SAVINGS PROTECTION CANADIANS CAN COUNT ON

Summary of the Corporate Plan

2009/2010 TO 2013/2014

Including a Summary of the 2009/2010
Operating and Capital Budgets, and Borrowing Plan

April 2009

CDIC
Canada Deposit
Insurance Corporation

Canada

Key Features of CDIC's Five-Year Plan

CDIC is mandated to play a key role in supporting the stability of the financial system in Canada. In response to the increasingly risky economic environment in Canada and globally, CDIC plans to increase resources in several key areas of the Corporation to support a heightened state of readiness, including:

- improving our ability to intervene quickly in the affairs of a troubled member institution
- enhancing our capacity to carry out a depositor payout in the event of a member failure
- developing strong options for interventions that do not involve depositor payout
- enhancing public awareness initiatives
- investing in important upgrades to CDIC's aging infrastructure

The Government's 2009 Federal Budget is providing CDIC with additional options in line with international best practices for resolving difficulties in member institutions should they arise. These measures provide the Corporation with greater flexibility to fulfill its mandate to provide deposit insurance and promote and otherwise contribute to the stability of the financial system in Canada. They include the following:

- CDIC may establish a bridge institution as an additional resolution tool.
- CDIC has the ability to hold shares in its member institutions, subject to Ministerial approval.
- The Minister may provide the CDIC Board broader scope of action when systemic concerns arise to resolve a failure without regard to CDIC's minimization of exposure to loss object.
- The Minister may direct CDIC to undertake resolution measures when necessary to prevent adverse effects on financial stability.
- CDIC has greater flexibility in the timing of preparatory examinations.
- There is an increase in the borrowing limit of CDIC to $15 billion from $6 billion, reflecting the growth of insured deposits since the last increase in 1992.

The approach taken by CDIC in this Summary of the Corporate Plan is a prudent response to current global and Canadian economic developments. Our focus on readiness and stability goes hand in hand with recent statements from G7 and G20 nations about action that needs to be taken to restore confidence in the financial system.

CDIC plans to add new employees with key core competency skills, to engage external parties in stand-by arrangements to augment CDIC intervention resources if necessary, and to increase our public awareness activities. As a result, our 2009/2010 operating budget will increase by $6.7 million over our 2008/2009 budget. This represents a 26% increase in the operating expense budget. At the height of the series of CDIC member institution failures in 1990/1991, CDIC increased its operating expense budget by 25%. Of note, CDIC's U.S. counterpart, the Federal Deposit Insurance Corporation (FDIC), has recently increased its operating budget by 80% to $2.2 billion, in response to the current economic environment.

This Plan also includes an increase in members' premium rates by one third over the 2008 rates in 2009/2010, with similar increases contemplated for 2010/2011 and 2011/2012, such that premium rates will double in the first three years of the planning period, while continuing to remain at relatively low levels.

Our Operating Environment

- The turmoil in global financial markets has moved to a more acute and broad-based loss of confidence following a series of failures and near-failures of large financial institutions in the U.S. and Europe.
- Canada's economy has been softening and it is now entering a recession as a result of the weakness in global economic activity.
- The key economic risk to the Canadian economy during the planning period is continuing instability in the global financial sector and a weakening U.S. economy.
- Overall CDIC's membership remains in satisfactory condition.
- Recent market volatility and credit issues have resulted in a growing level of consumer interest in the type and amount of protection CDIC provides and has led to increased investments in insured deposits.
- The sub-prime credit crisis and accompanying financial market volatility experienced during the last year have placed financial stability at the head of the policy and legislative agenda. The Government is proposing to provide CDIC with additional tools and options in line with international best practices for resolving failing member institutions.

Key Assumptions and Forecasts for the Planning Period

- No significant change in the number of CDIC member institutions.
- No failures of member institutions.
- The target range for the amount of *ex ante* funding remains at between 40 and 50 basis points of insured deposits. This translates into a range of approximately $2.1 to $2.6 billion based on levels of insured deposits as at April 30, 2008.
- An increase in premium rates of one third over 2008 rates in 2009/2010, and proposed similar increases in 2010/2011 and 2011/2012. Such increases will see premium rates double in the first three years of the planning period. Nonetheless, premium rates will remain well below CDIC's long-term sustainable historical average rate (6 basis points of insured deposits). These rates represent a fraction of the U.S. FDIC proposed rates for 2009 (12 to 14 basis points for the highest rated institutions).

2009 Premium Rates	
Category 1 (best rated)	1.9 basis points of insured deposits
Category 2	3.7 basis points of insured deposits
Category 3	7.4 basis points of insured deposits
Category 4 (worst rated)	14.8 basis points of insured deposits

Strategies and Planned Activity

CDIC will achieve its mandate through three broad strategies over the next five years:

1. **Strengthening Core Expertise and Readiness**—CDIC must stay alert to developments that affect the Corporation and its membership. The Corporation must also ensure that it has the ability to anticipate and react to events and to manage insurance risk. CDIC will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolution.

2. **Promoting Depositor Awareness**—CDIC must work to increase public awareness of deposit insurance and of its benefits and limits. Through our targeted, long-term strategy, CDIC will carry out public awareness initiatives that build on past years' initiatives.

3. **Sustaining Efficient Governance and Operational Capacity**—To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance and continue to work actively with all its key stakeholders. Such stakeholders include member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, other deposit insurers in Canada and around the world, and relevant international organizations with an interest in deposit insurance issues.

Financial Highlights

For 2009/2010, CDIC projects net income after income taxes of $118 million. This is based on total revenue of $138 million, consisting of $102 million in premiums and interest of $36 million, and recoveries of amounts previously written off of $14 million—all offset by projected net operating expenses of $32 million and income tax expense of $2 million. All of CDIC's premium revenue, as well as the excess of interest revenue over operating expenses net of tax, will increase the amount of *ex ante* funding. Additional highlights appear in the following table.

Forecast Financial Highlights

($ millions)

	2009 Forecast	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan
Balance Sheet—as at March 31						
Investments	1,754	1,872	2,011	2,181	2,362	2,554
Provision for insurance losses[a]	650	650	650	650	650	650
Retained earnings	1,110	1,228	1,364	1,534	1,714	1,904
Revenue and Expenses—for the Year ending March 31						
Premium revenue	92	102	132	164	173	181
Interest on investments	52	36	39	42	45	49
Net operating expenses	(25)	(32)	(33)	(33)	(34)	(35)
Net income before recoveries and income tax	119	106	138	173	184	195
Recovery of amounts previously written off	–	14	–	–	–	–
Income tax expense	(7)	(2)	(2)	(3)	(4)	(5)
Net Income	112	118	136	170	180	190
***Ex Ante* Funding**[b]						
Level—$ millions	1,760	1,878	2,014	2,184	2,364	2,554
Level—basis points of insured deposits	34	35	36	37	38	39

[a]For financial statement reporting purposes, the provision for insurance losses is calculated each fiscal year.

[b]The *ex ante* funding level is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses as reported in its financial statements. The target range for the fund is set at between 40 and 50 basis points of insured deposits.

Our 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 Values

- Excellence and Professionalism
- Integrity and Trustworthiness
- Communication and Teamwork
- Respect and Fairness

CDIC's employees uphold these values and continually strive to meet the highest business and ethical standards in all aspects of their work.

For More Information about CDIC

You can reach CDIC by e-mail, phone, fax or letter. We are committed to promoting awareness and providing information about deposit insurance, as well as about our work.

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

Toronto Office
Canada Deposit Insurance Corporation
1200-79 Wellington Street West
P.O. Box 156
Toronto, Ontario
M5K 1H1

Toll-free telephone service:
1-800-461-CDIC (2342)
Fax: (613) 996-6095
Website: www.cdic.ca
E-mail: info@cdic.ca

FSC
Mixed Sources
Product group from well-managed forests and recycled wood or fiber
Cert no. XXX-XXX-XXX
www.fsc.org
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About CDIC

Who We Are

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act*. CDIC is an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation reports to Parliament through the Minister of Finance.

What We Do

CDIC provides insurance against the loss of part or all of deposits held by depositors in Canadian financial institutions that are CDIC members, and promotes and otherwise contributes to the stability of the financial system in Canada. We are required to carry out our work for the benefit of people who have deposits with our member institutions—and to do so in a way that minimizes CDIC's exposure to loss.

Provide Deposit Insurance Protection

Under the *CDIC Act* the maximum basic protection for eligible deposits is $100,000 per depositor (principal and interest combined) in each member institution. We provide separate protection for joint deposits, deposits held in trust and deposits held in registered retirement savings plans and in registered retirement income funds in accordance with the *CDIC Act*. Further, the Government is adding eligible deposits in tax-free savings accounts (TFSAs) as a separate category of deposits insurable by CDIC. We work with the Autorité des marchés financiers (AMF) to protect deposits made in Québec with provincially-incorporated members, including those made outside the province in such institutions. In the event of a failure, we reimburse insured depositors, and make claims and recover on assets from the estates of failed member institutions.

History of Premium Rate Changes
(shown as basis points of insured deposits)

1967	3.3
1986	10.0
1993	12.5
1994	16.7
1999	Differential Premiums System
1999/2000 to 2000/2001	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—16.7
2001/2002	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—33.3
2002/2003 to 2004/2005	Category 1—2.1 Category 2—4.2 Category 3—8.3 Category 4—16.7
2005/2006 to 2008/2009	Category 1—1.4 Category 2—2.8 Category 3—5.6 Category 4—11.1

Manage Deposit Insurance Risk

Managing risk is a vital and ongoing function that supports our work. We undertake a number of activities in this area:

- We conduct regular risk assessments of our members and monitor their performance and results through information provided by regulatory authorities, financial reports from members, as well as market data and broader indicators of the economy and overall environment.

- We rely on the Office of the Superintendent of Financial Institutions (OSFI) and the AMF to conduct annual examinations of member institutions on our behalf. Under certain circumstances, we carry out special examinations of troubled member institutions and work closely with the regulator to determine an appropriate course of action.

