IFRS 15 Revenue from Contracts with Customers (IFRS 15): In May 2014, IFRS 15 was issued. It specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The standard has an effective date of January 1, 2018, with early application permitted. This new standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required.

Annual Improvements 2012–2014 cycle: In September 2014, the IASB issued its Annual Improvements 2012–2014 cycle, resulting in minor amendments to four different standards, including IFRS 7 *Financial Instruments: Disclosures* and IAS 19 *Employee Benefits*. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted.

Disclosure Initiative—Amendments to IAS 1 Presentation of Financial Statements (IAS 1): In December 2014, the Disclosure Initiative (Amendments to IAS 1) was issued as part of a major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 related to: (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation. They are designed to encourage companies to apply professional judgment in determining what information to include in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted.

IFRS 16 Leases (IFRS 16): In January 2016, IFRS 16 was issued. It specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, and IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted. Either a full or modified retrospective application is required.

4 – Investment securities

As at March 31, 2016 (C$ thousands)	**Remaining term to maturity** **90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	13,239	—	—	13,239
Weighted average effective yield (%)	0.50	—	—	0.50
Bonds	129,220	611,670	2,656,118	3,397,008
Weighted average effective yield (%)	1.06	1.18	1.18	1.18
Total investment securities	**142,459**	**611,670**	**2,656,118**	**3,410,247**
Weighted average effective yield (%)	**1.01**	**1.18**	**1.18**	**1.17**

As at March 31, 2015 (C$ thousands)	**Remaining term to maturity** **90 days or less**	**91 days to 1 year**	**1 to 5 years**	**Total**
Treasury bills	21,260	29,816	—	51,076
Weighted average effective yield (%)	0.63	0.98	—	0.83
Bonds	165,887	426,586	2,398,510	2,990,983
Weighted average effective yield (%)	2.01	1.20	1.32	1.34
Total investment securities	**187,147**	**456,402**	**2,398,510**	**3,042,059**
Weighted average effective yield (%)	**1.85**	**1.19**	**1.32**	**1.33**

The carrying amounts in the above tables include accrued interest.

Fair value of financial instruments

The following table provides the estimated fair value of the Corporation's financial instruments. Fair values are measured and disclosed in relation to the fair value hierarchy that reflects the significance of inputs used in determining the estimates:

- *Level 1*—The fair values of investment securities are quoted prices in active markets for identical assets.
- *Level 2*—The fair values of investment securities are based on valuation techniques using observable inputs other than quoted prices for securities that are not traded in an active market. The valuation techniques include discounted cash flows with inputs such as the last trade amount, liquidity, and any market-wide or security-specific developments that may have an impact on the fair value.
- *Level 3*—The fair values are based on valuation techniques using unobservable market inputs and best estimates.

			Fair values			
As at March 31, 2016 (C$ thousands)	**Amortized cost**	**Unrealized gains**	**Level 1**	**Level 2**	**Level 3**	**Total**
Treasury bills	13,239	—	13,239	—	—	13,239
Bonds	3,397,008	38,357	2,922,822	512,543	—	3,435,365
Total investment securities	**3,410,247**	**38,357**	**2,936,061**	**512,543**	**—**	**3,448,604**

			Fair values			
As at March 31, 2015 (C$ thousands)	**Amortized cost**	**Unrealized gains**	**Level 1***	**Level 2***	**Level 3**	**Total**
Treasury bills	51,076	81	46,162	4,995	—	51,157
Bonds	2,990,983	53,309	2,414,877	629,415	—	3,044,292
Total investment securities	**3,042,059**	**53,390**	**2,461,039**	**634,410**	**—**	**3,095,449**

* In the current year certain investment securities have been reclassified from Level 1 to Level 2 within the fair value hierarchy to better reflect the nature of the inputs used in determining fair value. As a result, the associated comparative figures as at March 31, 2015, have also been reclassified to Level 2 to conform with current year presentation as follows: $4,995 thousand of Treasury bills and $629,415 thousand of bonds disclosed as Level 1 in the prior year have been reclassified to Level 2 for the current year.

