Summary of the

CORPORATE PLAN

Be informed. Protect your savings.

2011/2012 to 2015/2016

Including a Summary of the 2011/2012 Operating and Capital Budgets, and Borrowing Plan

CDIC
Canada Deposit
Insurance Corporation

Canada

CDIC'S FIVE-YEAR PLAN AT A GLANCE

OUR OPERATING ENVIRONMENT

- In general, member institutions have benefitted from low interest rates and have reported strong operating results in 2010. This may be impacted, however, should Canadian interest rates rise and U.S. economic growth decelerate.
- Other changes impacting CDIC include new powers it received in 2009/2010, which it must continue to operationalize within the planning period.

KEY PLANNING ASSUMPTIONS

- No significant changes to CDIC's statutory objects.
- Although risk in the Canadian financial system has been higher in the past few years, the Plan assumes no failures of member institutions.
- The number of member institutions is expected to stay relatively stable.
- Growth in insured deposits is forecast to be 4% annually.
- The target range for *ex ante* funding is assumed to remain between 40 and 50 basis points of insured deposits.
- *Pro forma* premium revenue is projected based on a doubling of differential premium rates over 2008 for the 2011 premium year with rates remaining at 2011 levels throughout the remainder of the planning period.
- Average yield on cash and investments is assumed to be 2.2%.

2011 PREMIUM RATES

Category 1 *(best rated)*	2.8 basis points of insured deposits
Category 2	5.6 basis points of insured deposits
Category 3	11.1 basis points of insured deposits
Category 4 *(worst rated)*	22.2 basis points of insured deposits

CDIC'S THREE CORPORATE STRATEGIES AND SUPPORTING INITIATIVES

Strengthening Monitoring and Resolution Capabilities—CDIC monitors all developments that affect the Corporation and its membership. The Corporation anticipates and reacts to its evolving environment and manages its insurance risk as well as maintains solid expertise in core areas of insurance, risk monitoring, and resolutions. CDIC will continue to focus on key aspects of readiness through:

- ongoing enhancement of its non-payout intervention preparedness (including the expansion of its capability with regard to bridge institution resolution)
- training and testing of intervention tools
- upgrades to its payout application to ensure that it can accommodate faster payment of insured deposits and support a bridge institution* resolution
- continued active membership in the International Association of Deposit Insurers (IADI) by providing leadership and support to many of IADI's initiatives

* Bridge institution: A CDIC-owned institution, established temporarily and designed to preserve critical functions of a failed member institution and help maintain financial stability.

Promoting Public Awareness of Deposit Insurance—CDIC works to increase public awareness of deposit insurance and of its benefits and limits. Long-term awareness strategies build on past initiatives and reflect the evolving environment and current realities of depositors. This strategy will be carried out through a range of targeted and multi-year activities intended to sustain depositors' awareness and understanding of CDIC deposit insurance, including the $100,000 deposit insurance limit, and the types of financial products that are covered and not covered by CDIC.

Maintaining Efficient and Effective Operations—CDIC is committed to fulfill its mandate in the most efficient and effective manner. CDIC proactively manages its significant risks, maintains sound governance, and interacts with its key stakeholders on a regular basis. During the planning period, CDIC will focus on maintaining best-in-class employee satisfaction scores, continuing its business continuity and pandemic preparedness efforts, and managing its operations in a cost-effective manner.

FINANCIAL HIGHLIGHTS

For 2011/2012, CDIC projects net income after income taxes to be $213 million, based on total revenue of $248 million (consisting of $213 million in premium revenue and interest revenue of $35 million), with projected net operating expenses of $34 million and income taxes of $1 million. Interest revenue during the planning period is projected to cover CDIC's operating expenses and, therefore, premium revenue will be directed entirely to building *ex ante* funding. Capital expenditures are projected to be $4.7 million, the majority of which will be CDIC's share (with the Office of the Superintendent of Financial Institutions and the Bank of Canada) of costs in support of the redevelopment of the Tri-Agency Data Sharing System. There is also a noteworthy drop in premium revenue expected for 2012/2013 due to proposed financial incentives for members related to their compliance with CDIC's new data and systems requirements by-law. CDIC does not receive government appropriations and currently has no debt. The Corporation does not anticipate the need to borrow funds over the next five years.

Additional highlights appear in the following table.

FORECAST FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING MARCH 31

	2011	Plan				
	Forecast	2012	2013	2014	2015	2016
Selected Balance Sheet Items ($ millions)						
Investments	2,207	2,415	2,543	2,760	2,999	3,251
Provision for insurance losses[a]	1,100	1,100	1,100	1,100	1,100	1,100
Retained earnings	1,110	1,323	1,441	1,666	1,902	2,153
Selected Income Statement Items ($ millions)						
Premium revenue	253	213	98	203	211	220
Interest on investments	33	35	49	66	72	78
Other revenue	—	—	14	—	—	—
Net operating expenses	33	34	34	35	36	36
Net income	253	213	118	225	236	251
***Ex Ante* Funding[b]**						
Ex ante level ($ millions)	2,210	2,423	2,541	2,766	3,002	3,253
Ex ante level (basis points of insured deposits)	37	39	39	41	43	44
Projected Insured Deposits ($ billions[c])	602	627	652	678	705	733

[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 which currently translates into a range of approximately $2.4 billion to $3.0 billion.

[c] Insured deposits are calculated at April 30 each year. The amount presented for the year ended March 31 is therefore reflective of the previous April 30 calculation.

CDIC'S RESPONSE TO FEDERAL BUDGET 2010 COST CONTAINMENT MEASURES

Federal direction to Crown corporations financed by appropriations requires freezing operating expenditures at 2010/2011 levels for 2011/2012 and 2012/2013. Self-financing Crown corporations, such as CDIC, are expected to adhere to the spirit and intent of these measures. Implementation guidance provided by Treasury Board Secretariat (TBS) stated that funding required to address new Federal Budget 2010 initiatives is outside of these measures.

CDIC'S 2010/2011 OPERATING BUDGET—COST CONTAINMENT

CDIC has satisfied all Federal Budget 2010 cost containment requirements in the current year (2010/2011) by thoroughly reviewing all expenditures and identifying areas for containing costs. Specifically, the 2010/2011 operating budget was kept at 2009/2010 levels through the following:

- cutting expenditures by $1.6 million by cancelling, deferring or reducing the scope of numerous projects
- restricting increases in employee compensation to 1.5%
- maintaining travel, hospitality and conference budgets at 2008/2009 levels

CDIC'S 2011/2012 OPERATING BUDGET—COST CONTAINMENT

CDIC has extended most of the current year cuts in order to maintain a flat core operating budget for 2011/2012 (excluding Federal Budget 2009 and 2010 initiatives) and has absorbed within the existing budget costs associated with succession planning for upcoming retirements. Nonetheless, the Corporation's 2011/2012 operating budget overall contains an increase of $1.5 million (4.5%) over the 2010/2011 operating budget in order to continue to successfully address the priorities that were outlined in Federal Budget 2009 and Federal Budget 2010. CDIC's 2011/2012 net operating budget is $34.4 million.

Over the past few years, CDIC has been working with its safety net partners to enhance the resolution framework including for large financial institutions. In support of Federal Budget 2009, this work, which is led by the Department of Finance, includes CDIC's bridge institution resolution powers. Federal Budget 2010 added new information and capability requirements for member institutions in support of the prompt reimbursement of depositors. These projects involve complex, multi-year initiatives which are currently underway.

CDIC'S 2012/2013 OPERATING BUDGET

In support of the Federal Budget 2010 cost containment measures, CDIC will also work towards maintaining its 2012/2013 operating budget flat at 2011/2012 levels.

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CDIC
Canada Deposit Insurance Corporation

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. As a result, CDIC has an environment of high employee satisfaction and a culture of mutual respect. Our employees reflect the various backgrounds and cultures of Canada which brings strength to our organization.

FOR MORE INFORMATION ABOUT CDIC

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

Catalogue Number: CC392-1/2011

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1. INTRODUCTION TO CDIC

WHO WE ARE

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). The Corporation 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, and promotes and otherwise contributes to the stability of the financial system in Canada. This work is pursued for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.

CDIC PROVIDES DEPOSIT INSURANCE PROTECTION

$100,000 DEPOSIT INSURANCE COVERAGE

What's covered?

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

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

What's an eligible deposit?

Eligible deposits include:

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

Deposits must be payable in Canada, in Canadian currency.

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

What's not covered?