Set and Collect Premiums

CDIC is funded by premiums that are assessed on the insured deposits of our member institutions each year. Based on our differential premiums structure, we assign each member to one of four premium rate categories. In 2008/2009, the rate for each category ranged from 1.4 to 11.1 basis points of insured deposits. Rates for 2009/2010 will range from 1.9 to 14.8 basis points of insured deposits.

About Our Members

CDIC membership is limited to banks, federally-incorporated trust or loan companies, provincially-incorporated trust or loan companies, and retail associations to which the *Cooperative Credit Associations Act* applies. At the end of 2008, CDIC members numbered 80 institutions. The last time a member institution failed was in 1996. In total, there have been 43 member failures since 1967.

Our Board of Directors and Officers

The CDIC Board of Directors consists of the Chairperson, five 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, the Superintendent of Financial Institutions, and a Deputy Superintendent or an officer of OSFI.

Led by the President and Chief Executive Officer, CDIC's officers translate Board direction into action and manage the Corporation's day-to-day operations. CDIC's officers are also responsible for supporting the Board in fulfilling its governance responsibilities.

CDIC Board of Directors
(as at December 31, 2008)

Bryan P. Davies
Chair of the Board
Canada Deposit Insurance Corporation

Tracey Bakkeli
Management Consultant
Regina

Mark Carney
Governor of the Bank of Canada
(ex officio)

Julie Dickson
Superintendent of Financial Institutions
(ex officio)

Pierre Duguay
Deputy Governor
Bank of Canada
(alternate for the Governor of the Bank of Canada)

Nancy Lockhart
Business Executive
Toronto

John McFarlane
Lawyer
Halifax

Ursula Menke
Commissioner
Financial Consumer Agency of Canada
(ex officio)

Ted Price
Assistant Superintendent
Supervision Sector
Office of the Superintendent of Financial Institutions
(ex officio)

Éric Pronovost
Chartered Accountant
Trois Rivières

Jeremy Rudin
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance, Canada
(alternate for the Deputy Minister of Finance)

Shelley M. Tratch
Lawyer
Vancouver

Rob Wright
Deputy Minister of Finance
(ex officio)

CDIC Officers
(as at December 31, 2008)

Guy L. Saint-Pierre
President and Chief Executive Officer

Michèle Bourque
Executive Vice-President
Insurance and Risk Assessment

M. Claudia Morrow
Vice-President, Corporate Affairs
General Counsel and Corporate Secretary

Thomas J. Vice
Vice-President, Finance and Administration, and
Chief Financial Officer

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CDIC's Five-Year Plan

In support of our mandate, CDIC establishes and maintains a five-year strategic plan setting out its activities. Each year, we review our statutory objects and corporate strategies for achieving them—taking into account the operating environment of CDIC and our member institutions. Current plans for the five-year period 2009/2010 to 2013/2014 are described below.

Our Operating Environment

In order to keep abreast of matters and risks that may have an impact on depositors, on our member institutions and on CDIC as a corporation, we continuously assess issues related to the economy, our membership, key consumer and regulatory matters, as well as trends in the broader international environment.

Economic Environment

In the last year the world economy has deteriorated significantly. A series of large financial institution failures and near failures in the U.S. and Europe has led to a broad-based loss of confidence in global financial markets. With the current global recession threatening to be deeper than originally predicted, governments have recently taken measures to encourage credit flows and to support economic growth.

Canada's economy is now entering a recession as a result of the weakness in global economic activity. Recent declines in trade, real income growth and confidence are prompting more cautious behaviour by households and businesses. Money markets and overall credit conditions in Canada are slowly responding to significant and ongoing efforts to provide liquidity to the Canadian financial system.

The key economic risk to the Canadian economy during the planning period is continuing instability in the global financial sector and a weakening U.S. economy, which may further increase recessionary pressures. The U.S. is currently grappling with the impact of the sub-prime credit crisis and its repercussions on housing markets, consumer confidence and financial system stability.

The financial crisis affecting investment banks and deposit-taking institutions in other countries has had less of an impact on CDIC's member institutions, due in large part to a smaller exposure to sub-prime credit as well as to the relatively sound capital position of most CDIC members. Nevertheless, the performance of our members will be challenged in the period ahead.

Membership Environment

Overall, CDIC members remain in satisfactory condition. Capital levels and asset quality also remain adequate on a historical basis. In 2008, 95% of CDIC's insured deposits continued to be with members in the best two differential premiums categories.

There are a number of emerging stresses on member risk profiles, some of which gained momentum during the second half of 2008. These include liquidity and credit issues surrounding structured credit products such as collateralized debt obligations and Canadian non-bank sponsored asset-backed commercial paper (ABCP).

Some large Canadian banks with significant U.S. retail and corporate exposure are experiencing a rising deterioration in asset quality. However, the level of capital at the major Canadian banks appears sufficient to absorb losses associated with further adverse market shocks. Liquidity pressures currently highlighted on the world stage may place additional stress on large Canadian banks; central banks worldwide are working to alleviate these risks.

Smaller and mid-sized CDIC members generally performed well in 2008. For many, profitability reached historical highs—mainly linked to asset growth. However, as is the case for the larger banks, some of these members were affected by write-downs on their holdings of ABCP. Nonetheless, overall asset quality remained favourable and capital ratios were generally well above minimum regulatory requirements.

The greatest threat to many CDIC members is the possibility of a sudden large drop in real estate prices combined with the inability of borrowers to meet mortgage payments. Moreover, any significant volatility in oil prices could have considerable impacts on both the Canadian and regional economies. Uncertainty and risks for members could also arise from further corrections in capital markets and from issues with counterparty risk in the derivatives market.

Some CDIC member institutions have significant exposure to higher risk real estate sectors, including interim construction loans and non-residential mortgages. In previous economic downturns, portfolios of that nature experienced significant increases in impairment and were major contributors to member failures.

CDIC members also face reporting challenges as they converge to international accounting standards.

Consumer Environment

Recent market volatility and credit issues have resulted in an escalation in the level of consumer awareness about deposit insurance as well as an increase in investments made in insured deposits. In 2008, CDIC recorded an increase in traffic to its website and a record number of calls to its 1-800 lines. Not only are people far better informed about CDIC's coverage than they were 18 months ago, they are also more receptive to messages about deposit protection.

Canada's evolving demographics continue to have an impact on CDIC. The expectations of younger adults for career, work/life balance, communication and conducting business and banking are different from those of previous generations, and will likely continue to evolve. Moreover, our population is aging and is increasingly made up of people from a variety of ethnocultural backgrounds. The need to communicate with these important groups effectively presents challenges to traditional communication approaches.

Not only are consumer habits and expectations evolving, their financial environment is also changing. The increasing proliferation of financial products and services, all with inherent complexities, presents challenges to consumers to understand the risks associated with them. The use of online banking continues to increase and electronic transactions now represent 80% of all payments, up from 52% a decade ago.

Finally, CDIC will target its public awareness efforts on a group of sufficient size and financial exposure for which awareness messages would be most effective. To this end, CDIC has geared its public awareness messages to the general population with a skew towards depositors aged 50 years and older—the group likely to be most adversely affected by a failure.

Legislative Environment

The sub-prime credit crisis and accompanying financial market volatility of the last year have placed financial stability at the head of the policy and legislative agenda. The 2008 Federal Budget noted the need to "ensure that responsible federal agencies have continued capacity to safeguard financial stability through diligent oversight of financial institutions and a range of flexible and up-to-date regulatory tools." In line with the 2008 Federal Budget and calls from a number of international organizations interested in promoting financial stability, CDIC has been reviewing the adequacy of its failure resolution powers and capabilities.

The Government is providing CDIC with additional tools and options in line with international best practices for resolving failing member institutions. These include:

- The power to establish a bridge bank to preserve banking functions. This would enable CDIC to set up a temporary or "bridge" bank in the event of a failure to provide CDIC with the time and flexibility to resolve the failure in a way that benefits depositors.
- Increasing CDIC's statutory borrowing limit to $15 billion to reflect the growth of insured deposits since the last increase in 1992.
- Providing a broader scope of action when systemic risk concerns arise from the potential failure or other difficulties of a member—including the Minister of Finance enabling CDIC to temporarily take action without regard for minimizing its exposure to loss. This will increase the options open to CDIC to prevent adverse effects on the Canadian financial system. For example, while the option of liquidation and payout to depositors may be the option that minimizes CDIC's loss, it may not be the option that best contributes to the stability of the overall financial system. CDIC will be able to consider options that promote such stability, regardless of their impact on CDIC's exposure to loss. The Minister will also be able to direct CDIC to undertake measures that increase stability in the financial system (with regard to minimizing CDIC's exposure to loss) so that it can act quickly to resolve difficult situations that do not involve an imminent failure.
- Providing greater flexibility in the timing of preparatory examinations. This will enable CDIC to initiate preparatory exams before the Corporation believes that a depositor payout is imminent, and develop additional options to be considered in the event of a member failure.

The federal financial institution statutes (such as the *Bank Act*, the *Trust and Loan Companies Act* and the *Insurance Companies Act*) have a five-year sunset clause and must be re-enacted by 2012. This provision allows for a regular review of Canadian financial sector policy. In preparation for the review, CDIC has started its own internal policy review process to explore any legislative amendments to the *CDIC Act* that the Corporation may seek to take forward. Terms and conditions of deposit insurance coverage are among the items to be reviewed.

International Environment

CDIC is recognized around the world as a leader in deposit insurance. Our involvement with international deposit insurers and other organizations contributes to international financial system stability and ensures that our work helps CDIC sustain its high level of core competencies and readiness.

In April 2008, the Financial Stability Forum (FSF)[1] released 67 recommendations for enhancing the resilience of markets and financial institutions. Two pertain directly to deposit insurance and CDIC:

1. Authorities should agree on a set of international principles for deposit insurance systems.
2. National deposit insurance arrangements should be reviewed against these agreed international principles, and authorities should strengthen arrangements where needed.