The Corporation's total interest income for financial assets measured at amortized cost was $39,764 thousand for the year ended March 31, 2016 (2015: $40,378 thousand). The Corporation did not recognize any fee income or expense for its financial assets measured at amortized cost (2015: nil).

5 – Trade and other receivables

As at March 31 (C$ thousands)	**2016**	**2015**
Accounts receivable	204	53
Other receivables	—	1,468
Total trade and other receivables	**204**	**1,521**

As at March 31, 2016 and 2015, none of the receivable balances were past due and there was no objective evidence of impairment.

The carrying amount of accounts receivable approximates fair value due to their short term to maturity. As at March 31, 2015, other receivables consisted of a note receivable in ACC which was subsequently received during the year.

6 – Recovery of amounts previously written off

During the year ended March 31, 2016, ACC, the structured entity controlled by the Corporation, recognized a $4,406 thousand recovery in relation to amounts previously written off, of which $593 thousand remains receivable. ACC is in the process of winding down its litigation and administration activities, which resulted in the recovery of these amounts. All receivable amounts are expected to be received during the following 12 months.

During the year ended March 31, 2015, $2,876 thousand was recognized as a recovery of amounts previously written off from Standard Trust Company, a member institution that failed in 1991, the full amount of which remains receivable. The estate of Standard Trust Company is in the process of winding down as all litigation has been settled. There may be additional immaterial final recoveries from the estate upon dissolution.

7 – Property, plant and equipment

As at March 31, 2016 and 2015, there was no property, plant and equipment in the course of construction.

(C$ thousands)	**Computer hardware**	**Furniture and equipment**	**Leasehold improvements**	**Total**
Cost				
Balance, March 31, 2014	**5,960**	**2,321**	**6,523**	**14,804**
Additions	287	131	109	527
Retirements	(111)	—	—	(111)
Balance, March 31, 2015	**6,136**	**2,452**	**6,632**	**15,220**
Additions	392	53	25	470
Retirements	(122)	(4)	—	(126)
Balance, March 31, 2016	**6,406**	**2,501**	**6,657**	**15,564**
Accumulated depreciation				
Balance, March 31, 2014	**5,028**	**1,203**	**2,112**	**8,343**
Depreciation	525	175	402	1,102
Retirements	(111)	—	—	(111)
Balance, March 31, 2015	**5,442**	**1,378**	**2,514**	**9,334**
Depreciation	488	180	425	1,093
Retirements	(122)	(4)	—	(126)
Balance, March 31, 2016	**5,808**	**1,554**	**2,939**	**10,301**
Carrying amounts				
Balance, March 31, 2015	694	1,074	4,118	5,886
Balance, March 31, 2016	**598**	**947**	**3,718**	**5,263**

8 – Intangible assets

(C$ thousands)	**Computer software**	**Computer software under development**	**Total**
Cost			
Balance, March 31, 2014	**8,696**	**514**	**9,210**
Additions—internal development	133	370	503
Transfers	816	(816)	—
Retirements	—	—	—
Balance, March 31, 2015	**9,645**	**68**	**9,713**
Additions—internal development	—	480	480
Transfers	548	(548)	—
Retirements	—	—	—
Balance, March 31, 2016	**10,193**	**—**	**10,193**
Accumulated amortization			
Balance, March 31, 2014	**2,668**	**—**	**2,668**
Amortization	1,273	—	1,273
Retirements	—	—	—
Balance, March 31, 2015	**3,941**	**—**	**3,941**
Amortization	1,334	—	1,334
Retirements	—	—	—
Balance, March 31, 2016	**5,275**	**—**	**5,275**
Carrying amounts			
Balance, March 31, 2015	5,704	68	5,772
Balance, March 31, 2016	**4,918**	**—**	**4,918**

The carrying amount of computer software as at March 31, 2016, consists primarily of two intangible assets: the Fast Insurance Determination (FID) software and the Regulatory Reporting System (RRS). The FID software tests member institutions' compliance with CDIC's *Data and System Requirements By-law* and facilitates the determination of their insured deposits. Its carrying amount as at March 31, 2016, was $1,050 thousand, with a remaining amortization period of 1.25 years (2015: $1,770 thousand and 2.25 years, respectively). The carrying amount for RRS, a system used for collecting financial data from federally regulated financial institutions, as at March 31, 2016, was $3,385 thousand, with a remaining amortization period of 4.5 years (2015: $3,934 thousand, with a remaining amortization period of 5.5 years).