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

CDIC MANAGES DEPOSIT INSURANCE RISK

To manage its insurance risk, CDIC conducts regular risk assessments of its members and monitors their financial performance. CDIC relies on the Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des marchés financiers (AMF) to conduct annual examinations of member institutions on its behalf. CDIC works closely with these regulators—for example, in determining actions to be taken against member institutions, where circumstances warrant.

In certain situations CDIC conducts special and preparatory examinations to assess its risk in a troubled member institution. CDIC also has the power to assess premium surcharges and take action when required—for example, reimbursing insured depositors.

The Corporation is funded by premiums that are assessed on the insured deposits of member institutions as at April 30 of each year. CDIC utilizes a differential premiums structure consisting of four premium categories; the rate for each category ranged in 2010/2011 from 2.3 to 18.5 basis points of insured deposits. Rates for 2011/2012 will range from 2.8 to 22.2 basis points of insured deposits.

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 2010, member institutions numbered 84. The last member failure occurred in 1996. In total, there have been 43 member failures since 1967.

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
2009/2010	Category 1—1.9 Category 2—3.7 Category 3—7.4 Category 4—14.8
2010/2011	Category 1—2.3 Category 2—4.6 Category 3—9.3 Category 4—18.5

OUR BOARD OF DIRECTORS AND OFFICERS

The Corporation's affairs are governed by a Board of Directors comprised of the Chairperson, 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, and five private sector Directors.

CDIC's Board has four standing committees—the Audit Committee, the Human Resources and Compensation Committee, the Governance and Nominating Committee, and the Executive Committee.

Additional information on these committees and on how CDIC is governed can be found on our website at: **www.cdic.ca**.

CDIC BOARD OF DIRECTORS

(as at December 31, 2010)

Chairperson

Bryan P. Davies
Chair of the Board

Private Sector Directors

George Burger
President and CEO
Spotlight Television Inc.
Toronto

Les Cannam
Partner
Meyers Norris Penny LLP
Saskatoon

John McFarlane
Partner
Stewart McKelvey
Halifax

Éric Pronovost
Chartered Accountant
Trois Rivières

Shelley M. Tratch
Lawyer
Vancouver

Ex Officio Directors

Mark Carney
Governor
Bank of Canada

Julie Dickson
Superintendent of Financial Institutions
Office of the Superintendent
of Financial Institutions

Michael Horgan
Deputy Minister
Department of Finance

Ursula Menke
Commissioner
Financial Consumer Agency of Canada

Ted Price
Assistant Superintendent, Supervision Sector
Office of the Superintendent of Financial
Institutions

Alternates (for *Ex Officio* Directors)

Agathe Côté
Deputy Governor
Bank of Canada
(alternate for the Governor of the Bank of Canada)

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

CDIC OFFICERS

(as at December 31, 2010)

Michèle Bourque
President and Chief
Executive Officer

Jeffrey A. Johnson
Senior 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

2. CDIC'S FIVE-YEAR PLAN

OPERATING ENVIRONMENT

CDIC monitors economic and membership trends and stays abreast of ongoing and emerging issues in the regulatory environment, developments of potential concern to consumers and in its own corporate environment. By virtue of this work, CDIC is able to regularly assess issues and risks that may have an impact on depositors, on CDIC's membership and directly on the Corporation.

LEGISLATIVE ENVIRONMENT

Federal Budget 2010 introduced the following legislative proposals that impact CDIC:

1. Measures to enhance CDIC's resolution tools, including clarifying the timing of insurance determinations, as well as the authority to make a by-law enabling CDIC to require members to provide information and capabilities with respect to their deposit liabilities—in order to facilitate prompt payment of insured deposits and to facilitate the implementation of a bridge institution (legislation now in force).

2. The introduction of a legislative framework to enable provincial credit unions to incorporate and operate federally, which means that such federal credit unions would become CDIC members (legislation not yet in force—as at December 31, 2010).

3. The introduction of legislation setting out a framework for covered bonds.

CDIC is also participating in the 2012 Federal Financial Legislative Review process, and is involved with its safety net partners in examining approaches to resolve large financial institutions.

ECONOMIC ENVIRONMENT

To date, the global economic recovery has been modest and uneven. With households and businesses likely to be restrained in their spending, the global recovery is expected to be more gradual than originally anticipated.

Canada's recovery has been stronger than that of its G-7 peers, driven by consumer spending, strong commodity prices and government stimulus measures, all supported by a stable and healthy financial system. Nonetheless, Canadian household balance sheets are becoming increasingly stretched. In a series of analyses over the past year, the Bank of Canada has found that Canadian households are increasingly vulnerable to changes in economic conditions or borrowing costs.

MEMBERSHIP ENVIRONMENT

In general, the membership environment has improved over last year, and CDIC members have benefitted from low interest rates and have experienced strong operating results in 2010. It remains to be seen, however, whether this can be maintained as flat to rising interest rates impact Canada, and as U.S. economic growth potentially decelerates. In particular, our large bank members remain sensitive to global liquidity, market and sovereign risks, and profits are still susceptible to volatility in capital market activities.

For CDIC members, loan loss provisions have declined in 2010 while impaired loan balances, which peaked in the last quarter of 2009, have stabilized. Even with the noted improvements this year, both asset quality measures remain at historically elevated risk levels. Canadian banks remain well capitalized in comparison to their international peers and appear to be well positioned to meet Basel III requirements; however, the implementation of these standards and International Financial Reporting Standards (IFRS) may stress their capital base and leverage ratios.

CDIC's membership, as at December 31, 2010, stands at 84.

CONSUMER ENVIRONMENT

Growth in personal deposits and in insured deposits has significantly abated since last year, which could suggest that Canadians, as a whole, are increasingly confident about the future, and are expecting a continued improvement in the economy over the next year. However, the volatility of other indicators, such as personal spending, job creation and housing prices, suggests that this confidence is still fragile and highlights the importance of CDIC continuing to inform Canadians about the safety of their deposits. As consumer confidence improves, it will likely be increasingly difficult to maintain or raise public awareness levels of CDIC and its coverage.

Financial institutions continue to play a key role as partners for informing Canadians about CDIC and its coverage. Even if depositors are increasingly seeking out information online, they still like to talk with their financial advisor or banker directly, if only to clarify or confirm their understanding.

SIGNIFICANT RISKS AND KEY PLANNING ASSUMPTIONS

OVERVIEW OF OUR SIGNIFICANT RISKS

CDIC is exposed to four categories of risk stemming from its statutory objects and the conduct of its affairs: insurance, operational, financial and reputation.

CDIC's Board of Directors has formalized its risk governance responsibilities, and has also established expectations of CDIC management with respect to supporting the Board in its governance. CDIC has implemented an Enterprise Risk Management (ERM) program to identify and manage key risks of the Corporation.

Management has concluded that CDIC's overall risk remains acceptable. This conclusion is based on the most recent annual ERM assessment results as at March 31, 2010 (presented in CDIC's 2010 Annual Report), and a review of any significant changes since that time.

INSURANCE RISKS

Consistent with the assessment as at March 31, 2010, intervention risk, one of our key insurance risks, remains cautionary. A member institution failure would have a major impact on CDIC's operations, and a resolution to handle such a failure would require substantial resources. For the first three quarters of 2010/2011, CDIC continued to make improvements in its overall capability and capacity to conduct both payout and non-payout resolutions for larger member institutions.

OPERATIONAL RISKS

Overall, CDIC's operational risks remain acceptable at this time, with the exception of people risk, which continues to be elevated due to the Corporation's reliance on a core level of employees with in-depth knowledge and expertise in deposit insurance. Process risk remains acceptable, but is showing an increasing trend due to process changes required relating to the implementation of IFRS and new Crown corporation quarterly reporting requirements. Other operational risks remain acceptable and stable, although subject to additional pressure due to work being undertaken in relation to the operationalization of bridge institution resolution tools and CDIC's new data and system requirements for members.

FINANCIAL RISKS

CDIC's financial risks (liquidity, market and credit risk) are conservatively managed and, collectively, continue to be acceptable and stable. This reflects that the management of these risks is governed by conservative Board financial risk policies, which ensure that funds are available quickly and without material compromise to their value. CDIC maintains an investment portfolio which provides the first source for operating liquidity, and also provides a source of funds in the event of an intervention. The Corporation has access to recently increased borrowing capacity and may also request an appropriation from Parliament for amounts in excess of its authorized limit, should the need arise.

REPUTATION RISK

Reputation risk continues to be acceptable as it is mitigated by: a strong deposit insurance system; CDIC's public awareness campaign to inform Canadians about deposit insurance coverage; CDIC's focus on intervention readiness; and maintaining good coordination among safety net players.

