



CDIC

Canada Deposit
Insurance Corporation

SUMMARY OF THE CORPORATE PLAN

2008/2009 TO 2012/2013

Including a Summary of the 2008/2009 Operating and Capital Budgets, and Borrowing Plan
April 2008

Canada

OVERVIEW OF THE FIVE-YEAR PLAN

OUR OPERATING ENVIRONMENT

- In spite of the recent turmoil in financial markets, Canada's economy has performed well and the overall financial system remains sound. Although real economic growth has slowed slightly from its previous pace, it is expected to remain solid into 2008 driven largely by domestic demand.
- Risks on the horizon that bear watching include further deterioration in the U.S. sub-prime mortgage market and housing sector, including its potential to weaken economic growth in the U.S. and potential negative spill-over effects on the Canadian economy.
- Overall, the Canadian financial system remains relatively well placed to withstand such potential risks.
- CDIC members are in stable condition. As a group, in 2007, they reported strong financial performances for the fourth consecutive year. More than 98% of CDIC's insured deposits were with the highest rated members under our differential premiums system (April 30, 2007).
- Demographic and consumer trends that CDIC will monitor and take into account in its public awareness initiatives include the aging population, the pivotal role of New Canadians in the country's population growth and reports that a significant proportion of Canadian consumers say they find financial information confusing.
- A number of Canadian and international regulatory changes will affect CDIC and our members over the planning period, such as the convergence to international accounting standards, and the new Basel II data requirements.

OUR ASSUMPTIONS AND FORECASTS FOR THE PLANNING PERIOD

- No significant change in the number of CDIC member institutions.
- No failures of member institutions.
- Premium rates remain at their current, historically lowest levels.
- 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 \$1.9 to \$2.4 billion based on levels of insured deposits as at April 30, 2007.

2008 PREMIUM RATES	
Category 1 (best rated)	1.4 basis points of insured deposits
Category 2	2.8 basis points of insured deposits
Category 3	5.6 basis points of insured deposits
Category 4 (worst rated)	11.1 basis points of insured deposits

STRATEGIES AND PLANNED ACTIVITY

CDIC will concentrate its efforts on three strategies for achieving its mandate over the next five years:

1. **Strengthening Core Expertise and Readiness**—we will build on past work to increase expertise in our core operational areas—insurance, risk monitoring, intervention and resolutions. Our work over the planning period will continue to focus on membership risk monitoring and on our readiness for both payout and non-payout interventions in the event of a member failure. A major initiative will see us enhance our capacity to make deposit insurance payments to depositors of larger member institutions.

2. **Promoting Depositor Awareness**—we will build on, and refine, our existing strategies to guide our work in depositor awareness, and we will continue our collaborative work with federal government organizations, provincial insurers and private sector partners.
3. **Sustaining Efficient Governance and Operational Capacity**—we will continue to report on our significant risks. CDIC will continue to support our employees to achieve excellence and we will strive for excellence as an employer. Efforts will also focus on maintaining effective infrastructure and facilities, and to collaborate with our stakeholders in Canada and abroad.

FINANCIAL HIGHLIGHTS

For 2008/2009, CDIC projects net income after income taxes of \$97 million, based on total revenues of \$135 million—consisting of \$70 million in premiums and interest of \$65 million—and projected net operating expenses of \$25 million and income tax expense of \$13 million. As CDIC's net operating expenses are less than its interest revenue, all of the premium revenue, as well as the excess of interest revenue over operating expenses net of tax, increase the amount of *ex ante* funding. Additional highlights appear in the following table.

FORECAST FINANCIAL HIGHLIGHTS

(\$ millions)

	2008 Forecast	2009 Plan	2010 Plan	2011 Plan	2012 Plan	2013 Plan
Balance Sheet—as at March 31						
Cash and investments	1,665	1,758	1,858	1,965	2,077	2,195
Provision for insurance losses ^a	600	600	600	600	600	600
Retained earnings	1,059	1,156	1,256	1,362	1,473	1,591
Revenue and Expenses—for the Year Ending March 31						
Total revenue	133	135	139	146	153	161
Net operating expenses	24	25	25	25	26	26
Other adjustments and recoveries	(14)	—	—	—	—	—
Net income before income taxes	123	110	114	121	127	135
Income tax expense	14	13	14	15	16	17
Net Income	109	97	100	106	111	118
Ex Ante Funding^b						
Level—\$ millions	1,659	1,756	1,856	1,962	2,073	2,191
Level—basis points of insured deposits	35	36	36	37	38	38

^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.

C O N T E N T S

1	CDIC AT A GLANCE	3
	Who We Are	3
	What We Do	3
	About Our Members	4
	CDIC Board of Directors and Officers	4
2	CDIC'S FIVE-YEAR PLAN	7
	Our Operating Environment	7
	Significant Risks and Key Planning Assumptions	10
	Three Strategies for the Planning Period	13
	Corporate Scorecard—2008/2009 to 2012/2013	18
3	FINANCIAL AND RESOURCE PLANS	23
	Highlights of CDIC's Five-Year Financial Plan	23
	<i>Ex Ante</i> Funding	27
	Operating Budget—2008/2009	28
	Capital Budget—2008/2009	28
	Accounting Issues	29
	Borrowing Plan	30
	Human Resources Requirements	30
4	PERFORMANCE AGAINST PAST PLANS	33
	Highlights of CDIC's Past Performance— 2007/2008 to 2011/2012	33
	CDIC Corporate Scorecard—2007/2008 to 2011/2012	34
	Past Financial Performance—2006/2007 and 2007/2008 Highlights	36



CDIC AT A GLANCE

WHO WE ARE

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's statutory objects: The Corporation's objects are the basis for all of our work. These objects, as set out in section 7 of the *CDIC Act*, are:

- (a) to provide insurance against the loss of part or all of deposits;
- (b) to promote and otherwise contribute to the stability of the financial system in Canada; and
- (c) to pursue the objects set out in paragraphs (a) and (b) for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation 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, with separate protection for joint deposits, deposits held in trust, deposits made towards realty taxes on mortgaged properties, and deposits held in registered retirement savings plans and in registered retirement income funds. We work with l'Autorité des marchés financiers (AMF) to protect deposits made in Québec with provincially-incorporated members, as well as those deposits made in such institutions outside the province. In the event of a failure of a member institution, we reimburse insured depositors, and make claims and recover from the assets of the estate of the failed member.

Manage deposit insurance risk: Managing risk is a vital and ongoing function. In support of this, we carry out a number of activities:

- 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 broad economic and/or other external environmental indicators.
- We work closely with the Office of the Superintendent of Financial Institutions (OSFI) and the AMF, which conduct annual examinations of member institutions on our behalf. In certain circumstances, we carry out special examinations to assess our risk in a troubled member institution and to determine an appropriate course of action.

1

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 2007/2008	Category 1—1.4 Category 2—2.8 Category 3—5.6 Category 4—11.1

Set and collect premiums: CDIC is funded by premiums collected from our member institutions each year. Based on the criteria of our differential premiums system, we assign each member to one of four premium rate categories. In 2007/2008, the rates ranged from 1.4 basis points of insured deposits for members in Category 1 to 11.1 basis points for those in Category 4. Member institutions paid a total of \$68 million in premiums in 2007/2008. Premium rates will remain at these historically low levels in 2008/2009.

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 December 31, 2007, there were 79 member institutions. The last member failure occurred in 1996. In total, there have been 43 member failures since 1967.

CDIC BOARD OF DIRECTORS AND OFFICERS

CDIC's Board of Directors is 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 (FCAC),

the Superintendent and a Deputy Superintendent or an officer of OSFI, as well as five private sector Directors.