9 – 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 $960 thousand is expected to be recognized as a reduction of operating expenses more than 12 months after March 31, 2016 (more than 12 months after March 31, 2015: $1,073 thousand).

10 – 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, 2015	**1,250,000**
Additional provisions	50,000
Balance, March 31, 2016	**1,300,000**

The provision for insurance losses is calculated at its present value using a pre-tax, risk-free discount rate. The rate used in the calculation of the provision at March 31, 2016, was 0.68% (2015: 0.77%). The impact of this change in rate is a $6 million increase to the provision.

11 – Financial instruments and financial risk management

Classification and measurement of financial instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9 (2009):

As at March 31 (C$ thousands)	**2016**	**2015**
Cash	919	1,584
Investment securities	3,410,247	3,042,059
Trade and other receivables	204	1,521
Financial assets	**3,411,370**	**3,045,164**
Trade and other payables	4,734	4,651
Financial liabilities	**4,734**	**4,651**

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. The fair value of certain trade and other receivables is disclosed in Note 5 and is based on a discounted cash flow model, discounting expected future cash flows using a discount rate appropriate to an 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 a funding source for intervention activities. 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.

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. There have been no significant changes in the Corporation's exposure to these financial risks since the prior period, nor in the methods used to measure them.

Credit risk

Credit risk is defined as the risk of loss attributable to counterparties failing to honour their obligation to CDIC, whether on- or off-balance sheet. CDIC's maximum exposure to credit risk is the carrying amount of cash, investment securities, and trade and other receivables held on the consolidated statement of financial position. None of the trade and other receivables are past due.

CDIC's *Board Credit Risk Policy* sets out, among other things, that the Board of Directors shall approve investment dealers, securities vendors, agents acting on behalf of CDIC, and others with whom 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 or 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.

In addition, CDIC adheres to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* in order to minimize its credit risk.

The following table summarizes the credit quality of CDIC's investment securities by credit rating:

Credit rating *As at March 31 (C$ thousands)*	**2016**	**2015**
AAA	3,244,970	2,755,067
AA+	—	56,815
AA	113,072	105,437
AA-	—	43,237
A+	52,205	81,503
Total investment securities	**3,410,247**	**3,042,059**

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 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 *Board Liquidity Risk Policy* sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting, first, the parameters established under all the financial policies, and, second, CDIC's mandate and statutory objects. The maturity profile of the portfolio is to be matched against maturing debt, if any, or any other cash outflow requirements and is also to comply with Board-approved term to maturity portfolio allocations.

The Corporation also has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund. CDIC currently may borrow up to $20 billion (March 31, 2015: $20 billion), subject to ministerial approval. 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 daily 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 adhering to 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. There have been no changes to the methods or assumptions used in this sensitivity analysis from the previous year.

	Increase (decrease) in net income	
For the year ended March 31 (C$ thousands)	**2016**	**2015**
100 basis point increase	2,397	2,384
25 basis point decrease	(599)	(596)

Currency risk and other price risk

The *Board Market Risk Policy* sets out, among other things, Management's responsibility not to expose the Corporation to any material equity, foreign exchange or commodity related positions. CDIC cannot engage in trading financial instruments other than to meet its liquidity requirements, which are funding day-to-day operations and funding intervention solutions respecting member institutions.

12 – Capital management

The Corporation's capital is comprised of *ex ante* funding. CDIC is not subject to externally imposed capital requirements. There has been no change in what the Corporation considers as capital and management of capital was performed on a basis consistent with that of the preceding year.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. As at March 31, 2016, the minimum target for the *ex ante* funding is 100 basis points of insured deposits.

The Corporation has not yet achieved the target for capital as determined by the *ex ante* funding process. The primary mechanism used to manage the level of capital is premium rates.