ASSESSMENT AND REPORTING OF RISKS

CDIC is currently in the process of finalizing its formal annual assessment of these risks and will report on the results of this work in its 2011 Annual Report. In addition, CDIC has also implemented a program of regular review of internal controls over financial reporting, based on risk-based cyclical testing and annual reporting. The testing of CDIC's internal controls over financial reporting is coordinated with the work of CDIC's internal audit function and, as appropriate, with the ERM process.

KEY PLANNING ASSUMPTIONS

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

1. **No significant changes to CDIC's statutory objects or the elements of deposit insurance are expected during the planning period.**

2. **Although risk in the Canadian financial system has been higher in the past few years, the working assumption supporting this 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, previous experience suggests that, from time to time and, in particular, during difficult economic times, individual member institutions will face viability or solvency problems that require intervention by CDIC. The timing and circumstances surrounding such events are difficult to predict, as are the internal resource implications for each situation.

   The Corporation can handle a payment of insured deposits of approximately $19 billion—comprised of its current level of *ex ante* funding plus authorized borrowing capacity of $17 billion as at December 31, 2010. Payouts or resolution activities requiring liquidity beyond $19 billion would necessitate additional funding through an appropriation act.

   In the event of the failure of a member institution, CDIC would make use of its legislative authorities to resolve the situation in a manner that is timely and meets CDIC's mandate.

3. **The total number of CDIC member institutions will not change significantly during the planning period.** This assumption reflects recent experience of the number of new members being partially offset by consolidation among CDIC's membership.[1]

4. **Growth in insured deposits is forecast to be 4% annually throughout the planning period.** Insured deposit growth is affected by a variety of factors including overall economic growth, interest rates, disposable income growth, and the manner in which income and financial savings are allocated among a variety of financial instruments.

5. **The target range for the amount of *ex ante* funding is assumed to remain at between 40 and 50 basis points of insured deposits.** This translates into a range of approximately $2.4 billion to $3.0 billion based on levels of insured deposits as at April 30, 2010. Changes in the annual rate of growth in insured deposits, as well as changes to CDIC's annual revenue stream, continually impact *ex ante* funding and the time projected to reach the bottom of the target range. Therefore, the Corporation will review its progress towards the target range for *ex ante* funding regularly during the planning period.

[1] At the time this Summary was prepared, recent legislation allowing provincial cooperative credit unions to apply to become federal cooperative institutions, and members of CDIC, was not yet in force.

6. **The 2011 differential premium year rates, in basis points of insured deposits, are: Category 1—2.8; Category 2—5.6; Category 3—11.1; and Category 4—22.2.** These rates reflect a final one-third increase over 2008 differential premium year rates for the 2011 premium year—this increase, combined with similar increases in 2009 and 2010, results in a doubling of differential premium rates over those of 2008 for the 2011 premium assessment year. Premium rates are expected to remain at 2011 levels for the remainder of the planning period. The actual premiums paid by member institutions are expected to be impacted by the incentives in 2012/2013 related to member compliance with CDIC's data and system requirements.

7. **CDIC assumes an average yield on cash and investments of 2.2%.** This assumption was derived from the yield curve as at the end of 2010, and applying a weighting of these rates to CDIC's actual investment portfolio and its existing maturity structure, based on policies approved by CDIC's Board of Directors.

CORPORATE STRATEGIES AND SCORECARD FOR THE PLANNING PERIOD

In developing its Corporate Plan, CDIC carefully reviewed its corporate objects, powers and strategies, taking into consideration its operating environment and the level and nature of risks faced by the Corporation. Three corporate strategies were identified to allow CDIC to continue to successfully fulfill its mandate and guide its activities over the planning period (April 1, 2011, to March 31, 2016):

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

Highlights of the initiatives and plans that support each corporate strategy are presented below, followed by a Corporate Scorecard that sets out performance indicators for key initiatives. The supporting financial and resource budgets are included as Part 3 of this Summary.

STRENGTHENING MONITORING AND RESOLUTION CAPABILITIES

Over the planning period, CDIC will continue to focus on enhancing our readiness for a member institution failure, including increased monitoring of the risk of our membership, expansion of our payout capacity, and broadening our non-payout approaches to resolution.

The following table and descriptive summaries provide an overview of CDIC's performance outcomes and 2011/2012 initiatives as they relate to the Corporation's efforts regarding Strengthening Monitoring and Resolution Capabilities during the planning period.

2011/2012 TO 2015/2016 PERFORMANCE OUTCOMES

Membership Risk Monitoring

- CDIC is able to assess and understand risks posed by its member institutions, supporting prompt response to potential risks and preparedness to intervene.

Ready to Intervene in Any Member Failure Scenario

Readiness for Payout:

- CDIC is ready to successfully complete a payment of up to one million depositors within 20 days.

Readiness for Non-Payout Resolutions:

- CDIC is ready to implement non-payout resolutions for mid-sized and larger member institution failures (including a bridge institution).

Access to Intervention Resources

- CDIC has sufficient powers and access to appropriate resources to intervene in the failure of any member institution.

Crisis Communications

- CDIC is able to communicate efficiently and effectively with all key stakeholders in the event of a member institution failure.

International Collaboration

- CDIC continues to collaborate and exchange information with international partners, contributing to the development of best practices in deposit insurance and providing assistance to countries establishing or reforming their deposit insurance systems.

2011/2012 KEY INITIATIVES

MEMBERSHIP RISK MONITORING

TRI-AGENCY DATA SHARING SYSTEM (TDS) REDESIGN AND REPLACEMENT

It is crucial for CDIC to promptly identify and respond to potential membership risks. The Corporation continuously monitors the economic and financial environment, tracking emerging issues and risks that may affect our member institutions. We also monitor the risk profile and financial performance of individual members and of the membership as a whole. In doing so, we rely primarily on supervisory information from the Office of the Superintendent of Financial Institutions (OSFI) and regulatory filings from our members.

During the planning period, CDIC will participate in the redesign and replacement of the TDS, a system that was initially developed and funded jointly by the Bank of Canada, OSFI and CDIC in 1999 to collect and share financial information from financial institutions. The financial and resource plans presented in Part 3 of this document reflect current estimates of CDIC's share of costs associated with this initiative as total costs of the project have not yet been fully determined.

READY TO INTERVENE IN ANY MEMBER FAILURE SCENARIO

READINESS FOR PAYOUT

Large Payout Capacity Enhancement Project

This work will bring to completion the four-year Large Payout Capacity Enhancement project. The last elements to be completed in 2011/2012 include the expansion of payment capacity to one million depositors and an enhanced Depositor Self-Service (DSS) facility to provide more online information to depositors awaiting payment, thereby reducing the number of customer representatives required to handle depositor telephone calls in the event of a failure. In addition, auditing functionality will be augmented to facilitate not only ongoing tracking during a payout but also post-payout review.

Payout Simulation of One Million Depositors

In 2011/2012, CDIC will be conducting a payout simulation of up to one million depositors. In addition to the testing of volume capacity, the simulation will include a time frame of full payment within 20 days, as well as challenges related to communications connectivity. All modules within ROADMAP (CDIC's in-house developed payout application) and important functions requiring the coordination of external as well as internal resources will be tested during this important simulation.

Fast Insurance Determination Project

In the event that a member institution should fail, CDIC is obliged to make payments to depositors in accordance with its insurance rules, in a timely manner. In order to determine the amounts owing to depositors, deposit liability information would be extracted from the failed institutions' systems and loaded into our ROADMAP system. ROADMAP then organizes deposit information so that payments of insured deposits can be made to depositors. In 2010/2011, a new by-law was passed that will require member institutions to adhere to specific data and system requirements in order to facilitate a Fast Insurance Determination (FID) by CDIC.

In 2011/2012, CDIC will make other enhancements to ROADMAP in conjunction with the implementation of FID requirements. In addition, CDIC will develop portable solutions that will permit on-site testing of member institutions' compliance with the data and systems requirements. This capability is critical in supporting a bridge institution resolution (described below).

READINESS FOR NON-PAYOUT RESOLUTIONS

Bridge Institution Implementation

In 2009, CDIC was provided with the authority to establish a bridge institution to resolve the failure of one of its member institutions. In 2011/2012, CDIC will continue to operationalize its bridge institution resolution tool. Preparations include the refinement of various legal, communications, governance, funding, operational and other plans.