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

CDIC'S BOARD OF DIRECTORS

(as at December 31, 2007)

Bryan P. Davies

Chair of the Board
Canada Deposit Insurance Corporation

Tracey Bakkeli

Management Consultant
Regina

Julie Dickson

Superintendent of Financial Institutions
(*ex officio*)

David A. Dodge

Governor of the Bank of Canada
(*ex officio*)

Pierre Duguay

Deputy Governor
Bank of Canada
(*alternate for the Governor of the Bank of Canada*)

Serge Dupont

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

Nancy Lockhart

Business Executive
Toronto

Ursula Menke

Commissioner
Financial Consumer Agency of Canada
(*ex officio*)

Barry Moore

Senior Auditor
Maniwaki

Grant Morash

Financial Advisor
Halifax

Ted Price

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

Shelley M. Tratch

Lawyer
Vancouver

Rob Wright

Deputy Minister of Finance
(*ex officio*)

CDIC OFFICERS

(as at December 31, 2007)

Guy L. Saint-Pierre

President and Chief Executive Officer

Michèle Bourque

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



OUR OPERATING ENVIRONMENT

CDIC monitors trends and developments in the economy and among its membership. The Corporation also reviews ongoing and emerging issues in the regulatory environment, key consumer matters, as well as CDIC's own corporate environment. This work enables us to keep abreast of issues and risks that may have an impact on depositors, on our member institutions and directly on the Corporation.

Economic Environment

Despite recent turmoil in financial markets, a number of indicators point to a sound economy and financial system in Canada. Our country continues to experience healthy corporate and household balance sheets, resilient domestic demand and a strong labour market. Economic activity is expected to moderate somewhat during the next year due to the impact of factors such as a weakening U.S. economy and slower export growth.

While global economic growth remains generally buoyant, it is moderating in the U.S. where the economy is expected to slow further into 2008, in part due to the weakening of the housing sector. Structured products, including those backed by U.S. sub-prime mortgages, have flowed through the global financial system and are having some impact on Canadian financial institutions. The U.S. is also experiencing a record high level of mortgage foreclosures. Further significant "re-setting" of sub-prime and other adjustable-rate mortgages will likely cause continued distress to a significant number of U.S. mortgage holders. Should these risks in the U.S. housing sector lead to further market and economic weakness, the potential for negative spill-over effects to the Canadian economy will increase.

Increasing debt levels in Canada are creating vulnerabilities to a weakening labour market and/or rising interest rates (although interest rates are anticipated to remain low). In general, real estate prices are at historical highs relative to average yearly gross income, a situation that could lead to affordability issues or market corrections.

Other risks that could affect the Canadian financial system should they escalate include disorderly resolution of persisting global economic imbalances, volatile energy prices, a persistently high or volatile Canadian dollar, rising financial crime, information security threats and the ongoing threat of terrorist activities.

Canada's financial sector has been affected by recent market volatility with a number of financial institutions reporting declines in earnings. Although the overall financial system remains healthy and is well placed to weather any future financial market instability, market participants are assessing the need for changes in financial practices in light of this environment.

Member Environment

In 2007, more than 98% of CDIC's insured deposits continued to be with members in the best two differential premium categories. While CDIC members are generally in stable condition, there are a number of emerging stresses on members, some of which increased in the latter part of 2007. As member institutions become larger, with more complex structures and more innovative products, new risks are emerging that need to be monitored and managed.

The greatest threat to CDIC members is the possibility of a further deterioration in the U.S. housing sector, its potential to weaken U.S. economic growth and the potential for spill-over effects on the Canadian economy. Uncertainties and risks for members could also arise from disturbances and corrections in capital markets. The recent disruptions in the asset-backed commercial paper (ABCP) market could, to varying degrees, affect the liquidity and profitability of certain member institutions.

Overall, members continue to manage adequately the convergence to international accounting standards, as well as to the Basel II framework (see below) and governance reporting requirements. Members must also continue to carefully manage the security surrounding electronic banking and the protection of private customer information.

Regulatory Developments

Changes in the domestic and international financial sector regulatory environment will affect CDIC member institutions.

The convergence to international accounting standards will continue to put pressure on resources at our member institutions. In addition, CDIC members have devoted significant effort to comply with new data requirements under the Basel II framework. It is anticipated that some members will enjoy a decline in required capital levels while some others, where fee income operations dominate, will likely be required to hold more capital. Changing requirements related to privacy, security and anti-money-laundering are other regulatory issues with possible implications for members.

Islamic banking is gaining momentum worldwide. CDIC is participating in a working group to examine the implications of introducing Sharia-based banking in Canada. Other members of the working group are the Department of Finance, OSFI, the Bank of Canada, FCAC and the Canada Revenue Agency.

CDIC membership is also affected by *Bill C-37, an Act to amend the law governing financial institutions*. The majority of the Bill's provisions came into force in April 2007. Its objectives are to increase legislative and regulatory efficiency, to adapt the regulatory framework to new developments and to enhance the interests of consumers. CDIC will monitor the impact of these changes on its membership, in particular the possible implications of "near

banks” (foreign entities not regulated as banks in their home jurisdiction) operating in Canada, the use of electronic cheque-clearing and the increase in the loan-to-value threshold for mortgage insurance. The Bill also includes certain technical amendments to the *CDIC Act*, such as clarifying the process of automatic entry for federal member institutions, expanding the opting-out framework to all types of institutions, enabling the use of estimates for determining total insured deposits and providing greater flexibility for CDIC to make deposit insurance payments available in instalments.

The Consumer Environment

Canada’s diverse population, with its varied cultures, languages, behaviours and lifestyles, is changing constantly. Our current population growth is due almost solely to immigration, and our population is aging. By 2011, baby boomers will start to reach age 65 and financial services may change to meet the evolving needs of an aging population.

The financial marketplace presents consumers with many complex and competing messages, making financial planning and decision making difficult. Over 40% of Canadians (and up to 50% among certain ethnocultural groups) say they find financial information confusing. Moreover, consumer research shows that few people pay attention to financial messages until it is time to make a decision. Consumers’ levels of confusion and anxiety are only heightened through news of financial upheavals such as sub-prime mortgage risks and related ABCP market issues. Overall, there is still relatively low awareness of CDIC and some uncertainty over what is covered, as well as what is not covered, by CDIC deposit insurance. CDIC needs to continue to ensure that its messages reflect overall literacy levels of consumers.

The recent widely publicized problems arising at Northern Rock, a financial institution in the United Kingdom, illustrate that today’s depositors expect to have immediate access to their funds at all times and that consumer confidence in an institution drops quickly when it appears that funds will not be available. This experience highlights the need for CDIC to anticipate calls for the rapid settlement of claims should a member institution fail in the future. The expertise of CDIC employees and the application of current technology will play a significant role in future intervention situations.

The Corporate Environment

In order to be able to fulfill its mandate, CDIC must be prepared at all times to meet the challenge of the failure of a member institution. The Corporation cannot rely only on experience from past interventions in member failures but must also consider new approaches.

The absence of recent failures, the last of which occurred in 1996, presents a challenge in keeping our tools honed. CDIC is addressing this through a variety of initiatives, including well-executed failure simulations, employee training and by maintaining access to sufficient funding to deal with a member intervention.

Interrelationships between financial safety net players at the federal, provincial and international levels continue to be important. CDIC's strong and close relationships with OSFI and other members of the financial safety net assisted greatly in dealing with the recent disruption in the ABCP market.

The importance of the role of CDIC's information technology (IT) infrastructure to the Corporation's overall operations points clearly to the need to keep it adequately resourced.