Ex ante funding

	Actual		**Target**
As at March 31 (C$ thousands)	**2016**	**2015**	**2016**
Retained earnings	2,116,266	1,800,627	
Provision for insurance losses	1,300,000	1,250,000	
Total *ex ante* funding	**3,416,266**	**3,050,627**	**6,960,697**
Total basis points of insured deposits	**49***	**45****	**100**

* Based on level of insured deposits as at April 30, 2015

** Based on level of insured deposits as at April 30, 2014

13 – 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 and the recoveries of amounts previously written off are not deductible.

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

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Current income tax:		
Current income tax expense (recovery)	125	(180)
Adjustments in respect of current income tax of previous years	19	(12)
Deferred tax:		
Relating to the (reversal) origination of temporary differences	(205)	268
Income tax (recovery) expense recognized in net income	**(61)**	**76**

The following table presents a reconciliation of the Corporation's recognized income tax expense to income tax expense based on the Canadian federal tax rate:

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Net income before income taxes	315,391	232,216
Expected income tax at the 25% federal tax rate (2015: 25%)	78,848	58,054
Non-deductible adjustments:		
Premium revenue	(90,294)	(69,843)
Increase in non-deductible provision for insurance losses	12,500	12,500
Recovery of amounts previously written off	(1,102)	(719)
Other	(13)	84
Income tax (recovery) expense recognized in net income	**(61)**	**76**

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2016 and 2015, are as follows:

As at March 31, 2016 (C$ thousands)	**Opening balance**	**Recognized in net income**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax assets				
Lease incentives	296	(28)	—	268
Renumeration payable	50	32	—	82
Defined benefit obligations	316	4	(63)	257
Other long-term employee benefits	235	(38)	—	197
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(1,620)	235	—	(1,385)
Net deferred tax asset (liability)	**(723)**	**205**	**(63)**	**(581)**

As at March 31, 2015 (C$ thousands)	**Opening balance**	**Recognized in net income**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax assets				
Lease incentives	325	(29)	—	296
Remuneration payable	—	50	—	50
Defined benefit obligations	270	32	14	316
Other long-term employee benefits	180	55	—	235
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(1,244)	(376)	—	(1,620)
Net deferred tax asset (liability)	**(469)**	**(268)**	**14**	**(723)**

14 – 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 2015/2016 fiscal year are as follows:

Premium category *(basis points of insured deposits)* *For the year ended March 31*	**2016**	**2015**
Category 1	4.5	3.5
Category 2	9.0	7.0
Category 3	18.0	14.0
Category 4	33.3	28.0

Premium revenue of $361 million was recorded during the year (2015: $279 million). Premium revenue is higher compared to last year due to an increase in premium rates, changes in the categorization of certain member institutions, and an increase in total insured deposits held at member institutions.

15 – Operating expenses

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Salaries and other personnel costs	22,020	21,334
Professional and other fees	3,867	5,269
Premises	3,618	3,382
General expenses	3,063	3,212
Public awareness	2,975	2,865
Depreciation and amortization	2,427	2,375
Data processing	2,180	2,179
	40,150	40,616
Expense recoveries from related parties[a]	168	154
Total operating expenses	**39,982**	**40,462**

a 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. There are no significant outstanding balances owed to the Corporation in relation to these transactions as at March 31, 2016.

16 – Related party disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of ACC, a structured entity controlled by the Corporation. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this Note.

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 year ended March 31		Costs capitalized during the year ended March 31		Balance payable as at March 31	
(C$ thousands)	**Note**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Bank of Canada	a	764	951	38	158	—	—
Public Service Pension Plan	b	2,678	2,679	—	—	—	—

a The majority of these costs relate to the Regulatory Reporting System (RRS), a system hosted by the Bank of Canada used for collecting financial data from federally regulated financial institutions. The RRS is jointly controlled by CDIC, OSFI and the Bank of Canada, and the three parties share equally the operating and capital costs of the system.

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 19 for further details.

Remuneration of Key Management Personnel

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

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Short-term benefits	2,311	2,042
Post-employment benefits	782	716
Termination benefits	138	—
Other long-term benefits	19	53
Total Key Management Personnel remuneration	**3,250**	**2,811**

17 – Interests in consolidated structured entities

During the year ended March 31, 2016, the loan of $820 thousand provided to ACC to fund litigation efforts and administration costs of the structured entity was repaid in full. Management does not expect any further loans to be provided.