Institution-Specific Resolution Plan

Following the recent financial crisis, the Financial Stability Board (FSB) has been given a mandate to facilitate resolution planning, with a focus on the feasibility of resolution plans, their effectiveness in reducing the "too-big-to-fail problem," and tackling cross-border obstacles. As the resolution authority for its member institutions, CDIC is working with OSFI and other agencies on implementing this international agenda.

ACCESS TO INTERVENTION RESOURCES

REVIEW OF FUNDING METHODOLOGY AND TARGETS

CDIC will conduct a rigorous assessment of its funding available to respond to failures during the planning period. Adequacy of funding is critical to meet the Corporation's objects and there has been much attention on funding for deposit insurers internationally due to the financial crisis. As a result, CDIC plans to assess its funding sources including an assessment of the *ex ante* funding methodology and target range. Although this assessment was originally planned for 2010/2011, it has been deferred to 2011/2012 to better align with other related work being conducted.

CONTINGENT WORK FORCE ARRANGEMENTS

During the planning period, CDIC will also review its current contingent work force arrangements which can be used to support CDIC staff in the event of an intervention scenario.

CRISIS COMMUNICATIONS

Over the planning period, CDIC will update its depositor self-serve website and crisis communications tools and will also implement a social media strategy.

INTERNATIONAL COLLABORATION

Through its membership in the International Association of Deposit Insurers (IADI), CDIC has been involved in the development of an internationally agreed upon set of core principles for deposit insurance as well as a methodology to assess countries' compliance with these core principles. In 2011/2012, CDIC's international projects will include supporting CDIC's President and CEO in her role as a member of the IADI Executive Council and the IADI Guidance Group in implementing the IADI/Basel Committee Core Principles. CDIC has also committed to undertake a review and update of its 2004 work on the IADI differential premium system guidance which is anticipated to be completed in 2011/2012. CDIC is chairing the IADI sub-committee responsible for the project.

CDIC will be coordinating assistance to countries establishing or reforming their deposit insurance systems; increasing the sharing of best practices in deposit insurance; and assessing the potential for increased cooperation in the event of a cross-border failure. During 2011, the Corporation will participate in the Financial Stability Board (FSB) Review of Resolution and Deposit Insurance Practices in Canada.

In 2012, CDIC will take part in the International Monetary Fund/World Bank Financial Sector Assessment Program (FSAP) review of Canada.

PROMOTING PUBLIC AWARENESS OF DEPOSIT INSURANCE

CDIC works to increase and better sustain public awareness of deposit insurance and of its benefits and limits. CDIC's long-term awareness strategies build on past initiatives and address the evolving environment, including risks to depositors.

The following table and descriptive summaries provide an overview of CDIC's performance outcomes and 2011/2012 initiatives in support of Promoting Public Awareness of Deposit Insurance during the planning period.

2011/2012 TO 2015/2016 PERFORMANCE OUTCOMES

Awareness of CDIC

- Sustained total awareness of CDIC by the general public so that one in two Canadians is aware of CDIC.

Awareness of Deposit Insurance Limit

- Sustained awareness of the $100,000 deposit insurance limit by the general public so that one in five Canadians is aware without being prompted of the $100,000 coverage limit.

2011/2012 KEY INITIATIVES

AWARENESS OF CDIC AND ITS DEPOSIT INSURANCE LIMIT

LONG-TERM PUBLIC AWARENESS STRATEGY AND PLAN

CDIC and its membership are operating in an improving economic environment which lessens consumer concerns about deposit protection and, correspondingly, translates into consumers paying less attention to protection messaging. While sustaining public awareness of CDIC and deposit insurance remains a priority, the existing environment is likely to have a downward influence on public awareness levels during Year Three of our Long-Term Public Awareness Strategy and Plan in 2011/2012.

Our Long-Term Public Awareness Strategy and Plan continues to be aimed at the general public, with a current emphasis on the 50+ age group. The rationale behind this focus is the greater financial vulnerability of this group, as they are closer to retirement and the amount and type of products they own could put them at greater risk of loss in the event of a failure, with less ability to recover from loss. Our main message is to inform the public about CDIC, deposit insurance and the coverage limit. CDIC's campaign also continues to have a strong call to action aimed at driving the public to learn more from their financial institution, as well as through CDIC's website and call centre.

For 2011/2012, CDIC will air two flights of TV advertising together with print, online advertising and search engine marketing.

ONGOING OUTREACH

Working with partners remains a key aspect of our communication and outreach activities. Our partners include, among others, the Registered Deposit Brokers Association (RDBA), and financial and consumer associations such as CARP (Canada's Association for the 50 Plus). Other planned activities include continued production of matte stories to be distributed to newspapers, online publications and radio stations across Canada, and CDIC's participation in consumer shows targeting the 50+ age group.

Over the planning period, CDIC expects to sustain awareness levels so that one in two Canadians is aware of CDIC and one in five Canadians is aware, without being prompted, of the $100,000 coverage limit.

MAINTAINING EFFICIENT AND EFFECTIVE OPERATIONS

CDIC preserves the public's confidence by fulfilling its mandate in an efficient and effective manner. CDIC manages its significant risks, maintains sound governance and interacts with its key stakeholders on a regular basis.

The following table and descriptive summaries provide an overview of CDIC's performance outcomes and 2011/2012 initiatives as they relate to the Corporation's efforts in Maintaining Efficient and Effective Operations over the course of the planning period.

2011/2012 TO 2015/2016 PERFORMANCE OUTCOMES

Engaged and Stable Work Force

- CDIC achieves best-in-class engagement/satisfaction scores on employee surveys.
- Employees are provided with sufficient/appropriate training and development opportunities.
- Appropriate succession plans are in place to address upcoming retirements.

Sustainability of Infrastructure and Operations

- Information systems (IS) resources are focused on CDIC's core/mandated business activities.

Sound Financial Resources Management

- CDIC is able to manage its operations in a cost-effective manner, while meeting its statutory obligations and adhering to existing cost containment measures.

Assessing Corporate Risks

- CDIC is able to identify and assess its significant risks within a more streamlined process.

2011/2012 KEY INITIATIVES

ENGAGED AND STABLE WORK FORCE

EMPLOYEE ENGAGEMENT/SATISFACTION SURVEY

CDIC regularly surveys its employees in order to gauge satisfaction and engagement. The most recent engagement survey (2009/2010) revealed that CDIC continues to have satisfaction and engagement scores that are above the best-in-class level of 75%. Employees believe that CDIC is a great place to work; this is corroborated by CDIC's low turnover rate. The results of an employee survey planned for 2011/2012 are expected to provide valuable insight into CDIC's leadership, ethics/values, employee morale, internal communications, and the effectiveness of human resources (HR) programs and practices.

LEARNING AND GROWTH

Continuous learning is critical in allowing the Corporation to adapt and respond to sudden changes affecting its members. To this end, CDIC will adopt a more targeted approach to the type of learning and development activities offered to employees and will conduct a review of training related spending to maximize the Corporation's investment. Supervisors will be encouraged to leverage the performance management program and resulting discussions with employees to identify gaps in skills. The HR team will then identify learning and development resource materials to address these gaps and make such materials easily accessible to employees.

SUCCESSION MANAGEMENT

CDIC will seek to build headcount flexibility to ensure that appropriate hiring, promotion and planning decisions can take place to complement CDIC's succession plans.

SUSTAINABILITY OF INFRASTRUCTURE AND OPERATIONS

CDIC's Information Systems (IS) Department provides information technology (IT) capabilities to business areas in support of the achievement of corporate objectives. The IS Strategic Plan sets out deployment of IT solutions to ensure the department supports and aligns its capabilities to the objectives of the Corporation, which includes:

- development of specialized applications to support CDIC's mandate
- continued investment in virtualization technologies
- use of portal and other technologies
- investment in technical capabilities to support the recovery of systems at the business recovery site

The number of projects being undertaken by the IS Department in support of CDIC's mandate will ensure that activities in 2011/2012 are focused on IS capacity for intervention readiness initiatives and in support of core IT services.

CDIC's Business Continuity Management (BCM) Program will continue to focus on maintaining fully operational business continuity plans for each area of the Corporation and in relation to pandemic preparedness. Within the planning period, there will be regular testing of the BCM program as well as updating of related information as required.

CDIC's shared back-up site will also undergo extensive renovations by the Bank of Canada and, as such, the Corporation will work with the Bank of Canada to ensure CDIC's business continuity plans are minimally impacted.

SOUND FINANCIAL RESOURCES MANAGEMENT

The sound management of financial resources is taken very seriously at CDIC, and the Corporation has established processes and procedures to help ensure that financial resources are prudently utilized. Throughout the year, forecasts are revised and updated, and actual expenditures and comparisons to plan are reviewed at a detailed level with cost containment taken into consideration.