The FSF identified a set of core principles developed by the International Association of Deposit Insurers (IADI) as a basis for internationally agreed upon principles for effective deposit insurance systems. CDIC played a lead role within IADI in this work (CDIC chairs the IADI Guidance Group) and continues to work with IADI, the Basel Committee on Banking Supervision and other international organizations to further refine the principles.

CDIC will continue to provide assistance on a selective basis to regimes developing and enhancing their deposit insurance systems. It is important to note that responding to increasing requests for advice and assistance from other countries and from within Canada places increased pressure on existing CDIC resources.

Significant Risks and Key Planning Assumptions

Overview of CDIC's Significant Risks

CDIC continuously monitors its significant risks and regularly reports on its Enterprise Risk Management (ERM) activities. In its 2008 Annual Report, CDIC management stated that, overall, exposure to significant risks remains acceptable, although our insurance risk and certain operational risks are increasing in the current environment. The following chart summarizes CDIC's key risks at March 31, 2008.

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[1] The FSF brings together senior representatives of national financial authorities, as well as international financial, regulatory and supervisory organizations, committees of central bank experts, and the European Central Bank.

Overview of CDIC's Assessment of Its Significant Risks

	2008	
Insurance Risk: CDIC's risk of loss, including costs incurred in the event of an intervention, associated with insuring deposits.	**Rating**	**Trend**
Insurance Powers Risk: The risk that CDIC does not have the necessary powers to support the management of its insurance risk in accordance with CDIC's statutory objects.		▲
Assessment Risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		—
Intervention Risk: The risk that CDIC cannot or does not take timely and effective action with respect to an unacceptable level of insurance risk posed by a member institution, or with respect to failed member institutions.		▲
Operational Risk: CDIC's risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	**Rating**	**Trend**
Business Continuity Risk: The risk that a disruption impacting CDIC's personnel, information, premises, technology or operations will impede its ability to achieve its statutory objects and conduct its affairs.		▼
Information Risk: The risk that timely, accurate and relevant information is not available to facilitate informed decision making and/or the exercise of effective oversight.		▲
Legal/Compliance Risk: The risk that CDIC fails to identify, consider, fulfill or comply with its legal and other obligations and requirements, in the conduct of its affairs.		—
People Risk: The risk resulting from inadequacies in the competencies, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		—
Process Risk: The risk resulting from the incorrect execution of a breakdown, or a gap, in a policy, practice or control respecting CDIC's processes.		—
Security Risk: The risk that CDIC fails to ensure the safety of its personnel and the security and integrity of its assets, including the confidentiality of its information.		—
Technology Risk: The risk that CDIC's technology does not appropriately support the achievement of its statutory objects and the conduct of its affairs.		▲
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.	**Rating**	**Trend**
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.		—

LEGEND			
Risk Rating		**Risk Trend**	
	Acceptable	▼	Decreasing
	Cautionary	—	Stable
	Serious Concern	▲	Increasing

Overview of CDIC's Assessment of Its Significant Risks (*cont'd*)

	2008	
Financial Risk: CDIC's risk associated with managing its assets and liabilities, including those that appear on and off the balance sheet.	**Rating**	**Trend**
Liquidity Risk: The risk that funds will not be available to CDIC to honour its cash obligations (both on- and off-balance sheet) as they arise.	Acceptable	—
Market Risk: The risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market rates (such as interest rates and foreign exchange rates) or prices.	Acceptable	—
Credit Risk: The risk of loss attributable to counterparties failing to honour their obligations, whether on- or off-balance sheet, to CDIC.	Acceptable	—

LEGEND			
Risk Rating		**Risk Trend**	
(green)	Acceptable	▼	Decreasing
(yellow)	Cautionary	—	Stable
(red)	Serious Concern	▲	Increasing

Overall, CDIC's risk environment has changed significantly since publication of its last risk assessment in March 2008. The deteriorating economic environment and emerging stresses on member institutions' financial performance are pointing to rising insurance risk. CDIC's intervention preparedness work has therefore become increasingly important—it is the backdrop to the initiatives and increased resource budgets set out in this Corporate Plan Summary. Work needs to continue to improve our readiness for a larger depositor payout and our ability to conduct non-payout interventions—international events of the past year have highlighted the importance for deposit insurers to have adequate powers to deal with the failure of larger institutions. Further, while CDIC has the key powers to support the management of its insurance risk, there is a need to further examine the adequacy of these powers in light of the evolving environment and to ensure that new powers set out in the 2009 Federal Budget mesh effectively with CDIC's existing powers.

While most of CDIC's operational sub-risks were assessed as acceptable in 2008, people risk and business continuity risk remained cautionary, and information and technology risks, although currently acceptable, were seen as increasing.

People risk is CDIC's most significant operational risk. CDIC has knowledgeable and experienced people in place to manage its affairs, as well as an appropriate and effective human resources management program. However, the Corporation operates with only a core level of employees, which exposes CDIC to risk in the event of unexpected turnover in core positions.

Key Planning Assumptions

The strategies, plans and supporting resource budgets outlined in the Corporate Plan and in this Summary are based on the planning assumptions set out below.

1. Our statutory objects will not change during the planning period; however, we anticipate receiving bridge bank and other intervention powers in the near future (see page 9). Also, the Government is proposing to increase CDIC's statutory borrowing limit to $15 billion (see page 9).

2. There will be no significant structural changes to the regulatory and supervisory system in Canada that will have an impact on CDIC.

3. Although risk in the Canadian financial system is increasing, the working assumption supporting the Corporate Plan is that no failures of CDIC member institutions will occur during the planning period. While the overall financial system in Canada remains strong, CDIC has performed sensitivity analyses to estimate the potential effect of a range of hypothetical failure scenarios. The Corporation can handle a payment of insured deposits of $1.7 billion with no requirement for additional funding. Payouts or intervention activities involving more than this amount would require CDIC to obtain additional funding.

4. The total number of CDIC member institutions will not change significantly during the planning period.

5. Insured deposits are forecast to grow at approximately 5% annually throughout the planning period.

6. Premium revenue for the five-year planning period is projected based on the assumed growth of insured deposits of 5% per year noted above, and an increase in premium rates over 2008 differential premium year rates of one third for each of the first three years of the planning period. Such an increase will result in a doubling of the differential premium rates (over those of 2008) for the 2011 premium year, and for the balance of the planning period. These rates would still be at historically low levels ranging from 1.9 to 14.8 basis points of insured deposits for the best-rated to worst-rated categories, respectively, in 2009.

7. CDIC is forecasting an average yield on cash and investments of 2%.

8. The target range for the amount of *ex ante* funding is forecast to remain at between 40 and 50 basis points of insured deposits. This translates into a range of approximately $2.1 to $2.6 billion based on levels of insured deposits as at April 30, 2008. In view of the impact that changes in the annual rate of growth in insured deposits have on *ex ante* funding (i.e., the dollar amount of funding once the target range is reached, and the time projected to reach the bottom of the target range), the Corporation will continue to review the target range for *ex ante* funding throughout the planning period. Increasing premium rates during the planning period as described above is expected to result in the bottom of the range being reached in fiscal year 2014/2015. The timeframe for reaching the bottom of the *ex ante* funding range has been shortened by two years compared to the last Corporate Plan. This is primarily due to the interaction of three variables: a projected increase in insured deposit annual growth to 5% from 4%; a decrease in investment yield to 2% from 3.7%; and an increase in premium rates (as outlined in Planning Assumption 6, above).

9. CDIC will not receive government appropriations during the planning period.

Strategies and Corporate Scorecard for the Planning Period

After giving consideration to the current operating environment, as well as to the status of CDIC's significant risks, the Corporation has determined that its existing corporate strategies will continue to guide CDIC's activities over the planning period April 1, 2009, to March 31, 2014.

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Sustaining Efficient Governance and Operational Capacity

Each year, all CDIC departments prepare detailed business plans that set out how they will proceed with projects and initiatives that support corporate strategies. Many of these are major, longer term projects and many are corporate wide in scope. Comprehensive strategic plans in the areas of human resources, information systems and public awareness also support the corporate strategies.

Highlights of plans and initiatives are summarized below. CDIC's Corporate Scorecard is presented in segments following a description of planned activity for each corporate strategy. The scorecard sets out the key activities and associated performance indicators for each of the Corporation's three strategies against which CDIC will assess its performance throughout the planning period. Results against these measures will be reported in CDIC's Annual Report. The financial and resource budgets that support our plans and initiatives follow in Part 3 of this Summary.

• Strengthening Core Expertise and Readiness

CDIC must stay alert to developments that affect the Corporation and its membership. The Corporation must also ensure that it has the ability to anticipate and react to events and to manage insurance risk. CDIC will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolution.

CDIC must be prepared to intervene quickly and appropriately into the affairs of a troubled member institution. To achieve this, CDIC must work closely with its partners in the financial safety net. Technology and intervention processes must be kept current. In recent years, CDIC has focused effort developing and enhancing employee skills, refining our technology platform and maintaining processes that would be effective in protecting depositors should a member institution fail. We will continue to focus on membership risk monitoring, intervention and resolution planning, as well as on a number of major long-term projects in support of readiness.

We will also be equipped with greater flexibility to address member failures and the stability of the overall financial system under the measures proposed in the 2009 Federal Budget, as outlined in the "Legislative Environment" (page 9). In particular, bridge bank authorities, an increase in CDIC's borrowing limit (to $15 billion from $6 billion), granting CDIC the ability to acquire shares in member institutions, and allowing the Corporation to pursue measures (generally, and in the event of a failure) that favour system-wide financial stability over minimizing CDIC's exposure to loss, will all contribute to CDIC's readiness for addressing potential financial difficulties and/or failures among its membership. Further, measures outlined in the 2009 Federal Budget will allow CDIC to conduct preparatory examinations before a payout is deemed to be imminent. CDIC will work throughout the planning period to be sure these new powers are fully operational.