18 – Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2016.

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, 2016, totalled $1,707 thousand (2015: $1,606 thousand).

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

As at March 31 (C$ thousands)	**2016**	**2015**
Not later than one year	1,777	1,735
Later than one year and not later than five years	5,957	6,854
Later than five years	86	966
Total	**7,820**	**9,555**

As at March 31, 2016, CDIC had commitments of $200 thousand in relation to the development of internally generated assets (2015: $375 thousand).

The Corporation has other various lease and contractual agreements for services. As at March 31, 2016, these future commitments are $6,501 thousand in total (2015: $2,925 thousand).

19 – Employee benefits

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Defined benefit obligations	1,685	1,946
Other long-term employee benefits	789	943
Employee benefits	**2,474**	**2,889**

The Corporation's employees receive a number of employee benefits, including membership in the Public Service Pension Plan, defined benefit plans and other long-term employee benefits.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established and governed by the *Public Service Superannuation Act*, and sponsored by the Government of Canada. Pension benefits are based on salary, pensionable service, age, and reason for termination. Contributions to the Pension Plan are required from both the employees and the Corporation. As required under present legislation, the contributions made by the Corporation to the Pension Plan are 6.67 times (2015: 7.13 times) the employees' contribution on amounts of salaries in excess of $162 thousand (2015: $158 thousand). For amounts on salaries below $162 thousand, the Corporation's contribution rate is 1.15 times for employment start dates before January 1, 2013, and 1.11 times for employment start dates after January 1, 2013 (2015: 1.28 times for all employees).

For employees with employment start dates before January 1, 2013, an unreduced pension benefit can be received at age 60 with at least two years of pensionable service (or at age 55 with 30 years of service). For employees with employment start dates after December 31, 2013, an unreduced pension benefit can be received at age 65 with at least two years of pensionable service (or at age 60 with 30 years of service).

In the consolidated financial statements of the Corporation, the Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Pension Plan is provided in Note 16. The estimated expense for fiscal 2016/2017 is $2,756 thousand. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Pension Plan to CDIC; the only obligation of the Corporation with respect to the Pension Plan is to make the specified contributions.

Defined benefit plans

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 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, 2016, by an independent actuary, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

For the year ended March 31	**2016**	**2015**
Discount rate	3.35%	3.12%
Rate of compensation increase:		
Fiscal 2015/2016	0.50% + merit	1.0% + merit
Fiscal 2016/2017	0.50% + merit	1.0% + merit
Thereafter	0.50% + merit	1.0% + merit

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

For the year ended March 31 (C$ thousands)	**2016**	**2015**
Current service cost	142	131
Interest on obligation	60	69
Defined benefit obligations expense	**202**	**200**

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, 2014	**227**
Recognized during the period	(56)
Cumulative amount at March 31, 2015	**171**
Recognized during the period	250
Cumulative amount at March 31, 2016	**421**

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, March 31, 2014	**1,765**
Current service cost	131
Interest cost	69
Benefit payments	(75)
Actuarial gain arising from changes in demographic assumptions	(80)
Actuarial loss arising from changes in financial assumptions	136
Balance, March 31, 2015	**1,946**
Current service cost	142
Interest cost	60
Benefit payments	(213)
Actuarial gain arising from changes in demographic assumptions	(124)
Actuarial gain arising from changes in financial assumptions	(126)
Cumulative amount at March 31, 2016	**1,685**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

As at March 31 (C$ thousands)	**2016**	**2015**
Increase (decrease) in defined benefit obligations		
Effect of an increase of 1%:		
Discount rate	(144)	(171)
Rate of compensation increase	180	211
Effect of a decrease of 1%:		
Discount rate	167	199
Rate of compensation increase	(157)	(185)

The sensitivity analysis presented above has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as that applied in calculating the defined benefit obligations recognized in the statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligations as some of the assumptions may be correlated.

There was no change from prior years in the methods and assumptions used in preparing the sensitivity analysis.

As at March 31, 2016, the weighted average duration of the defined benefit obligations was 9.5 years (2015: 10 years).