CDIC is committed to not exceeding its 2011/2012 budget of $34.4 million and to maintaining restrictions on travel, hospitality and conference expenses, as requested by the Minister of Finance.

ASSESSING CORPORATE RISKS

Since 2005, CDIC has developed a comprehensive cross-divisional process to identify, assess, manage and mitigate significant corporate risks. With its Enterprise Risk Management (ERM) program now mature and the creation of a “risk aware” culture at CDIC, it is now possible to shift our focus to simplifying and streamlining the current ERM process without compromising the monitoring, management and reporting of CDIC’s significant corporate risks.

3. FINANCIAL AND RESOURCE PLANS

CDIC's five-year financial plan for 2011/2012 to 2015/2016 is based on the planning assumptions summarized in Part 2, and reflects the resources required to carry out the strategies and related initiatives planned for the period, also described in Part 2.

The Corporation's financial and resource plans reflect the spirit of the government's cost containment measures while balancing the need to rapidly develop and implement the processes needed to address new legislation and other initiatives. CDIC will continue to manage its operations and costs effectively by regularly reviewing activities and focusing resources on the most important initiatives.

The 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, Board approval will be requested for additional resources and budget.

EX ANTE FUNDING

CDIC requires appropriate financial resources for the proper functioning of its deposit insurance program. 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, should 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. 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.

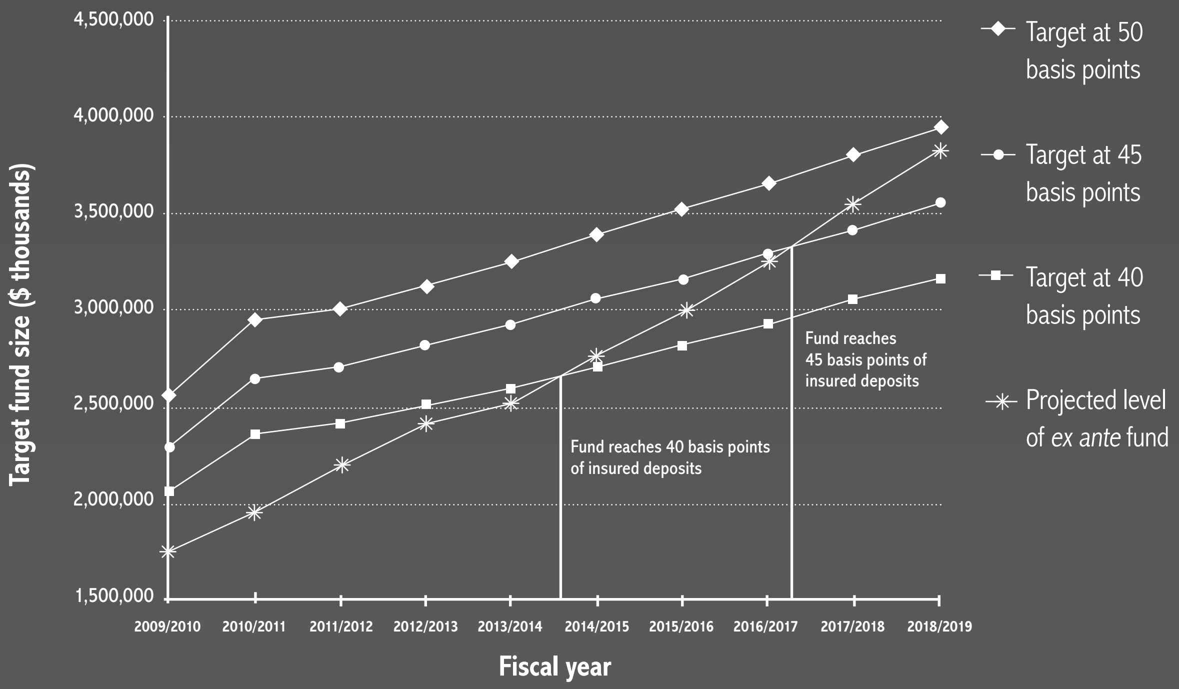
After careful consideration of this analysis, CDIC's Board of Directors established its *ex ante* funding target at 40 to 50 basis points of insured deposits. Subject to the analysis described below, at this point in time, such a level is considered appropriate to allow CDIC to effectively discharge its mandate on an expeditious basis.

The target for the amount of *ex ante* funding currently translates into a range of approximately $2.4 billion to $3.0 billion, based on levels of insured deposits as at April 30, 2010. As at March 31, 2010, the level of *ex ante* funding was $2.0 billion or 33 basis points of insured deposits.

Based on the assumption that premium rates will continue to increase by one third over 2008 levels in the 2011 premium year (resulting in a doubling of the differential premiums rates over those of 2008) and remain constant at 2011 levels for the remainder of the planning period, the bottom of the range is forecast to be reached during the planning period as shown in the graph on the next page (see Figure 1).

FIGURE 1

EX ANTE FUNDING PROGRESSION—FUND GROWTH TOWARDS TARGET



As outlined earlier, management is reviewing CDIC's funding arrangements to ensure they continue to be appropriate. CDIC plans to assess its funding sources, including its *ex ante* funding methodology and target range. Although the assessment was originally planned for 2010/2011, it has been deferred to 2011/2012 to better align with a broader review of pro-cyclicality issues related to deposit insurance. The Corporation will also work closely with the Department of Finance to ensure appropriate access to its authorized borrowing capacity.

FIVE-YEAR FINANCIAL PLAN

The Corporation's *Pro Forma* Unconsolidated Statement of Financial Position, Statements of Comprehensive Income and Changes in Equity, and Statement of Cash Flows are presented as Figures 2, 3 and 4, respectively. All figures are based on IFRS accounting policies, with the exception of 2009/2010 actuals, which reflect Canadian Generally Accepted Accounting Principles (GAAP).

Premium rates are fixed annually and take into consideration the Corporation's financial condition, the economic and financial environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the target range. Accordingly, actual retained earnings levels and premium revenue for the planning period may vary from the figures presented in this Plan.

HIGHLIGHTS OF THE FIVE-YEAR FINANCIAL PLAN

- The Corporation forecasts that it will reach the bottom of the *ex ante* funding target range within the five-year planning period based on the planning assumptions noted in Part 2.
- Premium revenue is forecast to total $945 million (Figure 3) over the five-year planning period. Member institutions will be offered a financial incentive in order to encourage earlier adoption of the *Data and System Requirements By-law* through the *Differential Premiums Amending By-law*. The incentive could reduce the financial impact on member institutions of making the required systems changes by June 30, 2012, and represents, for CDIC, a significant long-term investment in the Corporation's ongoing intervention readiness. The drop in forecast premium revenue in 2012/2013 of $115 million reflects the estimated foregone premium revenues should every member institution qualify for the early adoption incentive. Interest income on investments is forecast to total $300 million, and net operating expenses are budgeted at $175 million over the same period.
- The adequacy of the provision for 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 $1,100 million throughout the planning period, subject to review upon implementation of IFRS.
- The dominance of the investment portfolio over other assets is expected to continue. Investments are planned to increase to $3.3 billion by the end of the planning period from $2.4 billion as at March 31, 2012 (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 $41 million (Figure 3).