Employee morale and well-being are key contributors underlying CDIC's ability to fulfill its mandate. Maintaining a positive work environment is an important attribute that allows CDIC to attract and retain human resources at a time when both our employees and the broader population are aging, and more people are preparing for retirement.

An ongoing challenge for CDIC is the significant level of effort and resources committed to support CDIC in meeting government guidelines and regulations in such areas as statutory reporting, adhering to *Access to Information Act* and *Privacy Act* requirements, internal controls certification, and in keeping pace with transparency-based disclosure requirements. CDIC is one of only a few Crown corporations that have fully addressed the 31 governance measures contained in the 2005 Treasury Board of Canada Secretariat report on the governance of Crown corporations.

SIGNIFICANT RISKS AND KEY PLANNING ASSUMPTIONS

CDIC continuously monitors its significant risks and regularly reports on its Enterprise Risk Management (ERM) activities. The Corporation reported in its most recent Annual Report (June 2007) that, overall, the Corporation's exposure to its significant risks is acceptable. Initiatives are in place, or being planned for the 2008/2009 to 2012/2013 period, to address risks assessed as cautionary and to ensure that risks considered acceptable remain so. The chart below summarizes the status of CDIC's key risks at March 31, 2007, as reported in its 2007 Annual Report.

	2006/2007		2005/2006	
Insurance Risk: CDIC's risk of loss, including costs incurred in the event of an intervention, associated with insuring deposits.	RATING	TREND	RATING	TREND
Insurance Powers Risk		—		—
Assessment Risk		—		—
Intervention Risk		▼		▼
Operational Risk: CDIC's risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	RATING	TREND	RATING	TREND
Business Continuity Risk		▼		▼
Information Risk		—		—
Legal/Compliance Risk		—		▲
People Risk		—		—
Process Risk		—		—
Security Risk		—		—
Technology Risk		▲		—
Reputation Risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and other loss to CDIC.	RATING	TREND	RATING	TREND
Reputation Risk		—		▲
Financial Risk: CDIC's risk associated with managing its assets and liabilities, including those that appear on and off the balance sheet.	RATING	TREND	RATING	TREND
Liquidity Risk		—		—
Market Risk		—		—
Credit Risk		—		—

LEGEND			
RISK RATING		RISK TREND	
	Acceptable	▼	Decreasing
	Cautionary	—	Stable
	Serious Concern	▲	Increasing

CDIC will continue to focus attention on its Insurance Risk, as well as on the People Risk and Technology Risk components of Operational Risk. The ERM Committee is currently in the process of assessing CDIC's risks in some detail, and will report on an updated assessment of the Corporation's risks and the effectiveness of CDIC's risk management practices early in 2008. An updated risk assessment, the result of a detailed review currently underway by CDIC, will be presented in the Corporation's 2008 Annual Report.

Key Planning Assumptions

The strategies, plans and supporting resource budgets presented in this Corporate Plan Summary are based on a number of planning assumptions:

1. **There will be no significant changes to CDIC's statutory objects or the elements of deposit insurance during the planning period.**
2. **There will be no significant changes to the regulatory and supervisory system in Canada that will impact CDIC.**
3. **Although risk in the Canadian financial system has recently increased, no failures of CDIC member institutions are assumed to occur during the planning period.** Although no failures of member institutions are reflected in the *pro forma* financial statements in this Corporate Plan Summary, CDIC has performed sensitivity analyses to estimate the potential effect of a range of hypothetical failure scenarios. The Corporation can handle a payment of deposit insurance of \$1.6 billion with no requirement for 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 4% annually throughout the planning period.**
6. **Premium revenue will total approximately \$70 million for 2008/2009 and is forecast to total approximately \$381 million for the five-year planning period.** *Pro forma* premium revenue is projected based on the following assumptions:
 - Differential premium rates will remain unchanged at 2007 levels throughout the planning period.
 - The distribution of member institutions across premium categories has been forecast to reflect our estimate of the categorization of member institutions for the 2008 premium year, and such classifications will not change significantly over the final four years of the planning period.

The maximum annual premium rate underlying the differential premium category rates is fixed annually by the Governor in Council based on a recommendation from the Minister of Finance. CDIC recommends this rate to the Minister as part of its Corporate Plan submission taking into account the Corporation's financial condition, a current assessment of the financial and economic environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the target range.

7. **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 \$1.9 to \$2.4 billion based on levels of insured deposits as at April 30, 2007. The Corporation will continue to review the target range for *ex ante* funding throughout the planning period. Leaving premium rates unchanged from last year over the planning period would result in the bottom of the target range being reached in fiscal year 2015/2016.
8. **CDIC will not receive government appropriations, nor does it plan to borrow funds during the planning period.**
9. **CDIC is forecasting an average yield on cash and investments of 3.7%.**

THREE STRATEGIES FOR THE PLANNING PERIOD

Each year, CDIC reviews its corporate objects and strategies and determines the initiatives and activities that will best enable us to continue to successfully fulfill our mandate. Our work over the planning period will be guided by three corporate strategies:

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

Plans and initiatives that support each of the three corporate strategies are derived from the detailed business plans prepared by departments across the Corporation each year. Many of these are major, longer term projects and most are corporate wide in scope. Comprehensive strategic plans in the areas of human resources, information systems and public awareness support these strategies.

Highlights of planned activities and initiatives follow. Performance indicators are included in the Corporate Scorecard for the planning period (pages 18-21) and related resource budgets are included in Part 3 of this Summary (page 23).

• **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 resolution.

CDIC has devoted considerable effort in recent years to developing and enhancing its employee skills, internal processes and technology platform to manage effectively its insurance risk and to maintain effective processes for protecting depositors in the event of a failure. Our work in this area will continue to focus on membership risk monitoring, readiness for both payout and non-payout interventions, and various activities related to CDIC's insurance processes.

CDIC will examine a number of issues related to insurance coverage and to the assessment of annual premiums. Among its key initiatives, CDIC will conclude a review of the base on which premiums are calculated, with the goal of arriving at the most efficient, effective and workable approach for both CDIC and our member institutions. In light of innovative products made available to consumers by the deposit-taking sector, we will review the eligibility of certain new deposit products. This is part of our ongoing process to ensure that our insurance continues to offer adequate protection to depositors.

CDIC will also review several of its by-laws, including our *Differential Premiums By-law* which assigns members to different premium categories. We will also carry out 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 burden on member institutions.

Membership Risk Monitoring

CDIC constantly tracks broad economic and financial factors, emerging issues and other risks that can affect our member institutions. We also monitor the risk profile and financial performance of our individual members and the membership as a whole. CDIC relies primarily on supervisory information from OSFI and member financial data to carry out its mandate and, in particular, to manage its insurance risk. We will work with OSFI to update our *Strategic Alliance Agreement* to ensure smooth information sharing and coordination of effort by both organizations.

CDIC will also monitor the changes brought about by the new Basel II capital rules, as well as the evolution towards international financial reporting standards, and will stay abreast of emerging issues related to fair value accounting and other standards.

Intervention and Resolution

CDIC must be prepared to intervene in a member institution if needed and to participate in an appropriate resolution in close coordination with our partners in the financial safety net. Up-to-date plans must be in place at all times for the payout of insured deposits or in support of a non-payout resolution technique. When an institution fails, CDIC must be ready to fulfill its mandate to protect affected depositors. In pursuit of strengthening core expertise and readiness, CDIC plans to upgrade its technology and intervention processes and to continue to develop and train its employees for both payout and non-payout resolutions.

Our work in this area will include updating plans for communicating with depositors and the media in the event of a failure. We will also research the feasibility of making electronic payments to depositors in future payouts. Simulations will continue to be carried out regularly to help us determine how people, processes and technology need to function together to achieve a successful intervention.