20 – Comparative figures

The Corporation reviewed the presentation and classification in the consolidated statement of cash flows during the year, and reclassified certain items between operating and investing activities, to reflect their nature more accurately. The Corporation reclassified the purchase of interest on bonds cash flows from its operating activities to the purchase of investment securities cash flows included within its investing activities. As a result, the Corporation has reclassified the cash flows for the year ended March 31, 2015, in the amount of $10.1 million, in the consolidated statement of cash flows to conform to current year presentation.


The children's education—
it's the most important thing
we're saving for.

Part 3—Corporate governance

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

More about governance

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

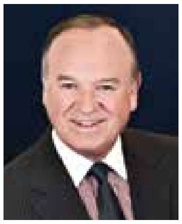
Board of Directors

CDIC's 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 Commissioner of the Financial Consumer Agency of Canada (FCAC), the Superintendent of Financial Institutions, and a Deputy Superintendent of Financial Institutions or another officer of the Office of the Superintendent of Financial Institutions (OSFI) appointed by the Minister of Finance.

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.

Board of Directors composition

as at March 31, 2016



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

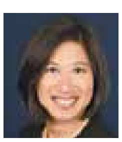
Private sector Directors

George Burger
Business Executive
Toronto, Ontario
Joined: November 2010
Re-appointed June 2014 for a three-year term

Susan Hicks
Business Executive
Moncton, New Brunswick
Joined: February 2015
Appointed for a three-year term

Éric Pronovost
Chartered Professional Accountant
Trois-Rivières, Québec
Joined: September 2008
Re-appointed February 2015 for a two-year term

Shelley M. Tratch
Lawyer
Vancouver, British Columbia
Joined: December 2006
Re-appointed February 2013 for a three-year term



Angela Tu Weissenberger
Economist
Calgary, Alberta
Joined: June 2012
Re-appointed March 2015 for a three-year term

Ex officio Directors

Stephen Poloz
Governor
Bank of Canada
Joined: June 2013
Appointed for a seven-year term

Paul Rochon
Deputy Minister
Department of Finance
Joined: April 2014
Appointed to hold office during pleasure

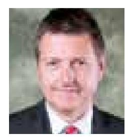
Lucie Tedesco
Commissioner
Financial Consumer Agency of Canada
Joined: June 2013
Appointed for a five-year term

Jeremy Rudin
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
Joined: June 2014
Appointed for a seven-year term

Jamey Hubbs
Assistant Superintendent
Deposit-Taking Supervision Sector
Office of the Superintendent of Financial Institutions
Joined: April 2015
Appointed pursuant to s. 5(1)(b.1) of the CDIC Act

Alternates (for *ex officio* Directors)

Lawrence Schembri
Deputy Governor
Bank of Canada
Designated Alternate: April 2013



Rob Stewart
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance
Designated Alternate: July 2014

Board committees

Three standing committees supported the Board in its activities throughout 2015/2016: the Audit Committee, the Governance and Nominating Committee, and the Human Resources and Compensation Committee. A fourth committee, the Executive Committee, meets when required.

Audit Committee

Mandate

The Audit Committee oversees internal and external audits and enterprise 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 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
- **A. Tu Weissenberger**—Member since June 2012
- **S. Hicks**—Member since April 2015
- **J. Hubbs**—Member since May 2015

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 Director succession and the Corporation's public awareness strategy and plan.

Composition

- **G. Burger (Chair)**—Member since January 2011 and Chair since October 2015
- **B.P. Davies**—Member since June 2006 and Chair from June 2006 to June 2009
- **L. Tedesco**—Member since October 2013
- **S.M. Tratch**—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: Chief Executive Officer (CEO) performance management, succession planning, 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
- **B.P. Davies**—Member since September 2006 and Chair from September 2006 to February 2008
- **S. Poloz**—Member since September 2014
- **A. Tu Weissenberger**—Member since June 2012

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
- **S. Poloz**—Member since June 2013
- **S.M. Tratch**—Member since January 2009

Board and committee meetings and attendance

(April 1, 2015 to March 31, 2016)