[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 2

PRO FORMA UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT MARCH 31
($ MILLIONS)

	2010 Actual	2011 Approved Plan	2011 Forecast	Plan 2012	Plan 2013	Plan 2014	Plan 2015	Plan 2016
ASSETS								
Cash and cash equivalents	—	1	1	1	1	1	1	1
Investments	1,954	2,148	2,207	2,415	2,543	2,760	2,999	3,251
Premiums receivable	—	—	—	—	—	—	—	—
Other current assets	1	—	1	1	1	1	1	1
Current assets	1,955	2,149	2,209	2,417	2,545	2,762	3,001	3,253
Capital assets (net)	3	5	6	7	6	6	6	5
Intangible assets (net)	1	—	2	4	4	3	2	1
Income taxes receivable	3	—	—	—	—	—	—	—
Deferred tax asset	1	—	—	—	—	—	—	—
	8	5	8	11	10	9	8	6
Total assets	1,963	2,154	2,217	2,428	2,555	2,771	3,009	3,259
LIABILITIES								
Accounts payable and accrued liabilities	7	2	5	3	12	3	5	5
Deferred premium revenue	—	—	—	—	—	—	—	—
Current liabilities	7	2	5	3	12	3	5	5
Post-employment benefit obligations	—	—	—	—	—	—	—	—
Deferred liabilities	—	—	2	1	1	1	1	1
Provision for insurance losses	1,100	800	1,100	1,100	1,100	1,100	1,100	1,100
Deferred tax liability	—	—	—	1	1	1	1	—
Total liabilities	1,107	802	1,107	1,105	1,114	1,105	1,107	1,106
EQUITY								
Retained earnings	857	1,352	1,110	1,323	1,441	1,666	1,902	2,153
Accumulated other comprehensive income (loss)	(1)	—	—	—	—	—	—	—
Total equity	856	1,352	1,110	1,323	1,441	1,666	1,902	2,153
	1,963	2,154	2,217	2,428	2,555	2,771	3,009	3,259

FIGURE 3

PRO FORMA UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31

($ MILLIONS)

	2010 Actual	2011 Approved Plan	2011 Forecast	Plan				
				2012	2013	2014	2015	2016
REVENUE								
Premium	198	180	253	213	98	203	211	220
Interest on investments	31	31	33	35	49	66	72	78
Other	—	14	—	—	14	—	—	—
	229	225	286	248	161	269	283	298
EXPENSES								
Operating	30	33	33	34	34	35	36	36
Increase (decrease) in provision for insurance losses	300	—	—	—	—	—	—	—
	330	33	33	34	34	35	36	36
Net income (loss) before income taxes	(101)	192	253	214	127	234	247	262
Income tax recovery (expense)	(1)	1	—	(1)	(9)	(9)	(11)	(11)
NET INCOME (LOSS)	(102)	193	253	213	118	225	236	251
OTHER COMPREHENSIVE INCOME								
Actuarial gains (losses) on defined benefit obligations	—	—	—	—	—	—	—	—
Income tax expense in respect of actuarial gains (losses) on defined benefit plans	—	—	—	—	—	—	—	—
Other comprehensive income for the year (net of tax)	—	—	—	—	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(102)	193	253	213	118	225	236	251

FIGURE 3 *(continued)*

PRO FORMA UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31

($ MILLIONS)

	2010 Actual	2011 Approved Plan	2011 Forecast	Plan				
				2012	2013	2014	2015	2016
RETAINED EARNINGS								
Balance at beginning of the fiscal year	959	1,159	857	1,110	1,323	1,441	1,666	1,902
Net income	(102)	193	253	213	118	225	236	251
Ending balance	857	1,352	1,110	1,323	1,441	1,666	1,902	2,153
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)								
Balance at beginning of the fiscal year	—	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	—
Ending balance	—	—	—	—	—	—	—	—
TOTAL EQUITY	857	1,352	1,110	1,323	1,441	1,666	1,902	2,153

FIGURE 4

PRO FORMA UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31
($ MILLIONS)

	2010 Actual	2011 Approved Plan	2011 Forecast	Plan 2012	2013	2014	2015	2016
OPERATING ACTIVITIES								
Net income (loss)	(102)	193	253	213	118	225	236	251
Add (deduct) items not involving cash:								
Increase (decrease) in provision for insurance losses	300	—	—	—	—	—	—	—
Depreciation and amortization	1	1	1	2	2	2	2	2
Deferred taxes	—	(1)	(1)	—	—	—	—	(1)
Charge for defined benefit plans	—	—	—	—	—	—	—	—
Change in working capital								
(Increase) decrease in premiums receivable	—	—	—	—	—	—	—	—
(Increase) decrease in other current assets	1	—	—	—	—	—	—	—
Increase (decrease) in accounts payable and other accrued liabilities	1	(5)	(2)	—	—	—	—	—
Net cash (used in) generated by operating activities	201	188	251	215	120	227	238	252
INVESTING ACTIVITIES								
Acquisition of capital and intangible assets	—	(4)	(5)	(5)	(1)	(1)	(1)	(1)
Purchase of financial investments	(201)	(184)	(246)	(210)	(119)	(226)	(237)	(251)
Proceeds from sale or maturity of financial investments	—	—	—	—	—	—	—	—
Net cash (used in) generated by investing activities	(201)	(188)	(251)	(215)	(120)	(227)	(238)	(252)
Net increase in cash	—	—	—	—	—	—	—	—
Cash and cash equivalents, beginning of year	—	1	1	1	1	1	1	1
Cash and cash equivalents, end of year	—	1	1	1	1	1	1	1
Interest received	31	31	33	35	49	66	72	78
Income tax paid (received)	(2)	(6)	(3)	1	—	9	13	12

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

OPERATING BUDGET—2011/2012

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

FIGURE 5

UNCONSOLIDATED OPERATING BUDGET

($ MILLIONS)

	2010 Actual	2011 Approved Plan	2011 Forecast	2012 Budget
REVENUE				
Premiums	197.8	180.5	252.9	213.3
Interest income	31.0	30.6	32.7	34.8
Other revenue	—	13.8	—	—
	228.8	224.9	285.6	248.1
OPERATING EXPENSES				
Salaries and other personnel costs	14.6	14.7	15.2	15.8
Professional fees	5.3	6.6	5.9	5.3
General expenses	3.5	3.7	3.7	4.5
Premises	2.7	3.2	3.2	3.6
Public awareness	3.5	4.0	3.9	3.9
Data processing	1.6	1.7	1.8	1.9
Total operating expenses	31.2	33.9	33.7	35.0
Less cost recovery (FCAC, OSFI, AMF)[a]	(0.8)	(1.0)	(0.8)	(0.6)
Net operating expenses	30.4	32.9	32.9	34.4
Adjustment to provisions	300.0	—	—	—
	330.4	32.9	32.9	34.4
Net income before recoveries and income tax	(101.6)	192.0	252.7	213.7
Income tax recovery (expense)	(0.4)	0.5	—	(1.2)
Net income	(102.0)	192.5	252.7	212.5

[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, until 2011, the Autorité des marchés financiers (AMF) in Québec is contributing to CDIC's public awareness campaign. These costs are included in the relevant expense categories.

The above operating budget for 2011/2012 consists of a flat core operating budget of $32.9 million along with a proposed increase of $1.5 million (4.5%) for items that could not be absorbed within CDIC's 2010/2011 operating budget, including Federal Budget 2009 and Federal Budget 2010 initiatives, and activities related to large bank resolution.

In order to maintain a flat core operating budget for 2011/2012 (excluding the activities described above), CDIC has extended most of the $1.6 million in cuts/deferrals and other cost containment activities that were initiated in 2010/2011. In addition, CDIC absorbed the costs associated with succession planning (with the addition of two positions to address upcoming retirements) and the elimination of the AMF's approximate $300 thousand contribution to CDIC's public awareness campaign.

CAPITAL BUDGET—2011/2012

The budget for capital expenditures in 2011/2012 is $4.71 million. The capital budget is summarized in Figure 6 below.

FIGURE 6

UNCONSOLIDATED CAPITAL BUDGET

($ THOUSANDS)

	2010 Actual	2011 Approved Plan	2011 Forecast	2012 Budget
Furniture and equipment	84	100	100	100
Computer hardware	608	650	650	650
Software development costs	979	—	1,000	3,000
Leasehold improvements	1,397	3,000	2,900	960
Total	**3,068**	**3,750**	**4,650**	**4,710**

CDIC's capital budget in 2010 and its forecast for 2011 reflect the impact of two major items: leasehold improvement costs related to CDIC's Ottawa and Toronto premises, and software development costs that meet the criteria for capitalization.

In 2011/2012, CDIC anticipates it will commence leasehold improvements for its Toronto premises that coincide with new lease arrangements. In addition, CDIC will share in the costs to redevelop the Tri-Agency Data System. This is a multi-year project with total costs to be shared among CDIC, OSFI and the Bank of Canada. Figure 6 reflects current estimates of CDIC's share of software costs associated with this initiative as the total costs of the project have not yet been fully determined and will not impact operating expenses until the system is in production late in the 2012/2013 fiscal year.

ACCOUNTING ISSUES

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Corporation will begin reporting under IFRS for the fiscal year ended March 31, 2012. Certain IFRS accounting policy choices have resulted in a significant change for the Corporation, whereas in other areas no policy change was required. There are unavoidably some areas where the extent of the policy change has not yet been finalized pending completion of the related International Accounting Standards Board (IASB) project. Most notably, the standard expected to have the most significant impact on CDIC's financial position, International Accounting Standard 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), continues to be under deliberation by the IASB and is not expected to be replaced before the end of the 2011 calendar year.