Membership Risk Monitoring

CDIC continuously monitors the economic and financial environment and emerging risks to our member institutions. We also rely on information from OSFI and regulatory filings to monitor the risk profile and financial performance of our individual members and of the membership as a whole. CDIC will participate in the redesign and replacement of the Tri-Agency Data Sharing System (TDS), a system that was initially developed and funded jointly by the Bank of Canada, OSFI and CDIC in 1999 to collect information from financial institutions and disseminate it to each participating agency. Redesign is needed to take advantage of newer technologies and give the system more flexibility. Working with OSFI, CDIC also plans to complete an update of the *Strategic Alliance Agreement* to ensure continued coordination of effort and smooth information sharing between the two organizations.

Planning for All Possibilities

While the Corporate Plan is supported by the assumption that there will not be a failure of a member institution, CDIC must maintain the capacity to deal with a variety of failure scenarios. Planning for such scenarios calls for a range of activities, including: establishing agreements for additional expertise, assigning and mobilizing internal teams, training and support, and assessing needs for additional equipment and offsite offices.

CDIC's operating budget does not reflect the significant operating expenses that would likely be required in the event of a member failure. If such a failure were to occur, CDIC would develop a separate additional intervention budget that reflects the specific scope and nature of the work and resources required in that unique failure situation.

Maintaining Readiness for Payout Resolutions

Enhancing the Corporation's capacity for dealing with a payout following the failure of a larger member institution is a high-priority, multi-year project that encompasses a number of activities across CDIC. We have made solid progress in this area, including completing a simulation of an intervention scenario of 250,000 depositors, and plan to build on our success over the planning period. We will also continue to improve the speed with which CDIC can capture and manage member institution data in the event of a failure. New members are now providing CDIC with information on their deposit systems, processes and products—crucial information to expedite an insurance payment in the event that a member should fail. We plan to stay current with the various aspects of payout intervention by conducting surveys of depositor expectations and by reviewing the range and nature of deposit products available, in terms of their complexity and potential legal issues. We will also continue to research options for the electronic delivery of insurance payments.

Maintaining Readiness for Non-Payout Resolutions

Recent international experience has highlighted the importance of the deposit insurer and the government having sufficient flexibility and tools to manage financial crises and to resolve troubled institutions. CDIC has a number of intervention powers that support the resolution of a member failure, including those that do not involve payouts to depositors. For example, CDIC can facilitate the acquisition of a failed member institution by a healthy institution. A bridge bank resolution would see CDIC control a newly incorporated full service bank, a measure that would minimize disruption of service to customers. In this model, if a CDIC member institution were to fail, CDIC would decide what “good” parts of the business, including insured deposits, would be passed to the bridge bank; this entity would then be marketed and sold to an acquirer. As is the case with payout resolutions, maintaining updated documentation and employee training in non-payout resolution methodologies are crucial and will continue over the planning period.

Crisis Communication

Being prepared to effectively communicate with depositors and others in the event of a failure is vital to our work. We will continue to update and maintain our cloaked website, which would be activated for depositors in the event of a member failure. CDIC will also continue to regularly test and enhance its emergency communications with employees and sister agencies.

Other Plans in Support of Core Expertise and Readiness

With Senior Advisory Committee (SAC) members, CDIC will prepare for the 2012 federal financial legislative review process by developing policy proposals. We will also research deposit insurance coverage issues such as those related to retirement products and on term deposit maturity limits. During the planning period, the Corporation may proceed with some limited modifications to the method currently used to calculate insured deposits for premium purposes. CDIC will also review several of its by-laws. For example, we plan to examine the *Differential Premiums By-law* (which assigns members to different premium categories) in the context of the new Basel II capital adequacy measures, and for any implications arising from the transition to International Financial Reporting Standards (IFRS). We will also complete a comprehensive review of our *Joint & Trust Account Disclosure By-law* with a view to increasing its effectiveness in terms of disclosure while taking into account the potential burden on member institutions.

Corporate Strategy: Strengthening Core Expertise and Readiness	
PLANNED INITIATIVES 2009/2010 TO 2013/2014	**KEY PERFORMANCE INDICATORS**
Membership Risk Monitoring	
Review *Strategic Alliance Agreement* with OSFI.	Updated *CDIC/OSFI Strategic Alliance Agreement* in place by the end of the planning period.
Ensure employee training in support of changes reported by member institutions respecting Basel II and International Financial Reporting Standards (IFRS).	Training programs ongoing over the planning period.
Readiness for Payout	
Continue to increase CDIC's payout capacity to address the failure of a member institution with a large number of depositors.	Achievement of Large Capacity Enhancement Project milestones for each year as evidenced by incremental progress in CDIC's ability to conduct a large payout simulation—through March 2012.
Undertake work to facilitate the collection, review and validation of member institution deposit data and system information to support a quicker insurance determination in the event of failure.	Implementation of a plan to obtain information on deposit systems and data from all members—by March 2010.
Readiness for Non-Payout Resolutions	
Review and update the valuation model.	Valuation model reviewed and updated as necessary during the planning period.
Ensure all employees are trained on non-payout resolutions and key intervention tools.	Risk Managers involved in intervention are up-to-date on the use of current non-payout strategies, special examination methodologies, and the valuation model via ongoing training programs.
Communications	
Update and maintain a cloaked website for depositors, to be activated upon the failure of a member institution.	Cloaked website upgrades completed by the end of the planning period.
Insurance Program and Powers	
Amendments if needed to CDIC differential premiums system to reflect Basel II data and IFRS transition.	Consultation with members completed and appropriate amendments made to the differential premiums system for the 2012 premium year.

• Promoting Depositor Awareness

CDIC must work to increase public awareness of deposit insurance and of its benefits and limits. Through our targeted, long-term strategy, CDIC will carry out public awareness initiatives that build on past years' initiatives.

CDIC's corporate strategy of promoting depositor awareness is carried out through targeted and multi-year activities aimed at increasing depositors' understanding of CDIC/deposit insurance. Specifically targeting the $100,000 ceiling, we also provide general information about which kinds of financial products are covered by deposit insurance and which are not. Our public awareness initiatives consist of advertising (television, print and internet), participation in financial consumer shows and other initiatives. Our 1-800 line, corporate website and annual public meetings are all geared to increasing public awareness. With the introduction in 2009 Federal Budget of the tax-free savings account (TFSA) as a new and separate category of savings insurable by CDIC, the Corporation will incorporate awareness of the TFSA into its public awareness activities.

Long-Term Public Awareness Strategy and Plan

The current economic, member and consumer environments, as well as the corporate risks identified in this Plan point to the increased need for public awareness of CDIC and of deposit insurance. With the introduction of a new long-term public awareness strategy and plan in 2008/2009, CDIC will work to generate greater public awareness of the Corporation and the $100,000 coverage limit. A key element of the approach is a television advertising campaign. The campaign will be run over a longer period than was the case in recent years, and it will be supplemented with print and internet advertising, as well as search-engine marketing. The campaign will aim for public awareness targets of CDIC/deposit insurance and the $100,000 coverage limit of 55% and 30%, respectively, among those aged 50 years and older. Key communication messages will work to inspire confidence in CDIC and deposit insurance and to drive the public to learn more from their financial institution, as well as through CDIC's website and call centre.

Outreach

In our efforts to promote consistent and plain language communication of key messages about CDIC and deposit insurance, we will continue to collaborate with our government and private partners, including the Financial Consumer Agency of Canada (FCAC), the Autorité des marchés financiers (AMF), the Federation of Canadian Independent Deposit Brokers (FCIDB), and financial and consumer associations such as CARP—Canada's Association for the 50 Plus. CDIC will refine its website to make it more interactive and conducive to learning about deposit insurance. We will also develop a toolkit for member institutions to be used to inform or train employees about CDIC deposit insurance.

Corporate Strategy: Promoting Depositor Awareness	
PLANNED INITIATIVES 2009/2010 TO 2013/2014	**KEY PERFORMANCE INDICATORS**
Implementation of an expanded long-term public awareness strategy and plan.	55% awareness of CDIC and 30% awareness of the $100,000 deposit insurance coverage limit.
Increase outreach to other government and private partners as appropriate to enhance awareness of CDIC deposit insurance.	Increased outreach initiatives undertaken with partners.
Monitor the public awareness strategy and plan to determine its effectiveness and make adjustments if necessary.	Conduct public opinion research as required during the planning period.

• Sustaining Efficient Governance and Operational Capacity

To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance and continue to work actively with all its key stakeholders. Such stakeholders include member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, other deposit insurers in Canada and around the world, and relevant international organizations with an interest in deposit insurance issues.

CDIC has devoted considerable effort towards developing effective stakeholder relationships, building strong governance practices and managing its organizational capacity. Our work over the next five years will continue on these fronts in support of our two other strategies of Strengthening Core Expertise and Readiness, and Promoting Depositor Awareness.

Employee Support

Skilled and motivated employees are vital to CDIC's ability to achieve its goals. We will continue to monitor employee satisfaction through regular employee surveys to ensure that there are no barriers to a productive and motivated work force. CDIC's existing Human Resources (HR) Strategy and Plan reinforces the importance of the continuous pursuit of excellence in employees and of CDIC as an employer. A new HR Strategy and Plan will be developed during the planning period to support CDIC in meeting the challenges of the future.

Improving Infrastructure and Operations

Early in the planning period, CDIC will undertake renovations to its Ottawa offices to incorporate more offices and workstations. With our Toronto office lease set to expire in 2011, we will assess our office space requirements during the planning period. Our business continuity management activities over the planning period will include enhancements to the systems at CDIC's recovery site and further improvements to our Pandemic Preparedness Plan. We will test our new secure remote access solution—which allows all employees to be able to work remotely and securely from anywhere in the world. In addition, CDIC plans to implement virtualization technology with its key systems at both its primary and backup data sites. This change will enable CDIC to recover its operations more quickly at either site when faced with a business disruption.