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	**Audit Committee**[c]	**Governance and Nominating Committee**	**Human Resources and Compensation Committee**	**Executive Committee**
Number of meetings[a]	5[b]	4	2	3	0
Attendance					
Private sector Directors					
B.P. Davies—Chair	4	4	1	3	N/A
G. Burger	5	4	2		
S. Hicks	5	4			
É. Pronovost	5	4			
S.M. Tratch	5		2	3	N/A
A. Tu Weissenberger	5	4		3	
***Ex officio* Directors (Alternates)**					
Bank of Canada: S. Poloz (L. Schembri)	4 (5)			2	N/A
Department of Finance: P. Rochon (R. Stewart)	0 (5)				
Financial Consumer Agency of Canada: L. Tedesco	5		2		
Superintendent of Financial Institutions: J. Rudin	5				
Office of the Superintendent of Financial Institutions—Second Director: J. Hubbs[d]	5	4			
Directors who departed during the year					
None					

a Also includes meetings attended by telephone.

b Includes a Strategic Planning Session of the Board.

c The Chair is invited to Audit Committee meetings but is not a Committee member.

d J. Hubbs was appointed to the Board effective April 27, 2015.

Directors' fees

In 2015/2016, private sector Directors' fees for the performance of their services totalled $214,240 (compared to $233,962 in 2014/2015).

Executive Team

CDIC's Executive Team is comprised of its President and Chief Executive Officer (CEO), along with five corporate officers. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. CEO performance objectives are set and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals. CDIC's officers, as of March 31, 2016, are set out below:

Michèle Bourque
President and CEO

Dean A. Cosman
Senior Vice-President, Insurance and Risk Assessment

Michael Mercer
Senior Vice-President, Complex Resolution Division

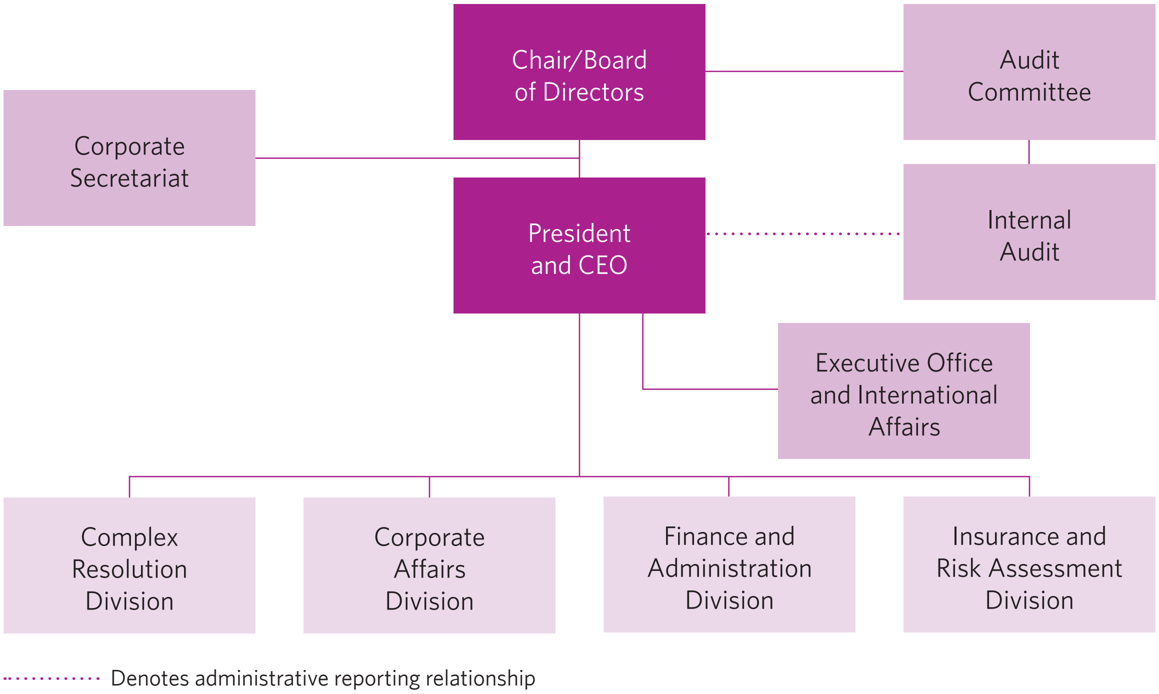
Anthony Carty
Vice-President, Finance and Administration, and Chief Financial Officer