CDIC has a number of intervention powers that support resolutions other than payout. Such non-payout approaches form an important part of our capacity to protect depositors and contribute to the stability of Canada's financial system. Over the planning period, we will continue to examine the evolving environment and adjust our non-payout resolution techniques, tools and approaches to stay current with changes in technology, corporate governance and the legal environment.

Payout Capacity Enhancement Project

An important focus of CDIC readiness activities over the planning period will be on enhancing our capacity to deal with a payout to depositors following the failure of a larger member institution. This work will involve many interrelated initiatives and will include making improvements to our payout application to enhance its availability and usability while ensuring that privacy of depositor information is maintained.

This major project includes development of a strategy for the delivery of a quick, partial payment of insured deposits. CDIC is also developing a large-scale database to support simulations of the failure of a larger member institution. The magnitude of this project calls for enhancing the security aspects of our payout processes and our data centre.

• **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, we will carry out public awareness initiatives that build on past years' initiatives.

CDIC works to increase depositors' understanding of the federal deposit insurance program by providing them with essential facts about CDIC and about the benefits and limits of deposit insurance. For example, through public awareness initiatives we provide general information about CDIC deposit insurance, including which kinds of financial products are covered and which are not. In recent years, our public awareness initiatives have consisted principally of television, print and internet advertising, participation in financial consumer shows, and other public, media and member institution relations initiatives. A 1-800 enquiries service, corporate website and annual public meetings support our public awareness initiatives.

Environmental and risk issues presented in this Corporate Plan Summary point to the continued need for public awareness. Planned activities will build on past years' initiatives. In 2007/2008 CDIC will complete the final year of a three-year public awareness strategy. During 2007/2008 and into the early part of the current planning period, we will develop and implement a new long-term awareness strategy, which will be subject to Board approval.

In support of improving consumer awareness, we will also continue our collaborative work with our federal, provincial, private and governmental partners, including FCAC, AMF, the Federation of Canadian Independent Deposit Brokers (FCIDB), the Association of Chinese Canadian Entrepreneurs (ACCE), and financial and consumer associations such as Option Consommateurs and CARP—Canada's Association for the 50 Plus. CDIC plans to continue to host its annual public meetings in various locations across Canada, working closely with local financial and community groups wherever possible.

- **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.

CDIC has devoted considerable effort to developing effective stakeholder relationships, building strong governance practices and managing its organizational capacity. This work supports our two other strategies—Strengthening Core Expertise and Readiness, and Promoting Depositor Awareness—and will continue to be an important part of our work over the planning period.

Focus on Corporate Risks

CDIC will continue to conduct regular assessments of its significant risks, and will review and update its risk policies as necessary. We will keep stakeholders informed about how CDIC is managing its significant corporate risks by reporting in our Annual Report on our annual ERM assessments.

Employee Support

Employees play a critical role in enabling CDIC to achieve its goals. As we have done in the past, we will monitor employee satisfaction through regular employee surveys to help identify and address barriers to a productive and motivated work force.

Our Human Resources Strategy and Plan is designed to reinforce the importance of employees as a key resource, to assure the future of the organization by creating a sustainable and adaptable work force, and to maintain CDIC's excellence as a workplace. The Plan focuses on the continuous development of excellence—both in employees and in CDIC as an employer. We will continue to implement the Plan to help ensure that CDIC is prepared to meet the challenges of the future.

Ongoing Infrastructure and Operations Improvements

Work on implementing our enterprise information portal system across the Corporation will progress over the planning period. The portal provides a single gateway to all CDIC information and can be customized for each user. On a related front, we plan to complete the transition to a new records management application that will enable us to manage information in any format. The new system will be fully integrated into CDIC's information portal.

Building on plans developed for all critical systems as part of our business continuity management program, CDIC will turn its attention to enhancing other key processes at our shared emergency backup site. We will continue to test business continuity plans through simulations and other exercises, and we will implement and maintain CDIC's pandemic preparedness plans.

Facilities Planning

The leases for both the Ottawa and Toronto CDIC offices will expire during the planning period. Leasing options for both locations are being developed. Renewing current leases or entering into new ones is expected to take place early in the planning period. Once a new long-term lease is in place for the Ottawa office, work will commence on upgrading the Ottawa data centre.

Meeting Legislative and Other Requirements

CDIC will continue work currently underway to formalize its compliance monitoring process. The goal is to fully develop a process to document and report on the Corporation's compliance with statutes and other requirements to which CDIC is subject or has chosen to adhere.

INFORMATION SYSTEMS (IS) STRATEGIC PLAN

CDIC's IS Strategic Plan focuses on meeting a number of key performance indicators based on industry best practices:

- focusing 60% of IS resources on support and 40% on new business development
- maintaining current systems, software (no more than one release behind) and hardware (three-year refresh cycle)
- sound IS governance through a senior level steering committee
- ongoing training of IS employees
- maintaining mature information management processes
- having no more than 1% of paper records boxes uncatalogued

Over the next five years, in keeping with governance best practices and TBS guidelines, we will transform our Internal Controls Certification initiative into an ongoing program, with the goal of reporting each year on this work in our Annual Report.

During the early part of the planning period, the Office of the Auditor General of Canada (OAG) will undertake another Special Examination of CDIC. The Corporation will report on the results of this examination and will develop appropriate action plans for any opportunities identified by the OAG.

In preparation for the 2012 *Bank Act* review, CDIC will examine key issues related to the *CDIC Act* such as deposit insurance coverage.

Stakeholder Relations

In addition to our public awareness activities (see page 15), we will continue to report our plans and progress to parliamentarians and all interested stakeholders through publications such as the Annual Report and the Summary of the Corporate Plan, as well as through our website.

CDIC will maintain relations with national and international deposit insurers. Our work will include ongoing and active participation in the International Association of Deposit Insurers (IADI). CDIC's President and CEO will serve on the Executive Council of IADI for a three-year term that commenced in 2007/2008, and CDIC will lead the newly formed IADI Guidance Group. We will participate in a variety of conferences, seminars and similar activities on deposit insurance and related issues. Our work to provide assistance to provincial deposit insurers and to other countries in the development of deposit insurance systems will also continue.

CORPORATE SCORECARD—2008/2009 TO 2012/2013

The scorecard sets out the planned key initiatives and key performance indicators to support each of the three corporate strategies. CDIC will measure its performance against these indicators and report the results in its Annual Report. The resources required to carry out this work are identified in Part 3 of this Summary (page 23).

CORPORATE STRATEGY: STRENGTHENING CORE EXPERTISE AND READINESS	
PLANNED INITIATIVES 2008/2009 TO 2012/2013	KEY PERFORMANCE INDICATORS
Insurance Program and Powers	
Return of Insured Deposits: Consultation with member institutions about premium assessment base.	Return of Insured Deposits and by-laws are current and relevant, and take into account member institutions' input.
<i>Joint & Trust Account Disclosure By-law</i> : Undertake comprehensive review.	
<i>Deposit Insurance Information By-law</i> : Update internal clearance system.	

CORPORATE STRATEGY: STRENGTHENING CORE EXPERTISE AND READINESS

PLANNED INITIATIVES 2008/2009 TO 2012/2013	KEY PERFORMANCE INDICATORS
Insurance Program and Powers	
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, 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.	Valuation model reviewed and updated as required during the planning period.
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.	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.

CORPORATE STRATEGY: PROMOTING DEPOSITOR AWARENESS

PLANNED INITIATIVES 2008/2009 TO 2012/2013	KEY PERFORMANCE INDICATORS
Develop for Board approval, and implement the next long-term public awareness strategy and plan.	Subject to Board approval, maintain a target of 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 AMF, CARP, ACCE and 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.