Highlights of CDIC's Information Systems Strategic Plan

Information technology is a vital component of CDIC's work—particularly in maintaining capacity to intervene in the event of a member failure. Our IS strategy reflects the evolving operating environment and the importance of remaining flexible in our approaches to intervention. It calls for us to continue to:

- Invest in developing applications that support CDIC's mandate and its position as a leader in deposit insurance.
- Manage information as a strategic asset, through development and use of a rich array of electronic management tools and reducing reliance on paper.

CDIC's ongoing investment in its technical infrastructure and IS support framework keeps us in line with industry best practices, and supports our need for flexibility in meeting the high security standards needed to protect our information assets.

Enhancing Information Systems

Over the planning period, CDIC will continue to implement its Information Systems (IS) Strategic Plan through a range of activities.

The technical infrastructure and Ottawa data centre will undergo major upgrades within the planning period, in order to keep pace with technological advancements and to support CDIC's operational requirements.

Building on our progress in recent years towards establishing an enterprise information portal system, we will finish implementing the system across CDIC. The portal provides a single gateway to all CDIC information and can be customized for each user. We also plan to add document scanning technology throughout the Corporation, linking it to our enterprise information portal and to our records management system.

Financial Reporting

With respect to financial reporting, CDIC will continue its transition from Canadian generally accepted accounting principles to the new IFRS. CDIC is required to present IFRS compliant financial statements for the year ended March 31, 2012, with IFRS compliant comparables in place for March 31, 2011.

Assessing Corporate Risks and Controls

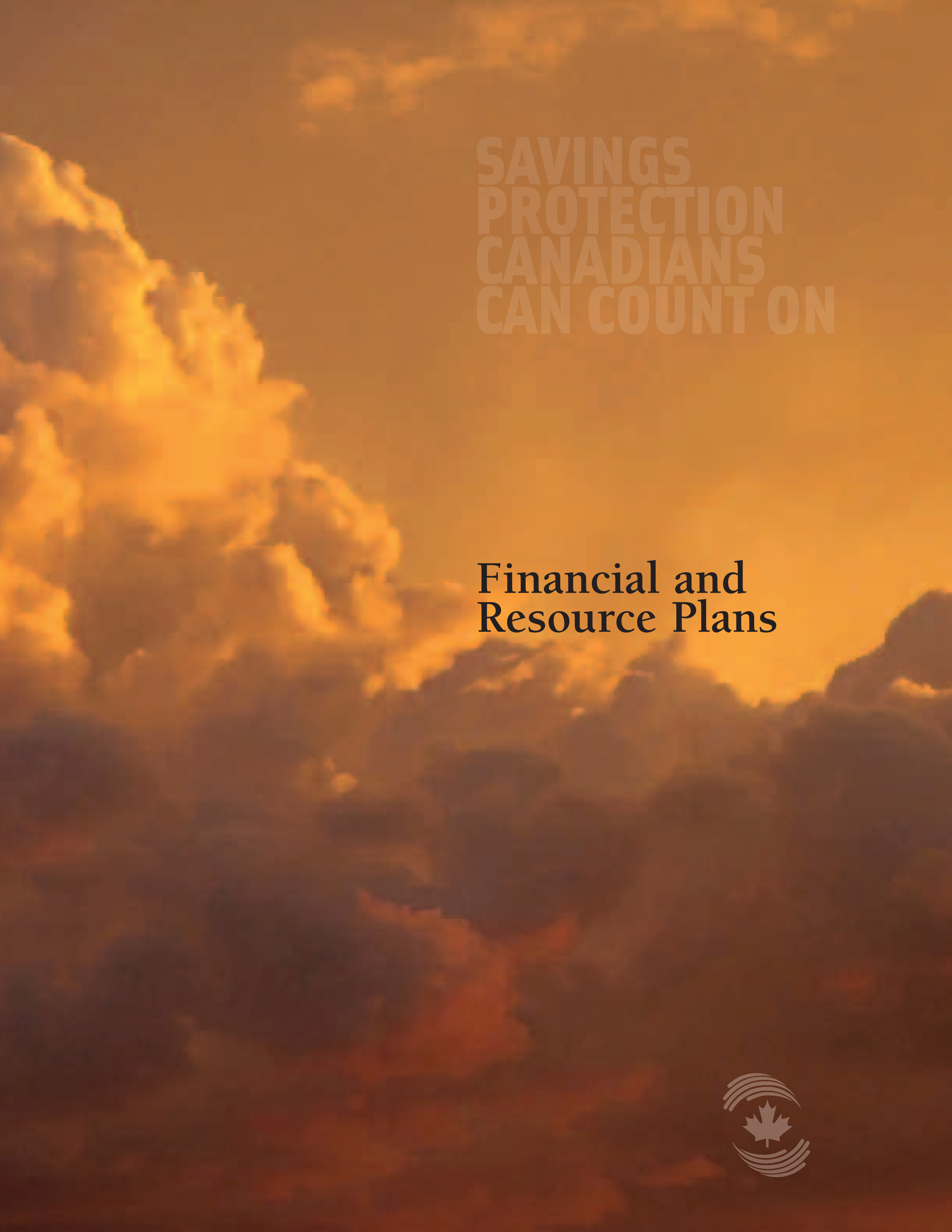
CDIC's ongoing assessment of its significant corporate risks provides the information needed to focus the Corporation's plans and resources. We will continue over the planning period to publicly report on the management of these risks through the Management's Discussion and Analysis section of our Annual Report. During the planning period, CDIC plans to continue its ongoing review of internal controls, which will see greater coordination with the Corporation's ERM process as well as with the work of its Audit and Consulting Services department.

Working with Stakeholders and International Collaboration

CDIC will continue to report to parliamentarians and other stakeholders through our Annual Report, Summary of the Corporate Plan and other vehicles, including our annual public meeting and corporate website. We will also maintain relations with national and international deposit insurers, including participating in relevant conferences and similar activities. This will include active participation in IADI and support to its Executive Council, and continuation of CDIC's role in the development of core principles of deposit insurance that can be adopted internationally. Similarly, we will provide support and assistance to countries developing and/or enhancing deposit insurance systems.

Corporate Strategy: Sustaining Efficient Governance and Operational Capacity

PLANNED INITIATIVES 2009/2010 TO 2013/2014	KEY PERFORMANCE INDICATORS
Governance	
Continue to conduct annual assessments of CDIC's significant corporate risks, review and update CDIC's Board and management risk policies as necessary, and provide (through the Management's Discussion and Analysis (MD&A) section of CDIC's Annual Report) regular reports to stakeholders about the management of CDIC's significant corporate risks.	Significant risks are assessed at least annually. Risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels. Annual Enterprise Risk Management (ERM) attestation included in the Annual Report.
Negotiate new lease for the Toronto CDIC office (existing lease expires in 2011).	New long-term lease for Toronto office in place by 2011. Premises satisfy CDIC's human resource and operational requirements.
Complete enhancements to the Ottawa office data centre.	Ottawa office data centre enhancements addressing all space, power and climate control issues completed by the end of 2009.
Manage transition to IFRS.	Transition to IFRS completed and audited by the end of the planning period.
Continue to implement Information Systems (IS) Strategic Plan.	Initiatives specified in the IS Strategic Plan implemented in accordance with timelines set out in that Plan.
Develop a new Human Resources (HR) Strategy and Plan.	A new HR Strategy and Plan is developed and implemented by the end of the planning period.
Monitor employee satisfaction to ensure that there are no impediments to a productive and motivated work force.	An employee survey to be undertaken and the survey results analyzed and addressed during the planning period.
Maintain CDIC's Business Continuity Management Program in a fully current and ready state.	All 2008/2009 Business Impact Analysis (BIA) issues addressed during the planning period. Successful all-employee Secure Remote Access (SRA) testing completed by March 31, 2010. Pandemic Preparedness Plan (PPP) completed by March 31, 2010.
Regulatory, Legislative and Other Requirements	
Complete implementation of CDIC's Internal Control Review program, incorporating coordination with CDIC's ERM process and the work of CDIC's Audit and Consulting Services department.	Internal Control Review annual reporting regime in place consistent with Treasury Board Secretariat (TBS) guidelines.
Stakeholder and International Initiatives	
Annual reporting of CDIC plans and progress to parliamentarians and all interested stakeholders through publications such as the Annual Report and Summary of the Corporate Plan.	CDIC Annual Report and Summary of the Corporate Plan tabled in both houses of Parliament and available on CDIC's website each year.



SAVINGS
PROTECTION
CANADIANS
CAN COUNT ON

Financial and Resource Plans

CDIC's five-year financial plan for 2009/2010 to 2013/2014 is based on the planning assumptions set out earlier and reflects the resources required to carry out the strategies and related initiatives planned for the period (described in Part 2 of this Summary).

CDIC will maintain a stable financial position throughout the planning period. Our operating environment, however, is rapidly evolving and the insurance risks the Corporation faces are increasing. In addition, new reporting requirements, such as IFRS, will become a reality for the Corporation during the planning period. CDIC's financial and resource plans reflect the growing demands anticipated over the planning horizon.

The Corporation will continue to manage its operations and costs effectively by regularly reviewing activities and initiatives within the broader context of our changing environment. CDIC will also manage its business plans to focus resources on the most important initiatives.

The Corporation's operating budget does not allow for significant contingencies. Whenever possible, costs for unplanned activities are absorbed within the existing operating budget. If CDIC is required to intervene in the affairs of a member institution, or if new initiatives need to be undertaken during the planning period that cannot be absorbed by revising priorities within the existing budget, approval will be requested for additional resources and budget.

CDIC needs to build capacity in order to be better prepared to address the risk to which it is exposed. The first line of capacity building is to increase staffing in the areas where capacity constraints could impede the Corporation's ability to rapidly respond to issues as they arise. The financial plan includes 13 additional positions primarily in the areas of Insurance and Risk Assessment, and Information Systems. This additional staff contingent increases overall budgetary requirements for salaries and benefits by approximately $1.5 million over normal increases of approximately $1 million.