Chantal M. Richer
Vice-President, Corporate Affairs, and General Counsel

M. Claudia Morrow
Chief, Office of the President, and Corporate Secretary

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

CDIC's organizational structure



Addressing public service expectations

Ethical behaviour and integrity

Promoting ethical behaviour and integrity is an important focus for CDIC. Adherence to our codes and ethics-related policies is a condition of employment, as is adherence to the *Values and Ethics Code for the Public Sector*, which is fully integrated into CDIC policies. Directors and employees must confirm compliance with their respective codes annually. Compliance with the codes and other ethics-related corporate practices is reported to the Audit Committee and to the Human Resources and Compensation Committee.

Ethics training

Mandatory employee ethics training is conducted every two years. In 2016, CDIC conducted corporate-wide ethics training focusing on key employee obligations, and provided practical information to employees about ethical issues that may arise on the job.

Annual Public Meeting

CDIC held its Annual Public Meeting (APM) in November 2015. The event was a financial literacy panel discussion among industry experts and was broadcast as a webinar in both official languages. 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 questions.


We've always wanted to explore this great country of ours.

Glossary

Bank recapitalization regime: A regime that would allow for the permanent conversion of eligible liabilities of a non-viable D-SIB into common shares. It would allow a failing bank to be restructured so that it can keep operating and maintain its critical services, without taxpayer bail-outs. *(Régime de recapitalisation interne)*

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)*

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

(a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and

(b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. *(Dépôt)*

Domestic systemically important bank (D-SIB): A bank that has been judged by its regulators to pose a serious risk to the financial system if it were to fail. The framework for identifying D-SIBs is set out by the Basel Committee on Banking Supervision and the assessment considers bank-specific characteristics of systemic importance, such as size, interconnectedness and substitutability, which are correlated with the systemic impact of failure. Banks designated as such are subject to intensive supervision and higher capital requirements to minimize the likelihood of failure. *(Banque d'importance systémique nationale (BISN))*

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 and drafts issued by CDIC members; and cheques certified by CDIC members. 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 of Financial Institutions, Deputy Minister of Finance, or Commissioner of the Financial Consumer Agency of Canada), they automatically become members of CDIC's Board of Directors, and continue as Directors as long as they hold those positions. *(Nommé (ou membre) d'office)*

Financial market infrastructure: A multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions. *(Infrastructure des marchés financiers)*

Financial Stability Board (FSB): A body established to coordinate internationally the work of national financial authorities and international standard-setting bodies, and to develop and promote effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. *(Conseil de stabilité financière (CSF))*

Global systemically important bank (G-SIB): A bank that is designated to be so interconnected to the world's financial markets that its failure could pose a threat to the international financial system. The Basel Committee designates banks with the highest systemic risk scores as G-SIBs, based on size, interconnectedness, substitutability, complexity and cross-jurisdictional activities. A G-SIB must meet a higher risk-based capital ratio to enhance its resilience, and is subject to additional regulatory oversight and requirements for group-wide resolution planning and resolvability assessments. The resolvability of each G-SIB is reviewed annually using a high-level FSB Resolvability Assessment Process conducted by senior policy makers within the firms' Crisis Management Groups. *(Banque d'importance systémique mondiale (BISM))*

International Financial Reporting Standards (IFRS): Standards for accounting and reporting, developed and revised by the International Accounting Standards Board (IASB) to support reliable and relevant reporting that is understandable and comparable across international jurisdictions. IFRS have increasingly replaced national financial reporting standards. *(Normes internationales d'information financière (IFRS))*

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

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

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. CDIC may make a payment of deposit insurance in one of two ways: (1) by issuing cheques to insured depositors; and/or (2) by making insured deposits available 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)*

Provision for loss: The amount set aside on a balance sheet to provide for anticipated or possible loss or expenditure. CDIC maintains a provision for insurance losses that reflects the organization's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. *(Provision pour pertes)*

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)*