**CORPORATE STRATEGY: SUSTAINING EFFICIENT GOVERNANCE
AND OPERATIONAL CAPACITY**

PLANNED INITIATIVES 2008/2009 TO 2012/2013	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 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 ERM attestation included in the Annual Report.
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 Information Systems (IS) Strategic Plan.	Initiatives specified in the IS Strategic Plan implemented in accordance with timelines set out in that Plan.
Continue to implement 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 impediments to a productive and motivated work force are identified and addressed.	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.

CORPORATE STRATEGY: SUSTAINING EFFICIENT GOVERNANCE AND OPERATIONAL CAPACITY	
PLANNED INITIATIVES 2008/2009 TO 2012/2013	KEY PERFORMANCE INDICATORS
Regulatory, Legislative and Other Requirements	
Complete implementation of Internal Control Certification initiative arising from Treasury Board Secretariat (TBS) governance measures for Crown corporations.	Internal Control Certification 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.



CDIC's five-year financial plan for 2008/2009 to 2012/2013 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 anticipates maintaining a stable financial position throughout the planning period. The Corporation will manage its operations and costs effectively by regularly reviewing activities and initiatives within the broader context of its changing environment. CDIC will revise its business plans as appropriate to focus resources on the most important initiatives.

CDIC operating budgets do not allow for significant contingencies. Costs for unplanned activities are, whenever possible, absorbed within the existing operating budget. Consequently, 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.

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 CDIC'S FIVE-YEAR FINANCIAL PLAN

Over the five-year planning period (2008/2009 to 2012/2013):

- **Premium revenue** is forecast to total \$381 million (Figure 2) based on premium rates remaining unchanged from those assessed in 2007/2008 for all four premium categories. **Interest income on investments** is forecast to total \$353 million, and **net operating expenses** are budgeted at \$127 million over that same period.
- The adequacy of provisions 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 \$600 million throughout the planning period (Figure 1).
- **Cash and investments** are planned to be \$1.758 billion as at March 31, 2009, and are expected to increase to \$2.195 billion by the end of the planning period at March 31, 2013 (Figure 3).
- **Retained earnings** of \$1.156 billion are planned as at March 31, 2009, and are expected to grow to \$1.591 billion by the end of the planning period at March 31, 2013 (Figure 2).

The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.* The total income tax expense over the five-year planning horizon is forecast to be \$75 million.

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

	2007 Actual	2008 Plan	2008	Forecast				
				2009	2010	2011	2012	2013
Assets								
Cash and investments	1,556	1,666	1,665	1,758	1,858	1,965	2,077	2,195
Accounts receivable	–	1	–	–	–	–	–	–
	1,556	1,667	1,665	1,758	1,858	1,965	2,077	2,195
Capital assets	2	2	2	2	2	2	2	2
Net claims receivable	1	–	–	–	–	–	–	–
	3	2	2	2	2	2	2	2
Future income tax asset	2	1	1	1	1	1	–	–
	1,561	1,670	1,668	1,761	1,861	1,968	2,079	2,197
Liabilities								
Accounts payable	3	5	5	4	4	4	4	4
Income tax payable	8	12	4	1	1	2	2	2
Provision for insurance losses	600	600	600	600	600	600	600	600
	611	617	609	605	605	606	606	606
Retained earnings	950	1,053	1,059	1,156	1,256	1,362	1,473	1,591
	1,561	1,670	1,668	1,761	1,861	1,968	2,079	2,197

* 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 Consolidated Statement of Income and Retained Earnings
for the Year Ending March 31
(\$ millions)

	2007 Actual	2008 Plan	2008	Forecast				
				2009	2010	2011	2012	2013
Revenue								
Premiums	75	67	68	70	73	76	79	83
Interest on cash and investments	56	63	65	65	66	70	74	78
Other revenue	1	–	–	–	–	–	–	–
	132	130	133	135	139	146	153	161
Expenses								
Operating expenses								
Salaries and other personnel costs	11	12	12	12	13	13	14	14
Professional fees	2	3	4	4	3	3	3	3
Premises	3	2	2	3	3	3	3	3
Public awareness	3	3	3	3	3	3	3	3
General expenses	3	3	3	3	3	3	3	3
Data processing costs	1	1	1	1	1	1	1	1
Total operating expenses	23	24	25	26	26	26	27	27
Less cost recovery (FCAC, OSFI) ^a	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net operating expenses ^b	22	23	24	25	25	25	26	26
Adjustment to allowance for losses on claims	(1)	–	–	–	–	–	–	–
Recovery of amounts previously written off	(6)	(13)	(14)	–	–	–	–	–
	15	10	10	25	25	25	26	26
Net income before income tax expense	117	120	123	110	114	121	127	135
Income tax expense	11	13	14	13	14	15	16	17
Net income	106	107	109	97	100	106	111	118
Retained earnings, beginning of year	844	946	950	1,059	1,156	1,256	1,362	1,473
Retained earnings, end of year	950	1,053	1,059	1,156	1,256	1,362	1,473	1,591

^aCDIC 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. These costs are included in the relevant expense categories.

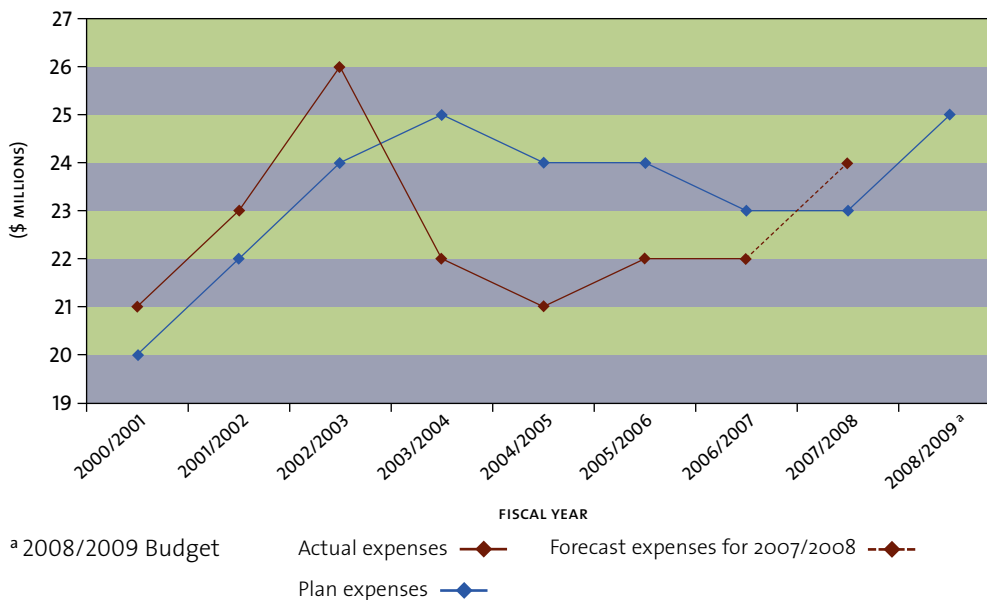
^bExpense estimates for fiscal years 2009/2010 through 2012/2013 are subject to further development and will be dependent on specific plans developed for those years.