CDIC has determined that it is not efficient to have resources in place to prepare for all contingencies. As a result, the financial plan also contemplates stand-by agreements with external suppliers in order to address the urgent requirements that would result from concurrent interventions. The cost of these stand-by agreements impacts CDIC's financial plan in two ways. Firstly, the cost to establish these arrangements has been estimated at approximately $1 million in the first year of the plan. Secondly, ongoing annual costs of $700 thousand have been estimated to keep such arrangements current over the planning period.

Public awareness is key to CDIC's readiness strategy. The financial plan includes an additional $1.2 million in public awareness expenses over the 2008/2009 Plan to enhance Canadians' awareness of CDIC deposit insurance.

The financial plan also incorporates further budgetary requirements of $1.3 million over the 2008/2009 Plan. These costs include additional lease and other incremental costs to support capacity building initiatives.

The Corporation's *Pro Forma* Consolidated Balance Sheet, Statement of Income and Retained Earnings, and Statement of Cash Flows are presented as Figures 1, 2 and 3, respectively.

Highlights of the Five-Year Financial Plan

The **premium revenue** for the fiscal years 2009/2010 to 2013/2014 is based on premium rates increasing by one third over 2008 rates in each of 2009/2010, 2010/2011 and 2011/2012.

Over the five-year planning period:

- **Premium revenue** is forecast to total $752 million over the five-year planning period (Figure 2). **Interest income on investments** is forecast to total $211 million, and **net operating expenses** are budgeted at $167 million over the same period.
- The adequacy of CDIC's provision for insurance losses is assessed on an annual basis and, if necessary, adjustments are recorded. For the purposes of this Plan, the **provision for insurance losses** is forecast to remain at $650 million throughout the planning period (Figure 1).
- **Cash and investments** are planned to be $1.873 billion as at March 31, 2010, and are expected to increase to $2.555 billion by the end of the planning period at March 31, 2014 (Figure 1).
- **Retained earnings** of $1.228 billion are planned as at March 31, 2010, and are expected to grow to $1.904 billion by the end of the planning period at March 31, 2014 (Figure 2).

The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.[2] The total income tax expense over the five-year planning horizon is forecast to be $16 million.

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[2] Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable. As such, the Corporation's source of taxable income is its interest revenue on cash and investments. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes.

Figure 1: *Pro Forma* Consolidated Balance Sheet
as at March 31
($ millions)

	2008 Actual	2009 Plan	2009	Forecast 2010	2011	2012	2013	2014
Assets								
Cash	–	–	1	1	1	1	1	1
Investments	1,660	1,758	1,754	1,872	2,011	2,181	2,362	2,554
Accounts receivable	2	–	1	1	1	1	1	1
Income tax overpayment	–	–	5	4	–	–	–	–
Capital assets	2	2	2	2	5	5	5	4
	1,664	1,760	1,763	1,880	2,018	2,188	2,369	2,560
Future income tax asset	–	1	1	1	1	1	–	–
	1,664	1,761	1,764	1,881	2,019	2,189	2,369	2,560
Liabilities								
Accounts payable	4	4	4	3	3	3	3	3
Income tax payable	2	1	–	–	2	2	2	3
Future tax liability	2	–	–	–	–	–	–	–
Provision for insurance losses	650	600	650	650	650	650	650	650
	658	605	654	653	655	655	655	656
Equity								
Retained earnings	998	1,156	1,110	1,228	1,364	1,534	1,714	1,904
Accumulated other comprehensive income	8	–	–	–	–	–	–	–
	1,006	1,156	1,110	1,228	1,364	1,534	1,714	1,904
	1,664	1,761	1,764	1,881	2,019	2,189	2,369	2,560

Figure 2: *Pro Forma* Consolidated Statement of Income and Retained Earnings for the Year Ending March 31
($ millions)

	2008 Actual	2009 Plan	2009	Forecast 2010	2011	2012	2013	2014
Revenue								
Premiums	68	70	92	102	132	164	173	181
Interest on investments	64	65	52	36	39	42	45	49
Other revenue	1	–	–	–	–	–	–	–
	133	135	144	138	171	206	218	230
Expenses								
Operating expenses								
Salaries and other personnel costs	12	12	12	15	16	16	17	17
Professional fees	3	4	4	6	5	5	5	5
Premises	3	3	3	3	3	3	3	4
Public awareness	2	3	3	4	4	4	4	4
General expenses	3	3	3	4	4	4	4	4
Data processing costs	1	1	1	1	2	2	2	2
Total operating expenses	24	26	26	33	34	34	35	36
Less cost recovery (FCAC,OSFI, AMF)[a]	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net operating expenses[b]	23	25	25	32	33	33	34	35
Adjustment to provision for insurance losses	50	–	–	–	–	–	–	–
	73	25	25	32	33	33	34	35
Net income before recoveries and income tax	60	110	119	106	138	173	184	195
Recovery of amounts previously written off	1	–	–	14	–	–	–	–
Income tax expense	(13)	(13)	(7)	(2)	(2)	(3)	(4)	(5)
Net income	48	97	112	118	136	170	180	190
Retained earnings, beginning of year	950	1,059	998	1,110	1,228	1,364	1,534	1,714
Retained earnings, end of year	998	1,156	1,110	1,228	1,364	1,534	1,714	1,904

[a]CDIC provides call centre services to the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost-recovery basis. In addition, the Autorité des marchés financiers (AMF) in Québec contributes to the Corporation's public awareness campaign. These costs are included in the relevant expense categories.

[b]Expense estimates for fiscal years 2010/2011 through to 2013/2014 are subject to further development and will be dependent on specific plans developed for those years.

Figure 3: *Pro Forma* Consolidated Statement of Cash Flows
for the Year Ending March 31
($ millions)

	2008 Actual	2009 Plan	2009	Forecast 2010	2011	2012	2013	2014
Operating Activities								
Premium revenue received	68	70	95	102	132	164	173	181
Claims recovered	1	–	–	–	–	–	–	–
Interest revenue received	59	65	52	36	39	42	45	49
Recovery of amounts previously written off	1	–	–	14	–	–	–	–
Other amounts received	1	–	–	–	–	–	–	–
Payment of income taxes	(18)	(16)	(15)	(4)	5	(3)	(3)	(4)
Payments to suppliers and employees	(23)	(25)	(26)	(31)	(31)	(32)	(33)	(33)
Capital assets purchased	–	(1)	(1)	(1)	(4)	(1)	(1)	(1)
Cash flows from operating activities	89	93	105	116	141	170	181	192
Investing Activities								
Net cash flows from/(used) in investing activities	(89)	(93)	(104)	(116)	(141)	(170)	(181)	(192)
Cash								
Increase during the year	–	–	1	–	–	–	–	–
Balance, beginning of year	–	–	–	1	1	1	1	1
Balance, end of year	–	–	1	1	1	1	1	1

Ex Ante Funding

CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed.

In 2003/2004, the Board of Directors resolved that CDIC, as a matter of prudence, ought to have an amount of advance funding available for possible deposit insurance losses.

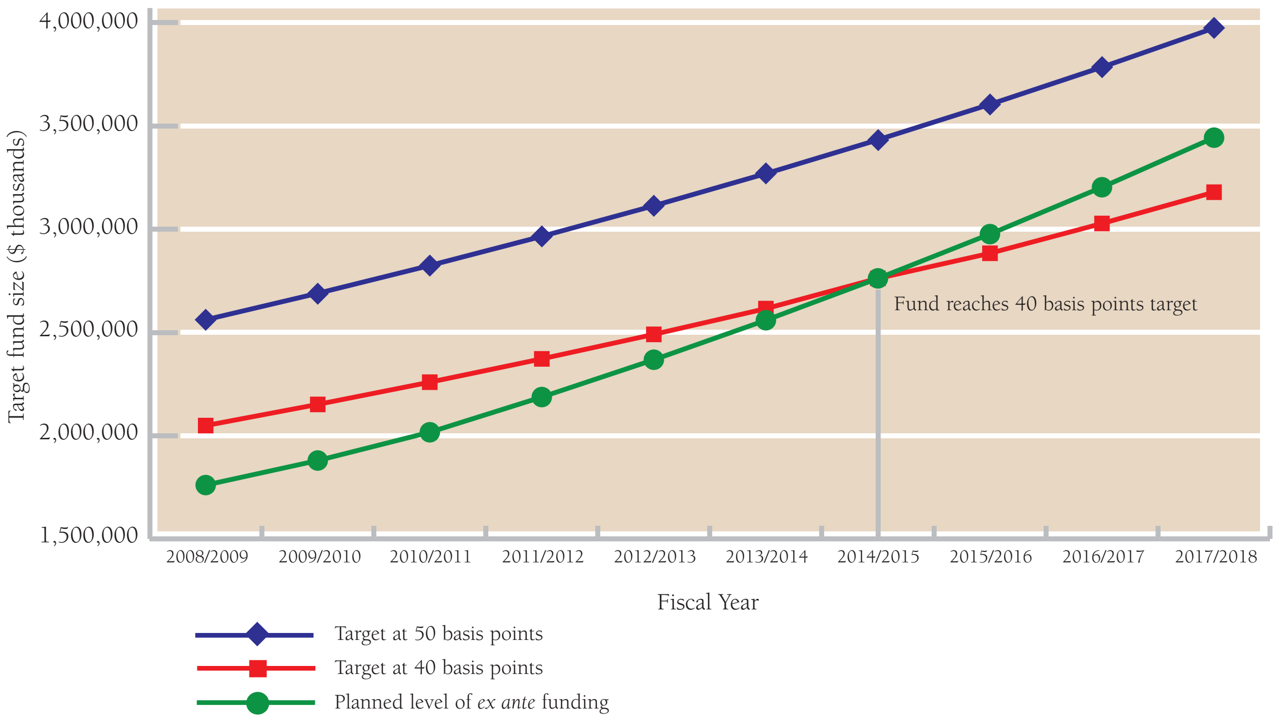
The amount of *ex ante* funding considered prudent was derived from assessing the results of hypothetical member failure situations using a Monte Carlo simulation technique. The simulation carefully considered the insured deposits at each member institution, rating agency data with respect to failure probabilities associated with individual member institutions, CDIC's historical loss experience on failed member institutions, and the potential that failure situations may be correlated. By running large numbers of iterations, the Monte Carlo technique provided an approximation of the range of potential loss scenarios that may be experienced by CDIC. The results of the simulation were assessed for reasonableness against the level of insured deposits in CDIC's portfolio of member institutions.