ESTIMATED IMPACT OF IFRS

Figure 7 provides a summary of the expected impact of IFRS on CDIC's opening statement of financial position based on March 31, 2010, audited Canadian GAAP results. This unaudited IFRS opening statement of financial position includes certain Canadian GAAP estimates and is subject to change upon full IFRS conversion.

OTHER FINANCIAL REPORTING DEVELOPMENTS

In December 2009, Bill C-51 was given Royal Assent, requiring, among other things, Crown corporations to make public, quarterly financial reports. The coming into force date is April 1, 2011, with the first quarterly report required for the period ended June 30, 2011.

The quarterly reports will be prepared with the form and content required by the Treasury Board *Standard on Quarterly Reports for Crown Corporations*. The standard provides minimum requirements for the content of quarterly reports as well as guiding principles regarding the preparation of the narrative discussion outlining financial results, risks and significant changes in relation to operations, personnel and programs.

As part of the Corporation's quarterly reporting readiness efforts, a work plan has been developed. The intention is to accelerate and change, as necessary, current processes to ensure that the Corporation has the internal controls in place that management believes are necessary to report on a quarterly basis within the legislated time frames (60 days following the end of the quarter) beginning for the quarter ended June 30, 2011. Also included in the work plan is the coordination with the Audit Committee to help facilitate the expedited review and approval of the quarterly financial statements.

FIGURE 7

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF APRIL 1, 2010

($ THOUSANDS)

Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	*Notes*	IFRS	IFRS Accounts
ASSETS					
Cash	530	—		530	Cash and cash equivalents
Investments	1,953,823	725	*1*	1,954,548	Investments
Accounts and other receivables	2,841	—		2,841	Premiums receivable
	—	—		—	Other current assets
	1,957,194	725		1,957,919	
Capital assets	3,709	(979)	*2*	2,730	Capital assets (net)
	—	979	*2*	979	Intangible assets (net)
Income taxes receivable	3,361	—		3,361	Income taxes receivable
Future income tax asset	776	(208)	*1*	568	Deferred tax asset
	7,846	(208)		7,638	
	1,965,040	**517**		**1,965,557**	
LIABILITIES					
Accounts payable and accrued liabilities	7,470	(2,526)	*3*	4,944	Accounts payable and accrued liabilities
	7,470	(2,526)		4,944	
	—	928	*4*	928	Deferred lease inducement
	—	1,612	*3*	1,612	Post-employment benefit obligation
Provision for insurance losses	1,100,000	—	*5*	1,100,000	Provision for insurance losses
	1,107,470	14		1,107,484	
EQUITY					
Retained earnings	858,087	(39)	*6*	858,048	Retained earnings
Accumulated other comprehensive income (loss)	(517)	542	*1*	25	Accumulated other comprehensive income (loss)
	857,570	503		858,073	
	1,965,040	**517**		**1,965,557**	

Notes:

1. Adjustment to reflect early adoption of proposed financial instrument standard to restate available-for-sale investments to amortized cost and record the corresponding tax effect.
2. Adjustment to present internally generated intangible assets arising from software development as a separate line item.
3. Adjustment to reclassify and adjust actuarially determined defined benefit obligations in accordance with IFRS, and reclassify long-term portion of deferred lease inducement.
4. Reclassify long-term portion of deferred lease inducement to long-term liabilities.
5. The impact of the revised IAS 37 cannot be determined at this time.
6. Cumulative effect of opening statement of financial position adjustments at the date of transition, based on research performed to date. This amount will be adjusted as CDIC continues its accounting research.

BORROWING PLAN

As at December 31, 2010, CDIC had no debt outstanding.

STATUTORY BORROWING AUTHORITIES

Pursuant to section 10.1(1) of the *CDIC Act*, at the Corporation's request, the Minister of Finance can make loans to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. The *CDIC Act* also provides that CDIC can borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed $15 billion (this amount is adjusted annually based on insured deposit growth and, as at December 31, 2010, was $17 billion), or such greater amount as may be authorized by Parliament under an appropriation act. The *CDIC Act* also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

BORROWING APPROACH

The working assumption is that no borrowing will be required. However, if an intervention was required (or a member institution were to fail), various funding options are available.

Funding of intervention strategies would require a case-by-case analysis to determine optimal funding approaches. CDIC's investment portfolio may or may not be used as a first call on liquidity depending on the circumstances. Future liquidity requirements, asset-liability matching and unwanted market signalling that could result from the liquidation of CDIC's portfolio would be considerations, among other things, in the development of funding strategies. Nevertheless, capital preservation and potential liquidity requirements imply that the investment portfolio is positioned toward low-risk and highly liquid instruments.

Should borrowing be required, CDIC would access funds from the CRF through the Crown Borrowing Program administered by the Department of Finance. CDIC also has the authority to borrow from capital markets, by issuing commercial paper or medium-term notes in domestic and other markets. Borrowings from the CRF or capital markets would require specific approval from the Board of Directors and would be subject to individual transaction approval by the Minister of Finance. A Stand-by Credit Facility Service Agreement is in place to support borrowing activities and any borrowings under that agreement would rely on the authorities provided in this borrowing plan.

LINE OF CREDIT

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 applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period. This line carries no cost to CDIC unless it is used.

FINANCIAL RISK MANAGEMENT

Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks. Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed at least annually in order to ensure that they continue to be appropriate and prudent and are consistent with the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*.

HUMAN RESOURCE REQUIREMENTS

The Corporation anticipates no significant changes to the overall person-year count during the planning period. Figure 8 reflects the permanent person-years for the planning period.

FIGURE 8

HUMAN RESOURCE REQUIREMENTS
(PERSON-YEARS)

	2010/2011 Approved Plan	2011/2012 to 2015/2016 (Proposed)
Corporate Total	101	104
Less: Assigned to FCAC and OSFI	(5)	(5)
Total	**96**	**99**

CDIC operates with a core of expert employees, augmenting them as necessary to deal with specific challenges.

4. PERFORMANCE AGAINST PAST PLANS

HIGHLIGHTS OF CDIC'S PAST PERFORMANCE —2010/2011 TO 2014/2015

CDIC's *Corporate Plan 2010/2011 to 2014/2015* identified three corporate strategies that reflect the Corporation's assessment of its operating environment and risks, and that support its 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, with the exception of the following:

Slippage in terms of time to completion, and/or budget variances:

- *Completion of bridge institution implementation project by March 31, 2011*—The original scope and complexity of this project has evolved with the consideration of large bank resolution issues. The revised estimated completion date is March 2012.

Deferred:

- *Funding analysis completed by March 31, 2011*—To be performed in conjunction with a review of pro-cyclicality issues related to deposit insurance. It is anticipated that a report and recommendations will be provided at the September 2011 meeting of the CDIC Board of Directors.
- *Maximum total funding adequacy determination and documentation of all funding options completed by March 31, 2011*—As is the case above, this initiative was deferred to be done in conjunction with the pro-cyclicality review.

Significant unplanned high priority projects, such as projects related to large bank resolution and Fast Insurance Determination (FID), have had an impact on CDIC meeting all of its 2010/2011 key performance targets as described above. The Corporation, however, expects to achieve all but the above three key performance targets for 2010/2011, as is shown in the following Scorecard.

CDIC CORPORATE SCORECARD—2010/2011 TO 2014/2015

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	STATUS (▲▼●)
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 risk monitoring, intervention and resolutions, and insurance.	Review *Strategic Alliance Agreement* with OSFI.	Updated *CDIC/OSFI Strategic Alliance Agreement* (including bridge institution considerations) in place by March 31, 2012.	▲
	Assess the risk posed by all member institutions at least annually.	An annual review of each member institution is conducted and appropriately documented.	▲
	Continue to increase CDIC's payout capacity to address the failure of a member institution with a large number of depositors.	Achieved and tested payout for 750,000 depositors completed by March 31, 2011, and one million depositors by March 31, 2012.	▲
	CDIC will operationalize its new bridge institution powers.	Completion of the bridge institution implementation project by March 31, 2011. ***Status as at December 31, 2010:*** ***The original scope and complexity of this project has evolved with the introduction of large bank resolution issues. The revised estimated completion date is March 2012.***	▼
	Examine CDIC's financial position, funding adequacy and funding options for a resolution—including under a bridge institution.	Funding analysis completed by March 31, 2011. ***Status as at December 31, 2010:*** ***Deferred to 2011. To be performed in conjunction with a review of pro-cyclicality issues related to deposit insurance. It is anticipated that a report and recommendations will be provided at the September 2011 meeting of the Board of Directors.***	●
		Provisioning methodology review completed by March 31, 2011.	▲