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

	2007 Actual	2008 Plan	2008	Forecast				
				2009	2010	2011	2012	2013
Operating Activities								
Premium revenue received	75	67	68	70	73	76	79	83
Claims recovered	5	–	1	–	–	–	–	–
Interest revenue received	56	63	65	65	66	70	74	78
Recovery of amounts previously written off	6	13	14	–	–	–	–	–
Other amounts received	1	–	2	–	–	–	–	–
Payment of income taxes	(8)	(10)	(17)	(16)	(14)	(14)	(15)	(17)
Payments to suppliers and employees	(28)	(22)	(23)	(25)	(24)	(24)	(25)	(25)
Capital assets purchased	–	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cash flows from operating activities	107	110	109	93	100	107	112	118
Cash and Investments								
Increase during the year	107	110	109	93	100	107	112	118
Balance, beginning of year	1,449	1,556	1,556	1,665	1,758	1,858	1,965	2,077
Balance, end of year	1,556	1,666	1,665	1,758	1,858	1,965	2,077	2,195

Figure 4 depicts the history of CDIC's actual and budgeted operating expenditures from 2000/2001 to 2008/2009.

Figure 4: Historical Overview of Actual and Budgeted Net Operating Expenses



EX ANTE FUNDING

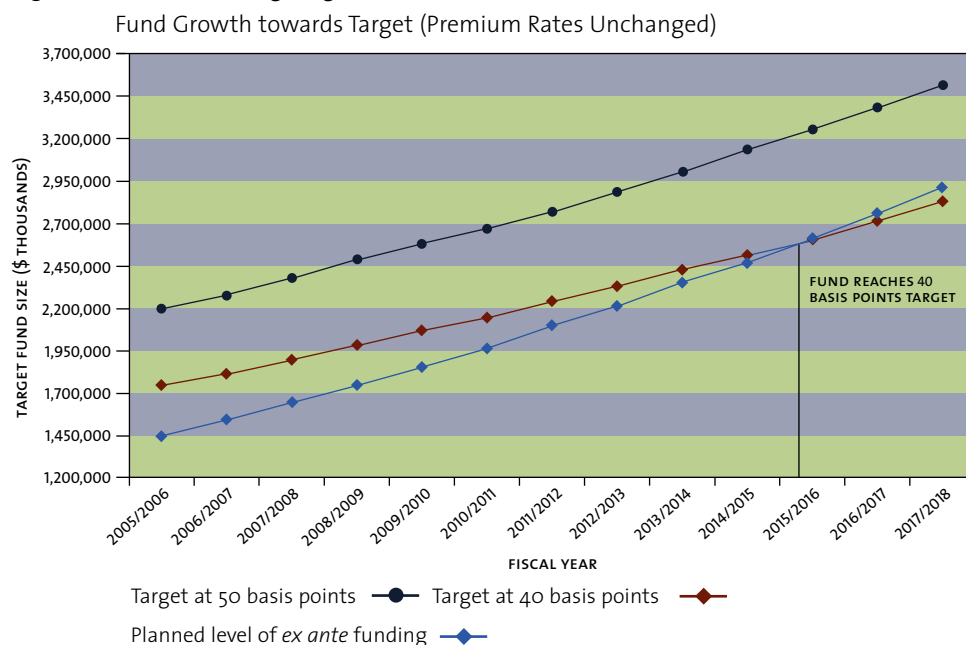
CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed.

In 2003/2004, CDIC's Board of Directors resolved that as a matter of prudence, CDIC ought to have an amount of advance funding available for possible deposit insurance losses. The Board established its *ex ante* funding target at 40 to 50 basis points of insured deposits, determining that such a level would allow CDIC to carry out its mandate effectively and efficiently in the event of a member failure. 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 \$1.9 billion to \$2.4 billion, based on levels of insured deposits as at April 30, 2007. As at December 31, 2007, the level of *ex ante* funding was \$1.6 billion or 34 basis points of insured deposits.

Based on the assumption that premium rates will remain the same as last year, the bottom of the target range will be reached in fiscal 2015/2016 (see Figure 5). This reflects a three-year extension over the estimate in the last Corporate Plan. Progress toward the target is continuing at a slower pace than previously forecast due to an increase in estimated growth of insured deposits to 4% from 3% and a forecast decline in the yield on the investment portfolio.

Figure 5: *Ex Ante* Funding Progression



OPERATING BUDGET—2008/2009

A summary of CDIC's operating budget is set out in Figure 6, below.

Figure 6: Operating Budget
(\$ millions)

	2007 Actual	2008 Plan	2008 Forecast	2009 Budget
Revenue				
Premiums	74.8	67.5	67.8	70.5
Interest income	56.4	62.7	65.1	64.9
	131.2	130.2	132.9	135.4
Operating Expenses				
Salaries and other personnel costs	11.2	11.5	11.4	12.4
Inspection, legal and other fees	2.1	2.7	3.4	3.9
Premises	2.5	2.4	2.4	2.5
Public awareness	2.7	2.7	2.7	2.7
General expenses	2.9	3.4	3.2	3.4
Data processing	1.0	1.4	1.3	1.3
Total operating expenses	22.4	24.1	24.4	26.2
Less cost recovery (FCAC, OSFI) ^a	(0.9)	(0.7)	(0.6)	(0.9)
Net operating expenses	21.5	23.4	23.8	25.3
Recovery of amounts previously written off	(6.0)	(13.0)	(13.8)	—
	15.5	10.4	10.0	25.3
Adjustment to provisions	(0.7)	—	—	—
	14.8	10.4	10.0	25.3
Net income before income tax expense	116.4	119.8	122.9	110.1
Income tax expense	11.3	12.7	13.6	13.3
Net income	105.1	107.1	109.3	96.8

^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, l'Autorité des marchés financiers (AMF) in Québec normally contributes to CDIC's public awareness campaign. These costs are included in the relevant expense categories.

CAPITAL BUDGET—2008/2009

The budget for capital expenditures in 2008/2009 is \$750,000. The capital budget is summarized in Figure 7, below.

Figure 7: Analysis of Capital Plans
for Years Ending March 31
(\$ thousands)

	2007 Actual	2008 Plan	2008 Forecast	2009 Plan
Furniture and equipment	98	100	53	100
Computer hardware	397	600	374	650
Total	495	700	427	750

The capital budget is largely used to maintain computer hardware based on the refresh cycle in accordance with the Corporation's IS Strategic Plan—the cycle is also consistent with industry practice benchmarks.

ACCOUNTING ISSUES

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles. The financial statements do not reflect the assets, liabilities or operations of failed member institutions in which CDIC has intervened.

The Canadian Institute of Chartered Accountants (CICA) has adopted two accounting standards that came into effect in the Corporation's 2007/2008 fiscal year. As noted, this Corporate Plan Summary assumes that the market value of its marketable securities is equal to the book value and, as a result, "Other Comprehensive Income" is not reflected in the forecasts in this Plan.

The following is a description of the two accounting standards:

- **CICA Handbook, Section 3855—Financial Instruments, Recognition and Measurement—** This section of the Handbook sets out criteria for the recognition, derecognition, measurement and classification of financial instruments. The allowable classifications of financial assets are "held for trading," "held to maturity," "available for sale," or as "loans and receivables." The related accounting treatment depends on the classification. CDIC has elected to account for its marketable securities as available for sale and, as a result, will be required for the year ended March 31, 2008, to account for such securities at market value.
- **CICA Handbook, Section 1530—Comprehensive Income—** This section of the Handbook requires certain gains and losses that would otherwise be recorded as part of net income to be presented in a separate financial statement until such time as it is considered appropriate for them to be recognized in net income (e.g., unrealized gains and losses on financial assets). CDIC will be required for the year ended March 31, 2008, to present a new financial statement entitled "Comprehensive Income" as part of its financial statements. Unrealized gains and losses on those assets categorized as available for sale will be temporarily recorded in "Other Comprehensive Income" until they are realized.