After careful consideration of this analysis, CDIC's Board of Directors established its *ex ante* funding target at 40 to 50 basis points of insured deposits. Such a level is considered appropriate to allow CDIC to effectively discharge its mandate on an expeditious basis. It was further decided that the amount of *ex ante* funding would be represented by the aggregate of both the retained earnings and the provision for insurance losses as reported in CDIC's financial statements.

The target for the amount of *ex ante* funding currently translates into a range of approximately $2.1 billion to $2.6 billion, based on levels of insured deposits as at April 30, 2008. As at December 31, 2008, the level of *ex ante* funding was $1.8 billion, or approximately 34 basis points of insured deposits.

Based on the assumption that premium rates will increase by one third from 2008 levels in each of the 2009, 2010 and 2011 premium years, resulting in a doubling of the differential premiums rates (over those of 2008) for the 2011 and subsequent premium assessment years, the bottom of the range will be reached in fiscal year 2014/2015 (see Figure 4).

Figure 4: *Ex Ante* Funding Progression
Fund Growth Towards Target
(Premium rates increased one third over 2008 rates in each of 2009, 2010 and 2011)



Operating Budget—2009/2010

A summary of the operating budget is set out in Figure 5.

Figure 5: Operating Budget
($ millions)

	2008 Actual	2009 Plan	2009 Forecast	2010 Budget
Revenue				
Premiums	67.9	70.5	92.3	101.8
Interest income	64.9	64.9	52.0	36.1
Other revenue	0.7	–	–	–
	133.5	135.4	144.3	137.9
Operating Expenses				
Salaries and other personnel costs	11.8	12.4	12.3	15.0
Professional fees	3.2	3.9	3.9	5.9
Premises	2.5	2.5	2.8	3.0
Public awareness	2.2	2.7	2.5	4.0
General expenses	3.3	3.4	3.6	3.7
Data processing	1.4	1.3	1.2	1.5
Total operating expenses	24.4	26.2	26.3	33.1
Less cost recovery (FCAC, OSFI, AMF)	(0.8)	(0.9)	(0.9)	(1.0)
Net operating expenses	23.6	25.3	25.4	32.1
Adjustment to provisions	50.0	–	–	–
	73.6	25.3	25.4	32.1
Net income before recoveries and income tax	59.9	110.1	118.9	105.8
Recovery of amounts previously written off	1.3	–	–	13.8
Income tax expense	(13.3)	(13.3)	(7.0)	(1.6)
Net income	47.9	96.8	111.9	118.0

Capital Budget—2009/2010

The budget for capital expenditures in 2009/2010 is $2.25 million. The capital budget is summarized in Figure 6.

Figure 6: Capital Budget
($ thousands)

	2008 Actual	2009 Plan	2009 Forecast	2010 Plan
Furniture and equipment	61	100	100	100
Computer hardware	498	650	650	650
Data centre	–	–	–	1,500
Total	**559**	**750**	**750**	**2,250**

The capital budget is used primarily to maintain computer hardware based on the refresh cycle set out in CDIC's IS Strategic Plan, and consistent with benchmark industry practices.

In addition, an amount of $1.5 million is included in the capital budget for construction of a new data centre. Costs to be incurred include increasing data centre space as CDIC's technology needs have grown since the current data centre was built in 1990, providing for an appropriate technical environment and back-up generators to protect CDIC's technology investment.

Accounting Issues

The Corporation's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

In January 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to replace GAAP with IFRS for all Publicly Accountable Enterprises. In early 2008, the AcSB announced that the changeover date for full adoption of IFRS will be for fiscal years starting on or after January 1, 2011. CDIC will be required to report under IFRS for the year ended March 31, 2012, with IFRS compliant comparatives for the year ended March 31, 2011.

CDIC's conversion to IFRS will be completed in five phases: Diagnostic; Detailed Scoping; Drafting Policies and Procedures; Implementation and Review; and Live IFRS.

The Diagnostic phase is intended to identify at a high level the IFRS that will have an impact on CDIC and the systems and processes that will need to be updated to collect IFRS compliant data. As a result of diagnostic work it has been determined that 21 of the 38 IFRS standards have an impact on CDIC. Of note, 10 of the standards that will impact CDIC are subject to change before the implementation date. As a result, regular monitoring for changes will be a critical part of CDIC's IFRS conversion strategy.

CDIC has prepared a detailed project plan to guide its future work related to IFRS conversion. The plan addresses for each relevant IFRS standard Detailed Scoping, Drafting Policies and Procedures, and Implementation and Review. It also identifies for each standard the activities required for conversion and the timeframe in which the work will be conducted. The execution of the detailed project plan has commenced and it is expected to continue through to "live" IFRS on April 1, 2011.

Borrowing Plan

At December 31, 2008, CDIC had no debt outstanding and does not anticipate any new borrowing activity over the planning period.

Under its financial risk management policies, the Corporation's financing is to be matched within certain parameters to cash and maturing short-term investments, anticipated premium revenues and recoveries of claims. CDIC's Risk Management Unit (RMU) is responsible for identifying, measuring, monitoring and reporting financial risk exposure to the Chief Financial Officer in a manner consistent with Board-approved financial risk management policies. The Chief Financial Officer also receives advice and information as to CDIC's funding, investing and risk management requirements through the Asset/Liability Management Committee (ALCO).

The *CDIC Act* allows for the Minister of Finance (at CDIC's request) to make loans to CDIC from the Consolidated Revenue Fund (CRF) and for CDIC to borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed $6 billion, or such greater amount as may be authorized by Parliament under an appropriation act.[3] The Act also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

CDIC has the ability to access borrowings, if required, from capital markets. In the event funding is required, the borrowing program would be adjusted to satisfy any borrowing activity over the planning period (although borrowings are not anticipated during the planning period). Any debt issuance within the borrowing program would require specific approval of the Board of Directors and authorization by the Minister of Finance.

CDIC has coordinated contingency processes with the Department of Finance to ensure that funding could be accessed on an urgent basis. These processes have been tested and are functioning as expected.

CDIC has adopted a strategy for its investment portfolio to be used as a first call on liquidity in the event of an intervention. This strategy implies that the investment portfolio is positioned toward low-risk and highly liquid instruments. CDIC has in place credit facilities with its banker for up to $10 million for cash management purposes. The credit facility is specifically exempt from the credit enhancement fee that may be applied to other borrowings.

Human Resource Requirements

The Corporation has increased its overall person-year count in this Plan to reflect increasing risk in the environment and growing reporting requirements.

Figure 7 reflects the person-years that will be added, primarily in the areas of Insurance and Risk Assessment, and Information Systems. There are no other significant changes planned to the overall person-year count during the period.

Figure 7: Human Resource Requirements
(person-years)

	2008/2009 Approved Plan	2009/2010 to 2013/2014 (Proposed)
Corporate Total	88	101
Less: Assigned to FCAC and OSFI	(5)	(5)
Total	**83**	**96**

CDIC operates with a core of expert employees, augmenting them as necessary to deal with specific challenges—either by mobilizing a larger work force (directly through outsourcing or indirectly through liquidators or receivers), or through workout or wind-down arrangements. The latter may include contract personnel, consultants, insolvency and legal professionals, and other service providers.

[3] The Government, through the 2009 Federal Budget, is increasing the borrowing limit of CDIC to $15 billion from $6 billion, reflecting the growth of insured deposits since the last increase in 1992.

SAVINGS PROTECTION CANADIANS CAN COUNT ON

Performance Against Past Plans

Highlights of CDIC's Past Performance—2008/2009 to 2012/2013

CDIC's Corporate Plan 2008/2009 to 2012/2013 identified three corporate strategies that reflect the Corporation's assessment of its operating environment and risks, and that support our business objects:

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Sustaining Efficient Governance and Operational Capacity

CDIC's performance to date against these strategies is summarized in the following Corporate Scorecard. The Scorecard shows that CDIC's progress against the majority of key performance indicators is proceeding as planned and that the Corporation expects to achieve the majority of its key performance targets for 2008/2009. Only three of the nineteen indicators are not proceeding as planned:

- Training is in progress to keep employees up-to-date on the use of current non-payout strategies, special examination methodologies and the valuation model; however, current operational priorities have slowed the pace of this training in the current year.

- Preliminary Business Impact Analysis (BIA) work has been completed. In-depth analyses of the results by senior management have commenced but are currently on hold due to the emergence of other priorities.

- A draft Pandemic Preparedness Plan (PPP) is in place. Fine-tuning and testing of this plan have yet to be performed. Finalization of the PPP is linked, to a certain extent, to completion of the BIA outputs described above.