LEGEND:

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

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	STATUS (▲▼●)
Strengthening Core Expertise and Readiness (cont'd)		Maximum total funding adequacy determination and documentation of all funding options completed by March 31, 2011. ***Status as at December 31, 2010:*** ***Deferred to 2011. To be performed in conjunction with a review of pro-cyclicality issues related to deposit insurance. It is anticipated that a report and recommendations will be provided at the September 2011 meeting of the Board of Directors.***	●
Promoting Depositor Awareness CDIC continues to 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.	Implementation of Long-Term Public Awareness Strategy and Plan developed in 2009/2010.	For the general population: exceed 54% total awareness of CDIC and 26% unaided awareness of the $100,000 coverage limit.	▲
		For the 50+ age group: reach 65% awareness of CDIC and maintain 31% unaided awareness of the $100,000 coverage limit.	▲
		Conduct public opinion poll research on a quarterly basis during the planned period to ascertain results.	▲
Sustaining Efficient Governance and Operational Capacity To maintain the public's confidence, CDIC must fulfill its mandate in an efficient and effective manner. To achieve this objective, CDIC continuously reviews and revises its initiatives to manage its significant risks and maintain sound governance, and works closely with its key stakeholders. Such stakeholders include member institutions, the depositing public, employees, financial "safety net" members, regulators, parliamentarians, and other deposit insurers in Canada and around the world.	Conduct annual assessments of CDIC's significant corporate risks, review and update CDIC's Board and management risk policies as necessary, and provide regular reports to stakeholders about the management of CDIC's significant corporate risks.	Significant risks are assessed at least annually. Appropriate 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.	▲
	Manage transition to International Financial Reporting Standards (IFRS).	Transition to IFRS completed and financial statements audited for the fiscal year ended March 31, 2012.	▲
	Monitor employee satisfaction to ensure that there are no impediments to a productive and motivated work force.	Over the planning period, achieve employee satisfaction rates above 75% as measured by the bi-annual employee surveys.	▲

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—2010/2011 TO 2014/2015

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	STATUS (▲▼●)
Sustaining Efficient Governance and Operational Capacity (cont'd)	Maintain CDIC's Business Continuity Management Program in a fully current and ready state.	Business Continuity Plan (BCP) and Pandemic Preparedness Plan (PPP) test exercises conducted at least annually with results and any follow-up actions reported to the Audit Committee on an annual basis.	▲
		An appropriate emergency back-up site is ready and available at all times.	▲
	Conduct annual assessments under CDIC's Internal Control Over Financial Reporting Review program, incorporating coordination with CDIC's ERM program and the work of CDIC's Audit and Consulting Services Department. Provide (through the Management's Discussion and Analysis section of CDIC's Annual Report) regular reports to stakeholders about the state of CDIC's internal controls over financial reporting.	Internal controls are regularly reviewed in accordance with CDIC's Internal Control Over Financial Reporting Review program (consistent with Treasury Board Secretariat (TBS) Guidelines) and the results of this work are reported each year in CDIC's Annual Report.	▲
		No significant internal control deficiencies are reported.	▲
	Implement appropriate procedures to support a quarterly reporting regime (subject to government approval).	Quarterly reporting requirements being fully met for CDIC's 2011/2012 fiscal 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 —2009/2010 AND 2010/2011

The following is an overview of CDIC's performance against Plan for the fiscal year ending March 31, 2010, and forecast to March 31, 2011.

FINANCIAL STATEMENT CONSOLIDATION

Effective April 1, 2005, CDIC adopted Accounting Guideline 15 (AcG-15), *Consolidation of Variable Interest Entities*, 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, 2010, financial statements was an increase in assets of $1.2 million and an increase in liabilities of $19 thousand, as well as an increase in total revenue of $6 thousand and an increase in total expenses of $170 thousand. As a result, the impact on the Corporation's retained earnings is approximately $1.0 million.

Highlights of CDIC's unconsolidated financial performance for 2009/2010 and 2010/2011 against Plan are set out in the following figures and related descriptions.

FIGURE 9

KEY FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING MARCH 31

($ MILLIONS UNLESS OTHERWISE NOTED)

	2010 Approved Plan	2010 Actual	2011 Approved Plan	2011 Forecast
Income Statement Highlights				
Premium revenue	102	198	180	253
Interest on investments	36	31	31	33
Recoveries of amounts previously written off	14	—	14	—
Net operating expenses	32	30	33	33
Net income (loss)	118	(102)	193	253
Balance Sheet Highlights				
Investments	1,872	1,954	2,148	2,207
Provision for insurance losses	650	1,100	800	1,100
Retained earnings	1,228	857	1,352	1,110
Other				
Ex ante funding level (in basis points of insured deposits)[a]	36	33	34	37

[a] 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 was established in January 2004 and is set at between 40 and 50 basis points of insured deposits.

2009/2010 ACTUAL TO PLAN

The Corporation's financial condition remained strong in the 2009/2010 fiscal year despite recording a net loss of $102 million compared to a planned net income of $118 million. The primary driver of the loss was an increase in CDIC's provision for insurance losses of $300 million when no increase was planned. This was offset by significantly higher premium revenue ($96 million higher than Plan) as a result of unplanned changes in the classification of certain members under the differential premiums system.

Assets remained dominated by high quality, liquid investments.

The *ex ante* funding level declined to 33 basis points of insured deposits due to insured deposit growth significantly outpacing the growth of the fund.

2010/2011 FORECAST TO PLAN

CDIC forecasts that it will remain in a strong financial condition throughout the 2010/2011 fiscal year. There are, however, two noteworthy variances between the 2010/2011 Plan and the forecast.

Premium revenue is expected to exceed Plan by $73 million due to an increase in insured deposits, and the movement of members between differential premiums categories.

The forecast increase in premium revenue is expected to outpace insured deposit growth leading to a positive impact on the progression of the *ex ante* funding. The Corporation forecasts that the fund will grow to 37 basis points of insured deposits by the end of the fiscal year compared to a planned level of 34 basis points and a target range of between 40 and 50 basis points.

The Unconsolidated Balance Sheet and Unconsolidated Statement of Income and Retained Earnings providing the progression of the 2009/2010 and 2010/2011 Plans are presented as Figures 10 and 11 that follow. These financial statements include the Corporation's financial results for 2009/2010 against its approved Plan for the same year, as well as the 2010/2011 forecast against Plan.

FIGURE 10

UNCONSOLIDATED BALANCE SHEET
PROGRESSION OF 2009/2010 AND 2010/2011 PLANS
AS AT MARCH 31

($ MILLIONS)

	2010 Approved Plan	2010 Actual	2011 Approved Plan	2011 Forecast
ASSETS				
Cash	1	—	1	1
Investments	1,872	1,954	2,148	2,207
Accounts receivable	1	1	—	1
Income tax overpayment	4	3	—	—
	1,878	**1,958**	**2,149**	**2,209**
Capital assets	2	3	5	6
Intangible assets	—	1	—	2
	2	**4**	**5**	**8**
Future income tax asset	1	1	—	—
	1,881	**1,963**	**2,154**	**2,217**
LIABILITIES				
Accounts payable and accrued liabilities	3	6	2	5
Future income tax liability	—	—	—	—
Deferred liabilities	—	1	—	2
Provision for insurance losses	650	1,100	800	1,100
	653	**1,107**	**802**	**1,107**
EQUITY				
Retained earnings	1,228	857	1,352	1,110
Accumulated other comprehensive income	—	(1)	—	—
	1,881	**1,963**	**2,154**	**2,217**

FIGURE 11

UNCONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS PROGRESSION OF 2009/2010 AND 2010/2011 PLANS FOR THE YEAR ENDING MARCH 31

($ MILLIONS)

	2010 Approved Plan	2010 Actual	2011 Approved Plan	2011 Forecast
REVENUE				
Premiums	102	198	180	253
Interest on investments	36	31	31	33
Other revenue	—	—	—	—
	138	**229**	**211**	**286**
EXPENSES				
Net operating expenses	32	30	33	33
Adjustment to provision for insurance losses	—	300	—	—
	32	**330**	**33**	**33**
Net income before recoveries and income tax	106	(101)	178	253
Recovery of amounts previously written off	14	—	14	—
Income tax recovery (expense)	(2)	(1)	1	—
Net income	**118**	**(102)**	**193**	**253**
Retained earnings, beginning of year	1,110	959	1,159	857
Retained earnings, end of year	**1,228**	**857**	**1,352**	**1,110**