Looking ahead, the Accounting Standards Board Canada has confirmed that, for publicly accountable enterprises, including CDIC, Canadian generally acceptable accounting principles will be changed over to International Financial Reporting Standards for fiscal years starting on or after January 1, 2011.

BORROWING PLAN

At December 31, 2007, 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 the funding, investing and risk management requirements of CDIC's Asset/Liability Management Committee (ALCO).

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 \$6 billion, or such greater amount as may be authorized by Parliament under an appropriation act. The Act also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

CDIC has the ability to borrow funds, if required, by issuing commercial paper and/or medium-term notes in domestic and other markets. In the event funding is required, the borrowing program would be adjusted to satisfy any borrowing activity over the planning period. Borrowings are not anticipated during the planning period. An information memorandum to support this program has been developed. Any debt issuance within the borrowing program requires specific approval of the Board of Directors and authorization by the Minister of Finance.

CDIC has adopted a strategy that its investment portfolio is 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 applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period.

HUMAN RESOURCE REQUIREMENTS

The Corporation reduced its overall person-year count during 2005/2006 to reflect changes to its operations arising from the 2005 Budget legislation. These reductions stemmed largely from the repeal of CDIC's Standards and the removal of entry responsibilities for federal institutions. The associated savings from these reductions will continue to be realized during the planning period. Figure 8 presents CDIC's human resource levels from 1999/2000 to present, as well as those planned for 2008/2009.

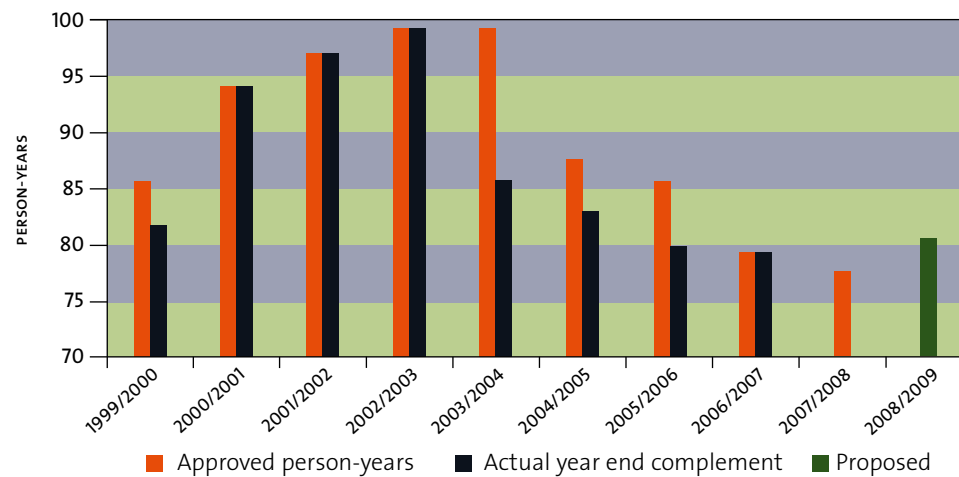
Figure 8: Human Resource Levels—1999/2000 to 2008/2009

Figure 9 provides an overview of the human resource requirements for the five-year planning period. It reflects the additional person-years that will be required to carry out the Payout Capacity Enhancement Project (page 15). There are no other significant changes planned to the overall person-year count during the period.

Figure 9: Human Resource Requirements—2007/2008 to 2012/2013

	2007/2008 Plan	2008/2009 to 2012/2013 (Proposed)
Finance and Administration	31	32
Insurance and Risk Assessment	25	27
Corporate Affairs	18	19
Executive	4	3
FCAC ^a	4	4
OSFI ^a	1	1
Sub-total	83	86
Less: Assigned to FCAC and OSFI	(5)	(5)
Total	78	81

^a CDIC provides call centre services to FCAC and OSFI on a cost-recovery basis. In support of these services, CDIC engages additional resources totalling five person-years, the cost of which is recovered from FCAC and OSFI.

CDIC operates with a core capacity of expert employees and augments these skills as necessary to deal with specific challenges by mobilizing a larger work force either directly through outsourcing by CDIC, or indirectly through liquidators or receivers, or through workout or wind-down arrangements. These arrangements may include additional employees, contract personnel, consultants, insolvency and legal professionals, and other service providers.



PERFORMANCE AGAINST PAST PLANS

HIGHLIGHTS OF CDIC'S PAST PERFORMANCE— 2007/2008 TO 2011/2012

CDIC's Corporate Plan 2007/2008 to 2011/2012 identified three corporate strategies, developed to support the Corporation's business objects and based on CDIC's assessment of its operational environment and risks. The strategies are:

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

CDIC's performance to date against these corporate strategies is summarized in the current Corporate Scorecard, set out on the following pages.

The Corporate Scorecard shows that 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 2007/2008. Only three of the eighteen indicators are not proceeding as planned:

- Technical amendments to be made to the differential premiums system for the 2009 premium year do not require significant consultation. Nevertheless, one to two years of Basel II data is needed to be available in order for CDIC to effectively consult on potential amendments to the differential premiums system. The revised time frame is to complete consultations and make appropriate amendments to the differential premiums system for the 2010 premium year.
- Training on special examination methodology and on the valuation model has been postponed due to other priorities assigned to Risk Managers. We are currently projecting a one-quarter delay in the completion of this initiative.
- At the request of the Board of Directors, further research into target awareness audiences and delivery options is being conducted. It is anticipated that the new long-term public awareness strategy will be completed by June 2008—a one quarter delay.

4

CDIC CORPORATE SCORECARD—2007/2008 TO 2011/2012

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 our members, and have the ability to anticipate and react to events and to manage its insurance risk. The Corporation will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolutions.	Insurance	
	<ul style="list-style-type: none"> Amend the differential premiums system to address the impact of Basel II implementation and new accounting rules Review premium assessment base 	<ul style="list-style-type: none"> First phase of consultation with members will be underway by March 31, 2008, in support of appropriate amendments to the differential premiums system being made during the planning period ▼ Complete first phase of member consultation and make recommendations to the Board on future direction ▲
	Risk Monitoring	
	<ul style="list-style-type: none"> Upgrade the data warehouse to take advantage of technology improvements and respond to the changes to financial regulatory reporting Improve the system supporting the monitoring of member institutions 	<ul style="list-style-type: none"> Data warehouse technology updates and testing will be completed by March 31, 2008 ▲ System enhancements in support of the development of more current and efficient Risk Assessment Profiles of member institutions will be completed, tested and in use by March 2008 ▲
	Intervention and Resolution	
	<ul style="list-style-type: none"> Conduct training on special examination methodology and on the valuation model Finalize the assessment of readiness for non-payout resolution and documenting optimal solutions by peer group of member institutions Enhance the ROADMAP payout application to facilitate it supporting a payout of member institutions with larger deposit bases Perform annual simulations 	<ul style="list-style-type: none"> All risk managers will receive training on these two intervention tools by March 31, 2008 ▼ A "toolbox" of non-payout failure resolution strategies and supporting documentation by peer group will be developed by March 31, 2008 ▲ ROADMAP payout application will be upgraded and tested by March 31, 2008 ▲ Conduct end-to-end and limited scope simulations by March 31, 2008. The success of the simulation to be validated based on a review by a qualified independent party ▲