CDIC Corporate Scorecard—2008/2009 to 2012/2013

CDIC Objects: Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
Strengthening Core Expertise and Readiness CDIC must stay alert to developments that affect the Corporation and its membership. It must also ensure that it has the ability to anticipate and react to events and to manage insurance risk. The Corporation will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolutions.	**Insurance Program and Powers**	
	• Return of Insured Deposits: Consultation with member institutions about premium assessment base. • *Joint and Trust Account Disclosure By-law*: Undertake comprehensive review. • *Deposit Insurance Information By-law*: Update internal clearance system.	• Return of Insured Deposits and by-laws are current and relevant, and take into account member institutions' input. ▲
	• Amendments to CDIC differential premiums system to address Basel II.	• Consultation with members completed and appropriate amendments made to the differential premiums system for the 2010 premium year. ▲
	Membership Risk Monitoring	
	• Training for CDIC Risk Managers in support of changes reported by member institutions respecting Basel II, International Financial Reporting Standards (IFRS), fair value accounting and other changes.	• Basel II training completed by March 2009 and other training programs ongoing throughout the planning period. ▲
	Readiness for Payout	
	• Undertake the Payout Capacity Enhancement Project: Conduct annual end-to-end and limited scope simulations to test existing capacity and enhancement project progress.	• Achievement of annual project milestones for each year up to completion of the project as evidenced by CDIC's ability to conduct a large payout, while always maintaining existing capacity in full readiness—by March 2012. ▲
	Readiness for Non-Payout Resolutions	
	• Review and update the valuation model. • Maintain current, optimal resolution methods by member peer group—a "toolbox" of non-payout failure resolution strategies and supporting documentation. Ensure all Risk Managers are trained on special examination methodologies and on the valuation model.	• Valuation model reviewed and updated as required during the planning period. ▲ • All Risk Managers up-to-date on the use of current non-payout strategies, special examination methodologies, and the valuation model via tailored and ongoing training program. ▼

Legend: ▲ Planned progress on schedule and within budget.
▼ Slippage in terms of time to completion, and/or budget variances.
● Cancelled or deferred.

CDIC Corporate Scorecard—2008/2009 to 2012/2013

CDIC Objects: Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
Promoting Depositor Awarenesss CDIC must work to increase public awareness of deposit insurance and of its benefits and limits. Through our targeted, long-term strategy, we will carry out public awareness initiatives that build on past years' initiatives.	• Develop for Board approval, and implement, the next long-term public awareness strategy and plan.	• 50% awareness of CDIC and 25% awareness of the $100,000 deposit insurance coverage limit. ▲
	• Enhance stakeholder partnerships in the delivery of activities to promote depositor awareness.	• Diversify public awareness activities with stakeholders such as the Autorité des marchés financiers (AMF), CARP—Canada's Association for the 50 Plus, the Association of Chinese Canadian Entrepreneurs (ACCE), and the Federation of Canadian Independent Deposit Brokers (FCIDB). ▲
	• Monitor the effectiveness of communications tools to ensure that they reflect best practices and contribute to measuring the impact of the public awareness strategy and plan.	• Maintain, test and adapt communications tools as required during the planning period. ▲
Sustaining Efficient Governance and Operational Capacity To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance, and continue to work actively with its key stakeholders. Such stakeholders include: member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, and other deposit insurers in Canada and around the world.	**Governance**	
	• Continue to conduct annual assessments of CDIC's significant corporate risks, review and update CDIC's Board and management risk policies as necessary, and provide (through the Management's Discussion and Analysis section of CDIC's Annual Report) regular reports to stakeholders about the management of CDIC's significant corporate risks.	• Significant risks are assessed at least annually. Risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels. ▲
	• Negotiate new leases for both Ottawa and Toronto CDIC offices (existing leases expire in 2010 and 2011, respectively).	• New long-term leases for both Ottawa and Toronto offices in place by 2010 and 2011, respectively. Premises are secured that satisfy CDIC's human resource and operational requirements. ▲
	• Make enhancements to the Ottawa office data centre (subject to resolution of CDIC's lease situation).	• Ottawa office data centre enhancements addressing all space, power and climate control issues completed by the end of 2009. The data centre has the capacity to meet CDIC's long-term needs. ▲
	• Continue to implement the Information Systems (IS) Strategic Plan.	• Initiatives specified in the IS Strategic Plan implemented in accordance with timelines set out in that Plan. ▲

Legend: ▲ Planned progress on schedule and within budget.
▼ Slippage in terms of time to completion, and/or budget variances.
● Cancelled or deferred.

CDIC Corporate Scorecard—2008/2009 to 2012/2013

CDIC Objects: Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
Sustaining Efficient Governance and Operational Capacity To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance, and continue to work actively with its key stakeholders. Such stakeholders include: member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, and other deposit insurers in Canada and around the world.	**Governance**	
	• Continue to implement the Human Resources (HR) Strategy and Plan.	• Initiatives described in the HR Strategy and Plan implemented throughout the planning period. ▲
	• Monitor employee satisfaction to ensure that there are no impediments to a productive and motivated work force.	• An employee survey to be undertaken, and the survey results analyzed and addressed during the planning period. ▲
	• Business continuity management activities—address issues arising from the 2007/2008 Business Impact Analysis (BIA), and finalize and maintain a Pandemic Preparedness Plan (PPP).	• All BIA issues addressed during the planning period. ▼ • Complete draft of PPP completed by March 31, 2009. ▼
	Regulatory, Legislative and Other Requirements	
	• Complete implementation of Internal Control Review initiative arising from Treasury Board Secretariat (TBS) governance measures for Crown corporations.	• Internal Control Review annual reporting regime in place pursuant to TBS guidelines. Annual attestations report no material deficiencies. ▲
	Stakeholder Initiatives	
	• Annual reporting of CDIC plans and progress to parliamentarians and all interested stakeholders through publications such as the Annual Report and Summary of the Corporate Plan.	• CDIC Annual Report and Summary of the Corporate Plan tabled in both houses of Parliament and available on CDIC's website each year. ▲

Legend: ▲ Planned progress on schedule and within budget.
▼ Slippage in terms of time to completion, and/or budget variances.
● Cancelled or deferred.

Past Financial Performance—2007/2008 and 2008/2009

The Consolidated Balance Sheet and Consolidated Statement of Income and Retained Earnings providing the progression of the 2007/2008 and 2008/2009 Plans are presented as Figures 8 and 9. These financial statements include the Corporation's financial results for 2007/2008 against its approved Plan for the same year, as well as the 2008/2009 forecast against Plan.

Effective April 1, 2005, the Corporation adopted Accounting Guideline 15—Consolidation of Variable Interest Entities (AcG-15), issued by the Canadian Institute of Chartered Accountants, which required that Adelaide Capital Corporation (ACC) be consolidated with CDIC. The impact of the consolidation of ACC on CDIC's March 31, 2008, financial statements was an increase in assets of $1.5 million and an increase in liabilities of $3 thousand, as well as an increase in total revenue of $14 thousand and an increase in total expenses of $10 thousand. As a result, the impact on the Corporation's retained earnings is $1.5 million.

Figure 8: Consolidated Balance Sheet
Progression of 2007/2008 and 2008/2009 Plans
as at March 31
($ millions)

	2008 Plan	2008 Actual	2009 Plan	2009 Forecast
Assets				
Cash	–	–	–	1
Investments	1,666	1,660	1,758	1,754
Accounts receivable	1	2	–	1
Income tax overpayment	–	–	–	5
	1,667	1,662	1,758	1,761
Capital assets	2	2	2	2
Claims receivable	–	–	–	–
	2	2	2	2
Future income tax asset	1	–	1	1
	1,670	1,664	1,761	1,764
Liabilities				
Accounts payable and accrued liabilities	5	4	4	4
Income tax payable	12	2	1	–
Future income tax liability	–	2	–	–
Provision for insurance losses	600	650	600	650
	617	658	605	654
Equity				
Retained earnings	1,053	998	1,156	1,110
Accumulated other comprehensive income	–	8	–	–
	1,670	1,664	1,761	1,764

Figure 9: Consolidated Statement of Income and Retained Earnings
Progression of 2007/2008 and 2008/2009 Plans
for the Year Ending March 31
($ millions)

	2008 Plan	2008 Actual	2009 Plan	2009 Forecast
Revenue				
Premiums	67	68	70	92
Interest on investments	63	64	65	52
Other revenue	–	1	–	–
	130	133	135	144
Expenses				
Net operating expenses	23	23	25	25
Adjustment to provision for insurance losses	–	50	–	–
	23	73	25	25
Net income before recoveries and income tax	107	60	110	119
Recovery of amounts previously written off	13	1	–	–
Income tax expense	(13)	(13)	(13)	(7)
Net income	107	48	97	112
Retained earnings, beginning of year	946	950	1,059	998
Retained earnings, end of year	1,053	998	1,156	1,110

Commentary: 2007/2008 Actual to Plan

Net income was $48 million for the year ended March 31, 2008, $59 million lower than planned. This negative variance is due primarily to the higher-than-planned adjustment to CDIC's provision for insurance losses and to the lower-than-planned recoveries of amounts previously written off, offset by higher-than-expected revenue.

Premium revenue was $68 million, or $1 million higher than planned. This difference is the result of higher-than-expected insured deposits leading to higher premium revenue.

Interest on investments was $64 million, $1 million higher than planned due to higher-than-anticipated yields on investments.

Recoveries of amounts previously written off were $12 million lower than planned due to delays in anticipated recoveries from certain estates.

Net operating expenses were the same as those planned.

The **provision for insurance losses** at the end of 2007/2008 was $650 million, $50 million higher than estimated in the Plan. The increase reflected management's view of increasing insurance risks based on data suggesting that credit strains were broadening and deepening, as well as on rising estimates of write-downs by many banks.

Retained earnings were $55 million lower than planned. This variance primarily reflects an increase in CDIC's provision for insurance losses, as well as lower-than-expected recoveries of amounts previously written off.

Commentary: 2008/2009 Forecast to Plan

Net income is forecast to be $112 million, or $15 million higher than planned, due to higher-than-planned premium revenue.

Premium revenue is expected to exceed Plan by $22 million due to a higher-than-planned increase in insured deposits and the movement of members between differential premiums categories.

Interest on investments is forecast to be below Plan by $13 million. This is the result of lower-than-expected yields on investments.

Net operating expenses are expected to be as planned.

The **provision for insurance losses** is expected to remain at $650 million.