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—2007/2008 TO 2011/2012

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 Awareness CDIC must work to increase public awareness of deposit insurance and of its benefits and limitations. Through our targeted, long-term approach, we will carry out public awareness initiatives that build on past years' initiatives, with continued emphasis on the increase in the deposit insurance coverage limit to \$100,000.	<ul style="list-style-type: none"> Implement year three of the current three-year public awareness strategy and plan Conduct research related to target audiences and develop new long-term public awareness strategy and plan 	<ul style="list-style-type: none"> Higher than 50% awareness of CDIC and higher than 25% awareness of the \$100,000 deposit insurance coverage limit ▲ Implementation of a new long-term public awareness strategy and plan 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. Therefore, CDIC must manage its significant risks, demonstrate leadership in governance, and continue to work actively with all its key stakeholders, which include: member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.	Assessing Corporate Risk <ul style="list-style-type: none"> Continue to conduct annual assessments of CDIC's significant corporate risks, review CDIC's risk policies, and provide an annual report to stakeholders about the management of CDIC's significant corporate risks Significant risks are assessed annually; risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels ▲ 	
	Addressing Regulatory, Legislative and Other Requirements, and Monitoring Governance Best Practices <ul style="list-style-type: none"> Implement a corporate-wide process to identify, assess and monitor CDIC's compliance with applicable statutes, regulations, guidelines and other requirements to which CDIC is subject, including providing an annual compliance report to CDIC's Board A corporate-wide compliance process and reporting structure will be in place by March 31, 2008 ▲ CDIC will address the CICA's recommendations on financial instruments and comprehensive income, and its 2007/2008 financial statements will appropriately reflect these recommendations ▲ CDIC will receive an unqualified audit opinion on its 2007/2008 financial statements ▲ Implement any applicable outstanding guidance regarding the Treasury Board Secretariat (TBS) governance measures for Crown corporations Timely implementation of guidance regarding the TBS governance measures for Crown corporations—as applicable to CDIC ▲ 	

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

4

CDIC CORPORATE SCORECARD—2007/2008 TO 2011/2012

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. Therefore, CDIC must manage its significant risks, demonstrate leadership in governance, and continue to work actively with all its key stakeholders, which include: member institutions, the depositing public, employees, parliamentarians, regulators, supervisors, and other deposit insurers in Canada and around the world.	Supporting Our Employees	
	<ul style="list-style-type: none"> Monitor employee satisfaction on a periodic basis to ensure that there are no impediments to a productive and motivated work force Continue to implement the Human Resources (HR) Strategy and Plan 	<ul style="list-style-type: none"> An employee survey will be undertaken with the survey results analyzed and addressed during the planning period ▲ Initiatives specified in the HR Strategy and Plan will be implemented in accordance with timelines set out in that Plan ▲
	Infrastructure and Operations Improvements	
	<ul style="list-style-type: none"> Continue to implement the Information Systems (IS) Strategic Plan 	<ul style="list-style-type: none"> Initiatives specified in the IS Strategic Plan will be 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.

PAST FINANCIAL PERFORMANCE—2006/2007 AND 2007/2008

HIGHLIGHTS

The Consolidated Balance Sheet and Consolidated Statement of Income and Retained Earnings providing the progression of the 2006/2007 and 2007/2008 Plans are presented as Figure 10 and Figure 11 on the following pages. These financial statements include the Corporation's financial results for 2006/2007 against its approved Plan for the same year, as well as the 2007/2008 forecast against Plan.

Effective April 1, 2005, the Corporation adopted Accounting Guideline 15—Consolidation of Variable Interest Entities (AcG-15) issued by CICA, which required that Adelaide Capital Corporation (a variable interest entity) be consolidated with CDIC. The impact of the consolidation of Adelaide Capital Corporation on CDIC's 2007 financial statements is an increase in assets of \$1.5 million and an increase in liabilities of \$24 thousand, as well as an increase in total revenue of \$569 thousand and an increase in total expenses of \$283 thousand. As a result, the impact on the Corporation's retained earnings is \$1.5 million.

Figure 10: Consolidated Balance Sheet
Progression of 2006/2007 and 2007/2008 Plans
as at March 31
(\$ millions)

	2007 Plan	2007 Actual	2008 Plan	2008 Forecast
Assets				
Cash and investments	1,558	1,556	1,666	1,665
Accounts receivable	1	–	1	–
	1,559	1,556	1,667	1,665
Capital assets	2	2	2	2
Claims receivable	–	1	–	–
	2	3	2	2
Future income tax asset	2	2	1	1
	1,563	1,561	1,670	1,668
Liabilities				
Accounts payable and accrued liabilities	8	3	5	5
Income tax payable	10	8	12	4
Provision for insurance losses	650	600	600	600
	668	611	617	609
Retained earnings	895	950	1,053	1,059
	1,563	1,561	1,670	1,668

Figure 11: Consolidated Statement of Income and Retained Earnings
Progression of 2006/2007 and 2007/2008 Plans
for the Year Ending March 31
(\$ millions)

	2007 Plan	2007 Actual	2008 Plan	2008 Forecast
Revenue				
Premiums	67	75	67	68
Interest on cash and investments	53	56	63	65
Other revenue	—	1	—	—
	120	132	130	133
Expenses				
Adjustment to allowance for losses on claims	—	(1)	—	—
Recovery of amounts previously written off	(16)	(6)	(13)	(14)
Net operating expenses	23	22	23	24
	7	15	10	10
Net income before income tax expense	113	117	120	123
Income tax expense	10	11	13	14
Net income	103	106	107	109
Retained earnings, beginning of year	792	844	946	950
Retained earnings, end of year	895	950	1,053	1,059

Commentary: 2006/2007 Actual to Plan

- **Net income** was \$106 million for the year ended March 31, 2007, \$3 million higher than planned. This positive variance is primarily due to the higher-than-planned total revenue, offset by the lower-than-planned recoveries of amounts previously written off.
- **Premium revenue** was \$75 million, or \$8 million higher than planned. This difference is the result of higher-than-expected insured deposits leading to higher premium revenue.
- **Interest on cash and investments** was \$56 million, \$3 million higher than planned due to higher-than-anticipated yields on investments.
- **Recoveries of amounts previously written off** were \$10 million lower than planned, due to delays in anticipated recoveries from certain estates.
- **Net operating expenses** were \$1 million lower than planned, due to lower-than-planned spending in areas such as professional fees, general expenses and data processing.
- The **provision for insurance losses** at the end of 2006/2007 was \$600 million; \$50 million lower than estimated in the Plan—as explained in the next bullet.
- **Retained earnings** were \$55 million higher than planned. This variance primarily reflects a higher-than-planned opening balance of retained earnings (\$59 million higher than planned), due to a lower-than-planned adjustment to the provision for insurance losses in 2005/2006. At the time the Plan was developed, it was anticipated that CDIC's provision for insurance losses would be \$650 million. The actual provision was \$600 million.

Commentary: 2007/2008 Forecast to Plan

- **Net income** is forecast to be \$109 million, or \$2 million higher than planned, due to higher-than-planned premium and interest revenues, and higher-than-planned recoveries of amounts previously written off, partially offset by higher-than-planned operating expenses and an increase in income taxes.
- **Premium revenue** is expected to exceed the Plan by \$1 million due to a higher-than-planned increase in insured deposits.
- **Interest on cash and investments** is forecast to exceed the Plan by \$2 million, the result of higher interest rates overall, and of a larger-than-planned investment portfolio due to higher-than-expected premium revenue.
- **Net operating expenses** include Board-approved but unplanned expenses related to a Payout Capacity Enhancement project. As a result of these unplanned expenses, net operating expenses are expected to exceed the Plan by \$1 million.
- The **provision for insurance losses** is expected to remain at \$600 million.



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.

CDIC VALUES

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

Our 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



Mixed Sources
Product group from well-managed
forests, controlled sources and
recycled wood or fiber

Cert no. SW-COC-1506
www.fsc.org
© 1996 Forest Stewardship Council